



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## **SENATE**

STANDING COMMITTEE ON FINANCE AND PUBLIC  
ADMINISTRATION

ESTIMATES

**(Budget Estimates)**

THURSDAY, 29 MAY 2008

CANBERRA

BY AUTHORITY OF THE SENATE



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

**Thursday, 29 May 2008**

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

**Participating members:** Senators Abetz, Adams, Barnett, Bartlett, Bernardi, Birmingham, Mark Bishop, Boswell, Boyce, Brandis, Bob Brown, Bushby, George Campbell, Chapman, Colbeck, Coonan, Cormann, Crossin, Eggleston, Ellison, Fielding, Fisher, Forshaw, Hefferman, Hogg, Humphries, Hurley, Hutchins, Johnston, Joyce, Kemp, Kirk, Lightfoot, Lundy, Ian Macdonald, Sandy Macdonald, McEwen, McGauran, McLucas, Marshall, Mason, Milne, Minchin, Nash, Nettle, O'Brien, Parry, Patterson, Payne, Ronaldson, Scullion, Siewert, Stephens, Sterle, Troeth, Trood, Webber and Wortley

**Senators in attendance:** Senators Carol Brown, Jacinta Collins, Coonan, Fierravanti-Wells, Fifield, Forshaw, Johnston, Ian Macdonald, Milne, Moore, Murray, Polley, Ronaldson and Watson

**Committee met at 9 am**

**FINANCE AND DEREGULATION PORTFOLIO**

Consideration resumed from 28 May 2008

**In Attendance**

Senator Faulkner, Special Minister of State and Cabinet Secretary

**Department of Finance and Deregulation**

**Executive**

Dr Ian Watt, Secretary

**General**

Ms Jan Mason, General Manager, Corporate and Parliamentary Services

Mr John Edge, Division Manager, Corporate Services

Mr David Yarra, Chief Audit Executive

Ms Emma McDonald, Acting 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

Mr Daniel Collet, CAPS Point Person

Mr Michael Burton, General Manager, Financial and e-Solutions Group

Mr Andrew Harvey, Acting Branch Manager, CFO Unit

**Outcome 1**

Dr Paul Grimes, General Manager, Budget Group

Mr Lembit Suur, Head of Taskforce, Expenditure Review Taskforce

Dr Greg Feeney, Acting 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 Donna Phillips, Branch Manager, Budget Coordination Branch  
Mr Arthur Camilleri, Branch Manager, Long Term Budget Policy Branch  
Mr Tim Pyne, Branch Manager, Budget Analysis Branch  
Mr Geoff Painton, Branch Manager, Central Agencies Branch  
Ms Sharon Ong, Branch Manager, Health and Ageing 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 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, 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 Services  
Mr Greg Smith, CAPS Point Person  
Mr Daniel Collet, 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 Graham Fry, Division Manager, AGIMO  
Mr Trevor Smallwood, Branch Manager, Capability Building Projects  
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  
Mr Brad Edgman, Director

**ComSuper**

Mr Leo Bator, Chief Executive Officer  
Ms Cindy Briscoe, 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

**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

**Medibank Private Ltd**

Mr George Savvides, Managing Director, Medibank Private

**CHAIR (Senator Polley)**—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 and certain expenditure for 2008-09 and the particulars of proposed and certain supplementary expenditure for 2007-08 for the parliamentary departments and portfolios of Prime Minister and Cabinet, Finance, Deregulation and Human Services. The committee may also examine the annual reports of the departments and agencies appearing before it.

The committee has fixed 11 July 2008 as the date for the return of answers to questions on notice. The committee's proceedings today will continue with its examination of the Finance and Deregulation portfolio. Later today the committee will examine the Human Services portfolio, followed by the Department of Climate Change. I propose to proceed by opening with the Australian Electoral Commission and then calling on the outcomes and outputs 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 may be treated by the Senate as a contempt. It is 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 department and agencies which are seeking funds are relevant questions for the purpose of estimates hearings.

I remind officers that the Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has the discretion to withhold details or explanations from the parliament or its committee unless the parliament has expressly provided otherwise. The Senate has also resolved that an officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted.

If a witness objects to answering a question, the witness should state the grounds 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 concerning commercial-in-confidence must be made by the minister and should be accompanied by a statement setting out the basis for the claim, including what possible commercial harm may result.

[9.03 am]

#### **Australian Electoral Commission**

**CHAIR**—Welcome. Senator Faulkner, do you wish to make an opening statement?

**Senator Faulkner**—I do not wish to.

**Senator FIFIELD**—Perhaps we might start with a longstanding tradition of this committee, and that is an update on compliance matters the AEC is currently considering.

**Mr Pirani**—We publish updates on the internet as to the ongoing investigations. There are a couple of outstanding matters that we still have in relation to a number of allegations that have been referred to us about failing to include details in various annual or candidate returns. At this stage the matters that we still are dealing with include an allegation involving payment of legal fees involving a person, a Mr Russell Galt. We also have the matter involving donations by the Transport Workers Union to the ALP in New South Wales. The last matter we have is contributions by trade unions to the ALP that Senator Fierravanti-Wells referred to us.

In relation to the last matter that Senator Fierravanti-Wells referred to the AEC, there is still one return that we are waiting on before we are able to conclude that matter. But at this stage we have not been able to discover any evidence that would support a conclusion that anybody has failed to meet their legal requirement in lodging returns.

In relation to the TWU donations to the ALP and the amounts of the donations that were included in the referral, we appear to have been able to reconcile those with the returns that have thus been provided by the ALP and at this stage we have no evidence of any breach in that matter.

In relation to the Galt matter, we are still investigating that, and recently some further notices were issued to obtain additional information in that matter. Those are the three matters that we have outstanding at this time.

**Senator FIFIELD**—That is a shorter list than you usually have. Does that mean people have been better behaved?

**Mr Pirani**—The issue is that we have an increased awareness of what people's obligations are under our legislation. We have been out there with an education campaign, an awareness campaign, trying to ensure that people are aware of their obligations. We do have for the first time the third party annual returns under 314AEB of the Commonwealth Electoral Act, and at this stage we are still evaluating those returns.

We sent out about 900-odd letters to various academic institutions, newspapers, and policy think tanks to get returns. Most of the responses that we got indicated that they had no reporting obligations. We also have at this stage candidates' returns that we put up on the internet on 12 May. Of those, there are some 37 still outstanding as of yesterday. Those are matters that we will be making further investigations and inquiries into.

**Senator FIFIELD**—Outstanding in that they have not met the required time frame?

**Mr Pirani**—That is correct.

**Senator FIFIELD**—You mentioned that the awareness of obligations is higher and you have an information campaign. What are the elements of that? What steps have you taken to raise awareness?

**Mr Pirani**—It has mainly been by the internet and by letters that we have been making people aware of their obligations, and particularly with the new 314AEB obligations on third parties. The first lodgements under that obligation were required in February. We are still going through and evaluating those who indicated that they did not have an obligation to return, and we will be doing various compliance audits to ensure that we are reasonably satisfied that they are current in indicating that they did not have any reportable expenditure above the \$10,300 limit.

**Senator FIFIELD**—Mr Campbell, how did you fare in the budget?

**Mr Campbell**—Like other Commonwealth agencies, we are subjected to the extra two percentage point efficiency dividend. But apart from that our budget was pretty straightforward. Well, including that, our budget was a pretty straightforward process.

**Senator FIFIELD**—So you have the resources to do what you need to do?

**Mr Campbell**—I think I would not be alone in this town if I said I would like more. But I am confident that the AEC can perform its statutory duties in the next 12 months with our resources, yes.

**Senator FIFIELD**—Did you ask for more through the ERC process through your minister?

**Mr Campbell**—No.

**Senator FIFIELD**—You are very modest and efficient, Mr Campbell.

**Mr Campbell**—The AEC is efficient.

**Senator FIFIELD**—Following their leadership, Mr Campbell, I am sure.

**CHAIR**—Are there any further questions?

**Senator CAROL BROWN**—I have some questions about regulations for what I suppose could be termed paid features and whether they have to carry authorisations or be clearly marked as advertisements. What I am talking about is an advertisement in a newspaper that actually looks like it is a news story yet it is in fact being paid for—an advertorial.

**Mr Pirani**—The two relevant provisions in the Commonwealth Electoral Act are section 328, which is the requirement to have the name and address of the person who authorised an electoral advertisement. An electoral advertisement is defined as an advertisement that contains electoral matter, which is defined in section 4(9). It has a very broad meaning. Virtually anything in relation to a Commonwealth election is regarded as an electoral matter and therefore an electoral advertisement.

Section 331 of the act is the other provision. It says in subsection (1) that where an advertisement in a journal contains electoral matter the proprietor of the journal must cause the word ‘advertisement’ to be printed as a headline to the advertisement. There is a fine line between what is a paid for electoral advertisement and what is a genuine editorial. If it is paid for and we have evidence of that, we would regard that as an electoral advertisement, and it would be something therefore for which they would be required to have authorisation and to be headed as an electoral advertisement.

**Senator CAROL BROWN**—If the story is essentially a story about an opening of a shop or something like that, but it was accompanied by pictures that identified the owner and a candidate and named the candidate as—this is during an election period, obviously—as the candidate for whatever, would that fall within those guidelines?

**Mr Pirani**—Probably not. The reason for that is the actual publication in the newspaper would need to be paid for for it to be regarded as an advertisement.

**Senator CAROL BROWN**—It is a paid feature. I am talking about features that look like normal news stories that are actually being paid for by the owners of businesses or community groups.

**Mr Pirani**—But if it is paid for by the owner of the business or community group, it might not be regarded as an electoral advertisement. The mere fact that it refers to a candidate or an MP in it may not necessarily make it regarded as an electoral advertisement. As I mentioned earlier, the definition of ‘electoral matter’ in section 4(9) is very, very wide. It says:

- (9) Without limiting the generality of the definition of electoral matter in subsection (1), matter shall be taken to be intended or likely to affect voting in an election if it contains an express or implicit reference to, or comment on:
- (a) the election;
  - (b) the Government, the Opposition, a previous Government or a previous Opposition;
  - (c) the Government or Opposition, or a previous Government or Opposition, of a State or Territory;

- (d) a member or former member of the Parliament of the Commonwealth or a State or of the legislature of a Territory;
- (e) a political party, a branch or division of a political party or a candidate or group of candidates in the election; or
- (f) an issue submitted to, or otherwise before, the electors in connection with the election.

It is very broad. Our problem is that, if we are going to police this, we are dealing with a criminal offence and we would need to have evidence of the requisite criminal standard of proof to be able to successfully do a prosecution. There is a grey area there. We have published on the internet *Electoral Backgrounder No. 15: Electoral Advertising*. We try to give an explanation as to what the legal requirements are. But there is a grey area there.

**Senator CAROL BROWN**—Do you send out information about what the requirements are to newspaper and regional newspapers?

**Mr Pirani**—We have had various allegations during the last election campaign. We wrote out to any newspapers involved with a copy of *Electoral Backgrounder* and a copy of the relevant provisions of the act. The offence under the act is the publication of the electoral matter and so that can include both the newspaper and any media outlet that picks it up as well as the person who caused it to be published. We do try to assist in that regard. There were several instances I can recall from the last election campaign where we did send out warning letters to several newspapers.

**Senator RONALDSON**—Are you normally consulted by the minister in relation to legislation pertaining to the administration of the act?

**Mr Campbell**—Yes, the AEC is usually consulted and, depending on the relevant legislation, might be involved.

**Senator RONALDSON**—I take it you were consulted in relation to the Commonwealth Electoral Amendment (Political Donations and Other Measures) Bill 2008?

**Mr Campbell**—I knew about it. But it depends in this context on what you mean by ‘consulted’. But, yes, I was aware of it. There were discussions.

**Senator RONALDSON**—Were you asked to provide some advice in relation to it?

**Mr Campbell**—There were discussions, yes.

**Senator RONALDSON**—Was that a request for commentary in relation to the provisions of the bill or were you asked for some input to enable the bill to be formulated? Were you commenting pre the formulation of the bill or were you commenting post the formulation of the draft bill?

**Mr Campbell**—It depends upon the issue. But in some cases both. In some cases just the formulation after the decision has been made by the government.

**Senator RONALDSON**—I understand. Do you know what the situation was in relation to this particular bill?

**Mr Campbell**—There were a number of elements of the bill. On some of those we had some commentary or discussion prior to the decision, and others the government took and we assisted the department of finance in preparing drafting instructions for the OPC.

**Senator RONALDSON**—Is this one of the bills where there was some pre and post, for want of a better word?

**Mr Campbell**—That is right.

**Senator RONALDSON**—Did you provide any advice or were you asked to provide any advice on the potential administrative burdens for political parties in relation to any of the proposed changes in this bill?

**Mr Campbell**—You are getting very close to that area where advice was between myself and the relevant minister. My process is that I normally do not talk about the advice that I provide to ministers on issues like that.

**Senator RONALDSON**—Minister, are you able to assist with whether there was any advice provided in relation to the administrative burdens that may or may not be placed on political parties, in particular minor parties, in relation to these proposed changes?

**Senator Faulkner**—I am not disrespectful of the Electoral Commissioner in what he has just said. Nor am I unaware of how these sorts of questions have been answered previously. I can give you a ministerial perspective on this. Of course, the advice on a whole range of elements of any proposed legislation from the AEC I treat as minister as a critically important input. Of course, the commissioner and the AEC is aware of that. You would probably be surprised if I did not do that. Of course, the commission provides frank advice to the minister, who has ministerial responsibility for the Commonwealth Electoral Act. You would expect that. That has occurred. It is appreciated and valued, as far as I am concerned, and also, I can assure you, taken account of.

**Senator RONALDSON**—I take it that neither of you is prepared to discuss the specific advice in relation to this matter?

**Senator Faulkner**—As the Electoral Commissioner has indicated, that sort of advice to government, as you are well aware, is not canvassed or detailed at committees like this. But what underpinned your previous question, which I appreciated, is whether the government or me as minister took account of AEC input and advice in what tends to be quite an iterative process as draft legislation is developed. I can assure you, without going to the content of advice that that is the case. I can absolutely give you that assurance.

**Senator RONALDSON**—Mr Campbell, have you started the preparation of your submission to JSCEM in relation to the last federal election?

**Mr Campbell**—Certainly. It is well advanced.

**Senator RONALDSON**—What is the likely timetable for the lodgement of that submission?

**Mr Campbell**—Early to mid-June. What has happened in previous inquiries after a federal event, we have traditionally made one or two submissions early on, at this time frame, May/June, and then as the hearings proceed and other matters are raised the joint standing committee is often asked for other views and we have put in supplementary submissions addressing particular issues. But our major submission we envisage being with the committee by early to mid-June, mid-June at the latest

**Senator RONALDSON**—Will that be your major submission?

**Mr Campbell**—That will be our major submission.

**Senator RONALDSON**—After the 2004 election, can you remember offhand when your major submission in a time sense was lodged?

**Mr Campbell**—There were two submissions made at what we are calling the time of the main submission. One of those was specifically on the issue of postal voting after the 2004 election. The other one was the more general one. Both of those were made in a similar time frame. They were both made by the end of June 2005.

**Senator RONALDSON**—I take it from that answer that you have not been asked to complete your submission by the minister or anyone else earlier than you might have previously planned to do it?

**Mr Campbell**—No. Indeed, the submission that I make to the joint standing committee, under parliamentary privilege, goes to the parliamentary committee. I do not give it to anybody else. I do not show a draft and I do not show the final to the minister, either this time or previously. The minister of the day will get that submission when the parliamentary committee releases it.

**Senator RONALDSON**—I understand. You might have misunderstood my question, and I accept full responsibility, as I asked it. I did not ask you whether the submission would be given to the minister. I am acutely aware that that is not the situation. What I was asking was had you received any requests from the minister's office to bring forward the lodgement of your submission?

**Mr Campbell**—No, there has been no discussion between myself and the minister or anybody in the minister's office or any of my staff about the timing of the submission.

**Senator FIERRAVANTI-WELLS**—I was on the Joint Standing Committee on Electoral Matters when we did an investigation into certain aspects of administration in the Australian Electoral Commission, in particular at Chatswood. There were concerns raised about the administration of the Chatswood office. Of course, the Chatswood office administers the four electorates of Bennelong, North Sydney, Berowra and Bradfield, from memory. Were these followed up? More importantly, our report recommended that this warranted further investigation by the Auditor-General. Has that occurred? Has the matter been referred to the Auditor-General and, if so, have there been any outcomes?

**Mr Campbell**—If I take that question in two parts?

**Senator FIERRAVANTI-WELLS**—Certainly.

**Mr Campbell**—Management in the AEC were aware of the concerns of some of the staff at Chatswood. As I think I have probably indicated at the time of the hearing, I thought some of those were not overstated and were not representative of what happened elsewhere in the AEC. But that point aside, the report came down. Of course, the report had four recommendations. The first three were to do with the question of amalgamated and collocated offices. The fourth one was to do with the future of the national tally room. It is not the AEC that responds to those recommendations. That is a matter for government to respond to. That response will be prepared within the portfolio but not by the AEC.

**Mr Loudon**—At the moment the government is considering the response to the JSCEM report into that administration.

**Senator FIERRAVANTI-WELLS**—Given the concerns that were raised, was there any impact on the conduct of the last election at that office in Chatswood? I am conscious of some of the changes that did occur in that area for which that office was responsible.

**Mr Campbell**—Again, this is in two parts. One of the things that we will be mentioning in our submission to the joint standing committee, which I was just having a discussion with Senator Ronaldson about, will be the performance of all of our collocated offices during the election. That will not be the major part of the submission but it will be mentioned. To come to Chatswood per se, in the wash-up of the four divisions in the Chatswood site, and their performance during the election, I think they performed on a par with the other 146 divisions we have. There were one or two little hiccups in one division, but that was a very minor issue, and we had other hiccups around the country. I would argue that the four divisions and the staff in the four divisions performed as well as any other divisional staff in the commission during the election.

**Senator FIERRAVANTI-WELLS**—Perhaps you might like to take this on notice. The concerns, as we heard the evidence, were in terms of the operations and processing of things like new electors and new voters and where people lived and potential bogus voters in those seats. I would like to know the number—and to have a breakdown of the number—of new voters into the four electorates and in particular Bennelong, and in effect the paperwork and statistics regarding the paperwork processed by that office in the lead up to the election.

**Mr Campbell**—I will do that. But I will also add that they are processing after polling day. After polling day is very important as well, of course.

**Senator FIERRAVANTI-WELLS**—I appreciate that.

**Mr Campbell**—I will cover the whole period from just before the election was called by the then Prime Minister until the return of the writs on 21 December.

**Senator FIERRAVANTI-WELLS**—I would also be interested to know the number of new voters that came on to the electoral roll, say, between the two elections into the four seats but in particular in Bennelong. I would also like to know the number of electors, people who moved off the electoral roll in those four seats, in particular in Bennelong, after the election. If you could do that for me I would be most grateful.

**Mr Campbell**—Yes.

**Senator FIERRAVANTI-WELLS**—After the election, did you get some inquiries in relation to scrutiny at the scanning centres?

**Mr Campbell**—Do you mean the central Senate scrutiny centres?

**Senator FIERRAVANTI-WELLS**—Yes.

**Mr Campbell**—Not personally.

**Senator FIERRAVANTI-WELLS**—What is the scope under your legislation for scrutineers to attend at the scanning centres?

**Mr Dacey**—Could I clarify the question. Are you talking about scanning of the certified lists of voters or are you talking about the central Senate scrutiny where the Senate below the line ballot papers are keyed in?

**Senator FIERRAVANTI-WELLS**—Both.

**Mr Dacey**—Both?

**Mr Campbell**—They are two very different issues. They are done separately.

**Senator FIERRAVANTI-WELLS**—Yes.

**Mr Dacey**—In relation to the scanning of the certified lists, which is the automatic reading of marks on certified lists by scanners, there is no scope and there is no provision under the legislation for scrutineers. It is not a counting process of votes. That is an AEC process. In relation to the keying in, not scanning but the keying in of the below the line votes in the Senate elections in the states, that is done in each state capital. That process is open to scrutineers.

**Senator FIERRAVANTI-WELLS**—Is there any proposal for further redistribution or anything of that nature in the lead up to the next federal election?

**Senator Faulkner**—It is not a matter of course for the minister, but there are redistribution processes in place. I will ask one of the officials to outline to you where they are up to in respective states.

**Mr Campbell**—At the moment there are three federal redistributions under way. One in the Northern Territory, where there will still be two seats, so no change in the number of divisions. One in Western Australia, where there will continue to be 15 divisions. And one in Tasmania, where there will be five divisions. So in the Northern Territory, Western Australia and Tasmania a redistribution is under way. There will be no change in the number of divisions, but of course there will potentially be changes in boundaries. They are all being triggered by what is called the seven-year rule in the Commonwealth Electoral Act. Tasmania is actually into its eighth year. The seven-year trigger occurred in the 12 months leading up to the 2007 election, and the act says that has to be postponed. The next potential for redistributions prior to 2010-11, whenever the election is, will come about in March of next year.

That is the second way a redistribution can occur. Twelve months after the parliament sits after each federal event, I have to undertake a determination of a quota using Bureau of Statistics figures, and that is done for each state. If any state or territory falls above or below its current quota, that will trigger a redistribution in that state or territory in the following 12 months. At the moment Queensland has 29. If Queensland's quota, which is calculated on a national basis, gets to 29.51, it would go to a thirtieth division. Victoria has 37. If Victoria got to 37.51, it would go to a thirty-eighth division. Or if it dropped down to 36.49, it would drop down to 36 divisions. And the same right around the country. That is what happened after the 2004 election, when we had a redistribution in New South Wales and one in Queensland. That calculation is done on publicly available figures. It will be announced in March of next year. If there is any redistribution as a result of that, that will occur in the following 12 months.

**Senator FIERRAVANTI-WELLS**—Will there be a redistribution in New South Wales?

**Mr Campbell**—That is a matter of judgment. But if you were looking at the figures as they sit—and I am not making any prejudgment about what might happen.

**Senator FIERRAVANTI-WELLS**—No, I appreciate that.

**Mr Campbell**—But people can see what is happening in the figures. On the figures at the moment, New South Wales would almost certainly drop to 48 divisions. I should add, too, that as to the three redistributions currently being undertaken, there is a very extensive process set out in the act—and I will not go through that—but in all of those we are envisaging the outcome being known and resolved by the end of this calendar year.

**Senator FIERRAVANTI-WELLS**—Dropping to 48 assumes that Queensland would—

**Mr Campbell**—No. They are independent. The current figures would say New South Wales would probably drop to 48. You can have a situation where, in the 12 months after the federal election and resumption of parliament, we could drop down to 149 divisions, that is, one state could lose one, or we could go to 151, one state could gain one.

**Senator FIERRAVANTI-WELLS**—I take your point.

**Mr Campbell**—They are not a quid pro quo.

**Senator FIERRAVANTI-WELLS**—One's loss is another's gain, so to speak.

**Mr Campbell**—There was a time in the 1990s when there were 151 divisions, when the ACT had three divisions.

**Senator FIERRAVANTI-WELLS**—It is probably at this point premature to consider any public consultation process. I flag that because there were some concerns about the public process and consultation process on the last occasion. Some constituents have expressed concerns after the last one. Do you do an evaluation of your consultation processes when there is a redistribution?

**Mr Campbell**—At the risk of taking another minute or two on this question, I will not, if you like, criticise comments that might have been made after 2005 or 2006. Let me make a couple of observations. The act is very clear on what consultation process occurs. When a redistribution is occurring, we release a set of data that says what is happening in each division and that is based on ABS data. We then get submissions from interested parties, be they political parties, members of the community, et cetera. The way the statutory process works, once we receive those in we then release them publicly, and we do so on the internet. It closes on a Friday and we always have them loaded by the Monday. Then there is a two-week period for anybody to comment on those. Then the redistribution committee in each state, which is comprised of myself as chair, the state manager from the AEC and the two senior state bureaucrats, which are generally the Auditor-General and the Surveyor General equivalent, depending on what the Surveyor General is called. We then undertake a full consideration of those submissions and comments and we release a proposal. With the three states that I have talked about we are currently in that process of working through what we are proposing to do. That then goes out and it is subject to public comment. Those comments come back in. They are then released and people can make comments on those submissions and then everything goes to an augmented redistribution commission, which is the four members that I have talked about of the redistribution committee plus the part-time chair of

the Electoral Commission, who is Justice Jim Burchett, and the third member, who is the head of the ABS. That six-member committee then makes the determination. They may well have public hearings. The act allows public hearings. They may or they may not depending on the substance of the comments that have come in. Then they issue a report, which is the final report. The only observation I would make about 2006 is that there were a number of concerns, which is not surprising seeing that a state was losing a division. And in addition—

**Senator FIERRAVANTI-WELLS**—Quite dramatically, actually.

**Mr Campbell**—The loss of any division is dramatic.

**Senator FIERRAVANTI-WELLS**—In terms of size it was quite a big electorate.

**Mr Campbell**—The point being that the act is quite clear about the responsibilities—

**Senator FIERRAVANTI-WELLS**—I appreciate that.

**Mr Campbell**—and the vote issue and it does not talk about size of division. We have a division at the moment in Australia that is 2.295 million square kilometres.

**Senator FIERRAVANTI-WELLS**—I appreciate that. Hearing what you say, it is really the nature of the submissions that triggers, if I understand correctly, the option or the discretion to have public hearings.

**Mr Campbell**—If you take New South Wales or Queensland, the biggest concerns were in the then division of Gwydir, which of course was based on Narrabri.

**Senator FIERRAVANTI-WELLS**—Yes.

**Mr Campbell**—So not only did the augmented committee have hearings in Sydney; it also had hearings in Narrabri, at a very large public meeting; and similarly in Queensland. The biggest concern in Queensland was not so much the new division of Flynn but the fact that eight western shires were being moved out of Maranoa into the new division of Flynn. That relevant augmented committee had a public hearing not only in Brisbane but also in Longreach.

**Senator FIERRAVANTI-WELLS**—And of course you advertise for submissions, et cetera?

**Mr Campbell**—We did.

**Senator FIERRAVANTI-WELLS**—It is really up to those people who have concerns to put in the submissions and then trigger the possibility of a public hearing in their area if—

**Mr Campbell**—Both of those public hearings were quite—‘feisty’ would not be the right term, but they were animated, I suspect, is the way of putting it. I think anybody who was there with a fair mind would say they had the chance to make their comment and their comments were heard. But of course not everybody got what they wanted, because not everybody wanted a seat to be abolished in New South Wales.

**Senator FIERRAVANTI-WELLS**—I appreciate that. That has its own ramifications. Finally, on the last occasion I think there were some questions asked about proof of identification and looking at that sort of thing at polling booths. In answer to a question you

referred to a couple of options. These ideas have probably been kicking around. Could you tell me if there is any possibility of introduction of proof of identification at polling places?

**Mr Campbell**—That is not a matter for me. It is a matter for the parliament.

**Senator FIERRAVANTI-WELLS**—I was directing my question to the minister. Minister, is there any thought about the possibility of identification?

**Senator Faulkner**—You would be aware that the government has announced there will be a green paper, which will be produced in two parts. The second part of the green paper will deal with, amongst a range of other issues, the sort of issue that you have just identified in your question. You would also of course be aware that the Joint Standing Committee on Electoral Matters of the parliament is likely to examine these sorts of issues. That is of course up to the members of the committee, and I am of course not one. But traditionally those sorts of issues have been canvassed in the JSCEM's report. I can assure you that when the JSCEM tables its report on the 2007 election the government will respond to recommendations made by the committee. There are two processes or vehicles, if you like, when those sorts of issues clearly can be raised.

**Senator FIERRAVANTI-WELLS**—Ultimately it is a decision for the government as to whether you—

**Senator Faulkner**—I would have said ultimately these are matters that the parliament would address. But clearly the government of the day has a capacity to tailor its legislative program taking account of the priorities that it has. But there are two genuinely consultative mechanisms that are in train or have commenced, and I have identified both of those to you.

**Senator FIERRAVANTI-WELLS**—Would the second part of the green paper include something about potentially precinct voting or something of that nature, or voting within a defined area? Is that something that you would envisage would also be in the green paper for discussion?

**Senator Faulkner**—The drafting of that is in its very earliest stages. I must say personally I have not envisaged that that would be the centre point of the second part of the green paper.

**Senator FIERRAVANTI-WELLS**—I did not say centre point. I simply said an issue.

**Senator Faulkner**—I appreciate that. But in general terms, a green paper does give an opportunity for options to be examined, for arguments to be presented for and against those options. One of the advantages of a green paper is the fact that you can actually have a debate and discussion around some issues that are controversial. But we are not at the point of being able to say to you what might be canvassed within the second part of the green paper. That is where it would more logically go if it were to be canvassed through the green paper process.

**Senator FIERRAVANTI-WELLS**—Lastly, after the last federal election—

**Senator RONALDSON**—Just on the green paper?

**Senator FIERRAVANTI-WELLS**—Yes, by all means.

**Senator RONALDSON**—Minister, during the preparation of these green papers, who have you consulted? Or have you consulted anyone? Has there been any consultation with the political parties, either minor or major, in the presentation of the green papers?

**Senator Faulkner**—In fact, the consultation process in relation to the green paper will begin in earnest on Friday of this week, when for the first time we will have a ministerial-level meeting of Commonwealth, state and territory ministers on the green paper. I think it is valuable for that to occur in the first instance at an early stage of the process. That is certainly occurring on Friday of this week. As the process moves through, certainly as I have indicated publicly, I think consultation is a critical element of this. The green paper will deal with wide-ranging electoral reforms. The first part of the green paper is in the broad area of funding disclosure, receipts and expenditure to political parties, as you know, and then the other elements that have been outlined.

Consultation will be important. Once the green paper is published also there will be an opportunity for—and I intend to ensure there is—broad consultation with those who have an interest in these matters. I have always taken the view, as many members of this committee would know, that political parties and political practitioners are critically important in relation to these matters, because they do have an understanding of how the electoral process works. Consultation with political parties—

**Senator RONALDSON**—Are you taking the final green paper to the state ministers on Friday or are you taking a draft green paper on Friday for their consultation?

**Senator Faulkner**—As I have indicated to you, it is the first stage of the consultation process. I am sure you would agree it is appropriate that that occur with state and territory colleagues. What I am taking to that ministerial meeting is an outline of part 1 of the green paper, an outline; in other words, the range of issues that that will be canvassed in that paper.

**Senator RONALDSON**—I take it from your aside, Mr Campbell, that the AEC is involved in the preparation of that information for the green papers?

**Mr Campbell**—That is right.

**Senator RONALDSON**—What is your level of involvement? Are you running the process in consultation with the state departments? Is that being done from the minister's office? Are you the lead agency, for want of a better word, with this?

**Mr Campbell**—I want to make just one observation before I talk about what agencies are involved, and that is that the green paper is the government's green paper, not an agency green paper. The green paper is the one that the minister and the government will release.

**Senator RONALDSON**—Yes, I appreciate that.

**Mr Campbell**—Three agencies, the Department of Finance and Deregulation, the Department of Prime Minister and Cabinet and the AEC, are involved in drafting a possible green paper or drafting papers working as a task force, for consideration by the minister and cabinet.

**Senator RONALDSON**—Who is coordinating this? Is the AEC coordinating this?

**Mr Campbell**—No, PM&C is doing the high-level coordination. But the drafting and preparation involves staff from all three agencies.

**Senator RONALDSON**—PM&C is the lead agency?

**Mr Campbell**—Yes.

**Senator RONALDSON**—Minister, have you had any consultations with ALP head office in relation to the content of the green papers or had any discussions with ALP head office in relation to this matter?

**Senator Faulkner**—Parliamentarians, political parties and any number of people involved in the political process are trying to ensure they have my ear on this. But my focus has been to work with agencies on the green paper. I accept that a consultative approach is important. I can assure you I will be giving opportunities for the Labor Party, the Liberal Party and other political parties to have an involvement here and express views.

**Senator RONALDSON**—I assumed that. But my question was: have you had discussions with Mr Gartrell or anyone else from the organisation in relation to the likely contents of the green paper? Have you discussed with them the draft green paper that will be going to the state ministers on Friday? Have you sought input from Mr Gartrell in relation to the green paper?

**Senator Faulkner**—No, I have not discussed with any of my Labor Party colleagues the content of the outline of the green paper, though I can assure you a range of people is writing to me and telling me what should be in it. I can assure you also this is not limited to members of the Labor Party. But in relation to the outline of part 1 of the green paper, no, that has not been discussed with anyone from the Labor Party or, for that matter, anyone from any other political party.

**Senator RONALDSON**—That was indeed my initial question, as to whether it was political parties. I am sure that you will be getting some input from all political parties. But that was not my question.

**Senator Faulkner**—Let us not be cute about this. It is really important that we actually get input from the political parties. Having sat at this committee now for a very long time, I have always accepted that the Australian Electoral Commission and those involved with electoral policy and the then Department of Finance, now Department of Finance and Deregulation, also understand that those of us who sit in this parliament are in a unique position to have an understanding about how the electoral laws of the land work. And those registered political parties also have an input to make. There is very regular contact between the AEC and political parties, as you know.

**Senator RONALDSON**—So we are absolutely clear, this document has not been run past Mr Gartrell or the Labor Party organisation prior to it being—

**Senator Faulkner**—I have said no and I mean no.

**Senator RONALDSON**—Mr Campbell, do you know whether draft green papers have been circulated to the premiers departments in the states? Have those draft green papers been circulated yet or will they be circulated on Friday at the meeting?

**Mr Campbell**—You are using plural. It is one green paper in two parts and we are only talking about part 1. As the minister said, there is no draft green paper yet. There is an outline of a possible draft paper being discussed with state ministers tomorrow and that has been given to state premiers.

**Senator RONALDSON**—The week is getting away from me. It is tomorrow.

**Senator Faulkner**—Sorry?

**Senator RONALDSON**—I said the week is getting away from me.

**Senator Faulkner**—This is one of the reasons I have been asking you whether you thought that we would be able to conclude our business.

**Senator RONALDSON**—I am reasonably confident of that. Mr Campbell, so I am absolutely clear, are you taking a piece of paper tomorrow to the state premiers or the responsible ministers?

**Senator Faulkner**—It might assist if I answer this. I appreciate at the estimates committee it is normally better for the AEC commissioner to answer these questions, and of course he is at liberty to say anything he would like about this, but so you understand this, I am taking to state and territory ministers or their representatives an outline of part 1 of the green paper, and I am going to check with the commissioner. But that has been circulated in advance of tomorrow's meeting to first ministers in those jurisdictions.

**Senator RONALDSON**—Just so the committee is absolutely clear, is that an outline of process or is it an outline of possible green paper content for discussion? What is the nature of this bit of paper, for want of a better word?

**Senator Faulkner**—It is certainly an outline of content. But I would suggest to you it would be obviously appropriate at such a meeting to discuss with state and territory ministers process issues and consultation issues with them. And I intend to do so. But I think it is fair to say it is a content outline. I do not know that I can give you any better advice on that. But I suppose I would stress this. Because it is a consultation phase and the first part of a consultation stage, I would use the terminology deliberately that it is possible content, I think is probably the best way. In using the terminology 'content', I think 'possible content' is the best way to describe it. Our consultation processes here are genuine. This is the first time we have had a dedicated ministerial-level meeting in relation to ministers responsible for electoral matters at the Commonwealth, state and territory level, so I think it is a significant event.

**Senator MURRAY**—There has been campaigning for that for years.

**Senator Faulkner**—I do know you have. As you know, I support that. Now I suppose I can say to you I am in a position to do something about it. It is significant from that point of view. I want to be very careful in my use of language with you. I do intend to discuss consultation processes around the green paper with state and territory ministers, and certainly the document that has been provided to first ministers goes to possible content. But there is clearly a capacity here for my colleagues at the state and territory level to provide suggestions and input about content or a possibility to say there are areas they think it might not be appropriate for the green paper to canvass.

**Senator RONALDSON**—Who are the ministerial attendees tomorrow that the meeting?

**Senator Faulkner**—I do not know whether I can make that public at this stage. I am not even sure whether it has necessarily been finalised. But I will make it available for you as soon as we can.

**Senator RONALDSON**—The meeting is tomorrow. This is an open consultation process. I would have hardly thought the ministerial attendees from the state level is a state secret.

**Mr Campbell**—The reason is that there are two administrations where it is not definitely clear which minister is coming, and that is the ACT and Tasmania. But as to the other states, in Victoria it is the state Treasurer and I think in all other administrations it is the Attorney-General. But as the minister said, we can confirm that after the meeting. That is what we have been told by the state government.

**Senator RONALDSON**—So no premiers are going tomorrow?

**Mr Campbell**—No. I am reminded by my colleague that the Chief Minister of the Northern Territory will be going, who is also the Attorney-General.

**Senator RONALDSON**—I will for the public record state the bleeding obvious, that this is of course representatives of Labor administrations throughout the country. I will make the obvious comment, without necessarily—

**Senator Faulkner**—I would hope you would think that the process and the development of this sort of discussion at the ministerial level is a step forward. As you know, it will not always be the case that ministers representing the Commonwealth, six states and two territories will always be of the same political complexion. There are real advantages, I think, at all levels in seeing if we can achieve a great deal more harmonisation in our electoral laws and work more closely together on these issues. I think there are advantages here. Let us see how we go. At the end of the day it is up to individual states and territories and of course the parliament at this level to make final decisions about the critical element.

**Senator RONALDSON**—I assume you are involving the states, because you want to see these issues addressed at a national level, a holistic, whole-of-government level? Is your expectation that the outcome of the green paper may well involve legislation coming out of the states as well that would be complementary to the federal legislation?

**Senator Faulkner**—That is a possibility. But I do not take any of that for granted. These are matters for those jurisdictions to consider. Is there a capacity for the Commonwealth, the six states and two territories to work more closely together? That is an issue that has been identified at this committee over many years. Yes, there is, in my view. The Commonwealth—

**Senator RONALDSON**—Do you think that would be a desirable outcome?

**Senator Faulkner**—I certainly hope through the processes of the green paper that we can move the electoral reform agenda ahead. But I do not take anything for granted. If we can restore transparency and openness to our electoral system and if we can improve electoral mechanisms around the nation that ensure Australians can effectively enrol and vote, I think that would be very positive. I hope the committee would think it would be very positive. But I do think it is difficult to achieve things without efforts being made at the ministerial level. Here is the first effort being made at the ministerial level. Obviously we will hear in the future about its effectiveness.

**Senator RONALDSON**—Surely this green paper process is not confined to effectively enrol and vote? Surely the process will be a lot wider than that? Presumably everything is on the table and not just a notion of effectively enrolling and voting? You do not need a green

paper and consultation with the states to achieve that. I presume we are talking about a far bigger picture than this.

**Senator Faulkner**—One of the advantages in having a consultation process, as we put to state and territory ministers that received an outline of possible content of the first part, part 1, of the green paper, is that we will be able to benefit from the input of those state and territory ministers as we work through. I have described it as the first stage of a consultative process.

**Senator RONALDSON**—But I have taken it from your comment, where you have actually, if you like, put the markers out in relation to this, that it is about effective enrolment and voting. I would have thought they were very, very limited markers to be putting out in relation to this particular matter, particularly given the sorts of events that we have seen in your home state, the Wollongong City Council and other matters involving New South Wales Labor ministers. The only markers you are putting out at the moment are effective enrolment and voting.

**Senator Faulkner**—Not at all.

**Senator RONALDSON**—Surely the issue warrants far, far greater markers than that?

**Senator Faulkner**—Not at all. But just to be clear in relation to the issue have you just raised, I have said before publicly, and I will say it again, that part 1 of the green paper will deal with a range of funding and disclosure measures and options. It includes issues, as I have said publicly, such as the possible capping of donations, the possibility of a ban in donations, whether there should be a partial ban or identifying whether there are certain sectors from which donations should be banned, whether we can strengthen the associated entities provisions of the Commonwealth Electoral Act to allow full identification of funding sources, and the like. There is a whole range of issues.

**Senator RONALDSON**—Corporate donations.

**Senator Faulkner**—That is just in the first part of the green paper.

**Senator RONALDSON**—Corporate donations.

**Senator Faulkner**—Yes.

**Senator RONALDSON**—Union donations.

**Senator Faulkner**—Yes. These are the sorts of issues that, as I think you would know, given my previous statements on this—funding, disclosure, expenditure, receipts received by political parties—

**Senator RONALDSON**—We are warming to the task now.

**Senator Faulkner**—And political parties and candidates and Senate groups, those involved in the political process. These are the sorts of issues that state and territory ministers will be in the first instance giving some views about as possibly being included in the green paper. They would be the sorts of issues that I would expect will be canvassed.

**Senator RONALDSON**—You think the whole disclosure regime will form part of the initial green paper?

**Senator Faulkner**—I do not know if I can be any more clear. As you know, the government has introduced legislation into this sittings of parliament which it considers urgent legislation. That goes to lowering the disclosure threshold from the Howard government's current \$10,500 indexed figure to \$1,000. It goes to banning the receipt of donations from overseas. It goes to—

**Senator RONALDSON**—I am obviously aware of the provisions of the bill—

**Senator Faulkner**—I was going to go through those provisions. That particular bill—

**Senator RONALDSON**—because I was generously given a copy of it. But that is not the issue. We have gone, fortunately, from the narrow markers of effectively enrolling to vote to far wider matters, including—and I am pleased to hear finally someone in the Labor Party acknowledging that union donations would need to be part of any discussions. But why—

**Senator Faulkner**—As I have said on umpteen occasions, and everyone I think understands, if any government or governments were going to consider a ban on donations, of course that would apply to all categories of donations. I have said this on many occasions. I am surprised that you would not be aware of it.

**Senator RONALDSON**—On that point, can I ask you: if you have said it so many times and if you are such a keen supporter of it, why did the Australian Labor Party in the Senate vote against the comprehensive terms of reference that the Senate wanted to send off to this committee, including such matters as corporate and union donations? If you are so concerned about this, why did your party vote against this comprehensive terms of reference?

**Senator Faulkner**—References, as you know, had already gone to the JSCEM. The Joint Standing Committee on Electoral Matters.

**Senator RONALDSON**—It either did or it did not include those sorts of matters. Why did you vote against it?

**Senator Faulkner**—has never felt constrained on this matter. The reference that I proposed to the Joint Standing Committee on Electoral Matters in relation to the 2007 election was in precisely the same form adopted by the former Howard government ministers when it was in office and none of these issues has ever been—

**Senator RONALDSON**—If we are all talking about the same thing, why would you vote against it? Some of the greens voted for it. Senator Fielding voted for it. I am not too sure about the Democrats. I think the Democrats might have supported it. Everyone else in the parliament supported it. Either you do support the committee having a comprehensive look at all matters or you do not. Can I put it to you that if your reference was in relation to that—

**Senator Faulkner**—The committee is the master of its own destiny in these things.

**Senator RONALDSON**—Why would you not support a broad-ranging terms of reference? Why would the Labor Party vote against that?

**Senator Faulkner**—I am quite sure the committee will deal with all of these matters.

**Senator RONALDSON**—But why did you vote against it?

**Senator Faulkner**—Let me say this: the critical issue that we face at the moment is to ensure that we do something about tightening up the disclosure regime in the Commonwealth

Electoral Act from 1 July this year. What I want to see—and I hope the Liberal Party will want to see—is to ensure that we lower that disclosure threshold level from the current \$10,500 to \$1,000, so that becomes part of the electoral law of this land on 1 July this year, that we ban—

**Senator RONALDSON**—So you can say that you have done something about it. So you can say you have done something about this.

**Senator Faulkner**—So we ban overseas donations, so that becomes part of the electoral law of this land from 1 July.

**Senator RONALDSON**—You would not even support a terms of reference—

**Senator Faulkner**—So that we ensure from 1 July this year no candidate can accept public funds when they have not had that expenditure; that expenditure hasn't occurred in an election, so that we can have six-monthly returns of electoral expenditure from 1 July this year. This is the sort of transparency we need. If I were you—

**Senator RONALDSON**—Don't give me this line about transparency.

**Senator Faulkner**—I would start focusing on that.

**Senator RONALDSON**—Your party in the Senate voted against an open and transparent assessment of all these matters. And you have got the nerve to come in here and lecture us about transparency.

**Senator Faulkner**—You have got a chance to nail your transparency qualifications to the mast. Let us get some decency and some transparency and some focus back into our electoral laws.

**Senator RONALDSON**—Hear, hear! I could not agree more.

**Senator Faulkner**—Let us get some decency and transparency back and let us do it as quickly as possible so that we can have a stronger funding regime from 1 July.

**Senator RONALDSON**—We are absolutely supportive of transparency. Minister, why when you are talking about transparency would you not support terms of reference from the Senate that put everything on the table, is supported by the Liberal Party of Australia, the National Party, the Greens, the Democrats and Family First? Why is it that they want transparency and were prepared to support transparency through the Senate but the Australian Labor Party were not prepared to do so?

**Senator Faulkner**—Senator, you know as well as I do that the Liberal Party of Australia, not the Greens, not the Democrats, not the independents, but the Liberal Party of Australia is using that as a mechanism for saying, 'Let's not start these reforms.' That is what you are doing and I am not going to fall for your three-card trick. I want those reforms to start on 1 July this year. I want more openness. I want more disclosure. And you, Senator, are using the referral to the JSCEM as a delaying mechanism. We cannot afford to delay on these five critically important measures. Everybody knows this. Everybody knows why you are making the comments you are. I know that is not the motivation of the minor parties in the Senate. I in fact know that the minor parties in the Senate have been fair dinkum about openness and transparency.

**Senator RONALDSON**—Unlike the Australian Labor Party and your government.

**CHAIR**—Senator Ronaldson, if you ask a question, have the courtesy to allow the answer to be given.

**Senator RONALDSON**—This is not responsive to my question.

**CHAIR**—It is the response. It may not be the response you want to hear.

**Senator Faulkner**—It is a response. It is the accurate response and it is a response you do not want to hear. You are going to hear it time and time again.

**Senator RONALDSON**—Can I give you a question you might not want to hear, if you think that was a response. Why would you bring in legislation in relation to disclosure when one of the pivotal parts of the green paper that you are preparing relates to disclosure? I will tell you why. I will give you the answer. Because you know and I know that you need to be doing something to protect your mates in New South Wales. You know and I know that if you were serious about openness and transparency and putting it all on the table, letting the committee have a look at it, you would not cherry pick out one very minor part of a huge issue and bring in some legislation beforehand. Why if you are concerned about disclosure—

**Senator MURRAY**—On a point of order—

**CHAIR**—Senator Murray has a point of order.

**Senator MURRAY**—My point of order is this. All senators have been very patient. The matter is now being debated. I am conscious that I have some questions on this portfolio, and there are some more to come. I think you have made your point.

**Senator RONALDSON**—I have one point to make.

**CHAIR**—Do you have a question?

**Senator RONALDSON**—Why would you make some changes to the disclosure when your green paper has a detailed assessment of disclosure? Why would you legislate now rather than the whole issue? What happens if the outcome of the green paper is that the disclosure and donations, et cetera, are banned altogether? Why would you be pre-empting your own green paper by cherry-picking out some part of this issue?

**Senator Faulkner**—The answer to this question is: these reforms are urgent. They are urgent. They happen to be longstanding Labor policy, that is true. They are government policy. But they are urgent. What I want to see, so this committee is clear, is far more integrity, far more transparency and far more openness in relation to the disclosure and funding regimes in the Commonwealth Electoral Act. What the government wants to do is have those reforms start up on 1 July this year. In other words, the current disclosure threshold, which is \$10,500 and rising, because it is indexed, reduced to \$1,000 from 1 July this year, six-monthly reporting of donations to occur as opposed to the current 12 months to occur from 1 July this year, to ban overseas donations from 1 July this year, to ensure you cannot have a situation where national, state and territory branches or divisions of a political party are treated as separate entities for the purposes of disclosure provisions; that cannot occur from 1 July this year. They are all critical measures in relation to donation disclosures.

The other measure that is also urgent is the situation that has now applied for a considerable period where a candidate or party can claim election funding, taxpayers' money, where they have not expended those funds in an election campaign. I am sorry, but I consider it is a rort. It is a rort that has been identified for a long time and I want to fix it and fix it as soon as possible.

The time to fix these issues is 1 July. Let us have a much more open, much more transparent, decent electoral system with a great deal more integrity and let us do it as quickly as we can and, having done that, look at a range of other issues where we can improve the provisions of the Commonwealth Electoral Act both in terms of funding and disclosure and all those other important areas in the act. That is the reason.

**Senator RONALDSON**—I will put this to you: I will tell you what is urgent, and that is to take the brown paper bags out of New South Wales. You have not been prepared to legislate to do anything about that whatsoever. You are cherry-picking this—

**Senator Faulkner**—If you want to take brown paper bags out of anywhere, I say to you—

**Senator RONALDSON**—This is cherry-picking for cheap political purposes. Your government stands condemned for that.

**Senator Faulkner**—If you want to take the brown paper bags out of anywhere—anywhere—I do not care where you identify them; I do not want brown paper bags anywhere—

**Senator RONALDSON**—Do something about it.

**Senator Faulkner**—If you want to start doing something about the integrity of the Commonwealth Electoral Act—

**Senator RONALDSON**—Exactly.

**Senator Faulkner**—And, more importantly, the integrity of the political process of this country, support these measures, which will bring real change, real reform and do it now.

**Senator RONALDSON**—What rubbish.

**Senator MURRAY**—I was looking through the financial statements. There was only one figure that really jumped out at me that I could not settle easily in my mind. If you turn to table 3.22 of the budgeted departmental balance sheet, you will see the inventories figure, which is a standard figure for four of the five years listed. But bang in the middle is the forward estimate for 2009-10 and it leaps from \$703,000 to \$3.8 million. I could not for the life of me think why that would happen.

**Mr Campbell**—If we go back to 2006-07, we would have a similar jump. I am advised that is just preparing for the next event. So therefore—

**Senator MURRAY**—For the following year?

**Mr Campbell**—For the following year. Purchasing of our polling equipment, et cetera. If you go back you will find the same occurred three years before. But that year is not in here.

**Senator MURRAY**—Thank you very much. My other questions relate to the outcomes.

**CHAIR**—I suggest you go through with this because, having had some discussion, we intend to go through until 11 o'clock and then have our break and hopefully by then we will have finished.

**Senator MURRAY**—Dealing with outcome 1, on page 67 you have table 2.11 and the electoral roll management figure/expense for 2008-09. I recognise this but others might not remember the dates were wrong and we were circulated the revised dates. In 2008-09 it jumps to \$49.8 million from \$35.2 million for electoral roll management. Why is that?

**Mr Campbell**—As you say, and for other senators, unfortunately there was a glitch in the headings for these tables and the years are not right, just for the AEC and in this document and nobody else.

**Senator MURRAY**—This was not a 'spot the deliberate error' occasion, was it?

**Mr Campbell**—No, it was a glitch in the typesetting is probably the best way I can describe it. Of course, it is right down the bottom. There are two things. Firstly, that reflects the election and a lot of the work around enrolment at election time.

**Senator MURRAY**—The 2008-09?

**Mr Campbell**—Sorry, it is more enrolment activity and less election activity during the course of this year. If you look at the election going back in outcome 2 you will see that 2007-08 was higher because of the election. This is just the attribution of our base resources across the various—

**Senator MURRAY**—This is a huge increase, though, from \$35.1 million to \$49.8 million. I am not suggesting that it is not proper. It just seems to me unusual. Are you saying that it is similar to the years that have followed election years on previous occasions?

**Mr Campbell**—Yes. The same thing occurred after the 2004 election.

**Senator MURRAY**—Do you have the comparative figures for that? If you do not, perhaps—

**Mr Campbell**—We can take that on notice.

**Senator MURRAY**—If you could just expand in some detail as to exactly what constitutes the increase?

**Mr Campbell**—Yes.

**Senator MURRAY**—With respect to electoral roll management under item 3.21, on page 78 it says the AEC obtained approval from the Minister for Finance of the day to incur an operating loss of up to \$10 million in 2007-08. The loss is the result of the AEC's initiatives to bring the electoral roll up to date in the lead-up to the 2007 election. That is very proper expenditure, but what it seems to indicate to me is that you were underfunded in the initial appropriation. Is that accurate? Or had you miscalculated?

**Senator FIERRAVANTI-WELLS**—Were there a lot more movements on the electoral roll than you had envisaged?

**Mr Campbell**—This probably does go back to some discussions we had in this committee before the election.

**Senator MURRAY**—That is exactly why I am raising it.

**Mr Campbell**—I thought that might be the case.

**Senator MURRAY**—We were proven to be right, were we? You and your side and us on our side?

**Mr Campbell**—I think I was probably—

**Senator MURRAY**—You were underfunded, weren't you?

**Mr Campbell**—The point I think I was making then—and the issue was raised—was that we could not predict the timing of the election. With the change in both the close of rolls and the proof of identity that the then government changed in terms of legislation in 2006, our funding increased quite substantially particularly for public awareness, which is advertising and that sort of activity. However, you have to look at the whole three-year period. Unfortunately, after the 2004 election the roll started to fall away. I think the committee will remember that in 2005-06 we actually had a decrease in the roll, which was the first time for many years.

**Senator MURRAY**—Before you continue, just to clarify, my memory is that you asked for the money and you did not get it, and in the event it seems you were shown to be right.

**Mr Campbell**—No. There is actually a bit more in the steps of that process. When the decisions were taken about proof of identity and the close of rolls to a shortened period, we were given funding by government. And at that time I said that was what we had been given, and it was consistent with our estimates. What happened was two things. And we had this debate before the election. We could not predict the time of the election. But because of the fluidity of it, we then actually decided to spend more money than we had originally anticipated in 2006-07. You might recall that our big advertising campaign started at the end of May in 2007. As a consequence of that, we actually ran a loss in 2006-07 of \$2 million.

**Senator MURRAY**—Which was carried forward?

**Mr Campbell**—No. A loss comes out of your accumulated cash reserves.

**Senator MURRAY**—Yes.

**Mr Dacey**—It was \$7 million.

**Mr Campbell**—Sorry, I am corrected; it was \$7 million. That is carried out of reserves. It does not come off next year's appropriation. You can only run a loss with the minister's approval or agreement if you actually have the cash reserves to do it. Commonwealth agencies do have cash reserves. So we had that situation. Then we came to the run-up to the election. We were against the background of the roll having fallen quite dramatically after the previous election. By this time the roll was starting to improve quite pleasingly. But we were still concerned that we did not know when the election was going to be called. We knew that the election could be held as late as December and probably not until after APEC. So, I took a decision to inject another round of public advertising in September, which occurred around time, if you want to put it in time, about the time of APEC. We injected another round of about four weeks, I think, of quite substantial advertising, including both print media and television and radio. I did not have the money for that in last year's appropriation, so I had

two ways of doing it. I either go and get additional funding from the government or it gets funded out of the cash reserves. I can do neither without the approval of the then government. So, I went to government—

**Senator MURRAY**—My point to you is this, Mr Campbell, and I want a direct response. If it wasn't budgeted for in the budgeted appropriations because the passage of the new laws meant that you had to bring forward your advertising and you incurred expenses earlier and greater than you had anticipated, why was it not appropriated in the additional estimates appropriation?

**Mr Campbell**—That is where I was coming to.

**Senator MURRAY**—And it was not?

**Mr Campbell**—No. I think the Department of Finance might want to answer that, but I will make one point. I went to government in that period, July/August, seeking additional funding. In the end the result was that, instead of the commission being given additional funding, I had approval to use my cash reserves to run a loss of \$10 million, which is what happened. I cannot say why the decision was taken to have us use our cash reserves rather than to give us additional funding out of AEs.

**Senator MURRAY**—I have a suspicion as to why, but I will leave that alone. The important message here out of this, of course, is have you anticipated the expenditure adequately and indicated that in the forward estimates? Are we going to have a repeat of this problem, in other words, in three years time?

**Mr Campbell**—Certainly on the current estimates we will have an issue for the next event. One of the arguments I will be putting to the joint standing committee is that the tradition of—which was the tradition up until 2007—of just advertising once the election was called I do not think is adequate or appropriate, and I think that the AEC should be funded to have a substantial public awareness campaign in the six to nine months prior to when the election is going to be. Under that background I would argue that the forward estimates that we have for 2010-11 are not sufficient. And we will be arguing that.

**Senator MURRAY**—As you know, Mr Campbell, I was a member of the Joint Standing Committee on Electoral Matters for all 11.5 years, and I have consistently argued that not only is that your home committee, as far as a committee can be, but I also think in due course there might be a statutory relationship considered as there is between the JCPA and the Auditor-General. But leaving that aside, I would urge you to make your case very clear to both that committee and this so that in their corporate memory is lodged this event. Because it is entirely unsatisfactory, in my view, when your activities were clearly known by May/June of 2007 for you to end up with an operating loss and have to go to the minister for special approval to dip into your reserves, which then kept that event from the eye of the parliament, although it emerges in due course. I believe it should have been in the additional appropriations. I do not think this should be allowed to occur again. That is the point of this interaction.

**Mr Campbell**—I would make the observation so that there is no misunderstanding that I certainly was not hiding it from anybody. I was taking the decision that I needed to spend the extra money.

**Senator MURRAY**—Yes, quite properly. I have no problem with the expenditure. I have a problem with the way in which it was appropriated. Also, on outcome 1 I want to refer you to page 68, key performance indicators and targets. These are wonderful devices and innovations, but it does mean you are capable of being pinned. What I want to pin you on is this. It says for the proportion of eligible people on the electoral roll your target is 95 per cent. My rough maths says five per cent missing means somewhere between 600,000 and 700,000 Australians who could be on the roll, or around 4,000 to 5,000 per constituency.

I recall a couple of decades back when the Americans were concerned about how smart the Japanese were there was an apocryphal business story that went around how the Americans were touring a Japanese factory and they asked the Japanese manager, ‘What is your failure rate?’ He said, ‘We don’t have a failure rate.’ He said, ‘What is your success rate?’ He said, ‘100 per cent.’ He said, ‘You must have failures?’ He said, ‘If we have failures we have failed.’ What you have done here is set yourself up to fail. Practically you are never going to get 100 per cent, I understand that, because of the nature of your legislation and the nature of our society. But isn’t 95 per cent awfully low as a target? 600,000 to 700,000 Australians not on the roll? Maybe a million, I have seen estimates of?

**Mr Campbell**—At the moment we are not reaching the 95 per cent. Well, there is no one figure that we can produce at a point of time that tells us what the eligible population is. So what we work on is Census data and then the projections forward. I would not want to set myself immediately—and we have discussed this in the agency in the last six months—say, a target of 100 per cent when I know full well that, taking the reverse side of your story a moment ago about the Americans and Japanese, I can never achieve it. I think to put a target there of 100 per cent might actually hide the issue that we do have an issue where there are a number of people in the country whom are off the roll because they have difficulties in understanding their responsibilities and their entitlements. And we do have some of those. Or there are a number of people off the roll who for their own reasons have no desire to be on the roll. With that latter group, short of a very punitive system of justice, you are not going to get a lot of them on the roll. To my mind I think it is more realistic for the agency to say, given that you have some of those people in this country, I am actually flagging here that they are not wanting to be on the roll and therefore under current arrangements I do not see we would ever get to 100 per cent.

**Senator MURRAY**—That may be true, but directly to you, Minister, I would suggest to you that that is not a meaningful target, frankly. I think the grounds the commissioner has outlined as to why we cannot achieve 100 per cent are accurate. But if you are going to have a target, the target has to be meaningful. That is just a reflection of current reality, if I may say so. Turning to outcome 2, table 2.12 also has the problem with the years being one behind.

**Mr Campbell**—Unfortunately in the AEC’s part all tables have that problem.

**Senator MURRAY**—The funding disclosure services figure jumps up considerably, from \$1.867 million to \$2.376 million. What is the reason for that?

**Mr Campbell**—While it is a large increase in terms of 1.8 to 2.3 or 2.4, in terms of actual absolute dollars it is not that substantial, but what it reflects—

**Senator MURRAY**—I like the sound of it. I just want to know what it means.

**Mr Campbell**—That reflects a slight increase in staffing in the area of funding disclosure, under the terms of the current legislation.

**Senator MURRAY**—So more activity?

**Mr Campbell**—Yes.

**Senator MURRAY**—In the funding and disclosure area?

**Mr Campbell**—Yes, more staffing.

**Senator MURRAY**—That is excellent. The last item here, output 2.1.6 on that table, there is what on face value seems an odd transposition. You have a fall in the departmental outputs on advice and assistance in overseas elections but a rise in the revenue of advice and assistance in overseas elections. I am surprised they do not both fall or do not both rise, but perhaps I have misunderstood it.

**Mr Campbell**—2.1.6—I have an international services section in the AEC.

**Senator MURRAY**—I know about that.

**Mr Campbell**—That does not work for our events overseas but does work with overseas countries and has developed such things as Bridge, has worked with the UN and has worked with IFES. So 2.1.6 is the costs of that section.

**Senator MURRAY**—Yes, but it has fallen. Then you go down the table a little more and it has risen.

**Mr Campbell**—There is a consistency there. 2.1.6 revenue is the revenue we get from AusAID. A lot of the activity we do overseas comes from AusAID. In effect, it is actually a consistency to say if we are doing a little bit more activity overseas that is funded from an agency like AusAID, my own internal costs will drop. While it might be not intuitive, it actually balances because, if we are doing more money we are being paid for overseas, we will be spending a little less of our own.

**Senator MURRAY**—That is very smart. You are getting it from somewhere else.

**Mr Campbell**—We are working for other people.

**Senator FIERRAVANTI-WELLS**—Have you done an assessment in each of the electorates as to the double votes, where you have had a vote early, vote often situation?

**Mr Campbell**—We never advertise vote early, vote often.

**Senator FIERRAVANTI-WELLS**—I know that you do not, but I am sure others do.

**Mr Campbell**—We have two processes in train that we started in January, and we will be providing a full report to the Joint Standing Committee on Electoral Matters. But I am conscious this committee.

**Senator FIERRAVANTI-WELLS**—Yes.

**Mr Campbell**—As to the process that Mr Dacey mentioned to you earlier about scanning, after election day we scan all of the certified lists. We have 30,000 or 40,000 certified lists. They are the lists for each division. So we bring them all together and we scan them. In that process two things come out. We get multiple marks, where we will have Mr Jones, Mr Fred

Jones, and the scanning will tell us that his name has been marked off twice or three times. That on the face of it is a multiple voting. The first thing we do before we write out is every multiple mark we check, because sometimes it is quite obviously not a real mark on the xx clock marks by the issuing officer but a smudge. Indeed, sometimes we cannot pick, but it might be where the officer has pressed very heavily on the page before and it has come through on the second page.

**Senator FIERRAVANTI-WELLS**—So that is picked up by the scanning?

**Mr Campbell**—That is right. It is picked up by the scanning. In January this year we sent out 20,600 letters to people who were possibly multiple voters. Of those 17,800 have already responded and there is no further action; 2,800 have possible action, including 1,150 admissions of multiple voting.

**Senator FIERRAVANTI-WELLS**—Did you say 1,150?

**Mr Campbell**—But 1,150 is about seven or eight per division. It is far less than 10 per division. We are chasing up another 1,300. One of the reasons, just to go back to what I said a minute ago, as to why we have 20,800 but then the vast bulk of it, that is, 17,800, having no further action, that is because what also happens on the rush of the day is that issuing officers might mark off the wrong person. Frederick John Jones might be marked off correctly. His son, Frederick James Jones, comes in, same address, and the person marks off Frederick John again instead of Frederick James. We match the apparent multivoters with the non-voters. That is how most of those 17,000 came out. Person X says, 'Wait a minute. I voted at a particular polling booth.' We go back and we find that Frederick James, who says he voted there, did not, but Frederick John did and Frederick John told us that he actually only voted at the other polling booth. That is what happens. We are in the process of finalising all of that. There is a substantial number of letters. We will be providing a full report to the joint standing committee. If you wish, at the next hearing we will give you a copy, too.

**Senator FIERRAVANTI-WELLS**—This can be taken on notice. I would be interested to see the breakdown per electorate.

**Mr Campbell**—We will do that.

**Senator FIERRAVANTI-WELLS**—You have said to us that you go through this process at the end and then, where there is a difference, obviously, and where the double voting or the triple voting makes a difference, there are certain other procedures that are triggered. I would be interested to see a cross-section as to where that double or triple voting occurred.

**Mr Campbell**—I stress that 1,150 across 150 divisions is not very high.

**Senator FIERRAVANTI-WELLS**—But I am interested in the 21,000.

**Mr Campbell**—But 21,000—

**Senator FIERRAVANTI-WELLS**—You do not keep those records?

**Mr Campbell**—But 17,800 of those we have already cleared; they did not multiple vote.

**Senator FIERRAVANTI-WELLS**—Thank you.

**Senator FIFIELD**—Mr Campbell, I have been taking a close interest in the US presidential primaries. Do you know off the top of your head whether the Republican and

Democratic primaries are conducted by the respective party organisations or are they conducted by the local election authorities?

**Mr Dacey**—I believe—

**Senator FIFIELD**—It does not fall within your jurisdiction?

**Mr Dacey**—I will correct it if I need to.

**Senator Faulkner**—Not at this stage.

**Mr Dacey**—It does vary, but some of the state branches of parties do conduct the elections themselves. In other states they may rely on some external agency, not necessarily an electoral body but sometimes commercial bodies to run those elections for them. So it is variable.

**Senator FIFIELD**—The reason I ask is, as you would be aware, the state divisions of Australian political parties do from time to time look at ways of trying to increase the number of people involved in the democratic processes of choosing preselection candidates. I was just wondering if a state division of a party decided to adopt an American style primary model of giving voters who identified as a Liberal or as a Labor person eligibility to vote in some sort of a public primary system, and one of those parties sought to have the Australian Electoral Commission undertake that sort of public primary preselection process, is there anything in the Australian Electoral Act that would prevent the AEC from undertaking that sort of a public primary, obviously on a fee-for-service basis? Are there any impediments?

**Mr Campbell**—No, there are no impediments.

**Senator FIFIELD**—So a state division of a political party could charge the Electoral Commission with putting together an electoral roll for any member of the community who was already registered on the electoral roll but who wanted to be identified as a voter for that purpose?

**Mr Campbell**—There is nothing in the act that says we cannot do it. The act, very specifically in this case, does not preclude it. However, whether or not the AEC would do it is up to the AEC. We cannot be made to do it. For us to do it we would have to make sure that all of the provisions involved and all of the arrangements involved were such that we felt comfortable with the process and felt comfortable with being part of the process, and that it did not bring our name into any sort of dispute or disrepute. I would have to look at any—

**Senator FIFIELD**—That is a very large caveat.

**Mr Campbell**—It is a very important one.

**Senator FIFIELD**—I totally agree.

**Mr Campbell**—We apply that in any fee for service. For example, we will not take over an election that is halfway run through, and where problems start to arise with a provider we will not do that. We will not come in halfway through it. We will always jealously guard our own integrity, our own reputation and that is not only for ourselves, it is for the community and all of the participants in the electoral process that we guard that integrity very highly.

**Senator FIFIELD**—Absolutely.

**Mr Campbell**—While my answer is the act does not prevent it, I would want to know the fine detail before I would agree to it.

**Senator FIFIELD**—The AEC would want to be in control of the process obviously from go to whoa and the AEC would say this is how we think such a process should be conducted and take it or leave it.

**Mr Campbell**—That is right; exactly.

**Mr Dacey**—With some fee-for-service elections we run currently we go through that process of offering particular advice and helping organisations develop the rules for their elections.

**Senator RONALDSON**—Minister, were you aware that Premier Iemma has this morning announced he will be introducing new legislation including the toughening up of general disclosure laws?

**Senator Faulkner**—In a sense, no. At a meeting I had yesterday in advance of the discussions I will be having with state and territory ministers tomorrow, I heard that there was a possibility of legislation being introduced. The detail of it or the content of it I was not aware of. Beyond that, apart from that information, that was my only awareness. That only came about as a result of officials letting me know yesterday.

**Senator RONALDSON**—With that announcement this morning does that not effectively put to an end the green paper discussion process tomorrow when that has been pre-empted by the New South Wales government?

**Senator Faulkner**—Not at all. But I am not aware of the detail of the Premier's announcement. I did meet with the Premier some time ago about issues—it would be quite some weeks ago now—and discussed with him the Commonwealth's intention in relation to the legislation we have introduced for passage in this sittings of the parliament. The Premier of New South Wales indicated to me at that discussion that he was very serious about progressing an electoral reform agenda and also expressed to me that he was very serious and committed to working constructively and cooperatively with the Commonwealth. Beyond that, I am afraid I really cannot comment. New South Wales had flagged with officials that there was likely to be an introduction of legislation in New South Wales.

**Senator RONALDSON**—Others will draw their own conclusions about why the Premier would have made this announcement today given the ICAC findings yesterday. But will he still be going to your meeting tomorrow with the intended desire to have a national approach to this issue despite being pre-empted by the New South Wales government today?

**Senator Faulkner**—New South Wales had previously announced a range of proposed electoral reforms. I will certainly be going to speak to state and territory colleagues with the intention of ensuring that we work as cooperatively as possible across jurisdictions. I would commend this process to you. I would say to you that this is the first time that this has occurred in relation to ministers with a responsibility for electoral matters. I actually think it is a very positive development and I will be doing all I can to ensure that it is the first of regular meetings with state and territory colleagues on these critically important issues.

**Senator RONALDSON**—Despite it being pre-empted this morning?

**Senator Faulkner**—I do not accept that. There is no doubt that cooperation on these issues between the Commonwealth, the states and the territories is very important, and I believe will be very beneficial and productive.

Just before we conclude, if I could have your indulgence for a moment and indicate that this is the last time that I will sit at this committee, which I have done now for very many years, with Senator Murray. I have done that in three guises since Senator Murray was elected to the parliament as Leader of the Opposition in the Senate, for far too many years, as an Opposition backbencher and as a minister, and I did want to take this opportunity on this last occasion to acknowledge Senator Murray's commitment to transparency, accountability and good governance. These are issues, I suppose, that do not always excite everyone in the Parliament or necessarily always attain the highest of public focus. But I know and I know Senator Murray knows, that they are critically important. I wanted to acknowledge his contribution on that and I also wanted to acknowledge his support on those issues.

**CHAIR**—Thank you. I would like to add some comments. As very new chair and very new member of the committee, I would also like to acknowledge the longstanding commitment Senator Murray has. My understanding is he joined the committee on the first day after being elected to this place, on 1 July 1996. I would also like to commend him after all the travel I have been doing as a new senator; to be a senator for 12 years from Western Australia is a feat in itself. So not only for his contribution to the areas of policy and the open and transport processes, just as importantly I would like to acknowledge the manner in which he conducts himself in the hearings. As chair, I appreciate that he likes to drill down to the issues of importance and to ensure that the political process is carried through. I do appreciate and not only members of the current committee but former members of the committee and the secretariat appreciate and acknowledge your longstanding commitment and work with this committee and I thank you. We stand adjourned.

**Senator MURRAY**—May I say and just conclude that I am honoured by both your remarks. Thank you very much.

**CHAIR**—Can I also thank the officers and minister, and I look forward to seeing you again soon.

**Proceedings suspended from 11.01 am to 11.15 am**

[11.15 am]

**HUMAN SERVICES PORTFOLIO**

**In Attendance**

Senator Ludwig, Minister for Human Services

**Department of Human Services**

**Core Department—Outcome 1, Output 1**

Ms Kerri Hartland, Acting 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 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, National Finance Management  
Ms Jennifer Cooke, Deputy General Manager, Service Delivery  
Mr Patrick Hadley, Deputy General Manager, Information and Communication Technology  
Ms Samantha Palmer, Deputy General Manager, External Relations, People and Assurance  
Mr Trevor Sutton, Deputy General Manager, Change Program  
Mr Bruce Young, Assistant General Manager, Enforcement Service

**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  
Mr Trevor Burgess, Acting Deputy Chief Executive Officer, Clients, Capability and Corporate  
Ms Carolyn Hogg, Deputy Chief Executive Officer, Customer Service  
Mr John Wadeson, Deputy Chief Executive Officer, Information Technology  
Mr Darren Box, General Manager, Audit  
Ms Moya Drayton, General Manager  
Mr Gary Dunn, General Manager  
Ms Natalie Howson, General Manager  
Mr Hank Jongen, General Manager  
Ms Sheryl Lewin, General Manager  
Ms Mandy Ritchie, General Manager  
Mr Brendan Sergeant, General Manager  
Ms Eija Seittenranta, General Manager

Ms Helen Skrzeczek, Acting General Manager  
Mr Grant Tidswell, General Manager  
Ms Vicki Beath, National Manager  
Mr Brad Clark, National Manager  
Mr Peter Cotterill, National Manager  
Ms Alison Frame, National Manager  
Ms Jo Gaha, National Manager  
Mr Robin Salvage, National Manager  
Ms Elaine Ninham, National Manager  
Ms Pam Saunders, National Manager  
Mr Trevor Jones, National Manager  
Mr Karel Havlat, Acting Chief Financial Officer  
Mr Dennis Mahony, Family and Child Care  
Mr Paul Cowan, Seniors, Carers and Supplementary Payments

**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  
Ms Linda Holub, General Manager, Program Management Division  
Mr Mark Jackson, Executive General Manager, Business Solutions and Operations  
Mr David Trabinger, General Manager, Business Futures  
Ms Lynne O'Brien, Chief Finance Officer  
Graham Gathercole, Acting General Manager, Information Technology Services

**Australian Hearing**

Ms Anthea Green, Managing Director

**Health Services Australia**

Mr Stan Macionis, Chief Operating Officer  
Mr Peter Moody, Chief Financial Officer  
Mr Peter O'Keeffe, Chief Corporate Services

**CHAIR**—I would like to welcome Minister Ludwig and also Ms Hartland. You have an opening comment I understand.

**Ms Hartland**—I know that the secretary, Helen Williams, has sent around a note that has been circulated to all members, but I just wanted to reiterate her apologies for not being here today. She had a longstanding engagement.

**CHAIR**—Thank you. We are opening with general questions. Senator Coonan.

**Senator COONAN**—Thank you, Chair. Just on Ms Williams's absence, I must say I am very disappointed. I always enjoy having an exchange of view with Ms Williams. What is so important that takes her away from estimates?

**Ms Hartland**—The secretary is attending an international social sector forum in Brussels. It has been a long arranged conference, which is held annually. It specifically looks in the

areas of service transformation and service delivery reform type areas. She was also then going to take some time to meet with some people in the UK government who have been doing transformational work in the service delivery area there.

**Senator Ludwig**—We do apologise for that. It was one of those areas that we thought very deeply about but, considering the nature of the trip and the type of work that she was going to undertake overseas, that it was important to continue with that.

**Senator COONAN**—I accept that, Minister, and of course Ms Hartland will fill her shoes admirably, I am quite sure. It is just that I would not like the occasion to pass without at least conveying my disappointment that the secretary is not available for what might be conventionally regarded as the main estimates following the budget. I hope it does not happen again, but I realise that sometimes these things are international fixtures and the dates are fixed a long time ahead. It would have been good to perhaps know a bit earlier.

I wanted to ask a question about the Child Support Agency that certainly includes some ministerial functions before I talk about it later on in our discussions where I will deal with it more detail. A colleague of mine has brought to my attention that he received an invitation in relation to attending a community information session. Do you know anything about that, Minister?

**Senator Ludwig**—Which type of community information session?

**Senator COONAN**—It was just very recently. In fact there were some exchanges within the last couple of days. Perhaps I will just go on a bit further. This is a colleague of mine that told me this.

**Senator Ludwig**—I have got Mr Miller, the Child Support Agency general manager, who will take you through this, because I understand there is a range of community consultations going on.

**Senator COONAN**—Thank you. Just before we get to that, what has been said by a colleague of mine is that he was contacted in relation to attending a community information session and he asked for some further information and received advice that the Child Support Agency would not give any further information until an acceptance is given. Would that be right?

**Mr Miller**—That would not be normal practice. I guess to put things in perspective the agency is running, as you would probably be aware, numerous community information sessions. They are a regular outreach into the community to explain various child support and related activity involving many other agencies, both government and non-government, but I would need to take some specifics of your concern on and get some replies for you.

**Senator COONAN**—I am really going through the information that was given to me just so that you know what has actually been said. This office of this colleague of mine said that he was told that after a member of parliament accepts or nominates a representative the minister signs off on an information pack, which is then posted out. Does that ring a bell at all?

**Mr Miller**—No, it does not. I would like to get some advice and come back to you by the end of the session.

**Senator COONAN**—Of course. Minister, do you have any role in signing information packs or conveying information about the Child Support Agency?

**Senator Ludwig**—No. I do not sign information packs and send them out.

**Senator COONAN**—I would have been very surprised if you had.

**Senator Ludwig**—So would I. The usual course, as I understand it, is that they have been conducting a range of consultations in respect of the Reform 3 of the Child Support Agency, particularly the new formula that is coming through. The date actually escapes me, but we have also had parliamentary sessions as well to deal with this, so there is a range of information available, there is a booklet available and other publications that are clearly available from the Child Support Agency to assist both parliamentarians and the general public and those who are Child Support Agency customers in transiting to the new formula.

**Senator COONAN**—All of that is very unsurprising. The information sessions are open and available to all parliamentarians?

**Mr Miller**—Yes.

**Senator COONAN**—And is the information consistently available to all parliamentarians or is there some that is available for government members and other information for opposition or cross-bench members?

**Mr Miller**—I am going to have this checked for you, but my understanding is that the information available to MPs and the general public who attend those sessions is all the same.

**Senator COONAN**—Is the information pack posted out or is it provided at a meeting?

**Mr Miller**—I am not familiar with the specific operation of these sessions, but my understanding would be that they would simply be available at the meeting. The local member is often a key invitee to these meetings and certainly they may get an advanced copy of the sort of material that will be covered at those meetings, but by nature of the content of the entire community information session, it is publicly available material that is being disseminated.

**Senator COONAN**—Without actually going to one of these meetings can the material be obtained?

**Mr Miller**—Certainly.

**Senator COONAN**—How would you get that?

**Mr Miller**—Contact the agency.

**Senator COONAN**—So you can have it available. I have obviously got some questions a bit later on about the Child Support Agency, but I just wanted to clarify what seemed to me to be, if it was correct, a fairly unusual set of circumstances.

**Senator Ludwig**—Just on that, I am advised that we do approve a shell media release for the local member and a brief regardless of the political party, so there is the opportunity for those to participate irrespective of the political party, that is, and for the local member to then be provided with a shell media release. I take it that would be to ensure the accuracy of the

media release that it does reflect the CSA, but it is shell in that sense so that they can obviously tailor it to their local electorate.

**Senator COONAN**—Has that been sent out to all members together with some information?

**Senator Ludwig**—I do not have that material before me, but I can certainly take that on notice and check.

**Senator COONAN**—Would you just check as to what has gone out, when and to whom? I do not mean individually. I mean generically, what category of members and senators received it.

**Senator Ludwig**—Yes, certainly.

**Senator COONAN**—Just before Mr Miller goes, I might come back to this, but can you just give me some idea of the checks and balances that are in place for the Child Support Agency computing system making the income calculations? Is that information checked? What is the input process?

**Mr Miller**—I need more information. I do not understand exactly what you are seeking.

**Senator Ludwig**—Maybe I can clarify that. Is that in respect of when someone gets a notice of assessment with the amount on it, or there is an estimator available on the website as well where people can input their own information?

**Senator COONAN**—When they get a notice.

**Mr Miller**—When they get a notice it is based on the information that we have in our existing database and the information that the customer has provided in response to various mail-outs and requests for information.

**Senator COONAN**—And just to take up the minister's point, what happens in relation to the calculator? What do you do about that?

**Mr Miller**—The online estimator is exactly as its wording suggests. It is an estimator and it does not portend to actually provide individual specific assessments because of the quite individual data that relates to each case. It is simply a tool that enables either parent to estimate the likely impact of the new scheme in terms of their circumstances that they are aware of. But as you would appreciate, I am sure, that they are quite often having to guess, for example, the income of their former partner and they may not know whether their former partner, for example, has re-partnered or has relevant dependent children. So there are significant limitations in terms of the tool itself, but it does give people a broad indication of what the likely impact of the new Child Support Scheme will be on their assessment.

**Senator Ludwig**—I understand that there are relevant caveats on the website about that estimator as well so that people are aware of how it operates and that it is an estimator.

**Mr Miller**—I will add that we have been very proactive in encouraging people on receipt of their assessment to in fact contact the agency if they have some concerns. Those concerns could arise from the data that has been used to calculate the assessment in the first place, because many parents did not respond when we sent out last year requests for care details, for example, to contemporise the care arrangements that they currently have. So what they

received in the form of their assessment is predicated on what data we had available and we have been encouraging all parents who felt that the assessment was not reflective of what they understood the circumstances to be to either update their information and we would talk through with our customer services officers how in fact we have arrived at the calculation.

**Senator COONAN**—What kind of response have you had to your invitation to update information? Have you found that it has been necessary for most of the clients to be giving you additional information?

**Mr Miller**—We did some modelling on what we expected the demand would be as a result of the assessment mail-out and I think the shorthand is that we are tracking below what we expected in terms of customer call back.

**Senator COONAN**—Could you just give me some idea of what the numbers are?

**Mr Miller**—The numbers are around 190,000 calls to date, post the assessment mail-out.

**Senator COONAN**—When was the assessment mail-out?

**Mr Miller**—Over the period mid-March to mid-May and all but 5,000 of about the 1.48 million have gone out, so you could effectively say 99 per cent of the assessments have been mailed out. The other critical piece of information you are seeking is in fact the number of people that have taken up the more intensive review so, of that 190,000-odd phone calls, some are simply seeking clarification and some are concerned. I will ask my colleague Mr Sutton, Deputy General Manager for Change, to actually talk around some of the level of intensity of dispute, if you like.

**Senator COONAN**—Yes. That is convenient. As I say, I did not really intend to go into great detail at this point of our discussions today, but that is convenient with Mr Sutton at the table.

**Mr Sutton**—As Mr Miller was saying, we have had over 193,000 calls since 3 March through the advice line, so we have had a very good response from parents in terms of coming back to us and asking questions about issues around some of the details we have provided in the assessments and we have been able to quite successfully work with parents in changing some of those details and re-issuing a new assessment. There has been a process, if you like, over the last few months of dealing with parents and changing those details where that has been appropriate.

**Senator COONAN**—Just run me through the numbers again.

**Mr Sutton**—One hundred and ninety-three thousand calls from parents over that period since 3 March. It is probably also worth noting that back in October-November last year Mr Miller mentioned the fact that we had actually written to all our customers about their care details and other details they may want to update. Care is a particularly important detail that we require from parents because, as you might appreciate, with the change in the formula care is much more important in terms of the calculation of child support. We wrote to all parents back in October-November last year. We received, in terms of calls and letters in response to that mail-out in the 150,000-160,000 range, so there was quite a good response to that mail-out to parents.

We have also mentioned a whole range of information, in terms of explaining some of the changes to the formula in newsletters that have been going out to parents since last year. The eighth newsletter has just gone out recently. There has been quite a lot of contact with parents, both in terms of mail and encouraging parents through the media to come back to the agency if they have any concerns about their assessment.

**Senator COONAN**—Of the 190,000, how many of that number were wanting some closer assessment of their particular figures and obligations?

**Mr Sutton**—It is a bit of a mix and I cannot right now give you the exact numbers. If I was to put it in broad categories, it has been categories of parents seeking information around trying to understand the formula and how it works, as opposed to actually advising that we have the wrong information about their particular details and characteristics. And then a fair chunk of that has been around care details not being correct, that we might have incorrect income details or that we are not aware of the fact that they have a relevant dependent parent on the records.

It has been a mix of both trying to understand the new formula, and our officers have basically been stepping people through and explaining to them on how the new system works and how the formula will be applied, to the sorts of things that we have just been talking about regarding clarifying and providing us with additional information about their income or care details.

**Senator COONAN**—It is fair to say that the new arrangements have caused some degree of confusion and certainly consternation quite broadly amongst clients. Would you agree with that proposition?

**Mr Sutton**—When you are introducing any major change, particularly with this particular group of customers, you are going to get a level of uncertainty and misunderstanding around what the changes really mean for parents, and that is one of the reasons why we have invested very heavily in additional staff to answer customers' concerns and issues that they might have around the changes. We have gone to great lengths to try to engage with parents over the last 12 months to really get them engaged and to, if they have any issues, to contact us, and they are doing that.

**Senator COONAN**—I will be coming back to the communications side of it a little later. Just reverting to some of my previous questions on this matter, does anyone in the Child Support Agency know a Ms Elizabeth Petryck?

**Mr Miller**—Yes.

**Senator COONAN**—Yes?

**Mr Miller**—Yes.

**Senator COONAN**—Ms Petryck has written an email back to this colleague of mine saying that in relation to community information sessions the details will be available, that is for the community information session, and if the MP is going to attend further information will be sent. Does that accord with your earlier evidence that this information is available whether you register or you do not?

**Mr Miller**—As I indicated earlier, I am not aware of the specifics of the case that you are talking about, but I am more than happy in between questions to have the matter clarified for you. My understanding is that information is available to the public and the MPs that are invited, so I need to get some specifics in respect to that matter.

**Senator COONAN**—Just so that you have got the complete story, Ms Petryck says in this email that, ‘At this stage I am seeking confirmation as to the MP’s attendance,’ so she was not willing to provide information as to really what has been put, which would not be your idea of how you would be having an open exchange of information with MPs, would it?

**Mr Miller**—It would not be, but I do not think that it necessarily indicates that there is not an open exchange. It could simply be that we are not going to be mailing out ahead of time a whole pack of information that may not be required because the member is not attending.

**Senator COONAN**—This was my earlier question, if somebody wants information, do you have to go to one of these meetings to get the information that is presented at the meeting?

**Mr Miller**—I might get Ms Palmer to respond.

**Senator COONAN**—Yes.

**Ms Palmer**—The material to which the officer is most like referring to, although we will need to check, is a pack that we make available to MPs attending. It has detailed maps, information about the location and access points for that event. It includes things like detailed information with respect to the number of people who have been invited, for instance, across the database for that event; and the detailed information around the number of community service providers who have indicated they will be attending. It also has other information which the MP may or may not wish to use with respect to talking points, for instance, and commonly asked questions. The information about the community information session is available on our website to anybody in terms of it being run and who has been invited to attend. What we are doing in that pack is giving the MP a much more detailed level of information as to allow them to prepare in terms of attending that event.

So, if the MP is not going to attend or is not available to attend, it is probably not a good use of their time to give them all that detailed information, although we would be happy of course to provide it. I cannot see any reason why we would not be providing, but it is just in the context that they would not necessarily need all that information.

**Senator COONAN**—No. Although that would be a judgement they would make as to what parts of the package might be relevant. I am very concerned to ensure that this is not the case, that information is only sent out if somebody registers for one of these community events. Are you telling me that is not the case?

**Ms Palmer**—I am explaining why we are not, as a matter of course, providing a very detailed pack for MPs, unless they are indicating their wish to receive that.

**Senator COONAN**—In other words it is correct to say that an MP would need to register and turn up to one of these community sessions to get the detailed pack.

**Ms Palmer**—At this stage our process is that if an MP indicates that they would like to attend that event then we prepare a very detailed pack for them at that stage, yes.

**Senator COONAN**—Minister, would you agree with me that if an MP wishes to have the detailed pack they should not have to firstly go through the hoop of actually attending a community session? It may be that they wish to have the information for their own purposes and, if it is publicly available, why do they have to actually register in order to get it?

**Senator Ludwig**—The evidence has said that if they give an intention that they are going that they will get the detailed pack. It is not correct to say that they have to attend to get the detailed pack. On many occasions I myself might signal an intention to go or might nominate someone within my office to go to a particular function; in this instance the pack would be sent. You may then because of your diary not go or you may send a nominee, but in that instance you would still receive the pack, or the senator or MP might indicate that they wish the pack. If that was the inquiry, I do not see why they would not be sent the pack.

**Senator COONAN**—There was just an occasion where apparently there was a request for the pack and it was not sent unless there was registration or at least an indication that they would be attending.

**Senator Ludwig**—That is what we wanted to clear up.

**Senator COONAN**—Yes. If you could please assure me, because I would like to think that MPs can get whatever detail is available by simply requesting it rather than having to pass some sort of threshold. I can understand where you are coming from, but that is a judgement no doubt for the MP as to whether the pack is useful or not. I assume it would be.

**Mr Miller**—I can give you an undertaking that that is how it would be. We need to chase up in this particular case whether the officer has actually followed through in respect of that general protocol.

**Senator COONAN**—Key appointments, please. What appointments have been made by the government through the executive council cabinet and ministers to any statutory authorities, executive agencies and advisory boards within the portfolio?

**Senator Ludwig**—I think the answer is nil. We are just checking on one. I am not sure whether it was requested. There was a question HS2, which was at additional estimates, and the answer at that stage was 12 February 2008 there are no vacant positions to be filled by ministerial appointment, and that has not changed, as I understand it, but if it has changed I will get back to you. What I was enquiring about to my right, is that my recollection is that there has been, in respect of HSA, Health Services Australia, an ongoing appointment there, but I will just clarify that. I am right about that. Ms Cynthia Burns resigned as a member of the HSA board with effect from 30 April 2008. Ms Burns was first appointed to the HSA board in March 2006 and I understand her resignation was due to other commitments. There is an article under HSA, which is article 58, which requires that the number of directors of the HSA board shall be between three and six and, of course, following her resignation the HSA board comprised four non-executive directors; the fifth position is that of course of the managing director. The government will now consider options around the appointment of the new director to the HSA board, including maintaining the gender/skills balance to the board. Mr Stan Macionis is the interim managing director and his date of appointment was 3 April 2008. It is due to expire on 2 October 2008.

**Senator COONAN**—I am sorry, I just did not follow that. Is the vacancy caused by Ms Burns's resignation now being filled?

**Senator Ludwig**—No.

**Senator COONAN**—When are you likely to do that?

**Senator Ludwig**—The process is underway.

**Senator COONAN**—I know it can be agony.

**Senator Ludwig**—If it is done before the return of the answers that are due here, we will advise you of that. If not, we will indicate that it still remains vacant and we are going through the process of finding someone who is suitable and qualified to fulfil that position. I am sorry. No, the information that I have got tells me that it is underway.

**Senator COONAN**—The word used to be 'shortly'. Unfortunately Mr Whalan has resigned as CEO of Centrelink. I do not think there is any doubt that he was a very effective and very good CEO.

**Senator Ludwig**—He is appearing today.

**Senator COONAN**—Is he?

**Senator Ludwig**—Yes.

**Senator COONAN**—He is coming later?

**Senator Ludwig**—Yes.

**Senator COONAN**—I wanted to ask about his replacement. When were you made aware of Mr Whalan's intention to resign?

**Senator Ludwig**—I am sorry?

**Senator COONAN**—When were you aware of Mr Whalan's intention to resign?

**Senator Ludwig**—I will get you the exact date on that.

**Senator COONAN**—What are the procedures in place to employ a new CEO for Centrelink?

**Ms Hartland**—I am sorry?

**Senator COONAN**—The question is: what are the procedures that are in place to find a new CEO for Centrelink?

**Ms Hartland**—I understand that it will be done through a merit-based process. The secretary is likely to chair a panel.

**Senator COONAN**—Who will be on the panel?

**Ms Hartland**—That has not been decided yet.

**Senator COONAN**—Have there been any advertisements so far?

**Ms Hartland**—Not yet, no.

**Senator COONAN**—So, we do not know who will conduct the interviews?

**Ms Hartland**—No.

**Senator COONAN**—The proceedings to find a replacement have not yet commenced?

**Ms Hartland**—No. Mr Whalan leaves around 24 June.

**Senator COONAN**—I am sorry?

**Ms Hartland**—I think Mr Whalan leaves around 24 June and it has only been recently known, so the processes have not been worked through. I know that it is intended that it will be a merit-based process in a normal way: advertised, a panel, a normal process.

**Senator COONAN**—I do not need to know the specific figure or anything, but what is the salary range of this position?

**Ms Hartland**—I would have to take that on notice.

**Senator Ludwig**—I was just checking whether it is in the annual report.

**Ms Hartland**—We will check it in the annual report, but I think it would be a Remuneration Tribunal range.

**Senator COONAN**—The Remuneration Tribunal?

**Ms Hartland**—Yes.

**Senator COONAN**—Is it anticipated that there will be a replacement for Mr Whalan in place by the time he leaves?

**Ms Hartland**—The interim arrangement is that Ms Carolyn Hogg will be acting in the position, so there will not be a vacancy left there; there is an interim arrangement with Carolyn Hogg acting in the position. It would be unlikely that the process would be completed in that short period of time, so that acting arrangement would take place from Mr Whalan's departure.

**Senator COONAN**—From your experience of these sorts of appointments, and I am not seeking here any kind of firm indication, but what would you think would be a normal time for placement for a reasonably senior APS position?

**Ms Hartland**—I would be guessing. It depends on the field that is attracted to the position.

**Senator COONAN**—There are very specific procedures to be observed.

**Ms Hartland**—Yes, there are.

**Senator COONAN**—I suppose it would be fair to say that it would have to be upwards of two months?

**Ms Hartland**—I suspect that the average would be around about that period of time, yes.

**Senator COONAN**—Has a recruitment agency been appointed?

**Ms Hartland**—No.

**Senator COONAN**—We do not know?

**Ms Hartland**—No, there has not been.

**Senator COONAN**—Is it intended that there would be?

**Ms Hartland**—I will have to take that on notice. I am not sure. I do not think that the actual procedure has been sorted through. That might form part of the process, but I just do not know the answer to it.

**Senator COONAN**—Would the search extend to nationally or internationally?

**Ms Hartland**—I expect it would certainly be a national search and obviously that would be open internationally as well, but as to whether it would be a specific international search, I am not sure of that.

**Senator COONAN**—I want to move on to the axing of jobs, unfortunately, and the efficiency dividend, the consequences of the deep cuts that have been imposed on this portfolio. At last estimates when I asked Ms Williams where the cuts were going to come from for the efficiency dividend, the two per cent imposed willy-nilly across all departments, Ms Williams said:

We have to find, as all agencies do, the extra two per cent efficiency dividend savings. It is very hard for me to single those out because, as you know, we also have to find reductions from the abolition of the access card.

So, I realise it is connected, but she then went on to say:

Even though we have a quite a downsizing target to meet, we are still hoping to be able to do without that. I have, for example, gone out to my portfolio secretary colleagues to see if—

There are various bits of the transcript here that are unimportant, but the thrust of it is that she said that people have got:

... real skills there, but we will not be able to keep them all. So at the moment we are looking around to try to find positions for those staff.

Now, what we have got of course is that one of the biggest losers in the recent cuts is Human Services. That will lose a total of 816 jobs. Is that correct?

**Ms Hartland**—Yes.

**Senator COONAN**—And Human Services loses 445; Centrelink, 200; Medicare, 171; which gives the total of 816. Can you tell me first of all what is the estimated savings to Human Services of the 445 cuts?

**Mr Dainer**—The departmental expenses are from 2007-08 estimated actual for the year to the budget estimate for 2008-09 and is a reduction of \$54 million. That includes the core department, CSA and CRS.

**Senator COONAN**—I just want to drill down a little bit into these job cuts. Just before I do that, were you taking that figure from the core departmental budget statements, table 328, page 37?

**Mr Dainer**—That was a consolidated appropriation number, which you see on page 28. That was the revenue from government, so on the reduction from estimated actual for 2007-08 the budget estimate for 2008-09 is a reduction of \$54 million.

**Senator COONAN**—Of the cuts to Human Services, where are these jobs? Are they in Canberra?

**Ms Hartland**—Are you talking about the core DHS, as distinct from Child Support?

**Senator COONAN**—Yes.

**Senator Ludwig**—What we may need to do for the purposes of assisting, to put it in context there is an average staffing level and we use that as the base for all staff across the portfolio, so that is the Human Services portfolio. The total is 35,399 in 2008-09. This reduction, which we are now referring to, results of course from a number of factors such as the abolition of the access card, completion of some of the child support reform measures and increased efficiency gains being made at Medicare Australia. In terms of Centrelink, which is where staffing will reduce marginally by less than one per cent, average staffing levels across the portfolio including SES will reduce by 816, or 2.3 per cent in 2008-09. The ASL for SES only, so this is the SES across the portfolio, will reduce by 20, or 9.5 per cent, in 2008-09. But to provide the background and, to my right they may have to go through it, but if we look at the DHS core staff, that has reduced by 75 ASL; the CSA staff, if we separate that, is 410 ASL; and then you have got Centrelink, which is at 200 ASL, or 0.8 per cent. Medicare Australia staff are to reduce by 171 ASL, or 3.1 per cent.

**Senator COONAN**—Thank you.

**Senator Ludwig**—You say the Human Services Department. If we call it the Human Services portfolio it then depends on whether you are referring to an agency or the core department as such.

**Senator COONAN**—I want to understand where each of the 445 people from the Department of Human Services are, what current jobs they are doing and where they are located because I want to go on to some further questions. Perhaps if that is helpful, could you then deal with that? I am just interested in where they are first of all.

**Ms Hartland**—I will break the department into two areas and I will talk for a start about the 75, which are from the core department and then I can talk separately about the group of people from the Child Support Agency.

**Senator COONAN**—I am very happy to break it up in any way that is not confusing for witnesses.

**Ms Hartland**—The department's staffing level, which is the core staff, has to reduce by 75. So it was estimated that the department can afford an ASL, average staffing level, of 145.

**Senator COONAN**—Just say that again. I am sorry, I cannot hear you.

**Ms Hartland**—I will come a bit closer. The estimate is that the department can afford an ASL for 2008-09 of 145 people. With the abolition of the access card and other election commitments, we have identified that there would be around about those 75 positions that we needed to reduce and, while we did not know the exact number at that time, we identified—as you mentioned Ms Williams had identified—that there would be a number of people to go. We were not quite sure of the quantum then, but they were identified from around November, so about six months ago, and since that time we have been working with people. As I mentioned last time, the secretary went to her secretarial colleagues to reduce that number down.

Where we are at now is that, from that 75, 60 people have moved out of the department for various reasons: promotions, transfers, left the public service and a whole range of reasons.

So that original 75 is down to 15 people. We then developed a structure for the department based on priorities for the government and as a result of that we went through a process with those and looked at the 15 people less that we needed in the organisation. Of those a further two people have subsequently found positions and another person has said that they were looking to leave. So, from that original 75 we are down to about 12 people in the organisation that we still need to reduce to balance the budget, if you like.

**Senator COONAN**—What sort of program areas do these people come from?

**Ms Hartland**—They are across the organisation. While we have identified the access card abolition, there was also some reductions, as you have mentioned, regarding the efficiency dividend and also through some reduction in spending across the board in terms of infrastructure, so those 12 people that are remaining are across the organisation, they do not neatly slot into one particular area.

**Senator MOORE**—Could the committee get a document from your department which sets out what your structure is and where the people are. It might be useful for all of us if we could get one of those and those figures about minus/plus underneath the boxes. That might be useful. We have had a habit, because this stuff has changed, of getting that list for us and it just keeps it visually in front of our eyes. Can we get that?

**Ms Hartland**—I will have to take that on notice.

**Senator COONAN**—Thanks, Senator Moore. Has anybody in the Department of Human Services been notified that they were potentially excess to requirements and given notice recently?

**Ms Hartland**—Yes. We started off with 75 and the 15 people have been notified that they are potentially excess.

**Senator COONAN**—And they were informed on 21 May?

**Ms Hartland**—Over a couple of days. I do not think it was all on 21 May.

**Senator COONAN**—Were they given it a letter?

**Ms Hartland**—Yes. There was a letter. I can take you through that process if you would like me to.

**Senator COONAN**—Yes, thank you.

**Ms Hartland**—In moving forward we have developed a new structure for the department, taking into account the government's priorities and we then went out and asked everyone to put in an expression of interest, including their CV in terms of their skills, to then be able to look across the organisation at the needs of the organisation. In terms of that process we were able to place all but two people—this is aside from the 15, I will come back to that—in either their first or second work preference areas against the organisation. As I said, there were 15 positions that we cannot afford to fill. So, based on looking at the skills needed in the organisation and looking through the information that people had provided, Mr Popple, the acting-deputy secretary, and I spoke with each of these people and at that time we also provided them with a letter saying that they could be potentially excess.

**Senator COONAN**—Excuse me. I will just interrupt you there. Is that what the letter said, ‘You could potentially be excess’?

**Ms Hartland**—That is right.

**Senator COONAN**—It is true to say that no one has been given notice that they will effectively be terminated in about eight weeks?

**Ms Hartland**—No. The letters have only said that people would be potentially excess. People were asked about timeframes around those and certainly then, with the AWAs and things that were set up, we gave some ideas around the types of timeframes that could be—

**Senator COONAN**—What I am trying to establish is has anybody been given eight weeks notice?

**Ms Hartland**—Are we talking outside the SES process?

**Senator COONAN**—Anywhere within the department.

**Ms Hartland**—There is one SES officer who has taken a package. They were notified that they were excess to requirements. Apart from that, nobody has been notified that they are actually excess at this stage.

**Senator COONAN**—Just so I am clear about this, there is only one person?

**Ms Hartland**—I am talking about the core department now, yes.

**Senator COONAN**—Let us go across out of the core department. I am trying to establish whether there is a pool of people—more than one—right across Human Services or any of the agencies who have received a letter within the last few days advising them that they would be terminated in, say, eight weeks from the date?

**Senator Ludwig**—We may have to take that on notice. When you say ‘right across the whole portfolio’, I assume you include CRS as well?

**Senator COONAN**—Yes.

**Senator Ludwig**—Although they are funded separately.

**Senator COONAN**—Yes, I understand that.

**Senator Ludwig**—And Medicare and Centrelink. Are you saying those that are attributable to the two per cent efficiency dividend, or just simply someone who may have been—

**Senator COONAN**—I do not care what it is attributable to. I would like to know who has been fired out of the Department of Human Services?

**Senator Ludwig**—The Department of Human Services is the core department. You are referring to the whole of portfolio, which is the Human Services portfolio. We will take that on notice.

**Senator COONAN**—From any department within any part of the portfolio, has anybody been given eight weeks notice?

**Senator Ludwig**—We will take that on notice because you can appreciate within Centrelink—they will be hear later to provide some evidence to the committee—they would

have rise and fall as part of their business as usual process or there might be someone who has—

**Senator COONAN**—We can come to that. Just so I am understanding here, the evidence is that there is only one person in the core department who has received notice?

**Ms Hartland**—That is correct. The other people, as I mentioned, have been given a letter to say that they were potentially excess and one of the processes that we then went through with those people is that there is a unit that has been set up in the Public Service Commission and this then allowed us to provide those people's names to that unit. It is a key transition unit to help them also identify potential roles to match their skill-set across the public service.

**Senator COONAN**—Is that the Career Transition and Support Centre?

**Ms Hartland**—That is correct.

**Senator COONAN**—That is interesting.

**Senator Ludwig**—Just on that, I was going to get the general manager of the Child Support Agency to check whether there has been no letters sent as a consequence of reductions. I will ask Centrelink and Medicare to provide evidence later. There could always be disciplinary procedures. There could be a whole range of things that might have resulted in that type of letter being sent. It is worth trying to isolate the issues out to then establish whether you are referring more broadly to anyone. If it is anyone then, as I said earlier, I will take it on notice, but I did want to also make sure that we are talking about anyone including those that might be subject to disciplinary procedures or something like that.

**Senator COONAN**—Some extraneous reason?

**Senator Ludwig**—Yes.

**Senator COONAN**—We are dealing with one where it is not potential, it is actually happening, and 14 others?

**Ms Hartland**—No. There were 15 who received letters saying that they were potentially excess.

**Senator COONAN**—And what does the letter say: 'You are potentially excess'? How long can you be potentially excess before you know for certain that you are in diabolical trouble?

**Ms Hartland**—Your first question was about what was included in the letter. What might be the basis for some of your questions is that certainly in the letter it did refer to the fact that if the secretary deemed that they were made excess, and that is a determination made by her at a point in time, that then there was a period of time of four weeks plus four weeks in terms of termination. Certainly the letter talked about that, but this was a letter saying they could be potentially made excess and then it was up to the secretary to make a determination. What we have been doing in the meantime is working with the likes of the Public Service Commission and other agencies to try to place people. As I have said, we have been successful in a number of cases, so that that group of people has now come down to 12 since we have had those discussions with them and we will continue to work with them.

**Senator COONAN**—What is the process here? If they remain excess to requirements and the secretary determines that, do they get offered some sort of termination package?

**Ms Hartland**—We are not at that point.

**Senator COONAN**—Would that be what would happen? There must a process that happens if people are made excess to requirements.

**Ms Hartland**—I am sorry. Can you just repeat the question again?

**Senator COONAN**—The question is that if the process indicates that there is no place for these people, do they get offered a termination payment?

**Ms Hartland**—That could be the case if we got to that case.

**Senator COONAN**—This is a genuine question; I do not know the answer to it. Is it true that if somebody takes a package they cannot then reapply for another public service job for a period of time?

**Mr Popple**—If they take a voluntary redundancy they cannot reapply for 12 months with the public service.

**Senator COONAN**—If somebody, for instance, who is excess to requirements and is told within eight weeks, or four weeks plus four weeks, that they are excess to requirements and they want another job in the public service, they are between a rock and a hard place, aren't they, because they will either get no termination payment or take a termination payment and then not be able to apply for a job?

**Mr Popple**—The reason we provided the people with letters indicating that they were potentially surplus was—

**Senator COONAN**—Can you speak up a little bit, Mr Popple? I am terribly sorry.

**Mr Popple**—That is all right. The reason we provided them with letters indicating that they were potentially surplus was to enable us to refer them on to the Public Service Commission, to that Career Transition and Support Centre you referred to earlier, so that we can then actively manage their placement elsewhere in the public service.

**Senator COONAN**—Yes, but you can see what I mean. A little earlier there was some evidence that it takes a fair while to place people in the APS, quite rightly, because these processes take time and they are followed appropriately. I am a bit concerned about people who can be required to make some decision that affects their future, as to whether or not they will accept a retrenchment, when what they really want to do is to perhaps go through the process of applying for another APS job. What do they do?

**Mr Popple**—At the moment they are applying for other APS jobs and have not been stopped from doing that.

**Senator COONAN**—Yes, but I am talking about the time frame. You can see what I mean; it is going to be very difficult if somebody has a determination made about them. That means they have got no more than eight weeks and if they take a termination they are then shut out from applying for a public service job. In a town like Canberra it limits their options pretty significantly, doesn't it?

**Mr Popple**—There has been a long standing provision in the public service that people who take packages are not allowed to come back in. That was introduced several years ago as

a way of stopping people from taking packages and then coming back in the next day into another public service job.

**Senator COONAN**—That is perfectly appropriate, but my point is that if somebody only has eight weeks in which to make some decision about their future and they wish to apply for another job, the time frames do not align.

**Mr Popple**—As Ms Hartland indicated, we are not at that eight week period yet. At the moment the secretary has made no decisions about whether anyone is actually surplus.

**Senator COONAN**—I understand that completely.

**Mr Popple**—That would be dealt with on a case-by-case basis and if they indicated that they were actively pursuing a job and they had reasonable chances, the secretary may take the decision to keep them on until they reach that point.

**Senator COONAN**—I would like some greater assurance for the people who have contacted me about this. We need some greater assurance that people who are excess to requirements and who have a determination made about them will be given an appropriate time frame, and it would have to be longer than eight weeks, in order to be able to pursue whatever options may be available to them for other APS jobs. Surely that is not an unfair proposition or arrangement, rather than have them fall between two stools.

**Mr Popple**—The arrangements you are talking about are consistent with the AWAs that they signed when they took up their positions, of course.

**Senator COONAN**—Yes. Of course the AWAs are very helpful to people who found themselves in that position.

**Ms Hartland**—We have been trying to do a bit of a case managed approach, which is also what the APSC does. We are waiting to hear back on a number of other positions at the moment. We are actively working with these people and we have been actively working with them since November last year, from the figures that I started with in terms of the 75. As Mr Popple said, there is no determination being made around that eight weeks at this period of time, but we will continue to work with people.

**Senator COONAN**—Let me get the right name of this. The Career Transition and Support Centre does not give any preference, does it, to people who have been in the APS? Agencies go into the open market, quite rightly.

**Ms Hartland**—They do get an early heads-up from agencies who are working with them about positions that are coming up. I mentioned a couple of people that had been placed. At least one of those people found a placement through the unit.

**Senator COONAN**—Just as a matter of interest, is there any capacity to pay back severance pay if you want to pursue another job?

**Senator Ludwig**—That crossed my mind. We will take that on notice. I inquired while you were asking as to whether there was that provision. Mr Miller informed me that that provision is available and I have some recollection of that in the Queensland public service. I am unaware of whether it applies to the APS. For argument sake, because there is the 12-month period, I do not know what the previous government did in respect of that, whether they made

it a fixed position or whether they allowed it to be bought back so to speak if you did find a job within the ensuing time. One of the difficulties in this area that we are confronted with for the staff who are in this position is that the previous government put them on AWAs, which had these provisions within them, and so we actually have to follow the provision within the AWA as enunciated. It is a contractual arrangement, as I understand it and I am advised. There is a different position that applies to those that are on AWAs, as I understand it, to those who are in the public service more broadly who are under collective certified agreements and therefore some of the matters that you refer to go to the fact that they are on the AWA that the previous government required them to enter into. So those provisions are, as you have indicated, the four and four.

As I understand the evidence today, it is only an intention that the letter has been forwarded to those people. We have not kicked in the provision. What we are doing is we are working with them to then find alternative placements, so it is not confined to the eight weeks as I understand it to begin from when they got the letter onwards. There is this period where we are holding them because of the way the AWA works. If we gave them the notice then the eight weeks would kick in. We appreciate that is not the sense of what we are trying to do here. What we are trying to do is find alternative placements within the public sector more broadly. It is only an intention. It gives them the opportunity of looking for alternative work across the Australian Public Service, particularly in Canberra, and then go on from there.

**Ms Hartland**—That is correct.

**Senator COONAN**—In effect what you are telling me is that for the remaining people, bar the one who is in a slightly different category, for what reasons I do not know but somebody is, basically you could probably describe it as a deferral of the provisions while somebody has an opportunity to look for an alternative APS job. Would that be a fair characterisation?

**Ms Hartland**—Yes. The other bit I would add to that is it allows us to be able to utilise the transitional unit. When Mr Popple and I met with all of these people we explained it to them and asked whether they wanted to use that unit. Not everyone did want to do that, but the vast majority of people did. We have had some success in that area and will hopefully have some more success there.

**Senator COONAN**—I will come to the other agencies, but I wonder if you could just refer to questions on notice in respect of staff that were excess to requirements as a result of the abolition of the Office of the Access Card. There were a number of them. I think there is an inconsistency in some of them, but no doubt you can clear this up. In HS78 and HS79, in answer to my question on notice about the current employment status within the department or agencies of staff from the Office of Access Card, the answer appears that 28 had departed during the period 31 December to 6 March. Is that right? Can you just update me now and confirm what has happened to any others?

**Ms Hartland**—As we have moved through this restructure process I would have to take it on notice to go back and look, because an increasing number of people have been shifted around and we have gone away from thinking of them as ex-access card people to people doing other tasks based on the skills that they have got in place. It might go back to Senator Moore's question about where people have actually been placed.

**Senator Ludwig**—It may be helpful to explain the new structure and how it is being done. It is being done from 1 July. Where the previous core was in the main the access card people, if I can call it that, plus the remaining core department and the JCA, from 1 July we now have a new structure.

**Senator COONAN**—I am sorry, Minister, I just cannot hear you.

**Senator Ludwig**—I am sorry. What we now have is from 1 July a new structure, so it is different from the previous core department. It may be helpful if we go through just the new structure from 1 July because those people are now and will be within that new structure. That might explain the difference with the previous information.

**Senator COONAN**—I would be very happy for you to answer the question the way you see fit. I have quite a number of questions here and it is very confusing as to who went where. There appears to be inconsistent information. Ms Hartland identified there were 132 people in the Office of Access Card on 31 December 2007 and there had been 28 departures, leaving 104. Elsewhere in answers there were apparently 106 left. I have accounted for 106. I think it would be really helpful if we could find out how many there were, where they are and what happened to each of them.

**Ms Hartland**—In terms of a bottom-line figure, from the original group of people there are—

**Senator COONAN**—Who are how many?

**Ms Hartland**—At the peak there were 136 people in the Office of Access Card. You are stretching my memory. There were 136 people at November 2007 and as of May there were 80 people from that original group that are now working in areas throughout the department.

**Senator COONAN**—I had 30 as the answer to question HS11.

**Senator Ludwig**—Seventy-eight?

**Ms Hartland**—The reason for the confusion is that there were a number of people who were still working on tidying up aspects of contractual arrangements and other issues with the access card program, but from now, as the minister has said, we are moving into new structural arrangements. But from that original, if you like, peak of 136 people there are 80 people that are there and now throughout different positions in the department.

**Senator COONAN**—Perhaps the best way to do it is if you could give me a comprehensive statement from the peak of 136 as to where the ones who have left went and whether they went to some other department, whether they were outsourced in some other way or whether they resigned. I would appreciate that statistic and then where the other 80 people who are left have been placed.

**Ms Hartland**—Just to clarify, we will not do that on an individual basis, but just in terms of saying the number of people that went to other departments.

**Senator COONAN**—That is all I need. I do not need to know about individuals.

**Ms Hartland**—We can do that.

**Senator COONAN**—I am trying to account for it. I just want an updated position of every person who has been in the Office of the Access Card, how many are left and what they are doing and, for the ones that went in what circumstances did they go. Is that clear?

**Ms Hartland**—Yes, certainly. We have got that information. We can get that for you.

**Senator COONAN**—When can I have that?

**Ms Hartland**—We would have to aggregate it and look through. We would not be able to get it to you today, so I think just in the normal process of the questions on notice.

**Senator Ludwig**—By way of explanation, one of the complicating factors is that the new structure that will commence from 1 July. What that means is that there is the previous, core department of Office of Access Card, if we can call it that. The answer to HS78 identified there were 132 people employed in the Office of Access Card on 31 December 2007 and then it identified the staff departures that have occurred in that period and it runs through end of contract, resignation, return to home, transfer out and seconded to other agencies. From then in the new year and then from 1 July many of those people, the 132 identified, will have found positions within the new restructured core department, so it will be difficult to actually work that through. In terms of positions we can do it, but in terms of individual people it may prove somewhat time consuming. It is my concern that if you wanted to know whether any of those people had left or otherwise found other jobs, we could check that through, but it would still take some time.

**Senator COONAN**—I would still like to know the information. My recollection is that there was some earlier evidence and it no doubt shows up that some \$15 million was retained in respect of retaining those particular staff. I would like to know where they are and what jobs they have got.

**Ms Hartland**—Just to clarify that, it was \$15 million over three years.

**Senator COONAN**—That is right. That is one of the reasons why I wanted the information, even though it may be a bit time consuming to do it. I would now like to be taken through the movements and job losses at CSA.

**CHAIR**—Can I suggest that this might be timely to come back after lunch and start with that?

**Senator COONAN**—I do not think that there is a problem with that.

**CHAIR**—We will break now and recommence at 1.30pm.

**Senator MOORE**—You said one SES officer has gone. Was that a voluntary package arrangement? I just wanted to get on record that the person decided to take a voluntary package.

**Ms Hartland**—Yes, it was.

**Senator MOORE**—Thank you.

**CHAIR**—Thank you. We will be back here at 1.30pm. Minister.

**Senator Ludwig**—I have some information that I got in response to Senator Coonan's question earlier. I was officially informed of the CEO's resignation at Centrelink on 10 May

by a telephone conversation and then, in respect of the pay, we will have to take that on notice. I am advised that there is a performance bonus portion which is apparently complex and it will require time to work that out.

**CHAIR**—Thank you. We will come back after lunch.

**Proceedings suspended from 12.26 pm to 1.29 pm**

**Centrelink**

**CHAIR**—Good afternoon and welcome back. Senator Coonan?

**Senator COONAN**—Because time has been truncated a little bit I wanted to go on to some Centrelink issues and come back to some of the other matters. If I may out of time to do anything with them I can put them on notice. First of all, I want to deal with some compliance issues and data matching. There has been \$138 million provided over four years to expand the data matching system with, I think, the Commonwealth Bank, National Australia Bank, Westpac and ANZ; is that right?

**Senator Ludwig**—That is right.

**Senator COONAN**—Just to be clear about it—I will go to the profile in a moment—but it is \$33.2 million in 2008-09, \$34.3 million in 2009-10, \$35 million in 2010-11 and \$35.5 million in 2011-12. Centrelink already data shares partly with the ATO and Customs; is that correct?

**Mr Popple**—That is right.

**Senator COONAN**—As an additional part of this measure universities will also be cross-checked weekly to ensure that student recipients do not reduce their reported study load; is that correct?

**Mr Popple**—Yes.

**Senator COONAN**—The budget forecast with the introduction of this measure is that there will be savings of \$728 million over four years with net savings of \$582.9 million over four years; is that correct?

**Senator Ludwig**—That is right.

**Senator COONAN**—I will come to the profile but I just want some details, please, as to how this will actually work. With regard to this new data matching policy, how many bank account details will Centrelink have access to? What is the number?

**Mr Whalan**—I have come in part way through this. Your question is about the arrangements to match information with the university students?

**Senator COONAN**—No, sorry—

**Senator Ludwig**—Perhaps if I lead off and deal with some of them—

**Senator COONAN**—The number of customer accounts that will be accessed as a result of this data matching containing their private financial information?

**Senator Ludwig**—If I start and then I am sure Mr Whalan can come in just so that he can get to the brief in respect of that. There are two elements to the data matching program

announced in the budget; data matching with banks and the ATO. For banks the 2008-09 budget provided, as you have indicated, \$138.9 million funds to allow Centrelink to expand. It is to expand the Commonwealth Bank data matching scheme and to start working with other major financial institutions. In respect of the ATO, the data matching program with the Australian Taxation Office is also being expanded. When you said it was new, it is in effect already in existence and is being—

**Senator COONAN**—I think I said both, but I am talking about new money.

**Senator Ludwig**—The ATO bundles selected information into electronic files and sends it to Centrelink. Centrelink then runs the information through its own computer records.

**Senator COONAN**—How many customer accounts are anticipated being accessed in respect of ascertaining the private financial details of these customers?

**Mr Whalan**—We would not have an answer to that. We do not have an estimate of the number of accounts.

**Senator COONAN**—How would you calculate the potential savings without having a clear idea of the information that you would need to access?

**Mr Whalan**—We have been doing this for the last couple of years. We have been working on a pilot with the Commonwealth Bank. We have been testing what has happened with that pilot with the Commonwealth Bank. We would have done an estimate based on what happened with the Commonwealth Bank. It will be imperfect because it is not clear to us how many of our customers bank with any one particular bank.

**Senator COONAN**—We will take the pilot which seems to have been the basis on which calculations were made as to potential savings. How many customers of Centrelink have got CBA accounts?

**Mr Whalan**—I have not got that figure with me. What I can tell you is that we have estimated to do 41,500 reviews in the next financial year as a result of this extension. Apologies, it is actually across four years, 41,500 reviews across a four-year period.

**Senator COONAN**—What you are really saying to me is that potentially 41,500 clients of Centrelink, or their accounts, could be accessed for the purposes of data matching?

**Mr Whalan**—Would be reviewed over that period.

**Senator COONAN**—What is involved in the review?

**Mr Whalan**—I can get more detail on notice for you, but I expect what would occur is that if we had information from the bank that someone had a level of savings or deposit in a bank account which was different from what they had advised us that that would lead us to undertake a review, to ask them in or to write to them and say, 'Look, we cannot quite make sense of these two pieces of information. Can you please provide us with some advice?'

**Senator COONAN**—What sort of level of discrepancy between an amount held in an account and information held by Centrelink would warrant a review?

**Ms Frame**—That level of detail has not been determined as yet. What would occur is that there would be data matching of a greater number than 41,500 customers and Centrelink and the Commonwealth Bank would exchange that data. Based on what we received back from

the Commonwealth Bank about amounts held in Commonwealth Bank accounts, Centrelink would do some profiling of risk characteristics and identify triggers and identify characteristics that would cause us to look further into those customers. From more data exchange we would distil that down to a smaller group of 41,500 for which we would do a more in-depth review of their circumstances based on triggers and characteristics that we determined warranted further investigation.

**Senator COONAN**—At the moment we do not know what level of discrepancy in information held by somebody in their bank account and information given to Centrelink would trigger this kind of review?

**Ms Frame**—That is correct.

**Senator COONAN**—What approach are you taking to working that out as to what will be the characteristics and risks associated with the operation of an account of a Centrelink customer?

**Ms Frame**—As I said, those things are going to be determined but—

**Senator COONAN**—Who will determine them?

**Ms Frame**—It would be the service profiling and risk people in Centrelink who have experience in identifying those characteristics. Based on matching data we would identify characteristics that lead us to investigate further. We can identify customers that we would consider are at a higher risk of having a debt. So that would be, for example, customers who have income in their account. We can see regular deposits of income into an account and maybe for our purposes they tell us that they are not working and there is no income. That is the kind of thing we are talking about in terms of a trigger and that would alert us to the fact that there seems to be something more going on in this account here. They are saying to us they do not have any income and yet there seems to be income deposited into these accounts on a regular basis. That is the kind of trigger that would warrant one of those 41,500 reviews.

**Senator COONAN**—They are pretty obvious instances; would that be correct?

**Ms Frame**—That is right.

**Senator COONAN**—Some small discrepancy would not cause any attention?

**Ms Frame**—We would not have anything on our records about how much money they held in their bank account so we would not be comparing what we think they have got in their bank account currently with what the Commonwealth Bank tells us. We do not hold that information, as you know.

**Senator COONAN**—But that is what the measure is about and you have got a pilot, as I understand?

**Ms Frame**—That is right.

**Senator COONAN**—What does the pilot tell you?

**Ms Frame**—The pilot was established in 2006 and with that pilot information on some customers who hold accounts with the Commonwealth Bank is exchanged electronically between Centrelink and the Commonwealth Bank.

**Senator COONAN**—What information is actually provided about somebody's private account?

**Ms Frame**—I am just looking at some notes I have here. The bank provides identity and financial information.

**Senator COONAN**—What financial information?

**Ms Frame**—I would have to take that on notice to get further information for you on that one. The bank also provides us information on other known linked accounts.

**Senator COONAN**—With third parties or with—

**Ms Frame**—No, with the Commonwealth Bank.

**Senator COONAN**—With the Commonwealth Bank?

**Ms Frame**—Yes, that is right.

**Senator COONAN**—Do you have a figure there in any of the material you have as to how many Centrelink clients are a part of this pilot?

**Ms Frame**—No, I do not, I am sorry. I do have figures as to how many have been reviewed as part of this pilot.

**Senator COONAN**—Which is?

**Ms Frame**—Six thousand, three hundred and forty-one to date have been reviewed under the pilot's activities.

**Senator COONAN**—Does 'reviewed' mean that you get the Centrelink customer in; is that right? What does a review amount to?

**Ms Frame**—It could involve that client contact. I would need to look into that one more for you. But my understanding is that it could be as simple as a request for more information from the customer based on our risk trigger and identifying that this is something we would want to look into further. We could send a formal letter requesting more information from the customer as part of that review.

**Senator COONAN**—Are there some protocols that attach to this pilot as to how a review will proceed; in other words, whether it will be a face-to-face meeting, a letter, a phone call, an email or nothing?

**Ms Frame**—The reviews proceed according to all existing protocols. If you are asking about protocol specifically pursuant to the pilot, there were very specific protocols clearly enunciated and gazetted with the Office of the Privacy Commissioner in 2006. In December 2006 the protocols governing the exchange of information under that pilot were gazetted after being considered by the Office of the Privacy Commissioner.

**Senator COONAN**—We have got a new encrypted electronic file system, as the minister has said, how will that work?

**Ms Frame**—I am sorry, I cannot answer that one. New encrypted—

**Senator COONAN**—The technology is an encrypted electronic file system, isn't it? In other words, how do you do the data matching?

**Ms Frame**—Are you still talking about the bank pilot?

**Senator COONAN**—Yes.

**Ms Frame**—I will have to follow up on that one.

**Senator COONAN**—Will it change for the measure, the one that is going to commence shortly?

**Ms Frame**—No, it would be the same mechanism.

**Senator COONAN**—But you do not know what that is yet.

**Ms Frame**—I know that the mechanism is that we exchange data.

**Senator COONAN**—How is the data exchanged?

**Ms Frame**—It is a mix of electronic exchange of information as well as some manual elements to it, because it was a pilot.

**Senator COONAN**—What part of it is electronic?

**Ms Frame**—Centrelink sends an electronic file to the bank. The bank matches those details, provides identity and financial information on those details and the bank returns that data to Centrelink electronically and the review process is conducted manually.

**Senator COONAN**—Could you walk me through what information the bank asks for? What financial information does the bank supply? Is it every single thing on somebody's account or just specified information?

**Ms Frame**—I am sorry, I will have to take that on notice and get more detail for you. I have not seen an exact version of what is supplied so I would need to look into that one.

**Senator Ludwig**—Is that in respect of the existing pilot that is under way or—

**Senator COONAN**—Really, both.

**Senator Ludwig**—Yes.

**Mr Whalan**—We can make sure we answer in respect of both of them. You may also be interested to know in respect of those 6,341 reviews that have been done under that pilot, in round figures there are \$7.6 million worth of savings that have been identified from that work.

**Senator COONAN**—Are you able to tell me then what information was provided under the pilot that enabled you to get to the saving?

**Mr Whalan**—I am in the same situation. We can take that on notice and provide that to you.

**Senator COONAN**—It just bothers me that you can get to a savings figure which I appreciate you volunteering but we do not really know from whence it comes, what information led to the saving; is that right?

**Mr Whalan**—We do, we just do not have it here. I am confident we will be doing it well. This is about making sure that we try to reduce the number of debts that people have and that everyone gets the right payment at the right time.

**Senator COONAN**—I do not think anybody is complaining about that. We are just interested in people's privacy and how these things work. What agencies have access to these details other than Centrelink. Have you got a different data matching system with the ATO and Customs?

**Ms Frame**—We data match with the ATO under the data matching program.

**Senator COONAN**—Is any of the information that you get in relation to bank account shared with the ATO?

**Ms Frame**—Not to my knowledge. I would need to take that one on notice, but as I understand—

**Senator COONAN**—Minister, do you know when somebody's private information is accessed as part of data sharing with a banking institution whether that information provided to Centrelink is also provided to either the ATO or any other agency?

**Senator Ludwig**—Centrelink have indicated that they will take it on notice. I think what we do need to ensure is that you do have an accurate response in respect of that particularly, as you could appreciate, there are strict privacy provisions that apply. There are specifically trained staff who have access to the details in only limited circumstances. It is in line with the Privacy Commissioner's guidelines, that is, the data matching program, the pilot and the work that is now going to commence in respect of building on that initiative. It is this initiative which signals to Australian taxpayers that, quite frankly, the government is serious about ensuring that their taxes are well spent and those who do receive benefits do the right thing. In respect of—

**Senator COONAN**—Nobody is arguing with that, really. You do not need to make a speech about it. I appreciate what you say. I am just interested in ensuring that the way in which it is operating will protect people's privacy. I want to know what private financial details are provided as part of this data matching and the details which I have sought. What are the protective measures that will be put in place to protect any unauthorised access to this information?

**Mr Whalan**—I just have some general comments. We do quite a range of data matching and if you wish we can provide you with information on that range of data matching. We have done it before—

**Senator COONAN**—I know. I am just interested to know what protective measures are in place with this program.

**Mr Whalan**—In 10 or more years we have done data matching with many, many organisations, including the tax office, Medicare, et cetera. We always do our data matching under arrangements that are approved by the Privacy Commissioner. We are very, very careful in terms of who gets access to what information. There are quite stringent security protocols on being able to access any IT system for Centrelink and we track every access by every person. I think we do that as well as anyone. I want to give you strong confidence that people's data is protected very, very well.

**Senator COONAN**—How many people, for instance, will have access to specific Centrelink customer files and data matching of their bank accounts?

**Mr Whalan**—In terms of customer files, a very large number of staff have access to individual customer files. There were two parts to your question—

**Senator COONAN**—Yes, but then it is a matter of who has access to the data matching information.

**Mr Whalan**—It would be a small number, and I do not have that—

**Senator COONAN**—A dozen, or 300, or 7,000?

**Ms Frame**—Staff conducting the reviews would have access to that information.

**Senator COONAN**—How many are there?

**Ms Frame**—For example, with the bank pilot that we were discussing earlier there was a team in Brisbane of I think it was approximately 20 staff that would have had access to that information while they were conducting those reviews.

**Senator COONAN**—How many will have access to the new arrangements, the new measure that is going to come on stream. If we are looking at ultimately something in the order of 41,000-odd reviews, how many staff are going to be needed? It must have been provided for in the estimates. How many people will be needed to be able to conduct the activities related to data matching?

**Ms Frame**—That is right. I do not have an exact number for you but there would be—

**Senator COONAN**—Thousands?

**Ms Frame**—I would not think thousands.

**Senator COONAN**—Hundreds?

**Mr Whalan**—I will do an estimate for you and say that if we did 6,300 reviews with something like 20 staff and we are going to be doing about 10,000 or so reviews a year there are going to be under 50 staff. That is an estimate.

**Senator COONAN**—Where will they be located?

**Ms Frame**—That has not been determined yet. Do you mean geographic location?

**Mr Whalan**—The way we normally do business is that if we have got any significant initiative we will often form a group of people who become specialists in that work. But as we might go on to talking about later, one of the challenges we have is we have got a lot of new work in Centrelink—

**Senator COONAN**—You certainly have. You have got a big workload. No wonder you have decided that you might need to think of the future.

**Mr Whalan**—and we are going to have to map that new work to where the people are.

**Senator COONAN**—You are losing a few, aren't you?

**Mr Whalan**—No. We will be growing. We can talk about that, however.

**Senator COONAN**—Yes, that is coming up. I understand that this happens according to the privacy protocol, but how can somebody have confidence that only the necessary information is conveyed and that only authorised people have access to it because we all know there have been cases where there has been unauthorised access by some Centrelink

officers in unfortunate circumstances to private details and people accessing information quite inappropriately for all sorts of nefarious purposes other than necessarily their work. What kind of confidence can people have that these protective measures work and are appropriately supervised?

**Mr Whalan**—We take a zero tolerance approach to inappropriate access to customer records. I push that very strongly because we take the privacy of people's information as absolutely paramount. I mentioned earlier that we have a system that tracks every person that accesses any record over the whole history of that record.

**Senator COONAN**—How often will this data exchange take place in respect of a particular account?

**Ms Frame**—That has not been determined yet either. That is something that we would have to work through with the financial institutions about how their systems can cope with the data exchange and factoring in our own resources as well, so that is a level of detail that we have not yet ascertained.

**Senator COONAN**—If you are a Centrelink customer whose private information has been accessed as part of the data exchange and you stop being a customer, do you ever get off the system or does—

**Ms Frame**—Yes, you would. It is important to be aware that the information that is exchanged is the same information that is currently required as part of your ongoing payment eligibility. There is actually no new level of information exchange. What the pilot is primarily about is the mode of information exchange between Centrelink and in this case the Commonwealth Bank in that the pilot is establishing an electronic mechanism to electronically share that same level of information. Currently a customer is required to provide this information. They have to go and source it from the bank or Centrelink writes a letter to the bank requesting this information. What the pilot is going to achieve is that same information exchange in terms of the content but via that electronic exchange mechanism rather than the manual exchange of letters.

**Senator COONAN**—Does it cut the customer out or do they get notified?

**Mr Whalan**—It is an advantage to the customer.

**Senator COONAN**—No, what I am saying is: is the customer notified if there is an exchange with a third party, like their bank?

**Ms Frame**—The customer is always notified regarding information received from the bank before their record is updated. If there is information that we receive that is going to require us to update the record the customer is always notified.

**Senator COONAN**—The sequence is that if there is a suspicious file you notify that particular client and then you proceed with getting the information; is that right?

**Ms Frame**—Can you just say that again?

**Senator COONAN**—Yes. I am trying to get the sequence of events. If there is a file that Centrelink regards as suspicious or you believe there is reason for an inquiry and you want to

access the data matching with their financial institution, does the customer get prior notice before you do it or do you talk to them later?

**Ms Frame**—I will have to take that on notice because there are actually different kinds of data exchange. So there are some circumstances where it would occur according to that sequence. There are other circumstances where there is a routine exchange of information in which the customer would only be notified if there is something we have received that is causing us to want to update their record or talk further with them.

**Senator COONAN**—My question then is if there is a routine exchange of information when is the customer notified about that, or are they not?

**Mr Whalan**—We will take that on notice in terms of detail but I will make a general comment. We data match or exchange data on millions of files each year and have for 15 years. We do it regularly with the tax office, regularly with Medicare and regularly with many, many organisations. The aim of it is to try to avoid people getting into debt—

**Senator COONAN**—Yes, I understand the aim of it. I am just trying to understand the process and when the customer gets into the act here.

**Mr Whalan**—For that last 15 years we do not in general advise people, ‘By the way, we are just about to do a data match with the tax office in relation to your account,’ or, ‘By the way, we are just about to do a data match with Medicare in relation to your details.’ We do not do that. We will check whether there is any time when we do it but generally we have not and we do not.

**Senator COONAN**—Basically, this universe exists that does not involve the customer directly where there is lots of information exchanged about their private affairs and, unless there is some issue, they never know about it.

**Mr Whalan**—It is information about affairs that they have a requirement to inform us about. The aim of the exchange is to try and cut down the amount of administrative burden for them and to reduce the incidence of them getting into debt.

**Senator Ludwig**—I think it is important to make that point, because what concerned me when I looked at the *Canberra Times* on 18 May was that Mr Nelson said:

It now seems that they are wanting to have some sort of Big Brother power in relation to the banks and I think that’s going a bit too far.

What I wanted to make sure was understood, and I am pleased that you have asked the question, is that it has been going on prior to this government for all of the right reasons. It is in accordance with the Privacy Commissioner’s guidelines. Even the pilot itself, which was under the previous government, was one that was clearly under the Privacy Commissioner’s guidelines. There is also no new power in relation to this. This is an extension of two: one pilot and one ATO. I think it is important to ensure that because I am confident that Centrelink does respect people’s privacy and takes it into account in all circumstances—

**Senator COONAN**—I am not saying that that is not the case. What I am interested in here is the process. I think it is a fair point that over the life of this program, over the forward estimates, some 41,500 reviews, or of that order, are being anticipated and people are entitled to have confidence about the process, what is done with it, who is doing it, how it is done, the

training and how many people will have access to it. That is the line of my questions. I am not questioning the motives that I support, and I am sure we all support—

**Senator Ludwig**—Absolutely. That is why I was a bit concerned about Mr Nelson's comments. In terms of privacy of customers' records, it is of paramount concern to Human Services agencies and personal information obtained by Human Services agencies is protected under the Privacy Act. I am sure you are aware of that—

**Senator COONAN**—I am aware of all of that. You can have all the protections that you can think of and there are some legitimate concerns at times as to how it is observed. I just really want to know will these have specific computers dedicated to data matching?

**Mr Whalan**—The way that our computers operate is that people get different levels of access to different parts of the computer so there are not different computers—

**Senator COONAN**—No, I did not mean separately dedicated computers—

**Mr Whalan**—There is really one integrated system. People are able to access the parts of the system that they need to do their work. That is the way that we—

**Senator COONAN**—Tell me about this university data sharing. This is a new part of this data matching arrangement. What data do you want to share between universities and Centrelink?

**Mr Whalan**—I will give a general answer. This is a fantastic initiative, a really, really good one. We have been piloting it for a period of time. Youth allowance is the payment that is, amongst other things, available to students in certain circumstances and supports them to study. One of the requirements under youth allowance is that you maintain a minimum course load. You have to have a certain number of units that you study each semester and each year. The trouble with students is that they keep changing courses all the time. They start with one degree and change to another degree. They drop units half-way through the year and what they do not keep an eye on is the extent to which they have dropped below that threshold at the minimum number of units.

We are finding that a whole lot of students were getting themselves into debt because they would come into a Centrelink office months down the track and say, 'I am sorry, I am now doing fewer units.' We would say, 'You have actually now breached your eligibility for youth allowance and you have got a debt that is three months old.' In the worst case you would find a whole lot of students would fall out of study because they could not pay the debt. What this does is automate the exchange of the enrolment data between the university administration and Centrelink. If ever we find that a student who is on youth allowance has dropped below the required course level to get their youth allowance, we ring them up and we say, 'Do you know you have dropped below it?'—

**Senator COONAN**—You ring these ones, do you? Is that right?

**Mr Whalan**—And we say, 'You will get yourself into difficulty.' And we ask them if they know that that is what has occurred. What usually happens is most of them, or a number of them, sign up for another unit and others at least do not get into a big debt. This is a really, really good initiative.

**Senator COONAN**—Is it every university that will be part of this?

**Mr Whalan**—We are in some universities now. It is an initiative to try and assist the other universities to make changes to their computer systems. It is actually to get the universities to change their computer systems so they can easily match the data—

**Senator COONAN**—Which universities are they?

**Ms Beath**—We have got about 14 universities at the moment which covers 70,000 of our student customers who are already doing the automated data exchange with us. Over the next year we want to get another 27 universities to come on board—

**Senator COONAN**—I am sorry, over the next how long?

**Ms Beath**—Over the next 12 months we aim to get a further 27 universities to join up. As Mr Whalan said, that is in relation to some money to help them with their software changes that are required.

**Senator COONAN**—How much will this particular initiative of university data sharing cost, which is no doubt factored in the profile here?

**Mr Whalan**—This is an initiative by the Department of Education, Employment and Workplace Relations, so I do not know whether we have that figure.

**Ms Beath**—If you count the money that they would be funding universities, it is \$500,000.

**Senator COONAN**—What are the savings relating to this particular aspect of the measure?

**Ms Beath**—That is probably a matter for the Department of Education, Employment and Workplace Relations.

**Senator COONAN**—Is it the case that students will be notified each time that there is some data matching that goes on for course verification?

**Mr Whalan**—The key here is this is not so much a savings measure; it will probably save some administration costs because a lot of students will not be in debt and we will not have to—

**Senator COONAN**—What you are trying to do is to save students from themselves by the sound of it; is that what you say are doing?

**Mr Whalan**—We try to keep them at university.

**Senator COONAN**—Will they be notified each time that there is some data matching?

**Ms Beath**—They will be notified if the data matching shows that there is a discrepancy between their records and—

**Senator COONAN**—Yes, if there is a discrepancy. Is this going to be done weekly?

**Ms Beath**—It is done weekly at the moment.

**Senator COONAN**—Why is it done weekly?

**Ms Beath**—Part of the reason for the initiative is to reduce and minimise debt for students. So their eligibility is based on every week that they are actually meeting their student load they are entitled to the payment they might be receiving. If we do not do it on a more frequent basis then the student could accumulate some extra debt.

**Senator COONAN**—Have the universities had to put on any particular administrative capacity to deal with this? Are you familiar with some of the problems in rolling this out?

**Ms Beath**—As I understand it, the universities have primarily had to change some of their software. We have had a previous data matching arrangement with them. This is a simplified approach. Most of the feedback we have had from universities has been positive, saying that they appreciate it because it means students stay and study, and that is something that they are very concerned with.

**Mr Whalan**—It has been going for about three years.

**Senator COONAN**—Yes, I am aware of that, but I am entitled to ask about it.

**Mr Whalan**—We have had really positive feedback. It cuts red tape for universities. It cuts red tape for us, wasting a lot of money chasing debts that you can avoid being created.

**Senator COONAN**—How does it help the universities?

**Mr Whalan**—I hope that they have the aim of keeping students in the university. If they did not have that higher order aim—and this is a matter for another department—it could probably assist with their per capita student funding.

**Senator COONAN**—Yes, except it is obviously quite an administrative burden for the universities. I would have thought it was probably more a one-way benefit for students that they did not fall behind in their obligations. I would have put it that way.

**Mr Whalan**—It is good for Australia.

**Senator COONAN**—Can you tell me what the roll-out will be, the time frames and what will be included in each of the years?

**Mr Whalan**—With some difficulty, only in the sense that we are dependent upon each university's IT department and their competing priorities and the extent that we can get to the top of their priority list. We have estimates but really it is in their hands.

**Senator COONAN**—They are not worth making, probably; is that right? The estimates are not very firm.

**Mr Whalan**—They are not accurate.

**Senator COONAN**—Can I just go back then, please, to the actual measure? Can you tell me what is going to be done in 2008-09 that is going to account for the \$33.2 million in the profile?

**Ms Beath**—I am not sure what you are referring to?

**Senator COONAN**—You have \$33.2 million that is slated for 2008-09. What is going to happen in 2008-09?

**Ms Beath**—I am not sure where Centrelink has that funding. Is that referring to—

**Senator COONAN**—No. I am just wondering if you know.

**Mr Whalan**—Where does that figure come from?

**Senator COONAN**—I will just check and tell you. My sheet on which I had that information has disappeared. I will have to come back to it. Are you saying that you do not

have a program that is spread over the next four years that enables Centrelink to access this funding to implement the data matching?

**Mr Whalan**—We have no funding for this initiative.

**Senator COONAN**—At all in the department?

**Mr Whalan**—Correct.

**Senator COONAN**—Yes, I thought so. How are you actually going to do this? You will need more staff, will you?

**Mr Whalan**—It is something that we will have to absorb. It is a very good thing to do, but it did not come with funding.

**Senator COONAN**—In other words, you are being asked to roll out a significant extended data matching program with designated financial institutions and a number of universities without any additional appropriation for it.

**Mr Whalan**—In respect of the extra links with universities, that is correct, and the work associated with extra links with universities as opposed to the bank initiative, that is correct.

**Senator COONAN**—What have you got for the banks?

**Mr Whalan**—Could just give us a moment?—I have realised what the \$33.2 million that you are referring to is. It is the sum of the funding through different policy departments—

**Senator COONAN**—Yes, it is FaHCSIA and Education, Employment and Workplace Relations.

**Mr Whalan**—for the fraud and compliance package, if I can put it that way, which includes the bank initiative we talked about. But I made the point that it does not include funding for the university data matching initiative.

**Senator COONAN**—I am sorry, just say that again?

**Mr Whalan**—It does not include funding because there is no funding.

**Senator COONAN**—Just to be clear, the measure will cost \$138 million over four years for Centrelink to administer but it is expected to lead to savings. But there is no appropriation for Centrelink to do this? I am referring to page 392 of the budget measures, responsible economic management, fraud and compliance assessments to verify income or assets.

**Mr Whalan**—Those figures you are talking about are in relation to the four-year cost of the compliance package?

**Senator COONAN**—Yes.

**Mr Whalan**—The costs are lower than the savings that will be derived. You are correct in your comment that there is no funding for the university initiative. There has not been in the last three years and there is not again for this expansion.

**Senator COONAN**—Is it something that is going to be absorbed?

**Mr Whalan**—Correct.

**Senator COONAN**—I want to ask a few questions about the baby bonus. How many people received the baby bonus in 2007-08?

**Mr Whalan**—I will start with this. The baby bonus at the moment is usually paid as a lump sum. There is a range of circumstances where it is not paid as a lump sum, but generally it is.

**Senator COONAN**—Has somebody got a figure for 2007-08 of how many people received the baby bonus?

**Ms Howson**—From July 2007 to March 2008, 211,026 baby bonus payments were made.

**Senator COONAN**—What was the total figure?

**Ms Howson**—For the 2006-07 financial year?

**Senator COONAN**—Yes.

**Ms Howson**—There were 286,896. At that time they were referred to as maternity payments.

**Senator COONAN**—Do you have a figure up to date?

**Ms Howson**—I have the figure to March 2008.

**Senator COONAN**—Could I have that, please?

**Ms Howson**—That was the figure that I gave you earlier.

**Senator COONAN**—I am sorry, yes.

**Ms Howson**—It was 211,026.

**Senator COONAN**—How many people received their payment in instalments?

**Ms Howson**—I will need to see if I can get that information for you.

**Senator COONAN**—How will the new arrangements in the baby bonus be administered?

**Senator Ludwig**—If I could answer for Centrelink while they look at the administration, in terms of the income testing of the baby bonus, the measure is \$150,000. Income tests will be based on the family's income in the six months following birth on a pro rata annual basis, that is, \$75,000 over six months. This will ensure that the timing of the birth within a financial year does not affect the family's eligibility. The income threshold will also be indexed annually and the new means test will affect less than 6 per cent of families, that is, 16,000 out of 293,000 expected births in 2008-09. It will be paid in 13 fortnightly instalments from the date of the claim. Paying the baby bonus in a fortnightly instalment better supports families who often experience a drop in income after the birth of a child.

The new instalment system will ensure that lump sum payments cannot be misused while retaining the same overall level of support for eligible new parents. Administering the means test will be efficient, at less than 0.4 per cent of the total baby bonus outlays and less than seven per cent of total savings. The government will deliver on what was our commitment prior to the election to increase the baby bonus to \$5,000 on 1 July 2008. That is around \$385 per fortnight. The age restriction on the baby bonus for adoptive parents will also be lifted from under two to under 16. In respect of that, this fairer system will enable adoptive parents to receive extra support to help with the set-up costs of adopting a child and treats all new parents in the same way. Of course, that will have some administrative costs associated with

that as well. What I was also looking for was that prior to that it was age related but someone on my left may be able to assist me with that.

**Mr Whalan**—In 2007-08 the payment has been a lump sum except for those people who are under 18 or those people who we make a judgement may be at risk—

**Senator COONAN**—How do you do that?

**Mr Whalan**—If a social worker, for example, has knowledge about someone's circumstances in which we think that making a lump sum payment would put them at risk, such as a scenario might be—

**Senator COONAN**—Who actually makes the decision?

**Mr Whalan**—A Centrelink social worker. A Centrelink social worker can make the decision that someone is at sufficient risk that we ought make the payment in instalments rather than a lump sum. We would have to take on notice the number of people who had received that fortnightly rather than the lump sum payment.

**Senator COONAN**—That was what I wanted to know, just what the breakdown was.

**Mr Whalan**—We can take that on notice.

**Senator COONAN**—It is interesting the point you make. If there is some external contact about a particular person, that can be sufficient for a social worker to come to that view that it should be paid by instalments?

**Mr Whalan**—It may be that they have a drug problem at a point in time, and it is absolutely clear about that drug problem. Often it will not be clear but there are cases where someone is under threat by another person who seems to have taken control of their money, and we are aware and the police are aware, et cetera. There will be cases where we allow the social workers to basically make a judgement but—

**Senator COONAN**—What were the figures used to work out the net savings over four years? What birth rate figure was used?

**Ms Howson**—In terms of the savings associated with this measure you would need to direct that question to FaHCSIA.

**Senator COONAN**—Do you know how many people will earn just under the threshold of \$75,000, or \$150,000 per annum?

**Ms Howson**—Again, I think modelling on that would be a question you would need to direct to the Department of Families, Community Services and Indigenous Affairs.

**Senator COONAN**—What I am getting at is that statements attributed to the minister, Miss Macklin, said that it would be easier in some cases to allow families just to keep the baby bonus rather than reclaim it. What sort of circumstances are we talking about here?

**Mr Whalan**—There are two points there. One is that all the modelling and work done on the numbers was done by the Department of Families and Community Services. We have been given the implementation role. They are the ones to answer that question.

**Senator COONAN**—I understand that. It is just that you have got to make judgements and work out when to properly pay somebody or when to correctly withhold it. This is a direct

quote from a newspaper article on remarks attributed to Ms Macklin: '... the system would require a measure of goodwill because parents will qualify for the bonus based on their own estimate of how much they will earn.' She also said: 'We're relying on people doing the right thing.' How is Centrelink going to take that and deal with it?

**Ms Howson**—We are still working through with FaHCSIA the details of the implementation and the legislation is still not entirely detailed so, again, that question need to be put to their department in terms of their thinking at this point.

**Senator COONAN**—What arrangements are being made between Centrelink and FaHCSIA, or indeed the department, to try and work out how this will be addressed because it is not a good look for the minister, however well intentioned she may be, to just simply say Centrelink should perhaps turn a blind eye to the people who are over the threshold.

**Mr Whalan**—Maybe if we explain how we do it at the moment, noting that we have not yet agreed on how we were about to do it. In other areas, where we do an assessment of income—

**Mr Mahony**—We will probably need to ask people to estimate their income for that period and then, depending on the way we work this through with FaHCSIA, if they are near the cut-off amount, have some reasonableness test as to their estimate so that if they are near the amount, ask them and, if they are well under the amount, just accept it. But again, we have not worked through in any great detail with FaHCSIA how these rules will be applied.

**Mr Whalan**—I would make the point here that we have a lot of experience in doing this because we operate the family tax benefit system—

**Senator COONAN**—That is why I am a bit surprised that you are not a bit further along the track in how you are going to administer the baby bonus under the new rules.

**Mr Whalan**—We are experienced in asking people to make an estimate and then reconciling after the event.

**Senator COONAN**—It would be desirable to get it right in the beginning, wouldn't it? And it can often be very difficult for people to make estimates for the purposes of the baby bonus. It includes a lot of variables, for instance, in their income like salary, investments, fringe benefits tax, other benefits that might flow to them, salary sacrifices, the value of losses on an investment property and so on.

**Mr Whalan**—I think the real issue here is that we have not yet worked through the detail. I will be able to tell you at the next estimates how we have designed it.

**Senator COONAN**—When is it due to start?

**Ms Howson**—It will be implemented from 1 January 2009.

**Senator COONAN**—What arrangements are now in place to try and work out how you are going to approach these new rules?

**Ms Howson**—We are working with FaHCSIA. We are right in the thick of the design of this particular payment. That work is progressing as we speak.

**Mr Whalan**—It will be finalised before implementation.

**Senator COONAN**—I am certain that would be the case. As to the Commonwealth seniors health card and the proposed changes to the income test, can anyone explain to me how that is going to be interpreted? It says it ‘will include income from superannuation streams with a taxed source’. For example, it also says, ‘In calculating the income test, eligibility for the card and the income from the taxable,’ formerly post June 1983, I think was the right date, ‘component of the pension or annuity is to be included?’

**Ms Howson**—There will be four elements. For the purpose of determining eligibility for this card the adjusted taxable income test will change. The changes include gross income from a superannuation income stream with a taxed source. That will be added to the customer’s income. Income that is salary sacrificed to superannuation will be added to the customer’s income. Net losses incurred through financial investments will be added to the customer’s income and both members of a couple for all health care card holders will have income assessed on the same tax year. In previous years we have accepted income tax assessed in different years.

**Mr Whalan**—This is for the Commonwealth seniors health card.

**Senator COONAN**—Yes. I have received a letter from a person. She actually sent it to the minister. Not surprisingly, the minister will not be aware of this particular instance, I am quite sure, but I just want to put the particular factual situation to you—

**Senator Ludwig**—When was it sent?

**Senator COONAN**—The letter was sent on 19 May, and I can privately tell you who it is from. I will not put a name on the record—

**Senator Ludwig**—No, I would ask you not to do that.

**Senator COONAN**—But I will give you the details privately.

**Senator Ludwig**—Thank you very much.

**Senator COONAN**—She says:

I sent the following to Sen the Hon J. Ludwig on 19<sup>th</sup> May.

This is the quote out of the letter:

‘I refer to the media release re the CSH card which states in part (para 14): “From 1 July 2009, the income test for the card will include income from superannuation streams with a taxed source ...”.

“Does that mean that, in calculating the income test eligibility for the CSH card, only income from the taxable ... component of the pension/annuity is to be included, excluding the tax-free (formerly undeducted) component?”

“If this is so, it would seem to be reasonably fair, but if it also includes the tax-free component, which is merely the return of one’s own after-tax dollars, it would be grossly inequitable—especially as the income threshold of \$50,000 has not been increased.

“I would appreciate your clarification of the matter ...”

**Mr Whalan**—This is a new measure. It is owned by Families, Housing, Community Services and Indigenous Affairs. That is something we would need to clarify with them. You may wish to ask them that next week.

**Senator Ludwig**—The letter has clearly also been sent to me. The response we would generally give in respect of that I cannot provide—

**Senator COONAN**—You said you did not have one.

**Senator Ludwig**—I said we would provide, and it would be prospective in this instance. It would go to the extent of saying policy matters—as to the guidelines, the legislation and how it is going to be implemented—would be the responsibility of Minister Macklin. Centrelink would then be the administrators of that once the legislation or guidelines, or whatever it might be, are put in place. I am speaking in a generic sense. But what we can do is refer that letter on to Minister Macklin to provide a response because we also want to ensure that the person does get a response. But in this instance if you wanted a shorter reply, that is, from Families, Housing, Community Services and Indigenous Affairs, then that particular question should, in fact, go to them to tell you how that will in fact operate.

**Senator COONAN**—I appreciate that at times there can be fine lines in administering a policy, but this relates to some detail as to what is going to be in and what is going to be out and it will certainly have an impact on many self-funded retirees, especially those with health problems. I would certainly like, as part of this hearing, to have some answer for this committee with Centrelink present, at least from these witnesses, as to what is in and what is out.

**Mr Whalan**—We cannot give you an answer. This is a new initiative which starts in September. The detail about how exactly it will operate has to be settled by FaHCSIA. If you were to ask us in a year's time when it is operating there would be few questions we would be unable to answer unless it was a new policy issue, but here we are before the initiative has gone in and they have not settled the fine detail.

**Senator COONAN**—Do you have any interdepartmental committee or agency exchange on how this will be implemented and the design of how the implementation will work?

**Mr Whalan**—We will work very closely with them from now right through until implementation to make sure that we have nailed down every issue we can identify. But this is their responsibility and we have not done that as yet.

**Senator Ludwig**—Obviously that is now clearly on the record so that when discussions with Centrelink are entered into, they can take those scenarios and put them to Family, Housing, Community Services and Indigenous Affairs to make sure that it is appropriately addressed.

**Senator COONAN**—Thank you for that. It really is quite a significant issue for self-funded retirees. When this information is available is also critical, because it changes from year to year as to what your super payout is going to be and your entitlements. I have had a few people who have contacted me about this issue and it is causing a bit of angst.

**Senator Ludwig**—What I have got here in respect of the Commonwealth senior health card compliance reviews is who are affected by the measure. It states:

Self-funded retirees over pension age who are current Commonwealth senior health card holders that have taxable incomes above the adjusted taxable income thresholds less than \$50,000 for singles or \$80,000 for couples combined will not have access to the CSHC. Holders of the CSHC are those who

are older Australians who are over the age of pension age or veteran's pension's qualifying age and do not qualify for the pension as their incomes are above the means test threshold for the aged and veteran services pensions.

That is currently \$65,790 per annum for a married couple and \$39,350 per annum for singles who own their own home.

**Senator COONAN**—I do not think it answers the question.

**Senator Ludwig**—No. It helps in the sense that those people would not qualify. If those people who are self-funded retirees are below that, then it is a matter to discuss with Centrelink, as I have indicated, to make sure they clarify that with Family, Housing as part of their ongoing discussions with them.

**Senator COONAN**—Thank you for that. I gather that you would agree that voluntary compliance with the rules and regulations of Centrelink is always a better idea than enforcement. And public awareness now is also a very important part of Centrelink's role in keeping people abreast of their obligations. Is that right?

**Mr Whalan**—Yes.

**Senator COONAN**—Why was Keeping the System Fair campaign, which was a multimedia education campaign to encourage income support recipients to voluntarily notify Centrelink of changes in their circumstances scrapped, Minister?

**Senator Ludwig**—We are just having a look at that now. It may very well be a DEWR initiative that was due to lapse or finalise.

**Senator COONAN**—I can tell you. It started on 1 July 2004-05. I think you might have scrapped the last year to get savings of what has been claimed of \$52.6 million.

**Senator Ludwig**—We are just checking whether or not it is a DEWR measure.

**Mr Whalan**—It is a DEWR measure. The funding was not run by Centrelink.

**Senator COONAN**—I understand it was not run by Centrelink, but Centrelink was the beneficiary of it.

**Mr Whalan**—The decision on funding it initially and the decision to stop it at one level was made by the government, but at another level the measure is the responsibility of the Department of Employment, Education and Workplace Relations.

**Senator Ludwig**—The question about what happens when the measure lapses or what happens to the measure should be appropriately directed to that relevant committee. I think it is Employment and Workplace Relations.

**Senator COONAN**—What is important is the fact that this was an existing program. Centrelink was the beneficiary of this program. Centrelink relies heavily on this. In fact evidence has been given over innumerable estimates about the importance of tip-offs and the importance of information being given, because people know what the rules are and they voluntarily change their circumstances. I think it is quite appropriate to ask you some questions about it because you have been obviously keeping the statistics of people who have been contacting Centrelink and notifying changes of circumstances voluntarily, which is what this program was all about. Is that right? I will give you some information.

**Senator Ludwig**—What concerns me a little bit is that you say Centrelink is the beneficiary. I am sure you are well aware that we administer the programs on behalf of policy departments and in respect of that program, as I understand it, it is a DEWR program, or DEEWR, as we now refer to it, and it is as I understand it, a lapsing program. Centrelink does not become the beneficiary of it. It continues to work with policy departments in delivering their program.

**Senator COONAN**—I will just refer to the particular measure that I am talking about. It is on page 392 of the budget papers and for the Keeping the System Fair campaign it states:

The government will cease funding for the 2004-05 budget measure. The measure was a national multimedia advertising campaign to increase voluntary compliance and reduce overpayments to income support recipients, that is, people who are Centrelink clients. The effectiveness of the campaign has declined over the campaign's advertising period and is no longer considered a cost effective method for reducing overpayments.

If that is correct it must have been an assessment made by someone in Centrelink, must it not?

**Mr Whalan**—I do not believe so. It may have been made on the basis of information provided by Centrelink amongst other organisations, but it would have ultimately been a decision for DEEWR.

**Mr Popple**—The review would have been conducted by DEWR; it would not have been conducted by Centrelink. They would have input—

**Senator COONAN**—Would they have asked you?

**Mr Popple**—They would have inputted data into the review, as Mr Whalan indicated.

**Senator COONAN**—What information was given?

**Mr Popple**—We would have to take that on notice. The review itself and the outcomes of the savings would be a matter for DEWR and for their minister.

**Senator COONAN**—It seems that the Keeping the System Fair campaign was directed basically to informing recipients on youth allowance, Newstart allowance and parenting payment about the changes they need to report to Centrelink and encouraging recipients to contact Centrelink within 14 days of the change. It is fairly basic information to keep people informed about what their obligations are so that they can voluntarily interact with Centrelink. That is what the program was about.

**Mr Popple**—The assessment about whether that program was still delivering appropriate levels of savings returns is a matter for the program department, because they are the ones that are making assessment about outlays, where the outlays are going and whether they are being correctly targeted. Centrelink is merely the mechanism for delivering the programs.

**Senator COONAN**—Are you suggesting to me that a department that is not administering the particular program, Keeping the System Fair campaign, but one that is about Centrelink clients, about Centrelink information and it is all about encouraging people to interact with Centrelink, makes an assessment about whether or not it is effective and the department or agency that is the beneficiary of this program does not make the assessment?

**Mr Popple**—The assessment is made in relation to the programs and the programs are administered by the departments and not administered by Centrelink.

**Senator COONAN**—You must have had input into it because, unless you can tell me to the contrary, it appears that it sits fairly and squarely within the ambit of Centrelink's operations.

**Senator Ludwig**—That is simply not correct. As I said at the beginning and you have continued to persist, it is not a matter for Centrelink. It is a matter for the policy department. The policy department clearly in this instance, as the budget measures 2008-09 states on page 392, which I thank you for taking me to, states that the Department of Education, Employment and Workplace Relations is the relevant policy department. We administer their programs through Centrelink and in this instance it was clearly an assessment by the Department of Education, Employment and Workplace Relations that the effectiveness of the campaign has declined over the campaign's advertising period and is no longer considered a cost-effective method for reducing overpayments. That assessment would have been made by the Department of Education, Employment and Workplace Relations. It would have also been one where, if you wanted to inquire about that compliance program, the effectiveness of the campaign or associated questions that deal with it, particularly how they went about making those assessments and how they came to that conclusion, then it is a matter that you should take to the relevant employment committee.

**Senator COONAN**—Is there anyone here from Centrelink or from any agency who had input into a review or an assessment of the program?

**Mr Whalan**—Not to my knowledge. DEEWR has online access to a lot of information that Centrelink has and I expect that they would have used that information.

**Senator COONAN**—Like what? Can you just fill me in? You can see where I am coming from here. This is all about what Centrelink does and how it interacts with Centrelink clients and voluntary engagement with Centrelink clients. I can appreciate and understand well where the policy sits, but this is the practical implementation of it that is being, in effect, operated out of Centrelink, because you get the information and I am just puzzled to know how some assessment is made without reference to Centrelink.

**Mr Whalan**—The best way to move through this is that we will provide you with information about what we gave DEEWR in respect to them coming to this decision and separately if you asked them how they came to the decision that would be the best.

**Senator COONAN**—I can certainly do that. That is not the issue. I am really interested to know whether they just ride roughshod over you, or whether they actually ask someone who is an agency that is actually operating the practical side of a measure what they think of it, and what Centrelink's assessment was.

**Mr Whalan**—They will be trying to make the best possible judgement at any point in time with as much information as they have access to and I have not got that in front of me.

**Senator COONAN**—Will you get back to me with some details as to what information Centrelink provided into this assessment that suddenly this is no longer effective?

**Mr Whalan**—Yes, I will.

**Senator COONAN**—Is it correct that the new version of the welfare quarantining announced as part of the budget will require a national card that will allow payments to

negligent parents to be controlled across the country? Is it going to be rolled out across the country?

**Ms Beath**—This is a measure that is going to be trialled in Western Australia first.

**Senator COONAN**—The announcement was that it would be rolled out across the country. Is that right?

**Ms Beath**—There were two announcements. One was around the income management card that you mentioned and there was also an announcement of some work on income management with people involved in child protection in Western Australia. They are two separate measures that have been announced.

**Senator COONAN**—This has been announced as a national debit card and part of the announcement was that this would be initially introduced in certain communities, then rolled out across the country. That was the announcement. Is that right?

**Senator Ludwig**—That was made by Family, Housing and Community Services.

**Senator COONAN**—I understand that.

**Senator Ludwig**—If you understand that, then the trial will be in certain sites. What happens in respect of how this operates is that Family, Housing, Community Services and Indigenous Affairs will make the budget announcement. They will make the decisions on how it will be proceeded with. They will then talk to, if I can use that broad expression, Centrelink about how it will then be dealt with. The core department, that is DHS, will then also deal with the issue of the income management card itself and the development of that. They will also talk to Family, Housing, Community Services and Indigenous Affairs about that. Correct me if I am wrong, but Centrelink will not make the decision about where it will be trialled at all.

**Senator COONAN**—When is this going to commence? It said soon after July.

**Senator Ludwig**—Again, the decision to commence it would be a matter for Family, Housing, Community Services and Indigenous Affairs to advise Centrelink. It would be, I suspect, in part relevant to DHS as well as the core department to negotiate with Family, Housing—I wish they had a shorter title—to work through the issues, but ultimately the decision will be with Minister Macklin.

**Senator COONAN**—I realise you make no decisions, but the really important thing here is that the announcement has been that this is due to commence soon after 1 July and it beggars belief, if it is what you are telling this committee, that you have no idea about how it will work, when it will work and where it will go, when you have got to be out on the front foot and manage the income streams of these so-called negligent parents.

**Senator Ludwig**—I am surprised you have moved to questions you did not ask and are surprised about. If you ask about the income management card and where it is up to, I am happy to provide the details of what we are doing about it. If I recall correctly, you asked about the decision for when it would be rolled out nationally. That is not what you then went on to complain about loudly.

**Senator COONAN**—No. What I am complaining about—

**Senator Ludwig**—What I can tell you—

**Senator COONAN**—What I am complaining about is that this—

**Senator Ludwig**—Let me finish. Let me finish.

**Senator COONAN**—Minister, what I am complaining about is that you are trying to suggest that you have absolutely no—

**Senator Ludwig**—Let me finish.

**CHAIR**—Senator Coonan! Can I have order, please?

**Senator COONAN**—Stop shouting at me. I am finishing my question.

**CHAIR**—Excuse me. You asked a question. The minister is trying to answer and it would be—

**Senator COONAN**—He is trying to not answer it. That is the problem.

**CHAIR**—I am still in the chair, Senator Coonan, and I would just like—

**Senator COONAN**—I would like to finish to ask my question.

**CHAIR**—Excuse me. I would like to have a bit of decorum back in the room as we have managed to have all day.

**Senator COONAN**—I should be able to ask the questions that I choose.

**CHAIR**—You can ask your questions in the manner in which you choose, but I would like it done in an orderly fashion. If you ask the minister a question, the theory is that you allow him to respond and then you have an opportunity to investigate further. The minister has the call.

**Senator COONAN**—I am not interested in theories.

**CHAIR**—The minister has the call.

**Senator COONAN**—Chair. I am not interested in theories. I am interested in public proceedings.

**CHAIR**—I cannot direct the minister or any officials on how they are to answer questions. There is a question before the minister and I would appreciate it if, under standing orders, you would allow me to chair the meeting and I ask the minister to respond.

**Senator Ludwig**—Thank you, Chair. What I was going on to say was that in response to the question that you then went on to ask, or accuse us of not doing, the income management card will improve income management in the Northern Territory and Western Australia by providing customers with a pin-protected card to use when purchasing essential goods and services. The IMC will use existing Centrelink IT capability and a card transaction provided to provide the card, which can be used at an approved merchant to purchase priority goods and services, and of course any business connected to the EFTPOS network in Australia can apply to become an approved merchant, subject to the income management card's conditions of use.

Customers cannot use, of course, the IMC to purchase alcohol, pornography, tobacco products and gambling products. They cannot obtain cash with an IMC via EFTPOS or from

an ATM. A special recognition symbol will be developed to help customers identify which stores and businesses accept the IMC and the symbol will be placed in the shopfront and windows of businesses.

Centrelink customers subject to income management will be issued the card from early in the new financial year. Centrelink will provide assistance to customers in learning how to use the card. Centrelink will provide support to local businesses who wish to participate in the system. For most customers the IMC will replace the existing income management system using store cards and direct deduction accounts. Customers of course may still use direct payments to stores or retailers under certain limited circumstances. The card will be available to customers in the Northern Territory and several trial sites in WA for the duration of income management in those areas. I was going to ask the secretary to give us an update of where we are up to in terms of the development of the process.

**Senator COONAN**—Do you mind if I just ask the questions I want to ask and then we will get to that detail?

**Senator Ludwig**—Do not accuse us, then, of not answering questions that you have not asked.

**CHAIR**—I am suspending the hearings for five minutes.

[2.57 pm]

**CHAIR**—Thank you.

**Senator COONAN**—This is obviously the continuation of a very successful program that had been introduced by the former government. How many welfare recipients are there at the moment on this program?

**Mr Whalan**—Is this about the number of people who are under income management?

**Senator COONAN**—The people under income management. The figure I have, if it helps you, is 9,734.

**Mr Whalan**—As at 9 May 2008 there are 10,654.

**Senator COONAN**—You have made some preparations as to how the new welfare debit card will operate. We have just heard that evidence from the minister.

**Senator Ludwig**—Ms Johnson has come to the table to give you an outline. It is the core department that is developing the card, so if you wanted evidence on the card and where that is up to, I have got Ms Johnson to answer those questions.

**Senator COONAN**—I am very happy to ask Ms Johnson. You are doing some work on the implementation of the card?

**Ms Johnson**—Yes.

**Senator COONAN**—When do you understand it is going to be required by?

**Ms Johnson**—There are a number of activities that are underway in relation to the development of the income management card. The income management card technical capability development is underway and detailed documents outlining how the system is

envisaged to work, from both a business and technical perspective, have been prepared and are being used on the basis of contracting discussions which should be underway shortly.

We have developed an overarching strategy for the implementation and this is currently under discussion with the Department of Families, Housing, Community Services and Indigenous Affairs and with Centrelink. There is a multiagency steering committee which is overseeing the development of the income management card and that committee is supported by a number of working groups looking at specific issues, such as communications and branding. Other documents such as the project management plan, the business case, communication strategies and the stakeholder engagement strategy have been drafted and are guiding the activity. We have a merchant approval framework which is being developed and negotiated with Centrelink and FaHCSIA.

Legal issues, for example in relation to the electronic funds transmission code, are being analysed to ensure that the income managed card solution meets all legislative requirements. Branding and design activity is nearly complete and detailed communication products such as information fact sheets, et cetera, are being finalised and a general Q&A fact sheet is being developed as a basis for additional communications material, with subsequent development of a fact sheet with the retail sector.

In terms of timetable for implementation, in addition to this activity which is underway, a range of planning and implementation activities actually need to occur on the ground ahead of the cards being issued. The cards will not be issued in July. As I said, the activities on the ground need to occur before that happens. Those activities include getting the merchants approved to accept the cards and the training of Centrelink staff in the processes associated with the card. We have had preliminary engagement with major retailers which suggests that they would prefer a number of months to train their staff and enhance their IT systems in order to participate in the income management card.

**Senator COONAN**—Thank you. When this is up and running where are you anticipating that these services will be provided?

**Ms Johnson**—Specific dates and specific areas are yet to be determined, and that will require consultation with the communities as well as other stakeholders, such as the retailers, and the roll-out schedule will be determined with Centrelink and FaHCSIA.

**Senator Ludwig**—That is in respect of the Northern Territory where—

**Senator COONAN**—Just so we are clear about it, it will roll out initially in the communities where there is current income management—that is the first thing—and it will go further at some point but we do not know when. Is that right?

**Ms Johnson**—No decision has been made on national roll-out.

**Senator COONAN**—Thank you. That is very helpful. How many staff are involved in the implementation of the card?

**Ms Johnson**—The agencies involved are the Department of Human Services, FaHCSIA and Centrelink, so there are staff involved in each of those agencies. In the Department of Human Services there is a core team of about five people, but drawing on other resources across the core department in various capacities, such as our stakeholder, engagement and

legal, so all up I would not be able to give an assessment of the numbers here, but it would be in the order of eight to 10 in the core department.

The numbers involved in Centrelink I would have to obtain from my Centrelink colleagues, but there are both Centrelink IT and Centrelink business people involved in the project on the Centrelink side. I do not have the numbers at hand for the people involved in FaHCSIA.

**Senator COONAN**—I would not expect you to have that. As we have got Centrelink here at the table, how many Centrelink staff are involved in the roll-out and are they in addition to the ones that are currently engaged?

**Mr Whalan**—In terms of the development rather than the roll-out, I would estimate around 20 staff.

**Senator COONAN**—How many will be involved in the roll-out?

**Mr Whalan**—That is a more difficult question. For example, at the moment in the Northern Territory there are 257 staff who are involved in the breadth of the work that we are doing, which includes income management on the ground. Those numbers change as the number of communities that we are working in change. But that is 257 in the Northern Territory at the moment.

**Senator COONAN**—What are the approved goods? Is there any published list for approved purchases or does it operate that you can purchase anything on this card, apart from what is prohibited? Is that a better way to put it?

**Mr Whalan**—There are things that are excluded.

**Senator COONAN**—Things are excluded, rather than things permitted?

**Senator Ludwig**—That is alcohol, tobacco, pornography and the use of the debit card for gambling or to withdraw cash. Of course that is the same rules which currently apply to the income management now.

**Senator COONAN**—Yes. I appreciate it is an extension of the other arrangement. How does somebody get to be a negligent parent or somebody who is subject to income management, and who makes the judgement?

**Mr Whalan**—Just to make a distinction here. We have been talking about the roll-out of the capability, which is referred to as the card, and now we are moving on to for whom is it going to be used. We have talked about the fact that it is used in the Northern Territory, or it will be used in the Northern Territory.

**Senator COONAN**—We know it is in the Northern Territory.

**Mr Whalan**—There was also an announcement that there would be a child protection measure which would commence in Western Australia in three stages. The first group of locations is Halls Creek, Kununurra and the Cannington district in Perth. The second set of locations is Fitzroy Crossing and Wyndham. The third is Broome and Derby.

**Senator COONAN**—My question was really directed to how Centrelink would make a judgement about someone whose income should be subject to the operation of the new debit card.

**Ms Beath**—We will not be making a judgement on that. We will be working with the Department of Child Protection in Western Australia. They will be referring customers to us who they identify are suitable for having income management applied to them.

**Senator COONAN**—What is that process? When you say you are working with the Western Australian department, what form will the communication take?

**Ms Beath**—The Department of Families, Housing, Community Services and Indigenous Affairs will be negotiating an agreement with the Western Australian government which will specify how things such as referrals will occur and what sort of criteria are expected to be taken into account before someone is referred for income management, and then at Centrelink we are working to make that service delivery work to meet the requirements of that agreement.

**Senator COONAN**—Is it fair to say at the moment you do not know how it will work?

**Ms Beath**—The details have not been finalised.

**Senator COONAN**—I am curious because obviously the child protection authorities are state based.

**Ms Beath**—That is right.

**Senator COONAN**—And, I suppose, the information would have to be voluntarily provided. Is that right, or would it be part of a negotiated arrangement?

**Ms Beath**—FaHCSIA will be negotiating some legislation. There is already some legislation that applies to exchange of information in these cases. They are also working on those aspects about how this data information and referrals will be made in conjunction with existing legislation.

**Senator COONAN**—Is it your anticipation that during the development phase of the detail of this card, Centrelink will be given some set of criteria to apply in respect of information that is received from child welfare authorities?

**Ms Beath**—The process is firstly that the state authorities will identify people who might benefit from income management. The income management card is one of the tools that we would use in applying income management to a family. They are looking at people who would benefit from income management. Where there is child neglect they would suggest that some people would benefit from a period in which their finances are stabilised. As part of that they will also have a referral to financial counselling.

**Mr Whalan**—We will work with FaHCSIA to ensure that we get clear guidelines. They will be negotiating them, but we will work closely with them to make sure they are clear.

**Senator COONAN**—I am glad to hear that, because it is obviously very important that someone is not pinged unless they really are a parent whose children would benefit from the system. Bitter experience tells you that sometimes during interaction with authorities information gets scrambled. Whether somebody would be formally part of that system, like a notification to a child protection authority, or just someone who wanders in somehow or other and gets caught up in the system, I am very pleased to hear that there will be some rigor as to how this will work.

**Senator Ludwig**—You are correct in that respect. It is of utmost importance to make sure that the system does have clear guidelines and that it operates appropriately and fairly. What I also wanted to add is that it is the process and not so much the card. The card is simply one of the mechanisms to be able to achieve that. It is the process of income management. As you are aware, income management has been going on in the Northern Territory and, as resource intensive as that is, Centrelink has been dealing with that through clear guidelines that have been developed and operated between Family, Housing, Community Services and Indigenous Affairs and their operations in the Northern Territory.

Quite frankly, I just wanted to take the opportunity of congratulating them for their work that they have been doing. It is very hard work, although rewarding, and when we talk about the debit card being rolled out, as I understand it, it will provide a better process than what is currently in place and provide the ability for Centrelink to free up some of its people to do some of the work that they can do in terms of helping and assisting the communities up there.

**Senator COONAN**—Once again, I do not think there is any argument about the fact that it is an appropriate policy. It was one very much initiated by the former government and we are pleased that the current government has seen fit to continue with it. I was just interested in how this card is going to work and what is on it. What information will be on the card?

**Ms Johnson**—The card will be a plastic type of card with a magnetic stripe. There will be information on the surface of the card, the card number and the person's name, but there is no other information held on the card.

**Senator COONAN**—It is a name and a number?

**Ms Johnson**—That is right.

**Senator COONAN**—Is this the kind of technology that will require a new card to issue every time somebody changes their address or there is some change of circumstance?

**Ms Johnson**—No. When a person's address changes, that changes in the Centrelink system. That has nothing to do with the actual card itself. The card is a mechanism for accessing the funds; no other information is passed to the card provider.

**Senator COONAN**—What is to stop it from being swapped, sold or used for the wrong reasons? Is it correct that it is only protected by a pin?

**Ms Johnson**—Yes. The processes around the use of the card are being developed at the moment in consultation with Centrelink and, in going forward, in consultation with the retailers. The protection mechanisms are not only the security mechanisms, being the pin on the card, but also the merchant approval processes that the merchants will sign up to, to manage particular behaviours on the part of both customers and the retailers. No system will be foolproof and we rely on both the processes as well as the card, the pin and the advanced technology there to manage that.

**Senator COONAN**—Just coming to the merchants, are they required to enter into a licence, or an agreement, or what would you describe as the arrangement that you will have with merchants?

**Ms Johnson**—We will be following a similar process to the current arrangements that are in place with a number of the retailers and stores in the Northern Territory. It will not be a

licensing arrangement. FaHCSIA at the moment are working with us to develop the merchant approval framework and that merchant approval framework will have a number of requirements that merchants will agree to and sign on to, in terms of being, if you like, authorised to accept the card. Some of those requirements, for example, will include the training of their staff and the acceptance of carrying a sticker or whatever on their doors or windows to signify that that retailer is authorised to accept the card. The finer details of the training and other requirements of the merchant approval framework are still being worked through. With that also goes compliance requirements which they agree to sign on to as well.

**Senator JACINTA COLLINS**—Can I just ask about customer privacy with the use of the card?

**Ms Johnson**—Yes. No information identifying the customer is sent to the card provider, that is the card provider that manages the card and the funds transfer. The card and transaction provider only receives the income management card number and a starting value, so no other personal information is transmitted. The customer can get a new income management card with a new number at any time should they lose the card.

**Senator JACINTA COLLINS**—I am sorry. I am not sure that you are at the point that I am interested in. I am more interested in a customer using the card in a merchant establishment and how their privacy is protected from other customers understanding that they are such a customer. Are the cards easily distinguishable? Are there requirements in the agreement with the merchant over maintaining people's privacy if they are using a card?

**Ms Johnson**—In relation to the branding issue that you refer to and the card being recognised, there is a branding design that is being developed for the card, so it will be a recognisable card. It will not carry particular markings on it in terms of it being a government card, but it will be a card that is specifically designed for this purpose. So, part of the merchant approval framework is that the merchants need to be able to train their staff to recognise and accept the card, and with that comes certain processes around the card. In terms of the privacy and the use of the card, that is also included as part of our overall arrangements, not just for the merchant approval component of that.

**Senator Ludwig**—We are sensitive to the use of the card and the privacy concerns that go to it. This will be a process where Family, Housing, Community Services and Indigenous Affairs will work with the merchants in the way the contract will be structured, so it is not Centrelink or DHS, and they will ensure those matters are taken into account. In addition to that, there is also the issue of fraud as well, because the current system which was rolled out by the previous government for income management is difficult and time consuming. I know, senator, that you were not here during that previous period, unfortunately if I can say that, but the system relied on stored value cards issued by really only two major retailers, if I can use that expression, and it limited the ability of people who are income managed to shop at their convenience at a wide range of stores. To provide them with that convenience what Centrelink had to do, and correct me if I am wrong, was take a significant amount of time to arrange for the person to be able to shop at other stores by contacting the merchants and arranging the transfer of the amount so that the person could have that convenience. You can imagine that was not only time consuming, but expensive to operate for Centrelink, so solutions had to be

found to make sure that we could sustain this process and continue with the good work that is going on.

What there will also be is a 24-hour, seven-day a week facility which will be able to report and cancel stolen cards, the details of which of course are still being finalised. We want to make sure that it does work effectively and it does alleviate some of the workload that Centrelink is currently shouldering. We are also aware of many of the fraud risks that are associated with it. You may be aware that there are instances where unscrupulous merchants, if I can call them that, have used book-up in the past. We want to make sure that that is eliminated from the system. The like debit card will go a long way to achieve that. You can imagine the current way stored value cards might operate. Perhaps if I use the cautious word, it was an undesirable way in some instances, but it was the only system we had in place at that time and it did need to be improved upon, and that is what we are going about doing.

**Senator JACINTA COLLINS**—I am sorry, Senator Coonan. We were talking about merchandising arrangements and I was just interested in what is being canvassed in the agreement and the minister has referred to discussions with FaHCSIA on this point to ensure that merchandisers are conducting themselves in a professional way in terms of how they are handling customers that are using this card. That is the point that I am stressing.

**Senator COONAN**—As you would appreciate, I think everyone around the table is concerned not to stigmatise people. If you are going to ring a bell or have a bright red card or something like that, it is not really appropriate to the privacy and dignity of people who are on this system. So, you will come back to us, no doubt, over subsequent estimates with how this is all going to work in an appropriate way to ensure people's privacy and what not?

**Mr Whalan**—Certainly. We will take the opportunity when you next ask us at estimates to provide an update. That would be helpful to all of us.

**Senator COONAN**—Thank you. I just want to ask a few more questions about how you are going with the merchants and the enforcement part of it. Some of these communities are very remote and there is often not much choice as to where you can purchase your goods, so what kind of enforcement will there be? Are there spot-checks?

**Senator Ludwig**—There are strategies clearly to address the potential fraud risks from customers. Merchants and other members of the community are currently under consideration by the Department of Human Services, Centrelink and of course FaHCSIA.

We are exploring as well the feasibility of random audits of merchants, including both formal audits and secret shopper style audits. Balances, of course, will not be printed on receipts as one measure to ensure that the content cannot be known, nor will there be any other identifying marks on the card that indicate why a customer is on income management, because in answer to your earlier question, we are concerned about the privacy implications. The card transaction provider will not have access to personal or identifying information. All identifying information will be retained at Centrelink.

Having gone to the Northern Territory, one of the issues was that they complained that places like Katherine and Alice Springs, as two examples, could not easily participate in the existing income management system because it was predicated on stored value cards, or it was partly the system that I outlined earlier where Centrelink had to do a lot of manual

processes to get the money to be transferred for the person to shop. Shopkeepers were telling us that they wanted a more convenient and accessible system so that they could then participate in it. The income managed individuals were also saying they wanted a system which was easier and more convenient for them to shop, so that is why we looked at the income management card.

One of the matters that we do have to address is how we then ensure that the merchants that sign up to the contract adhere to the details within the contract to ensure that they follow the rules and guidelines. We are working through that, because one of the areas that we identified prior under the existing system of the income management card was the challenge for the system in the prescribed communities was a little less, but how could those in the broader community who are on income management then work through with the retailers, even if they were certified to accept the stored value card. I think FaHCSIA undertook the work—they are nodding so I assume that is right—to register the store and so FaHCSIA will continue to do that work. In terms of the detail about prior to the stored income card and the post-process, it will be Families, Housing, Community Services and Indigenous Affairs who will register each store and make sure that they adhere to the relevant guidelines and then, as we said earlier, work with Centrelink in making sure that the customer is protected.

**Mr Whalan**—I would like to note that FaHCSIA register stores on prescribed communities.

**Senator COONAN**—Yes.

**Ms Hartland**—I would also like to mention as part of that, and Ms Johnson might go on to give some more detail, that there is a broad stakeholder engagement strategy that underpins this as well in terms of talking to merchants at this early stage and to a whole range of stakeholders. That has commenced, too.

**Senator COONAN**—It will obviously be an EFTPOS type of system.

**Ms Johnson**—Yes.

**Senator COONAN**—What happens if some of these stores do not have EFTPOS? Will the government be equipping them?

**Senator Ludwig**—Under the previous income management card system it was really limited because of the way the previous government had rolled it out. It effectively limited it to two major retailers only, and we are responding to the small businesses who have indicated that they felt that they were being disadvantaged under that system that they could not participate in it, unless they were in a prescribed community and they were then registered. What you had to have was not only a stored value card for the big retailers, but you also had to have sophisticated accounting and processes in place, under the previous system, to ensure that you had the right customer, the right income management system, and the person. It really did preclude many stores of all types from participating, even at that level, because they could not and did not have the sophisticated accounting systems in place to be able to deal with it.

What we have done in this instance is looked at that and addressed the majority of their concerns by ensuring that the like debit card will work on the EFTPOS system. I think there is

some assessment, but my anecdotal feeling for this is that the majority of small business that we have talked to in these regions do have EFTPOS systems in place. I would think it highly improbable that there would be too many small businesses operating nowadays without an EFTPOS system in place, and so we are reasonably confident. I am hoping to be corrected in my thinking that there may be a small number of retailers who may not have an EFTPOS system in place but I am sure that, given the number and availability of EFTPOS systems, the majority of income managed customers will be able to shop at their convenience and their choice. In addition to that, I am sure if a small retailer wanted an EFTPOS system there is a range of mobile EFTPOS systems available by a range of banks that they can roll out quickly to them as well. Ms Johnson may have some additional information and correct me if I am wrong about any of that.

**Ms Johnson**—Thank you, Minister. In terms of the roll-out of the card using the EFTPOS system, that is in fact correct. We also are working with FaHCSIA and in Centrelink in terms of working through the timing of the roll-out. In some areas where stores may not have EFTPOS—and it is our understanding that it is the large majority—we would be still looking to have other arrangements such as the direct transfer of funds to the store accounts that happen now. That would be in a minority of cases.

**CHAIR**—Senator Watson.

**Senator WATSON**—In controlling the withdrawal transaction, do you have a limit per transaction per family, because one family might have seven children and one might have one, so the grocery needs of the seven family would be a lot greater than a smaller family? To ensure that there is not trading in goods that you can go to Woolworths today and Coles tomorrow or Coles this afternoon and then sell off at a reduced price to people in the neighbourhood, how do you control that sort of thing in terms of establishing limits per family and limits per withdrawal and per occasion?

**Senator Ludwig**—One of the challenges which confronted us in the current income management system that the previous government rolled out was around some of those issues because there was anecdotal evidence that the stored value card was being used in that way. I cannot say it any stronger than that. As to some of the rules about how we will use the like debit card—I will call it the income management card for short, although I do not like acronyms—we will have to look at and work through whether there will be a minimum or a maximum and how much will be the maximum that can be put on the card and made available to the person, because half of the income approximately will be utilised for the income management system. That still leaves half for the person to utilise as they see fit. And so if you extrapolate that and think there could be other instances where a person allows the income management to accumulate and they do not use it, and then of course they might want to purchase a washing machine or a fridge or even something more valuable, although fridges are quite expensive nowadays. Therefore we have got to take account of what maximum purchases could happen or whether we use a system where we might put a cap on the system, but they can easily ring Centrelink to lift it if there is a particular purchase they want to make. All of those things we are discussing at the moment and trying to ensure that we deal with not only the things that you have referred to, that is where there can be people who might want to not use the system to its best advantage, but also make sure that families with a small number

of children or families with a large number of children can get the maximum advantage out of the card. I think Mr Whalan wanted to add something here.

**Mr Whalan**—Ultimately that will be a decision that FaHCSIA will make. The comment I would make is that you cannot design it so that it is foolproof. There is a danger of putting too many limitations on it. No matter what the design is, organisations like Centrelink can actually help to ensure that it works well, because you will often get anecdotal information about people who are misusing the system and we will follow those leads as well.

**Senator WATSON**—Thank you.

**Senator JACINTA COLLINS**—I would like to go back to what you were discussing just prior to this section about the relationships with state child protection authorities and now Human Services and FaHCSIA. I am curious about the implications even beyond this system for data sharing and for some more consistency in payments and support in this area. I will just give you one example, because I think it highlights what the potential might be in the future.

I am aware, for instance, of one case where a child was put into permanent care. The estranged father was still paying child maintenance. FaHCSIA was still paying family payment to the mother from whom the child had been removed and this went on for a good six months. If intervention had not occurred for quite separate reasons it could quite easily have gone on much further. I am curious about whether you are looking for the potential for data sharing across much broader arrangements than just these issues?

**Senator Ludwig**—The short answer is no, but Centrelink might have a different answer. We are certainly listening to what you are saying, but there is a range of issues that are associated with that which extend to privacy implications. If you are talking about data matching more broadly, it is in accordance with the Privacy Commissioner's guidelines, and with all of those matters I would expect we would have to go back to the Privacy Commissioner in those specific instances and work through them. They are complex, to say the least, but the Privacy Commissioner is the person we need to talk to if we are going to look at that. But as I said in the beginning, the short answer was no.

**Mr Whalan**—Correct.

**Senator JACINTA COLLINS**—The interesting example in this case is you have a child who is attracting support through a state-based foster care system and funding, but funding from the Commonwealth system going to the old familial arrangements rather than redirected to the new.

**Mr Whalan**—At the moment we rely on the individuals to tell us of any change of circumstances. You have given an example where I assume the individuals on either side did not advise us. That does happen.

**Senator JACINTA COLLINS**—Nor the state authority.

**Mr Whalan**—We do not have an arrangement at the moment with the state authority's advisers.

**Senator JACINTA COLLINS**—That is what I am saying. In this area you are now developing one and I am curious about the broader implications of that type of relationship developing in areas beyond just the card, and whether some thought has been given to that?

**Mr Whalan**—That is a good question. I just make the point that in the arrangements we are developing with the state government child protection authorities at the moment, it does not involve an exchange of information other than FaHCSIA negotiating with the state child protection agency to advise us when they believe there is a circumstance where income management would be of assistance.

**Senator JACINTA COLLINS**—Yes. I understand that. A similar example I am talking about here would be whether the state authority advises you of circumstances where the care arrangements for a dependent who would be receiving Commonwealth support have changed also.

**Mr Whalan**—It is a good issue and it does not happen at the moment.

**CHAIR**—Senator Coonan.

**Senator COONAN**—Have you got an overall figure for what this new system is going to cost?

**Mr Whalan**—The new card?

**Senator COONAN**—Yes.

**Senator Ludwig**—About \$17 million.

**Senator COONAN**—Is that correct?

**Senator Ludwig**—Yes.

**Senator COONAN**—The figure I have is \$17 million.

**Ms Hartland**—That is correct.

**Senator COONAN**—I wanted to move on to a different, but related issue. There is a small budget allocation to the department for the child protection pilot and school attendance and enrolment pilot. Can you please outline how that will be used?

**Ms Beath**—The allocation for that is to enable us to set up to better deliver those measures. It involves some development of some IT—

**Senator COONAN**—I am sorry. I am just having a little trouble hearing you.

**Ms Beath**—The allocation allows us to set the necessary IT systems in place to make sure that we can record the data about these customers. It also allows us to train staff and prepare, as we mentioned earlier, to have discussions with the policy department about how all the policies and procedures will be put in place.

**Senator COONAN**—How advanced are those discussions?

**Ms Beath**—We are working closely with the Department of FaHCSIA.

**Senator COONAN**—How advanced are they?

**Ms Beath**—They are on track. They are in progress for the expected start times.

**Senator COONAN**—I am sorry?

**Ms Beath**—They are on progress and on track.

**Senator COONAN**—What is the time line?

**Ms Beath**—It is expected early in the new financial year. We will start to have the referrals from the WA child protection trial and the school enrolment and attendance trial.

**Senator COONAN**—When is that one?

**Ms Beath**—That is from somewhere early in the new financial year.

**Senator COONAN**—As in July, is it?

**Ms Beath**—As we mentioned, it is dependent on negotiations between FaHCSIA and the WA government. Those are in progress as we speak. Similarly, the trials for school enrolment and attendance are also dependent on negotiations with the relevant state and territory governments.

**Senator COONAN**—Are you able to say due to these changes how well welfare recipients in the Northern Territory notify Centrelink of their child's enrolment details?

**Ms Beath**—In the selected trial sites they will be asked to notify Centrelink of where their child is enrolled.

**Senator COONAN**—You might just mention the sites for me if you would.

**Ms Beath**—They are still under discussion. The sites will be several remote sites in the Northern Territory as well as a metropolitan site. That is part of the discussion with the NT government, so it is probably the Department of Education, Employment and Workplace Relations that are having those discussions with the NT government.

**Senator COONAN**—How many sites are we talking about.

**Ms Beath**—It is six.

**Senator COONAN**—Are independent and Catholic schools involved in this?

**Ms Beath**—In terms of the enrolment measure, it is parents who are asked to provide the details of their child's enrolment, so we would be collecting data on both government and non-government schools.

**Senator COONAN**—I am a bit confused. Are the state education authorities collecting the data?

**Ms Beath**—Centrelink will collect the data directly from the parents.

**Senator COONAN**—Is it more or less a voluntary system?

**Ms Beath**—It will be a compulsory system in those trial sites. We will require parents to provide that information.

**Senator COONAN**—What will Centrelink regard as responsible steps for parents to notify Centrelink?

**Ms Beath**—Of the enrolment?

**Senator COONAN**—Yes.

**Ms Beath**—We would be expecting that they do notify us if there is a reasonable excuse. These policy guidelines are still being developed with DEEWR. There will be certain circumstances in which we may accept there is a delay in providing that information, but in all cases parents will be expected to provide it.

**Senator COONAN**—Would Centrelink be going to warn parents before their benefits were cut off if they had not done that?

**Ms Beath**—Certainly. We will be having multiple contacts with parents where there is a problem.

**Senator COONAN**—There would obviously be some appeal if there was some issue in the usual course.

**Ms Beath**—Yes.

**Senator COONAN**—What is bothering me is what all the necessary steps are. There are going to be, quite genuinely, people who fall between stools with these kind of requirements, people who are obviously disadvantaged in very many ways. How are you going to have a program to reach out to those people and explain what is required of them, because they are certainly having a lot of obligations placed on them?

**Ms Beath**—Certainly, and particularly in some of the more remote communities. We will be communicating with parents in a variety of ways. Obviously there will be some community information campaigns in the local areas, so if we are going into a community we will be advising the community of the new requirement, as well as having individual follow-up contacts. Some of this exact detail of how we are going to do service delivery is still under consideration, but there is certainly recognition that it will need to be tailored to the needs of the parents.

**Senator COONAN**—Am I correct in saying that the content of this obligation is simply to provide information that your children are enrolled?

**Ms Beath**—That is right.

**Senator COONAN**—Does it extend to ensuring that they attend or any of the other sense of obligations that parents might have to try and ensure their children go to school?

**Ms Beath**—The second part of the trial is also to allow state and territory governments to refer parents to us where they have not been able to engage the parent around the attendance problem of their child. There is a small number of cases in which state or territory governments may be able to refer those parents to us and we will become involved and, if necessary, take steps to ensure that that parent engages with the school around the attendance of the child.

**Senator COONAN**—Under the guidelines being developed, if somebody defaults in the notification, how long would payments be suspended for?

**Ms Beath**—Again, some of these measures are still under discussion. The main reason for using suspension is to ensure the person comes back to engage with us and we explain what is required and then payments can then be restored once they have complied with what is required. That is the first step.

**Senator COONAN**—I have not got a concern with the very important policy direction of trying to ensure that the children go to school, not at all, do not get me wrong. What is really concerning me is the way in which it may be implemented. We do not know yet. It is going to really affect a lot of children if payments are suspended and it relates to non-attendance at school. The kids still have to eat and all the other things.

**Ms Beath**—That is right. Certainly it is only the income support payment that is suspended, not the family tax benefit payment in that circumstance and we will, of course, be attempting contact with people several times prior to any suspension. If the person then complies, the suspension will be lifted and the payments will be made retrospectively to cover that period. The finer detail on this is really still the responsibility of DEEWR.

**Senator COONAN**—Am I ahead of myself?

**Ms Beath**—Yes, possibly.

**Senator WATSON**—When all this comes out will there be Centrelink officers in these remote communities to explain how the card works and the frequency with which you can use it?

**Mr Whalan**—We are already in those communities and the way that we will roll it out is we will go and talk to the parents before we introduce it.

**Senator WATSON**—Thank you.

**CHAIR**—It would probably be a good time now to have a break.

#### **Proceedings suspended from 3.45 pm to 4.00 pm**

**Senator COONAN**—Before I go to another topic, I wish to revisit very briefly Keeping the System Fair, the multimedia campaign to encourage income support recipients to voluntarily notify Centrelink of changes in their circumstances. Could you comment, please, on the implications of the presentation in the budget papers at page 392 and 393 and in particular the reference to the ‘measure will provide savings of \$52.6 million over four years, including \$29.4 million from Centrelink’?

**Mr Whalan**—Just let me check that for you.

**Senator Ludwig**—We are just checking that. As I understand the question, it is in terms of Centrelink’s bottom line, how does the \$29.4 million and—

**Senator COONAN**—How did it go in terms of a saving, yes.

**Senator Ludwig**—Whilst Mr Whalan is doing that, of course, you did remind me that that program was a matter that was started under the previous government.

**Senator COONAN**—Yes, it was.

**Senator Ludwig**—It may have been better if it had been started with Centrelink itself or put into the DHS portfolio, but I do not know why it was given to—

**Senator COONAN**—I can understand your point. I can perfectly understand the way the budget works and the way it is presented. But as you quite rightly say, Centrelink has the gravamen of making it work and taking the benefit of the expense measure. It is a bit difficult to understand how somebody who is not doing that makes some assessment about your—

**Senator Ludwig**—It makes you wonder why the previous government gave it to that department in the first place us to then administer in that sense. I hope I am more successful than the previous minister in arguing that it should actually come to Centrelink to be able to administer those types of media campaigns on behalf of the policy department. You may prove me wrong about that.

**Senator COONAN**—I will ask them about it. Probably the reasons will be lost in the mists of time. Who knows. But it just seems to me in terms of administrative convenience very clumsy to have in effect the operation of an expense measure down to an agency or department that does not have the measure.

**Senator Ludwig**—Yes, it did strike me that way.

**Senator COONAN**—Anyway, we do not know why it got canned apart from a savings measure, and no doubt more might be revealed. But the way it was left, as I understand it, with Mr Whalan in his usual very meticulous way will ensure that somebody provides some advice about the input of Centrelink into the matters that would have gone into the assessment.

**Mr Whalan**—Yes, as we agreed earlier.

**Senator COONAN**—I wanted to go back to that because I cannot make head nor tail of this \$29.4 million.

**Mr Whalan**—The \$29.4 million is a figure of just over \$7 million per annum across the four years in the out years. It is on page 68 of the PBS.

**Senator COONAN**—Yes, I know that now.

**Mr Whalan**—It was a DEEWR measure but the funds appear in our PBS.

**Senator COONAN**—Yes. Believe it or not, that is clear.

**Senator Ludwig**—We should argue next time for the money to come to Centrelink.

**Senator COONAN**—It will not be Mr Whalan. Incidentally, I might take this opportunity—and I know I speak on behalf of everyone here—to thank you for your sterling service as CEO of Centrelink. I am sure the agency, the department and the broader Australian community are all in your debt. You have been I think a most impressive CEO and you have done that during some very turbulent and difficult times in the life of Centrelink.

**Senator Ludwig**—And you do speak on behalf of everyone here, if I can associate myself with those remarks. I have also spent some time with Mr Whalan and acknowledged that with him both publicly and privately as well.

**Senator WATSON**—Before Mr Whalan departs, I wish him and his wife all the best of good health and the very best for a long and very happy retirement. You and your staff have guided this agency with a high degree of professionalism in an environment of people in need, often in very great need, and sometimes in very difficult circumstances. From any yardstick that could be applied to Centrelink, it has to be looked upon as one of the best run and most cost-efficient enterprises in Australia, both public and private. You can retire in the knowledge of a job well done.

**Mr Whalan**—Thank you.

**Senator COONAN**—I wanted to move to some questions about Welfare to Work, and the implementation of the changes. Mr Whalan, could you tell the committee what your instructions have been about, if I put this colloquially, instructions to go easy and use your discretion before suspending payments for breaches. You tell me first and I might ask some questions.

**Mr Whalan**—I think there are two elements to this. For some months, but particularly since November last year, I have been writing to staff and saying that they always need to follow the rules and procedures, but they will never apply perfectly and that when in doubt they need to act in the interests of the customer. I explained to them that it is not in the interests of the customer to be unemployed and continue to be unemployed and to shirk unemployment; they should not fall into that trap, but they always ought to take into account the circumstance of the customer in making their judgment. That is one part of what has been happening. The other part of what has happened is Minister O'Connor has written to Job Network members and given them some separate advice about how they make their judgments.

In addition to that, Centrelink, as it is clear, must make decisions in accordance with the legislative policy frameworks and in line with policy department directives. So that relates to Minister O'Connor. I think Mr Whalan correctly identified that since December 2007 Centrelink has sent a strong and consistent message to staff encouraging them to take appropriate account of an individual's circumstance or capacity when making a decision about a failure. The applied rate of third and subsequent participation failures is one of those areas where that has been taken into account.

Centrelink is closely monitoring this trend to manage strategies that will further reduce the impact on vulnerable job seekers. The area that of course Centrelink is also working closely with the Department of Education, Employment and Workplace Relations to ensure appropriate discretion is exercised when interpreting reasonable excuse guidelines so that only genuine non-compliant job seekers are penalised and Centrelink and employment service providers can work collaboratively to engage job seekers in a manner that is not counterproductive.

The Minister for Employment Participation has, as I think you have correctly identified, Mr Whalan, written to employment service providers to encourage them not to lodge participation reports where they are satisfied with the job seeker's reason for failing to meet their requirements. We are committed to mutual obligations and achieving outcomes for individual job seekers, but it is that area of vulnerable job seekers where the Rudd Labor government is committed to developing and implementing a social inclusion agenda. I will leave it at that unless you had any further questions in that area.

**Senator COONAN**—I just wanted to get a bit of information first. How many suspensions have occurred this year and how does that compare to last year, please?

**Ms Drayton**—By 'suspensions' are you talking about the non-payment periods?

**Senator COONAN**—Yes, the eight-week suspension.

**Ms Drayton**—We have figures from 1 July to 31 March this financial year. There have been 33,905 non-payment periods in that period. That compares with the full financial year of 2006-07, where we had 16,319 non-payment periods.

**Senator COONAN**—What percentage of this is of total New Start recipients? Do you have that figure?

**Ms Drayton**—I do not, but I can take that on notice and get that for you.

**Senator COONAN**—Do you have a breakdown about the categories of reasons for suspended welfare breaches, for example, how many fail to attend interviews?

**Ms Drayton**—That was a question on notice that we had information provided to the Senate. I do not have the most up-to-date figures but, again, I can get them for you.

**Mr Whalan**—Did you want the categories or the numbers in each category?

**Senator COONAN**—Both categories and numbers, thank you very much. Explain to me how this discretion works. I am not critical of commonsense, not for one minute. Sometimes commonsense has to prevail. But you can appreciate that it is very important for people to know that somebody does not have a set on them. What is the discretion and how is that reasonably interpreted, implemented or exercised?

**Ms Drayton**—The discretion that is available to Centrelink is based around what is called the reasonable requirements, reasonable excuse of a job seeker.

**Senator COONAN**—I know that, yes.

**Ms Drayton**—Centrelink is required to investigate every single participation report that comes to them. We talk to the job seeker about why it was that they failed to meet their requirement or they took the action that they did. We would look at whether or not that was considered reasonable. The test that is very generically used is in the eyes of the public if that would be considered a reasonable excuse. There are a lot of different categories. There are several layers to it.

The next part would be when we are talking to the job seeker sometimes they disclose things to Centrelink that were not apparent to people before, and we have an additional protection known as a vulnerability indicator where we would make some kind of assessment that that person had a vulnerability that impacted on their ability to comply with their requirements. That is a further discretion that is open to Centrelink.

Also, some of the more serious decisions, including those about an eight-week non-payment period, are made by senior staff in our solutions team. They are people who are used to dealing with the very complex cases and life situations that our job seekers have, and they make those decisions taking into account all of the information that is provided. We also quality assure a lot of the decisions that are made to ensure that we are not inappropriately making a decision about somebody's circumstances.

**Senator COONAN**—How does the financial case management process work with regard to people who might be vulnerable to suspension?

**Ms Drayton**—An assessment is made to eligibility for financial case management at the time a decision is made to impose an eight-week non-payment period. There are eligibility

criteria as to who is eligible to be offered financial case management, and that includes people who have what is known as vulnerable dependants, usually children.

**Senator COONAN**—Can you not just ask for that?

**Ms Drayton**—We make that assessment on every single customer who is facing an eight-week non-payment period. They do not need to ask for it; we do that on every single occasion.

**Mr Whalan**—But you have to meet the criteria.

**Senator COONAN**—The increase in numbers is startling. This is notwithstanding sympathetic ears at Centrelink and the availability of financial management?

**Mr Whalan**—As to the reasons the numbers are growing, those numbers are a cumulative figure for this financial year to date. They go from July until the date of the information. There are probably three issues. One issue is that messaging about taking more account of individual circumstances, which started partway through that period. That is one issue. The second—

**Senator COONAN**—Was that your initiative?

**Mr Whalan**—Yes.

**Senator COONAN**—It was not a government directive or anything? I do not know; I am asking.

**Mr Whalan**—It was my initiative in the knowledge of what the government had been saying. So, I messaged in the context of what the government had been saying. The second element is that the number of referrals from Job Network members has basically been increasing over that period. It has flattened a bit recently but it has been increasing over that period. The third issue is that the majority of the eight-week non-payment periods are the result of people who have their third participation failure. There are some people who go on an eight-week non-payment period for a serious failure immediately; sort of one strike and you are out. But the majority are three strikes and you get the eight-week non-payment period. There are a greater number of people who are getting to that. They have had their second participation failure and the next one is the third failure. The combination of those three things has impacted on that figure. That is three strikes within a 12-month period.

**Senator COONAN**—What actually happens now? Has the eight weeks been suspended altogether? Is it only for the most serious cases?

**Mr Whalan**—No, that continues.

**Senator COONAN**—So for the most serious cases it continues?

**Mr Whalan**—Yes.

**Senator COONAN**—But what is the policy then of the joint ministry?

**Ms Drayton**—The policy has not changed. The messaging that has gone out recently—

**Senator COONAN**—The message has changed?

**Ms Drayton**—The messaging is about supporting a strong system of mutual obligation whilst at the same time reinforcing the need to ensure that the circumstances of vulnerable

people are being taken into account. The policy that we have today is still the same one introduced with Welfare to Work in July 2006.

**Senator COONAN**—Given that it has been implemented incrementally over some weeks, I think you said since last year, Mr Whalan; did I take that note down correctly?

**Mr Whalan**—Yes.

**Senator COONAN**—Is it having much effect, between last year's figure and this year's figure, or the figure to 31 March? There must be a lot of very serious breaches on that test?

**Ms Drayton**—We have started to see very recently the number of participation failures that flow through to Centrelink decreasing. A few months ago Centrelink was getting in excess of 12,500 participation failures a week.

**Senator COONAN**—Participation failure is a failure to go to an interview or failure to—

**Ms Drayton**—To meet the requirements that they have as a job seeker. Three of those equate to a non-payment period. We have started to recently see a slight decrease in the numbers of those failures flowing through to Centrelink. We are also having an increased emphasis on making sure we are assessing people's circumstances, what we call the applied rate. The number of failures that Centrelink actually applies is decreasing as well.

As Mr Whalan pointed out earlier, the non-payment period numbers are rising. That has also started to just slightly plateau out as well. It has been really a function of the numbers coming into the system and the impact of the 12-month period where failures keep accruing. That is probably the main reason for it. But we have noticed a slight decrease.

**Senator COONAN**—I still think it is a very troubling number. I want to come back to that. How does no-work no-pay work?

**Ms Drayton**—That is not coming in until July next year. A discussion and consultation process is being undertaken by the Department of Education, Employment and Workplace Relations at the moment. That will inform the detail of how that will be implemented and work.

**Senator COONAN**—I appreciate that you obviously have some input into it but not necessarily carriage of it. Does Centrelink have a view about what a reasonable excuse would be?

**Senator Ludwig**—That would be asking for an opinion.

**Senator COONAN**—That is all right. I can ask what Centrelink's approach to this will be.

**Senator Ludwig**—That is a different question.

**Senator COONAN**—I will ask it in a permissible way, then.

**Mr Whalan**—We have taken on notice the question about what are the reasons for participation failures now. In terms of what might be a reasonable excuse under the new system, we will work that through with the Department of Employment, Education and Workplace Relations.

**Senator COONAN**—I know the intent of all of this. I do not say this other than I suppose in a framework of trying to have some sensible exchange on this, because the former

government had a very firm view about Welfare to Work, about not being soft on welfare, about making sure that everybody who had the capacity to do so was given an opportunity to have a job. It was never meant to be punitive. It was always about providing an opportunity. I must say that I am getting the very distinct impression that this is sliding. Do you have a view?

**Senator Ludwig**—I am sorry, I missed that last word?

**Senator COONAN**—That this is sliding; that the government is really stepping back from the Welfare to Work obligations in a significant way. Some of them might be Mr Whalan's view of the world and some of it might be Mr O'Connor's, but Centrelink as the agency somehow or other has to be making decisions about what is reasonable. It is pretty subjective.

**Mr Whalan**—Maybe if I make an initial comment. We have advised staff that the minister's directive is not about being more lenient in decision making. It is about making a correct and lawful decision based on the individual circumstances while ensuring that job seekers remain actively engaged, according to their capacity. We have asked them to put more emphasis on looking at that capacity. We have given a strong message. It is not about being soft. Australia needs as many people in work as possible. It is in the interests of those individuals, their families and their community to get into work.

**Senator COONAN**—I think you are right. The very clear inference that I am getting from this is that even the mere fact that you have to tell staff that this does not mean lenient, it means looking at capacity, means that there is a big message out there somewhere in the community and perhaps in Centrelink that you now have the opportunity to go soft on people who are slacking.

**Mr Whalan**—No, I think it is a balance. We are always trying to get the right balance. It is in people's interests to get into work and to get a job. But when you deal with them, you need to deal with them in a way that best allows them to do that. We have a whole lot of people with mental health problems and other barriers, some of which are not obvious when you first deal with them. It is no use penalising people who do not have the capacity to move to work. We are trying to get the right balance, but it is about getting people into work.

**Senator Ludwig**—You are right. The key element in all of this is participation in the work force. It is critical that we get people into jobs. We have to recognise that there are vulnerable job seekers. As well as giving a person a job, it is good for the individual, it is good for the economy, it increases participation in the work force, it helps the communities it builds regions and the broader economy. It also promotes cohesiveness. We do not want to penalise those vulnerable people in the community who may suffer mental illness who may be unable or not near job ready through this system.

What we want to ensure is that we can help those people who do have mental illness achieve their full potential. That might take a little bit of time. That is what Minister O'Connor is working on. He also has Parliamentary Secretary Bill Shorten doing just that. They are at the moment dealing with the National Mental Health and Disability Employment Strategy to assist that. As unemployment has fallen in this area, there are those who are vulnerable and we want to make sure that we are not punishing those people who do have episodic conditions of mental illness, and we want to make sure that what we are actually

doing is utilising Centrelink's resources to stretch out their hand to help them get a job. That is the ultimate position we want to achieve.

**Senator COONAN**—We are not arguing about the intent.

**Senator Ludwig**—It is about a commonsense approach.

**Senator COONAN**—I prefaced my initial remarks on this round of questioning with the statement that I am certainly not against commonsense but there has to be some framework around it that people understand. I have every sympathy for people with mental illness who might not have the capacity to understand or be able to attend to the obligations in the way that might otherwise be expected of them. But I do not think there would be 33,905 of them. Yet you seem to be suggesting that the eight-week suspension is going to more or less go than for other than the most serious cases. I think that can send a very bad message.

**Mr Whalan**—No, I was not suggesting that it would go for other than the most serious. As we have discussed, in fact the number of eight-week non-payment periods has been going up week on week, month on month. If I was to estimate what is going to happen, they are going to flatten, the numbers will flatten. I think that is reasonable. There will still be a very large number of people on eight-week non-payment periods every week.

**Senator COONAN**—Excuse me just for a second. I do not mean to cut across you, but it might be relevant. How does no-work no-pay actually fit with all of that intent? One day's pay, while it is obviously very significant for people in these circumstances, it is certainly not the more onerous penalty of an eight-week suspension. I just do not know how they sit together.

**Mr Whalan**—That is a matter for Minister O'Connor.

**Senator COONAN**—Yes. But you can see what I am saying.

**Mr Whalan**—I would make the comment, though, that the aim here is to get people into a job. The system should be designed to keep the connection with the Job Network members. They are the people who have the responsibility for getting people into a job. Any system that increases the likelihood of the connection with a Job Network member and that assistance to getting a job is going to be a good system.

**Senator COONAN**—What would Centrelink staff do if faced with a New Start customer continually changing Job Network providers?

**Mr Whalan**—Under that new system, the eight week non-payment period remains.

**Senator COONAN**—Yes.

**Mr Whalan**—Under the new system proposed to be brought in—

**Senator COONAN**—Yes, I understand it remains, but it is a matter of in what form.

**Ms Drayton**—Noncompliance.

**Senator COONAN**—This is really one of the problems, I think. I am trying to be constructive here. Nobody really knows what it means anymore. There have been announcements about going soft and suspending the eight-week period.

**Senator Ludwig**—I do not think there has been an announcement it was going soft.

**Senator COONAN**—Well, suspending the eight-week periods. I am trying to get some idea about how on earth does somebody make some assessment of Centrelink's approach to deciding what is reasonable using their discretion? You are a good guy, Mr Whalan, but how do we know who else is making these kinds of judgments and whether they are fair judgments?

**Mr Whalan**—The guidelines remain unchanged. I am a very strong believer that the staff at the front line are far better to make a judgment than someone in Canberra. Anything which gives within a framework and guidelines the ability for staff who know the local community and know the people some discretions is a good system. I cannot talk to you about the detail of what is coming, because we have still got 12 months to run.

**Senator COONAN**—I understand that.

**Mr Whalan**—And there is a lot of consultation and detail to be worked through.

**Senator COONAN**—Yes, I understand that. But no doubt, as you have indicated, you are thinking about it and in interdepartmental discussions about it. I think it is a matter of real public interest to know how Centrelink is going to be approaching these sorts of things and what your predictions are. What do we do about skilled job seekers, for instance? If a customer is deemed to have a certain skill, would that mean they no longer have to seek or accept jobs outside their chosen field or can they indefinitely reject jobs? Would Centrelink take a view of that situation. Let me give an example. If you are a solicitor who has been struck off for fraud and you haven't any other income and you are on Centrelink and you say, 'I just want to wait out my period of disqualification and I shouldn't have to work anywhere else', what would Centrelink say about that?

**Mr Whalan**—We can talk to you about how the system works at the moment.

**Senator COONAN**—Yes.

**Mr Whalan**—In terms of the system that would come in in July that is really a matter for DEEWR.

**Senator COONAN**—How does it operate now?

**Ms Drayton**—At the moment if a job seeker is accepting unemployment New Start payments, they would be connected to an employment service provider who works out with them what their activity requirements are, what jobs, and helps them with finding work. But they would not be in a position to say, 'I will only do this particular job in this location.' That is a matter for the job seeker and their employment service provider. If they refuse to take up a reasonable job offer, the provider would be having a discussion and probably sending through a participation failure to Centrelink. But it is a matter for the provider and the job seeker.

**Senator WATSON**—Why is this responsibility going to be taken away from Centrelink and given to DEEWR when you have got a good track record? Why do we get a better outcome by due what doing it than your continuing to do it?

**Mr Whalan**—For the last eight or more years that has been the system. The way that it has operated is that the DEEWR funds a network of Job Network providers. The customer is

referred or the citizen is referred by Centrelink to that Job Network provider. They are the ones—

**Senator Ludwig**—I hate to tell you, the previous government introduced the Job Network provider system and the policy has always rested with DEEWR as it is now called. Sorry, the policy was implemented by the previous government in respect of how this system now operates. And the way DEEWR, as it is now known, determines that policy and implements it was also set under the previous government. It has been in for some time. In broad terms, it is the Job Network provider system which, as I think Mr Whalan has said, has been around for some eight years. We are in the third tranche of the program I think of that now.

**Mr Whalan**—There is little change proposed. We approve people's payments. Because we are responsible for the payments, we are always the people who are responsible for the suspensions or the non-payment period.

**Senator WATSON**—So that will not be changed?

**Mr Whalan**—We ultimately make that decision. But we make the decision usually on advice from information provided by the Job Network provider. That system will continue.

**Senator Ludwig**—What may be unclear is that the Job Network provider will advise Centrelink of a participation failure or activity failure. Centrelink will not accept that on face value. They have a computer system, an EA3000 I think. The Centrelink staff then engage with that, and they will contact by and large the individual, as I understand it, and talk through the matter, whether they understand what their activity requirements are, did they meet that activity requirement, why did they not meet that activity requirement. And then using the current guidelines make a determination on that particular issue as to whether to put in place an activity participation failure. They will also have a look at the individual as to whether they are vulnerable individuals as well and what the circumstances are. Centrelink is well placed for that because of the nature of the work that Centrelink does and the systems that it operates.

**Senator WATSON**—Essentially it is unchanged except there is a little bit of refinement around the edges; is that right?

**Mr Whalan**—That is what is proposed, yes.

**Senator COONAN**—What changes are in prospect to the job capacity assessment?

**Senator Ludwig**—That is currently being reviewed at the moment and has been finalised. On 12 February I wrote to stakeholders seeking views on how JCA and job capacity account services could better meet the need of people with barriers to work, service providers and the Australian community. I had asked for views on the qualifications for job capacity assessors, the quality and adequacy of information recorded during assessment guidelines and processes, attendance arrangements, assessments and the job capacity account program.

I was fortunate to receive 55 responses from a wide range of organisations, including advocacy groups, associations representing allied health professionals, and JCA providers themselves, including the employment service providers and also the review and complaint bodies, such as the Commonwealth Ombudsman, who had a strong interest in this area.

In addition, I also met with a range of stakeholders to discuss issues raised and their responses to the review, including the Mental Health Council of Australia, the National

Welfare Rights Network, the Human Rights and Equal Opportunity Commission, the Commonwealth Ombudsman, the National Employment Services Association, Employment Services and JCA providers themselves. Might I add I have also spoken to a range of JCA providers and Centrelink themselves about how it operates. I was pleased with the quality of the responses. They went to a lot of trouble to actually provide me with an overview of the system, how it currently operates, and what they perceive as any inadequacies or how it could be improved, and particularly there was a range of useful suggestions that they advised me of about those types of systems and processes.

I am currently in the process of considering these issues and the possible approaches I may take. I expect that work will be done shortly. It will finalise. I also wanted to take the opportunity of working and talking with Minister O'Connor about these issues as well, and with the JCA providers themselves, and the National Employment Service Association. I will be able to make an announcement shortly, but not yet.

**Senator COONAN**—I appreciate that. Could you give us some indication about—I may have understood this incorrectly—what is happening with face-to-face interviews and whether they have been reduced or whether or not—

**Senator Ludwig**—That is not job capacity assessors. I will rephrase. Job capacity assessors do face-to-face assessments, continue to do them, have done them and they do a pretty good job of it. They are assessing person's eligibility for a range of issues, but predominantly whether they are near job ready or not, so near job ready and what assistance they may require to get them into employment. That is continuing.

**Senator COONAN**—That is continuing and there is no—

**Senator Ludwig**—No change to that.

**Senator COONAN**—No interruption to it. What face-to-face interviews do I have in mind—I cannot tell you what the name of it is—that appear to have been suspended or reduced?

**Senator Ludwig**—I might ask Centrelink if they can help.

**Mr Whalan**—The only thing I can think of is that you might be asking about the contact model.

**Senator COONAN**—Yes, that is right. Where people can get some feedback on how they did; a much closer management of feedback. What is that called?

**Mr Whalan**—It is called the contact model.

**Senator COONAN**—The contact model, thank you.

**Senator Ludwig**—The full original title I think was the DEEWR contact model as part of the Welfare to Work.

**Mr Whalan**—We have 325 Centrelink offices Australia wide. We had an arrangement where in 50 of those offices we introduced an approach called the contact model.

**Senator COONAN**—That is right, yes.

**Mr Whalan**—We saw people more regularly. We often had a more in-depth conversation. Effectively there is no change to those arrangements. We are continuing to operate as we have previously operated.

**Senator COONAN**—I was under the impression that that was causing some pressure on Centrelink because it is obviously much more intensive. It is obviously quite successful but very intensive. Was that not the case?

**Mr Whalan**—That is correct. There were some very good elements in that model that we actually applied more broadly across every customer service centre across every Centrelink office. We have actually taken some of the good part of that model and applied it more broadly across the organisation. There has been no change since we have done that to the arrangements.

**Senator COONAN**—You have simply spread the burden a bit so it is better able to be delivered; is that right?

**Mr Whalan**—This has been a mix of a couple of things. We have both applied some of the better parts of it across every office and we have also started to target some of the effort.

**Senator Ludwig**—I am advised it was introduced as a trial originally in October 2006 under the previous government?

**Senator COONAN**—Yes.

**Senator Ludwig**—At that stage they did not allocate any specific funding in the 2007-08 budget for it so, if I can use that word, you undertook to absorb that cost at the time?

**Mr Whalan**—That is correct.

**Senator Ludwig**—Of course, I think the previous government was aware that the costs of running the contact model were far greater than for the provision of normal services, because what they then had to do was run effectively two systems. They had to run their existing system plus the contact model, so that the costs then were significant and borne by Centrelink. In the 2007-08 budget I was surprised that the previous government did not actually fund it; they thought it was one of those issues that they could—

**Senator COONAN**—But it has some money now.

**Senator Ludwig**—That is why I think when you listen to Mr Whalan, what he has been trying to do is to work through the issues of, of course, how he manages that system, which was not funded.

**Senator COONAN**—So far as could I tell, it did not get any specific money also in this budget. That is why I was just interested in how it was being handled and whether it had changed.

**Mr Whalan**—In summary there is no change. There has been no final decision made about its future. But it is being considered in the employment services review that Minister O'Connor is leading.

**Senator COONAN**—I want to ask just one question before I get on to another topic. The budget forecasts a \$562 million increase in the cost of disability support pension as a result of

fewer than expected people transitioning from DSP to New Start. What are the actual figures for the number of job seekers who have transitioned?

**Ms Drayton**—Can I clarify exactly what it is? It is quite confusing with disability support pension. You are after the number of people who were on DSP who have transitioned across to New Start?

**Senator COONAN**—Yes, to New Start.

**Ms Drayton**—They are reviews that are ongoing at the moment. Centrelink has completed 15,679 of those reviews. I do not have the figure as to who transferred to what, but I do have a figure of 5.8 per cent, 916 people were cancelled off DSP as a result of those reviews. So I will need to take that on notice to provide you with the actual outcome.

**Senator COONAN**—I am interested in why there appears to be a fairly sizeable discrepancy between the forecast and the figures.

**Ms Drayton**—I might be able to get back to you soon about that in relation to the numbers who transitioned. I just do not have that information yet.

**Senator COONAN**—I am interested in how many were expected to transition. As I understand it, there is a fairly significant discrepancy. But you can get back to me on that. I want to look at the issue of how Centrelink is going to cope with its anticipated workload and its assumptions as to numbers for New Start and other claimants. The budget papers show that unemployment is forecast to rise by 4.75 per cent by next year, and that equates, as we all know to 130,000 more people unemployed. Not everybody will be a Centrelink client. What is Centrelink expecting in terms of people it will have to assist? How will it cope with an increased workload? We have a lot on at the same time as you are cutting staff.

**Mr Whalan**—This takes us into the issue of how Centrelink is funded.

**Senator COONAN**—Yes, and the supplementation; yes, I know that is there.

**Mr Whalan**—As to the issue of the forecast strength of the economy and the number of unemployed, those forecasts are done each year by Treasury together with the Department of Education, Employment and Workplace Relations. We then use those figures to calculate the staffing that we will put in the call centres and in our customer service centres. With respect to the estimated numbers of unemployed rising next year, we will take that into account in our staffing and we will be funded accordingly. We get funded on a volume basis, but there are different parts to the way that we are funded. But a core element is a funding per person, if you like, and per interaction per person.

**Senator COONAN**—Yes, but what assumptions have you made? You must have some idea what you are expecting?

**Mr Whalan**—We will use the Treasury estimates as they get updated for us every quarter or so. But we will use the latest estimates for that.

**Senator COONAN**—The latest we have is that the budget papers show unemployment is forecast to rise next year to 4.75 per cent. How does that feed into how Centrelink plans and what sorts of assumptions do you make about the kind of numbers that you will need to deal with?

**Mr Whalan**—We expect that we are going to be funded to take account of that—

**Senator COONAN**—I am just asking the number.

**Mr Whalan**—I will confirm that that number will be the number in the estimates that we will use. There is an estimated number of people on age pension and unemployed.

**Senator COONAN**—Just dealing with unemployed at the moment.

**Mr Whalan**—Family payments, et cetera.

**Senator COONAN**—So you will use the 134,000 people?

**Mr Whalan**—We will use the latest Treasury estimate. We believe that is the latest Treasury estimate.

**Senator COONAN**—It seems to be.

**Mr Whalan**—And we use it. It gets updated for us a couple of times through each year.

**Senator COONAN**—How many staff cuts will you incur as a result of the cuts across agencies? I think yours is 200, is it?

**Mr Whalan**—Yes, 200.

**Senator COONAN**—Where are they? Where will they come from?

**Mr Whalan**—I ought to make some comments before I answer that. I mentioned at the last estimates that our staffing varies significantly through the year and we vary it because we have peak workloads; at the turn of the financial year, and we get another peak load at the turn of the calendar year. Within any year our numbers are up in July; they are up at the turn of the calendar year. Usually they are trending down at the end of the financial year. So, to give you an example, when I talk about numbers, there is a headcount and then there is ASL, which is an equivalent full-time count. If I talk about ASL, the equivalent full-time count, and I look back at last year, we hit our peak ASL figure in September with over 25,000 ASL. But the average ASL, which is the figure in the PBS, which is used to derive the drop of the 200, for last year was 24,900. But the exit point we are expecting for this financial year is 24,000.

There are a few things that are about to happen. We are in the midst of a big recruitment drive. It is under way and it will continue. That is because we always exit the year low and we know we have to staff up for the beginning of the new financial year. We have to get the people on and on to the phones in particular in July.

**Senator COONAN**—So these are call centre people?

**Mr Whalan**—We have a peak in July, at the end of the financial year, reconciliation of family tax benefit—there are a whole lot of things that drive numbers. We will also have to keep the customer service centres numbers up slightly into July. At the moment we are recruiting quite large numbers of people. This 200 figure is the average number of people in a year. The numbers are moving across the year. Where will those 200 fall? To be frank, we have not mapped it as yet, because in this last budget we have got \$330 million worth of new work. We have to now map that \$330 million worth of new work within Canberra and within each location across Australia. What we will find is that there will be some places where if you just mapped it simply there would be big groups of people who did not have a job. We try

to shift the work to where those people are and we reskill people to try and make sure we have as little disruption to the number of staff as possible. In a big picture sense, 200 people are just a fraction of the turnover.

**Senator COONAN**—They are just a bit of fat, are they?

**Mr Whalan**—They are not fat. We have 10 per cent turnover per annum. We have 2,400 staff leaving each year. Those 200 people are just—

**Senator COONAN**—Surplus to requirements; would that be a fair way to put it?

**Mr Whalan**—Can you say that again?

**Senator COONAN**—Surplus to requirements?

**Mr Whalan**—No. I would say that we can deal with 200 reduction very easily in just the turnover of staff. I am not saying that they are 200 excess people. What I am saying is that we absolutely need every staff member we have. We have a heap of work that we have to do with the people. But when you are matching the people to the jobs, as each individual leaves we make a judgment about do you recruit another person. In the scheme of more than 26,000 people—and I am talking about people rather than ASL—we can deal with that 200.

**Senator COONAN**—Have you mapped how many people you are going to need for implementing the very significant—this is over the forward estimates of course—increased workload you have with all of the sorts of things we have been going through, the baby bonus, the new Welfare to Work arrangements, and the debit card? Have you mapped how many people you need to be able to undertake that work?

**Mr Whalan**—We have at the gross level. If you remember last time we were talking about this.

**Senator COONAN**—I remember.

**Mr Whalan**—I was explaining that we did not know the outcome of the budget, and we were making judgments without knowing the outcome of the budget; that we had taken an estimate that the likely outcome of the budget would be about \$100 million worth of new work and, therefore, we would have to lose about \$150 million worth of people, and that was about 2,000 people, and that we would have to start that work quite quickly.

What has come about is that instead of there being \$100 million worth of new work, there is \$330 million worth of new work. Instead of losing 2,000 people, we effectively stay square—200 less—across the years. But at the moment we have to recruit to deal with the extra work we need at this point in the financial year, and we are just in the midst of mapping. We know how many people we need for each initiative.

**Senator COONAN**—How many?

**Mr Whalan**—Ask me an initiative and I will tell you.

**Senator COONAN**—I just did. I asked, for instance, if you knew about the baby bonus, what you would need for the new Welfare to Work arrangements. I know they do not come in until a bit later. The welfare debit card is going to hit you no doubt in July or thereabouts. The schools initiative—

**Senator Ludwig**—Mr Whalan can go through some of these figures. But not at this point. It is not quite that simple. It will depend on the workload requirements, where they need them and at which location, as I think he has explained. The explanation he gave at the last additional estimates I think it is worth reflecting on in this respect. Mr Whalan said this was in accordance with the PBS, but the numbers ‘keep shifting under our feet’. This is what he said at the last portfolio additional estimates. His best estimate for next financial year is that ‘we will have a reduction of between \$150 million and \$300 million’; and that ‘can swing either way quite significantly, but between \$150 million and \$300 million’. That was on page 84 of the estimates.

This was a very carefully worded statement. It would depend on what was coming through in the budget, what work would be required. I was concerned at the time because, unfortunately, Senator Coonan, you said that the razor gang has already said that they are going to cut \$150 million out of Centrelink. That is not right. What was not what Mr Whalan said. I wanted to take the opportunity of correcting the record for you, because it was not the razor gang, it was the way the funding model had operated in the past and a range of other matters that Mr Whalan has explained.

The fact is the razor gang said no such thing. This was an estimate for Senate estimates by Mr Whalan that came with heavy caveats that you chose, it seems on those statements, to ignore. You then went on to say:

That’s going to be about 2,000 less jobs and something has to give somewhere. Centrelink simply can’t be responsible for rolling out a whole new national welfare card on such reduced resources.

That was what you said on radio, on *PM*, on 9 May 2008. The fact is that the projected decrease in ASL is likely to be about 10 per cent of the figure that you claimed on radio was factual and would actually happen. You were warned when Mr Whalan gave those figures to you in estimates, and that is why I read them back into the transcript. It is important to recognise that they were heavily caveated on the projections that were happening at that time. You ascribed them to a different event, a different circumstance.

**Senator COONAN**—No, but I was not talking about the efficiency dividend.

**Senator Ludwig**—You did say, and I will say it again, on *PM* on Radio National, on 9 May:

The razor gang has already said that they’re going to cut \$150 million out of Centrelink.

That is not correct. They said no such thing.

**Senator COONAN**—What was the date of the budget?

**Senator Ludwig**—Well, after that.

**Senator COONAN**—Yes, that is right. Can we get on with what we have got now.

**Senator Ludwig**—What did you then say on 15 May, after the budget? Senator Coonan has ‘never attributed the projected job cuts to this week’s budget’.

**Senator COONAN**—I have not.

**Senator Ludwig**—Senator Coonan has ‘made several references to the job cuts and has always sourced this information from exactly where it came from, the Senate estimates in

February'. But what you did not do was—and I invite the committee to compare what you claim is true with what you actually said. What you said—and I will say it again—was that the 'razor gang has already said that they're going to cut \$150 million out of Centrelink'; that 'that's going to be about 2,000 less jobs and something has to give somewhere'. That is the statement you made. It did concern me at the time and it concerned me how it—

**Senator COONAN**—It was not after the budget.

**Senator Ludwig**—would then react in Centrelink staff themselves.

**Senator COONAN**—It was not after the budget. Can we examine the budget, please. Can you explain to me, Mr Whalan, on the financial statement tables—there will be an explanation for this; I think I know what it is—on 82 of table 3.2.1 the budgeted departmental income statement up to 30 June the estimated and budget expense for employees?

**Mr Burgess**—Are you referring to the amount of \$1.745 billion?

**Senator COONAN**—Yes.

**Mr Burgess**—Of salaries expense?

**Senator COONAN**—Yes. On employees' expense, yes.

**Mr Burgess**—That is correct. I missed the question in regard to that number.

**Senator COONAN**—I am just trying to understand how this figure reflects Mr Whalan's evidence. I am sure it does, but I am trying to see how the up and down, in and out and people coming and going and being recruited and going out of the system equates with this figure. How do you know? I am sure you can explain it to me, but I am interested in this.

**Mr Burgess**—In regard to our average staffing level, the difference between the 24,900 and the 24,700, which is the current year 2008-09 estimated average staff level, Mr Whalan was explaining that they are both averages over the full year. The actual exit point average staffing level as at 30 June with 2007-08 will be around about 24,000 staff. In effect, going into the 2008-09 year we are estimating an increase in our staffing level by, say, 700, and an increase in employee expenses between 2007-08 and 2008-09. As to the rationale behind that increase, there is a small increase in staff number, in the vicinity of about 700. There will also be forecast increases in salaries through payroll increases. And, additionally, increases through payroll, and increases for employee entitlements, that is, annual leave and long service leave.

**Senator COONAN**—I understand, yes. It must be very difficult for you, Mr Whalan, to be able to estimate anything with people going in and out and up and down, or can you predict how many people overall you are going to now need as part of this recruitment drive?

**Mr Whalan**—Of the Australian public service we probably increase and reduce our staff more than any other organisation. We are very good at doing that, because we have to do so many different pieces of work.

**Senator COONAN**—How many do you think you will need as part of this current recruitment drive?

**Mr Whalan**—At the moment—and someone will give me a figure—we would be recruiting several hundred staff into call. We will start a recruitment in a few months to recruit

additional staff into customer service centres. It would be around 500 to 600. Someone may give me a better figure shortly, but that is a broad figure. We have a lot of difficulty, though. We have a lot of difficulty because of the way we are funded, apart from the efficiency dividends that everyone deals with for many years. We are funded on customer estimates and the number of people who are expected to be unemployed and the number of people on family payments, et cetera.

**Senator COONAN**—You have 134,000 unemployed under the last budget.

**Mr Whalan**—That changes.

**Senator COONAN**—The current figure is 134,000. Is that not the latest one?

**Mr Whalan**—I understand that is the latest Treasury figure, yes. Historically, if I look back over the last number of years, we have struggled each year as the estimates have changed under our feet. That has been because often people have underestimated the strength of the economy or overestimated the strength of the economy and we end up staffing the front line and the call centres with staff and then the estimates in the recent years have fallen away under our feet because of the strength of the economy, and we have been asked to claw back that money. If I use Launceston as an example, the Launceston CSC, we give them a staffing figure at the beginning of the year and halfway through the year in each of the last number of years we have cut their allocation and told them to pull down their staffing level. It has made it tough on them basically because we have had to claw back the money that we spent to meet what we expected the estimates to be. Anyway, that has been tough.

**Senator COONAN**—When you come to the supplementation for call centres, it appears that there was a statement in Budget Paper No. 2 that the government would not be proceeding with funding as Centrelink was able to meet all call centre demands for the 2007-08 financial year within existing funding, and then you get additional funding of I think \$59.1 in 2008-09 to assist service standards in Centrelink call centres. It seems that it lurches from one figure to the other. I am interested as a former minister: how do you make a pitch for supplementation when you apparently cannot pin down anything?

**Senator Ludwig**—Quite frankly, that is the system that you, in your previous cabinet position, agreed to and have been forcing Centrelink to do.

**Senator COONAN**—I was not the minister, but I am interested in how Mr Whalan approaches it.

**Senator Ludwig**—I am answering this. The way the system had worked, as Mr Whalan correctly identified, it puts enormous stress on the system. Under the funding model the policy departments fund Centrelink. Unemployment might fluctuate. That creates stress where predictions are wrong. There is then a process where they have to either ramp down or ramp up. If you look at the figures over the last couple years, you can see how Centrelink has struggled to do that. When you look at the call centre supplementation, the previous government had started that process as well.

**Senator COONAN**—Yes, that was in respect of Tasmania.

**Senator Ludwig**—No, this is across the 25 call centres of Centrelink. The previous government had started this process of providing additional supplementation for the call

centres not on an ongoing basis but on an ad-hoc basis depending on Centrelink's position. Of course, what this government is going to do is take a closer look at how Centrelink is funded into the future. Unlike when you were in the cabinet, we appreciate the unsettling impact of speculation and job cuts, even if unrealised, on the work force and the service impact for customers themselves. We are keen to explore how we can limit the unwarranted speculation—unfortunately that you engaged in—for example through improved funding arrangements.

There is some time before the next budget is finalised, and we intend in fact to use that time responsibly to explore all the options that can be used to put the agency on a secure footing. What we do not want to have is the circumstances that you engaged in. You took effectively what Centrelink explained their current system was back in the PBS at the supplementary estimates in February and ascribed it to the razor gang. You should not have done that; it was not the razor gang. It was the system that you had put in place for Centrelink. Then you later blamed me, I think, but I have broad shoulders. Importantly, the way the system has worked has created this. I wanted to ensure that we actually start to look at how we can address this for the longer term.

**Senator COONAN**—Mr Whalan, the judgment was made that Centrelink was able to meet its call centre obligations for 2007-08 within existing resources? That seemed to be the conclusion?

**Mr Whalan**—One of the significant decisions by the government in the budget was to provide \$59.1 million for this next financial year.

**Senator COONAN**—I was just talking about 2007-08.

**Mr Whalan**—In terms of 2007-08, I think there are two points I would make.

**Senator COONAN**—Yes, there appears to be. That is what I am trying to understand. The government, on the one hand, said Centrelink is fine, it can meet everything it needs to from existing resources, which was presumably where the former government had got to as well. Go on to a different story, but I am just asking if that accords with—

**Mr Whalan**—I will answer this in two parts. In respect of 2007-08, Centrelink is asked to meet a performance measure of anticipating 70 per cent of calls within 180 seconds, and it will do that. In respect of 2008-09, in which it has been given \$59.1 million additional, or rather continuation of a measure the cost of which for the next financial year is \$59.1 million additional, it will meet a performance measure of 70 per cent of calls answered within 150 seconds.

**Senator COONAN**—Leaving aside data matching, what other mechanisms have been put in place to address the systemic risk to the Commonwealth arising from, for example, each of the different service standards, access point and standards for proof of identity in each of the department's agencies?

**Senator Ludwig**—I am just trying to establish—

**Senator COONAN**—It is more a core department question.

**Senator Ludwig**—That is what I was trying to establish.

**Senator COONAN**—It may be a Centrelink question, but I think it is more likely to be a core department question.

**Senator Ludwig**—If we can start with the core department, this will obviously be also CSA, Medicare, Centrelink and I can go to CRS if we want to.

**Ms Hartland**—Obviously delivering improvements in customer services and reductions in fraud and payment leakage remain, as you say, very relevant to the ongoing work of the portfolio. Centrelink, for example, undertakes a range of activities to address fraud and non-compliance, including—

**Senator COONAN**—Could you just deal with different service standards, different access points and different standards of proof of identity in different DHS agencies? If you could just deal with those three first. I have a few, but it might help you if I remind you of the question.

**Ms Hartland**—I might need to take it on notice. Generally, we have a role of looking across the agencies and there is a range of individual measures and we pick up on that range of individual measures, which the agencies can talk about. Certainly in terms of some of the service delivery reform work, that is one element of what we are looking at. We also continue to work with the likes of the Attorney-General's Department in terms of implementing and supporting some of the key objectives they are dealing with in terms of strategies around that.

**Senator COONAN**—I am looking for a bit more detail.

**Senator Ludwig**—Centrelink can go to some of the specifics that you actually refer to. In terms of the core department, we might need to take that on notice.

**Senator COONAN**—Yes, although are there still 17 different payment cards across the agencies in the portfolio?

**Senator Ludwig**—Which is a different question.

**Ms Hartland**—Yes.

**Senator COONAN**—There are still 17 different payment systems?

**Senator Ludwig**—Not payment systems.

**Senator COONAN**—No, payment cards, different cards for different purposes. There is not one, for instance, that you can use across the system?

**Senator Ludwig**—And of course those 17 cards are not all in the portfolio. Unfortunately, that is why I do not want to leave the core department with any misapprehension about what the question is. When you talk about 17 cards, they are not all within this portfolio.

**Senator COONAN**—I understand that.

**Senator Ludwig**—We need to say which ones you are talking about. There has been no change to the number of cards, if I answer it in that way, across the portfolio. In terms of the earlier question you wanted a bit more specificity about the standards and the like, Ms Hogg has some answers in respect of that

**Ms Hogg**—Centrelink uses a tiered model of proof of identity, which you are probably aware of.

**Senator COONAN**—Yes.

**Ms Hogg**—Would you like me to go through what sorts of requirements we have for those three tiers? Is that the sort of detail you are after?

**Senator COONAN**—Yes, I am very interested in how it is actually applied.

**Ms Hogg**—We have a points system. It depends on each of those tiers how many points of identity we actually will seek from a prospective customer. There are three tiers, as I said before. We do not require any proof of identity. Really it is four if you classify some that we do not require identity for. For family tax benefit we do not require identity. That is just proof of a birth. So the actual claimant we do not seek of proof of identity from. Immunisation allowance, carer allowance payment and payment for child-care receiver only; there is no requirement for identity there. Then there is the tier 1, which are services not involving direct payment. This is where you get a lot of the cards.

**Senator COONAN**—That is more an entitlement card?

**Ms Hogg**—Yes. We look for 50 points of evidence. That is not usually a source document, a primary document. By a 'primary document' I mean a birth certificate, marriage certificate, et cetera. It is something that you use, such as a driver's licence, something for which you are able to show you use that identity. Tier 2 is a long-term entitlement with a program outlay less than \$10,000. That is mobility allowance, career allowance, et cetera. Then for tier 2, again, we are looking for a proof of birth, proof of arrival and other approved documents that add up to 50 points. And tier 3, which is the highest level of identity that we look for, is for long-term entitlements with program outlays greater than \$10,000, such as the normal income support payments, age pension, New Start allowance, disability support pension, et cetera. There we look for proof of birth or proof of arrival and other documents that you use for your identity up to a value of 100 points.

**Senator COONAN**—It is pretty complicated. It is certainly not efficiency from—

**Ms Hogg**—It is actually quite stringent.

**Mr Whalan**—Comprehensive.

**Ms Hogg**—It is trying to not overly burden people in terms of the risk to the outlays. We look for more evidence where there is more risk to the outlay of not identifying the person correctly.

**Senator COONAN**—Is it efficient to have, as I understand exists—and I am not addressing this to anyone in particular—multiple registration points with some consumers having to repeat the same information to different agencies within the portfolio and then to produce the same proof of identity information to the same agency if they want a different service?

**Ms Hogg**—If I can just refer to Centrelink—yes, if you want to claim additional services from Centrelink, and they are in those categories where their outlays are considerable, we would probably ask you to re-prove your identity. We will go through everything we can to assist the customer in terms of what we already hold, but we would go through the process again.

**Senator COONAN**—There are still multiple cards for different concessions and entitlements, some of which are paper based; is that right?

**Ms Hogg**—Yes.

**Senator COONAN**—There are cards that perform or repeat the same functions, for example, concession cards to obtain services under Medicare; is that right?

**Ms Hartland**—Yes.

**Senator COONAN**—And there is a requirement for a new card to issue every time personal details change? Is that right?

**Ms Hartland**—Could you repeat that?

**Senator COONAN**—There is a requirement for a new card to issue every time personal details might change, such as address?

**Ms Hartland**—A new card?

**Senator COONAN**—A new card issues?

**Ms Hartland**—It depends what card you are talking about, I think.

**Senator COONAN**—What about a Medicare card?

**Ms Hartland**—No, it does not change.

**Senator COONAN**—It does not change?

**Ms Hartland**—No.

**Senator COONAN**—Does any card change if you change your address?

**Mr Whalan**—Yes, it does.

**Senator Ludwig**—I take it that question is within DHS?

**Senator COONAN**—It is to whoever wishes to deal with it. I am not being prescriptive about it. I am just asking are there some cards that—

**Ms Hartland**—Not in the case of the Medicare card.

**Senator COONAN**—Are there others? The answer was yes?

**Mr Whalan**—For the cards that Centrelink administers on behalf of, for example, the Health Department we reissue a new card when the address changes.

**Senator COONAN**—Yes, I thought so. There obviously are sometimes face-to-face interviews for authentication functions? Do you ever have to see anybody to authenticate their card?

**Ms Hogg**—Usually it is done personally, yes.

**Senator COONAN**—That is what I mean.

**Ms Hogg**—Usually by somebody coming into an office.

**Senator COONAN**—Is there a lot of face-to-face interview time involved in doing this authentication?

**Ms Hogg**—Yes.

**Senator COONAN**—Is it correct to say that there are inconsistent central access arrangements across DHS agencies?

**Ms Hartland**—I think part of the difficulty we are having is that there are a lot of different processes, but they are also fulfilling a lot of different needs and different client base, customer bases, if you like, too. There is certainly a lot of work going on in terms of looking at data standards across the range of agencies, and proof of identity, as I mentioned before, with Attorney-General's across some of these broader issues. Also, there is a broad standardised business process being worked on for registration at an across-the-Commonwealth level. I do not know whether that was part of your first question?

**Senator COONAN**—From the answers I have had—and I do not want to overstate this; I simply mean it as a comment—with the access card there does not appear to have been a great deal of activity, at least none announced or clear, that has been devoted by the new government to addressing systemic inefficiencies and potential fraud in terms of authentication and identity across many different systems?

**Ms Hartland**—It is one of the key streams of work that is being looked at in terms of the service delivery reform work. As I said, there is a lot of work going on around standardising data and standards around data. So, there is a lot of work going on in developing the business cases around the options and the best way to go there. It is true that probably you do not see a lot of that work now, but there is a lot of underpinning work that needs to go into that, and that is happening.

**Senator COONAN**—Minister, where are we up to with that? It has been six months and a budget and zilch.

**Senator Ludwig**—I might be able to answer it if you would let me. What we are not going to do is introduce an ID card by stealth. I think that is clear. The projected costs of that access card—I am pleased that you mentioned it, quite frankly—were underestimated and the projected savings were overestimated.

**Senator COONAN**—I am talking about what the government's policies are. I am not talking about the access card.

**CHAIR**—The minister is responding.

**Senator COONAN**—He is not responding.

**Senator Ludwig**—You mentioned the access card.

**CHAIR**—He is responding.

**Senator Ludwig**—You mentioned the access card and I am responding to the question and I am also then going to say what I am going to do—

**Senator COONAN**—No, I talked about—

**CHAIR**—We have very little time left this evening. You have asked your question, the minister is responding and then you have your opportunity to follow up.

**Senator COONAN**—On a point of order—the minister is not answering the question that I asked. I agree with you that there is very little time. We can finish this without any difficulty if we do not go into things that I did not ask about. I am asking about these efficiencies and functions. I am not asking but the access card. I am asking what the minister is going to do.

He is telling me what he is not going to do. I assume that. All I want to know is what you are going to do, and that is my point of order.

**CHAIR**—There is no point of order. I cannot direct the minister on how to respond. Minister?

**Senator Ludwig**—The previous government spent \$95 million on consultants fees and other costs of a card, including \$3 million on advertising. Finance never agreed to the costings or the savings. The project was already over time and over budget at the time of cancellation. At the same time, the previous government refused to release the business case for an access card to the public. By convention, of course, that document cannot be supplied to the new government. It is one of those areas where already the red light had gone up on that project, but we did not have the business case to support it, either. Nor was it available to us to look at the work that needed to be done now and into the future. The legislation itself which supported the card was promised on several occasions last year but was continually delayed and ultimately never introduced. The governance of that project was adrift. The minister in charge of that project had lost control of it.

Upon the portfolio falling to Minister Ellison, he had already cast doubt over the future of the access card by abandoning the fast-tracking of the legislation, releasing an exposure draft and commencing a review in June 2007, effectively delaying the introduction of the legislation until after the election. During this time the purpose of the card morphed from an antifraud measure into a whole-of-government solution to modernise the welfare payments system. In fact, many of the objectives of the access card could in fact—and that is what I am going to go on to deal with—could be met by other means. For example, a verification of eligibility for concessional PBS drugs has been met independently of the access card project, worth at least 10 per cent of the projected savings. Through the access card the Liberals were planning to build a central database of virtually all Australian residents.

**Senator COONAN**—On a point of order, as part of these proceedings, it is a question and answer; it is not a lecture, a statement or a political point-scoring exercise. It is an exchange of information about what you are doing. Now, you have taken a very long time to get around to it, but it just is not really answering the very specific things I asked about what the government is doing about each of the areas that I have just put to the witness. I think it is a fair question, and it is not meant to score points from anybody; it is simply trying to elicit: are we in the Commonwealth at risk of the government's inaction on doing anything to address systemic fraud and inefficiencies from having all these multiple systems?

**CHAIR**—Is it a point of order or is it a speech?

**Senator COONAN**—You might look after one of them but not all of them. So that is my point of order.

**CHAIR**—I do not uphold the point of order. I make the point again that the minister is entitled to answer the question that you put to him in the manner in which he deems appropriate, and I cannot control that. Minister.

**Senator Ludwig**—Thank you, Chair. That is why I put it in that context, because if you are going to say that this government has not put its shoulder to the wheel to deal with the issues, I wanted to then compare that and say that it is a bit rich. The previous government was going

to build an ID card by stealth to do all of these things, but it was already over time and over budget. What we then did when we came into government was look at that system and say that it was not going to deliver, we did not have the business case. Surprisingly, the government majority report of the Senate committee into the access card by Senator Mason found:

With only the first tranche of the access card legislation before it, the Committee has also been put at a disadvantage in that it does not know the detail of key provisions and measures that are intended to be addressed in later legislation. That the provisions held over relate to critical matters such as reviews and appeals, privacy protections and oversight and governance measures does little to allay the Committee's general unease with the adequacy of this bill. In essence, the Committee is being asked to approve the implementation of the access card on blind faith without full knowledge of the details or implications of the program. This is inimical to good law-making. The delay in introducing these measures is unlikely to encourage public confidence in the access card proposal, particularly as the missing measures are essential for providing the checks and balances needed to address serious concerns about the bill.

What this government is now doing is looking at better service delivery for Australians, which is at the heart of what the Human Services portfolio is all about. It is not what the Liberals became, I would say, overly fixated about on the technological solution; that is, whatever that access card was, it was a card but you were fixated as I understood it on the technological solution. They were pursuing it, but forgot to focus on outcomes for the Australian public. This government is committed to reform service delivery to make it easier for Australians to deal with government services because many customers, quite frankly, get frustrated by inefficient services that rob them of their time. This budget has provided \$10 million to explore options for improving service delivery. This funding will be dedicated to examining new, better—

**Senator COONAN**—I have read that.

**Senator Ludwig**—and more cost-effective ways of delivering the social and health related services to all Australians.

**Senator COONAN**—But what is it actually doing?

**Senator Ludwig**—It is a pity you did not read the Senate committee report on the access card—

**Senator COONAN**—I did.

**Senator Ludwig**—whilst you continue to trumpet it about.

**Senator COONAN**—I did not trumpet. I am just asking what you are doing about it. You are doing nothing.

**Senator Ludwig**—Clearly it did not provide the outcomes that you would subscribe to, nor did many of your Liberal friends consider it worthwhile.

**Senator COONAN**—You must be kidding. I mean, it is another review, is it?

**Senator Ludwig**—But what we will be doing, there will be primary focus on how we can deliver better services to the Australian community and achieve better value for money. That is what we will be doing for taxpayers. How we can say—

**Senator COONAN**—But you do not know how.

**Senator Ludwig**—How we say, having to spend their lunchbreaks—

**Senator FIERRAVANTI-WELLS**—You do not know how, that is the problem.

**Senator FIFIELD**—Point of order.

**CHAIR**—There is a point of order before the chair. Senator Fifield.

**Senator FIFIELD**—Thank you, Chair. I just fear that Senator Ludwig unfortunately has been attending Senator Faulkner's school for ministers for Senate estimates because we are having a long, slow, irrelevant, discursive monologue.

**Senator Ludwig**—Thank you, Chair; I am not sure that that was a point of order.

**CHAIR**—I do not believe there is a point of order. I think I have been consistent over the last four days, and that is, if questions are put to the minister or to an official, they have the right to respond. I cannot direct them on how to respond. I am mindful of the time, as I am sure other people in the room are. Minister.

**Senator Ludwig**—Thank you.

**Senator FIFIELD**—Chairman, I am looking for a little mercy, that is all.

**CHAIR**—To be fair, I think I have spent a lot of time on the other side, as you are now, and I appreciate it, but we are also limited for time and I would like to get through the remainder of the questions that I know are forthcoming. Minister, you have the call.

**Senator Ludwig**—Thank you.

**Senator COONAN**—Thank you. Sorry, Minister—

**Senator Ludwig**—Yes, the government has changed. This is the point of what this \$10 million will do. All the things are on the table. That is actually what we will be able to do now, rather than be fixed by the technological, what I call the thoughtful, solution that you think would have solved all of the problems, but it seems to be—

**Senator COONAN**—I did not say that.

**Senator Ludwig**—all your colleagues did not consider.

**Senator COONAN**—I am asking what you are doing.

**Senator Ludwig**—We will be looking at how we can save people—

**Senator COONAN**—I am sure you will be looking at it.

**Senator Ludwig**—from having to spend their lunch break visiting—

**Senator COONAN**—Looking at does not—

**Senator Ludwig**—the Medicare office to claim their rebates.

**CHAIR**—The more interjections that there are, Senator Coonan, the longer this is going to take.

**Senator Ludwig**—We will also be looking at how we can reduce the amount of time people are required to spend filling out forms, sometimes in fact forcing people to provide information, and you have already heard how they have to provide it to the government. What we want to do is look at all of those things that in fact rob people of time, make it easier to

engage with Centrelink or Medicare and make it easier to be able to do those things, but it is also how we can improve access.

**Senator FIFIELD**—We are wasting more time right now.

**Senator Ludwig**—You asked the question. We also wanted to look at how we can improve access to services for people in the bush, and Indigenous Australians—

**Senator COONAN**—I did not say a thing about that.

**Senator Ludwig**—and to make it easier for all Australians to identify services that assist their needs.

**Senator COONAN**—Is that a question you have asked?

**Senator Ludwig**—In short, as to those things that I have spoken about, it is about looking at a better use of technology, easier access for simplified processes and smarter ways of doing our work; a better focus on the individual person and around the events in their life that they are going to have.

**Senator COONAN**—Have you finished yet?

**Senator FIERRAVANTI-WELLS**—Minister, I recall that we went through this at February estimates. I sat on that access card inquiry, and you well know my views on this. The point is that the senator has asked you a very good question.

**Senator Ludwig**—Yes, I do know your views.

**Senator FIERRAVANTI-WELLS**—In that access inquiry, a series of problems was delineated which included security and fraud. The question that Senator Coonan is asking is: what are you practically doing to address the very issues that were raised in that inquiry and the problems that do exist? You do not like the access card, so what have you come up with in the whole time? We are still sitting here asking you the same questions we asked you in February. We want to know practically what you are doing to address those problems that were raised? You do not like the access card, so what are you going to do? What are you going to replace it with? Do you have a concrete alternative?

**Senator Ludwig**—What I have said is that, if you look at the time that you took to develop a failed and flawed access identity card by stealth, and compare it, what we are now doing is spending \$10 million to develop new ways to improve service. As I said, all things will be on the table. We will examine. We will re-evaluate how we deliver face-to-face services and it will include exploring opportunities for multiskilling staff because the previous government did not take the practical issues of how they could explore those.

**Senator FIERRAVANTI-WELLS**—Minister—

**Senator Ludwig**—Let me finish. And we will be tailoring services that we need to—

**Senator FIERRAVANTI-WELLS**—Why don't you just table it, Minister, it is easier. At least we can read it for ourselves.

**Senator Ludwig**—It might be easier, then, if you table all the questions you want to ask and we do not have to spend our time here.

**Senator FIERRAVANTI-WELLS**—I am just asking you here—

**CHAIR**—I am going to suggest that we adjourn for a private meeting and we will recommence in five minutes time. I am calling a private meeting of the committee.

**Senator COONAN**—Can I just take a point of order about this. With the greatest of respect, Chair, that is not necessary. I am sure the minister is almost finished what he wants to say about his review, and then I have some more questions. I think it would be better for the convenience of the committee if we just kept going.

**Senator FIERRAVANTI-WELLS**—Don't worry about it, Chair; I withdraw my question.

**CHAIR**—With all due respect on the point of order, it is not about withdrawing that. I am going to call a five-minute private meeting, and I am not asking people to withdraw questions. I want to address the remainder of the program with the time that we have left. I suggest that we leave the room.

#### Proceedings suspended from 5.41 pm to 5.45 pm

**CHAIR**—Minister and officers, just so you are aware of the remainder of the program, we intend to continue until 6.15 and then we will commence with Hearing Australia, because another senator will be coming in for the last 15 minutes of the program. So, between now and then, we have some more questions for you in those areas that are listed on the program. Any questions that are not dealt with tonight will be put on notice. Senator Coonan.

**Senator COONAN**—Thank you, Madam Chair. How long will the review take?

**Senator Ludwig**—It is \$10 million to develop the business cases or the proposals, so the \$10 million is only provided for this 12 months. We need to move very quickly, and some of the work is already underway about how we do that evaluation. There are many, many different channels. Look at one area, for example, online. We do a lot of face-to-face; we do a lot of telephony. If you grab one area, say it is face-to-face or telephony, you can work out how you move it across—

**Senator COONAN**—I am sorry, face-to-face with telephony?

**Senator Ludwig**—Let me finish; how you can move it across online—

**Senator COONAN**—No, I just did not hear what you said, sorry.

**Senator Ludwig**—Sorry. If you can then move it across online and there are significant savings. But to be able to do that you have to do the examination; you have to do the business case; you have to put the new policy proposal forward. There are other areas—but I will stop there, because I do appreciate that there are time constraints. I just wanted to ask Centrelink whether they could contribute to some of the work that they see needs to be done as well.

**Senator COONAN**—Just before we do that, when do you actually expect to finish this examination or business case? I know it has a year's funding, but when would you expect to be finished?

**Senator Ludwig**—Some of it will be developed as we go because it is not just one piece of work; there are many pieces of work that can be done in this area. Nothing is closed. To give an example, Senator Fierravanti-Wells has mentioned previously the issue of co-location; that has been looked at by the previous government under a flexible service delivery trial, but there are already four Centrelink offices with some co-located Medicare services; there are

four Medicare offices with some co-located Centrelink services. In addition, outside the trial, there are 27 Centrelink offices side by side or co-located with the Child Support Agency.

**Senator COONAN**—I am sorry, what trial are we talking about? I am confused. Are we talking about the trial of service delivery reform; are we talking about—

**Senator Ludwig**—Well, it is service delivery reform. Service delivery reform can include how you deliver the services to the customer.

**Senator COONAN**—Yes, I understand what it is about.

**Senator Ludwig**—What the actual customer needs in the location and what you might have to do to actually deliver that service efficiently and effectively and to the customer's needs.

**Senator COONAN**—I thought it was substantially about how to provide not only services for customers, which of course is critically important, but how to avoid fraud on the Commonwealth and how to have an integrated approach to delivering efficiencies across all the agencies by eliminating the sorts of problems that I identified in my earlier question. Are you not proposing to do that as well?

**Senator Ludwig**—There is and will be work in respect of fraud and compliance as well, because all of the things are on the table. We have to actually address some of those business systems that exist across Centrelink, across Medicare, across DHS—which is the Child Support Agency—to ensure that the right person gets the right payment at the right time. There are many systems that we can look at to achieve that.

[5.50 pm]

### Medicare

**Senator COONAN**—Can I just ask you one very simple question: what is there at the moment to prevent somebody from either fraudulently accessing or obtaining a Medicare card that is not theirs, obviously?

**Senator Ludwig**—We might need to get Medicare to the table.

**Senator COONAN**—If you like, that is fine, but I am just interested to know. So far as I know, there is not anything to stop the fraudulent production of a Medicare card. While these people are coming to the table, Minister, there may be some argument about the percentage, but it is a very high one—quite often said to be about 70 per cent—of cases of fraud involve the use of a Medicare card because it is very old and obsolete. It is a 23-year-old card, and it is used inappropriately. I am just interested to know now what stops somebody—

**Senator Ludwig**—Thank you for the question, because it is important to recognise that the Medicare card was designed and issued as a tool to assist in the administration of the Medicare and Pharmaceutical Benefits Scheme programs, and it is not an identity card. Medicare Australia is continually looking at ways to address the fraudulent use of Medicare cards. I am not discounting any options that may be identified to address this.

**Senator COONAN**—Is there a current risk of a Medicare card being used inappropriately? As you quite rightly say, it is not an identity card and it has been identified by the Australian

Federal Police as being used inappropriately, either accessed inappropriately or fraudulent cards being produced, apparently without much ability to control it. Is that right?

**Senator Ludwig**—Medicare Australia has improved the integrity of the Medicare enrolment card—

**Senator COONAN**—I am just saying: is there anything to stop it?

**Senator Ludwig**—through a number of activities. That is what I am answering, in fact.

**Senator COONAN**—Improving integrity does not stop it, does it?

**Senator Ludwig**—If you let me answer, since the bulk of registration of Australians for the Medicare program in 1984, these activities which Medicare has done include the introduction of enhanced eligibility and identity checking for new registrations and data cleansing and data matching of its enrolment file with other government agencies. As part of the Medicare enrolment process, Medicare Australia conducts checks for known multiple identities against Centrelink and Australian Crime Commission false identity databases. In addition, enrolment procedures for migrants incorporate data matching with the Department of Immigration and Citizenship and when enrolling newborn children with Centrelink. Medicare Australia has undertaken other steps to improve the data quality of its Medicare enrolment file including a weekly systems check for identified possible duplicate records of all Medicare cards where there has been any Medicare activity in the previous week and an automated system to match and update Medicare records using a national fact of death data from births, deaths and marriages on a monthly basis as well. Of course, discussions are underway to increase the frequency to ensure that we can improve that as well. The date of death has been recorded through this process for some 963,000 people. They are the areas that we are looking at. I have with me today fortunately the CEO, Cathy Argall, who will be able to assist.

**Senator COONAN**—That is a very fulsome answer, Minister. I take it as a no that you are doing nothing, or you certainly cannot give me the assurance that it is not open pretty much to anyone to either improperly access or use a Medicare card or for one to be manufactured. I was just wondering what steps specifically are taken to stop what is the most prevalent instrument for the perpetration of fraud as identified by the Australian Federal Police?

**Ms Argall**—The issue you raise is not about the use of the Medicare card to fraudulently access Medicare or the PBS program. If I understand it correctly, you are making reference to the AFP's reference that a Medicare card is used in broader community fraud as a secondary piece of identification?

**Senator COONAN**—Yes, that is right, for bank accounts and things like that.

**Ms Argall**—Absolutely, and that would be the case for other similar cards such as driver's licences, et cetera.

**Senator COONAN**—Except the AFP do not seem to think that they are quite as easily used. That was the figure that I think has been fairly much out in the community for a long time, that because it is so prevalent and almost ubiquitous, it is very easy to use. My proposition is that, by now, it would be a good idea to have something more updated and modern, would it not?

**Ms Argall**—Well, that is a matter for government consideration. It is not my role—

**Senator COONAN**—I will just ask the minister—

**CHAIR**—Senator, Ms Argall is speaking.

**Senator COONAN**—Yes, and she said it was a policy matter; I agree with that. Minister, it would be a good idea to have something a bit more updated and modern, would it not, than the old Medicare card?

**Senator Ludwig**—That is why I said that, unlike the national identity card by stealth that you called the access card, all of these things are on the table. The \$10 million is designed to look at all of these issues that will improve service delivery, and there will be a range of circumstances that we will look across. I will not rule anything in or out.

**Senator COONAN**—So, can I take it from that that what you have not ruled out is that this government considers it is appropriate to look at whether this 23-year-old Medicare card that seems to be a great opportunity for people to use for inappropriate purposes could be updated?

**Senator Ludwig**—That is what I have said in the sense that—and I think this is important to recognise—the Medicare card was designed and issued as a tool to assist in the administration of Medicare. What you are now talking about is fraud and compliance across—

**Senator COONAN**—I am talking about both.

**Senator Ludwig**—In terms of then looking at ways to address the fraudulent use of Medicare cards, I am not discounting any options that may be identified to address this issue. That is what I said earlier, and that is what I continue to say.

**Ms Argall**—Could I just add to what the minister said? The Medicare card does not have any legislative basis. The Medicare card was originally intended as a convenient vehicle for the public to carry their Medicare number. It is the Medicare number and the integrity of the Medicare registration database that is the important vehicle for assessing and testing eligibility to access the Medicare program and, indeed, the PBS program.

**Senator COONAN**—Yes, but if your card is stolen, you can ring up and get a replacement, can you not?

**Ms Argall**—That is right.

**Senator COONAN**—It could be anybody.

**Ms Argall**—Well, no, that is not correct; you could not be anybody. If you ring up and report a lost or stolen card, immediately that card will be ceased and there will be a proof of identity process that is undertaken at that time before a new card will be produced and sent out.

**Senator COONAN**—I am aware of a case where it was a simple matter to simply ring up and say that the card had been stolen and another one turned up.

**Ms Argall**—But there will be a proof of identity check undertaken at the time that that call is made, and that is similar to all service delivery agencies and all contacts between members of the public.

**Senator COONAN**—Is that being looked at in this service delivery review, a more robust way of replacing cards, assuming we are going to have 17 still?

**Ms Argall**—If the proof of identity checks are not satisfied through that contact, the member of public will be required to attend a Medicare office and demonstrate the proof of their identity by providing things like birth certificate, passport or visa, and they are the sorts of tests that are put in place in the normal course of events in assessing the eligibility for entitlement to enrol in the Medicare program.

**Senator COONAN**—Minister, what election promises are you responsible for implementing? Could you provide a list of those? Just the names of the initiatives is all I am seeking.

**Senator Ludwig**—Is it election promises, or those that are in the budget now?

**Senator COONAN**—All election promises will be met, so we are told. I am just wondering if any have lobbed on your desk?

**Senator Ludwig**—That is right. In terms of DHS, one is obviously the election commitment of the abolition of the access card, which was a project, and the withdrawal of the previously provided \$3 million per annum in additional funding to DHS. There is also the second which is the abolition of the local liaison officer program. In the Human Services portfolio more broadly, if we say it that way, there is responsible economic management, the drought 2006 revised communication campaign. There is the responsible economic management, Human Services departmental funding. That is a reversal, so we will not need to go there. I mentioned the local liaison officers. There is the responsible economic management, child support reforms revised advertising campaign. I mentioned the access card. There is the increased efficiency dividend from 1 per cent to 1.25 per cent. We all recognise the one-off 2 per cent efficiency dividend. There is the call centre supplementation reversal. There is the Medicare office, which is the Emerald office. Are you now talking about the matters that we will deliver in the budget, because they are also—

**Senator COONAN**—No, I was just interested in election promises and, in particular, the Medicare office at Emerald. I am very interested as to why it ended up in Emerald when it appeared that the minister, formerly the shadow minister, Ms Roxon, stated that a new Medicare office would be in Belmont, which is in the electorate of Swan, in Perth, as a top priority. I am just wondering what happened to that?

**Senator Ludwig**—In fact, three offices will be met during our first term, and the 2009-10 budget will be the first opportunity for that.

**Senator COONAN**—Where will they be?

**Senator Ludwig**—In terms of the Medicare office in Emerald, the government will deliver on its election commitment to establish a Medicare office in Emerald, as I have said. It will be located within the existing Centrelink customer service centre in Emerald and will provide easy access to Medicare services for local residents.

**Senator COONAN**—Yes, I know that; I am just wondering what happened to the one in Belmont.

**Senator Ludwig**—That is what I said, there were three offices that will be met during our first term.

**Senator COONAN**—Where will they be? That might solve the Belmont mystery.

**Senator Ludwig**—I do not want to get this wrong. There are two Belmonts.

**Senator COONAN**—Yes, there is one up near Newcastle.

**Senator Ludwig**—There is one in New South Wales—I will not say which town it is near, but I take your word that it is near Newcastle.

**Senator COONAN**—I know that town.

**Senator Ludwig**—The second is Belmont, Western Australia; the third is Warrawong, New South Wales. If you could help me identify what town that might be near, it would be helpful, too.

**Senator COONAN**—Near Wollongong.

**Senator FIERRAVANTI-WELLS**—That is where I grew up, remember, same place?

**Senator Ludwig**—I do now remember it, thank you, Senator.

**Senator FIERRAVANTI-WELLS**—Just to refresh your memory, Minister.

**Senator COONAN**—So there will be one in Belmont, one in Warrawong and I am sorry, I missed the third one, or is that Emerald?

**Senator Ludwig**—I did not want to mangle the English; Warrawong, is that close enough?

**Senator FIERRAVANTI-WELLS**—Yes, it sounds pretty good.

**Senator COONAN**—Just to clarify, did you say three extra, or three including Emerald?

**Senator Ludwig**—There are four, and then there are three. So, Emerald is the fourth. And we have announced Emerald in this budget; the remaining three—

**Senator COONAN**—The two Belmonts—

**Senator Ludwig**—The two Belmonts and Warrawong.

**Senator COONAN**—Okay, thank you. That clears up that. Obviously a lot of questions will have to end up on notice. Could the department give me some idea of what consultancies still exist? I have on notice that there is a huge number, broken down into the various agencies, and there were 10 for the core department current as at 31 January 2008. Could you just run through them and tell me what is still on, what they are for and whether there have been any new ones? It starts with Booz Allen Hamilton, \$5 million. It is HS31.

**Ms Hartland**—That was the answer as at 31 March, that is correct.

**Senator COONAN**—It says 31 January.

**Ms Hartland**—Sure, I can run through those.

**Senator COONAN**—All right.

**Ms Hartland**—This is consultants engaged during the 2007-08 financial year. This is current to 31 March 2008.

**Senator COONAN**—What is that for?

**Ms Hartland**—Expenditure on consultants that have been engaged up to that date.

**Senator COONAN**—Sorry.

**Ms Hartland**—I guess this is an update. I think you said you had to December; this is to March.

**Senator COONAN**—Look, I am terribly sorry. I just wanted you to go through the list and state which ones were current?

**Ms Hartland**—Where active work was being done?

**Senator COONAN**—Yes. It was HS31. It claims to be new consultant engagements between 1 April 2007 and 31 January 2008, with the total expenditure on these engagements during the period, starting with Booz Allen Hamilton, \$5 million.

**Ms Hartland**—There is no existing work happening there now.

**Senator COONAN**—What was that for?

**Ms Hartland**—That was a purchase order to do with access card. I am just looking down the list. I just need to check on one of them, but otherwise all the rest are not active. So no further work is occurring there. I want to check in terms of the Australian Government Solicitor. The only other one I want to check on was Transaction Resources, but all others relate specifically to access card—

**Senator COONAN**—To the junked access card.

**Ms Hartland**—Yes. I know that work is completed, but there might still be some invoices coming in, but the work is completed around all of those contractual arrangements.

**Senator COONAN**—In relation to the \$15 million retained in relation to the spread of staff from the access card, what are they actually working on now?

**Ms Hartland**—A number of those people are working on the income management card that Ms Johnson talked about before.

**Senator COONAN**—You are going to do this reconciliation for me, are you not?

**Ms Hartland**—Yes, I am.

**Senator COONAN**—All right, that is good. In relation to Centrelink, what consultancies are current? We are going from January 2008 to May? So, we have Grosvenor Management Consulting and Hinds Workforce Research.

**Ms Hartland**—While we are waiting, I can confirm from that list we were talking about before in terms of the department, Transaction Resources is still doing some work in the department.

**Senator COONAN**—I was just interested to know on that list which consultancies were current, and are there any new ones? You can come back to me on that. I know that Senator Siewert wants to ask some questions shortly. Perhaps while you are having a look at that, I wanted to refer to the fact that the government has revised the planned communication campaign activities for the child support reforms, and there is some appropriation in the

budget. I think it was Mr Palmer who told us at last estimates that the 2007-08 budget for the scheme reform campaign is \$17,560,000, and he said, 'It is the bulk of where the campaign will occur.' I am just interested to know if somebody from Child Support Agency can tell me—and I am sorry to have to go back to it—what has been spent of that \$17-odd million.

**Ms Palmer**—Do you want to know what money was spent in the 2007-08 year relating to the child support scheme campaign?

**Senator COONAN**—Yes, relating to the advertising scheme, because I notice you still have some big ads.

**Ms Palmer**—That is correct, we do. The budget was reduced to \$12.66 million this financial year, in line with the government's decision, so there was a \$4.9 million cut to \$12.66 million. As at 31 March we had spent \$5,958,651, and we had \$6.8 million left to run.

**Senator COONAN**—What had the \$5 million been spent on, media buy?

**Ms Palmer**—Effectively it has been spent on newsletters. We have issued four newsletters so far. We did a series of ads about the care letter that we sent to all our customers so they could update their care records with us so that we could issue an accurate assessment. Those ads started in October—

**Senator COONAN**—They are the ones you were talking about earlier today?

**Ms Palmer**—Yes, actually they are the ones Mr Sutton was talking about.

**Senator COONAN**—I was paying attention.

**Ms Palmer**—Good. They were interrupted by the caretaker provisions, hence some of that money was handed back because of that advertising not being completed. We got about half of it done. We also produced a website with detailed information about the scheme reforms so that customers could access the information. We produced a detailed booklet for customers who did not have internet access and we also produced that booklet for stakeholders and for stakeholder training. We ran stakeholder training for about 1,000 stakeholders across the country from the middle of February and provided them with that booklet and a full-day or half-day training, depending on their preference.

**Senator COONAN**—Was this still out of the \$5 million?

**Ms Palmer**—Yes, that is correct. We also have been sending that booklet to people who have been ordering it since we made it known that it was available.

**Senator COONAN**—Where are these quite expensive full-page ads getting paid from?

**Ms Palmer**—They are getting paid from the remaining \$6 million. There is \$3.2 million in that campaign that we have run from 11 May. The ads cover radio, newspaper, some internet and some magazine.

**Senator COONAN**—Any TV?

**Ms Palmer**—No, no TV at all. So there is \$3 million in media buy and about \$200,000 worth of creative development and the costs to actually dispatch and produce the ads themselves.

**Senator COONAN**—So that will soak up the rest, will it?

**Ms Palmer**—That is \$3.2 million. The remainder of the money to be spent to the end of the financial year is in order to produce a couple more newsletters for our customers. We are going to run community events and presentations. Some of them are for general community information and some of them are for customers who have specific needs, like Indigenous customers, as well as customers from linguistically diverse backgrounds. We also have specific tools; we produce some materials for those customers who have particular needs as well. That is the remainder of the money in the financial year.

**Senator COONAN**—So nothing is to be given back?

**Ms Palmer**—Not from the \$12.66 million.

**Senator COONAN**—Did you have any creative agencies working on the campaign?

**Ms Palmer**—Yes, we did. We had two, actually; we had Vinton Browning in Western Australia that did the press material and we had Eardrum in Sydney that did the radio.

**CHAIR**—I think this would be a good time. Just before we go to Senator Siewert, Senator Brown wants to ask some questions.

**Senator CAROL BROWN**—I have some questions for both Medicare and for the Child Support Agency which I will put on notice, given the time.

**Senator FIERRAVANTI-WELLS**—I have too, so I will put those on notice also.

**Senator Ludwig**—I just wanted to deal with an earlier matter that was raised in relation to the Child Support Agency, rather than take it on notice.

**Ms Palmer**—Senator Coonan, you asked about our community information sessions and the information packs. We have looked into that. We contact the local MP six weeks before the date and ask them whether they would like to attend or be in attendance so that we can add their name to advertisements and the customer invitation. At the time, the only details we have are given to the MP, which is the time and the date that we want to have the session. The material that is sent in the pack to MPs who agree—and I am happy to table a copy of the pack.

**Senator Ludwig**—I can table that, just so that it is made available to the committee.

**Ms Palmer**—It effectively covers information that we do not have at the time of the invitation, that is, information in terms of exactly who from community service groups will attend and details about the number of customers that have actually been sent an invitation. That information is not known at the time we make the invitation. However, we can certainly send an introductory pack, if you like, that contains all the information that we have available at the time we make the invitation. We try to do that in the email.

**Senator COONAN**—Thank you for that information.

**Senator Ludwig**—We will undertake to do that.

**Senator COONAN**—Could I just suggest perhaps that the phone contact person says, 'I can send you an information pack.'

**Ms Palmer**—Of course, we can certainly do that.

**Senator COONAN**—Thank you.

**CHAIR**—If I could just have the committee's indulgence before I hand over to Senator Siewert, before I release everyone else except Hearing Australia, I would like to place on record the committee's appreciation for the very long service of Senator John Watson, a fellow Tasmanian. Tonight will be his last night with this committee. It is a long time, Senator Watson; you first joined this committee on 17 September 1990. As a fellow Tasmanian and as a member of the Senate, I want to acknowledge your outstanding contribution and the integrity with which you have participated in this committee and, I know, many others. I want to congratulate you, as we did with Senator Murray. We have lost former Senator Robert Ray, so I think this committee has lost an awful lot of corporate knowledge. We wish you all the very best in your retirement.

**Senator WATSON**—Thank you.

**Senator Ludwig**—May I associate this side of the table with those, too, I am sure. I have not been in this position for very long, but I know that many people behind me would know you well and thank you for your dedication and work.

**Senator WATSON**—Thank you.

**Senator FIFIELD**—On behalf of government senators—sorry, opposition senators; old habits die hard—if I could also associate myself with those remarks. Senator Watson has not just been a very diligent and hard-working senator; he is someone who has availed himself fully of the estimates committee processes over the years to keep government to account, both coalition and Labor. He often has pursued the true role of a senator, which is regardless of whether the government is of your own persuasion or not, to keep them on their toes and to make sure that they are doing the best job they possibly can. Senator Watson has also acted as a terrific mentor to newer senators. I just place on the record my appreciation on behalf of opposition senators.

**Senator WATSON**—Thank you very much.

**CHAIR**—Thank you for those comments. I think Senator Watson is a typical Tasmanian; he never gives up. Senator Siewert.

**Senator SIEWERT**—I hope I am directing my questions at the right agency.

**Senator Ludwig**—Is this Australian Hearing?

**CHAIR**—Yes. Everyone else is released.

**Senator SIEWERT**—I was tempted to go through my long list of questions I have put on notice, but I thought that was not fair.

**Senator Ludwig**—If you could ask your questions; I know there will be a bit of background noise, but we will try to work through it. We will work past 6.30.

**Senator SIEWERT**—That is okay. I hope I am asking the right agency, because I realise I have not asked any questions before. I would like to touch on a few key areas that have been raised with me, if that is okay. With respect to universal newborn hearing services, I have had just recently a lot of people calling me on the phone and sending me emails concerning services related to the testing of newborns. Where are we at nationally and how we interact

with the states on newborn services? I understand that my home state is particularly recalcitrant and I understand that there are some issues in a couple of the other states.

**Ms Green**—I have some data here on that for you. If we go across the country, Queensland is universal newborn screening; New South Wales is universal; Victoria has 30 per cent coverage and will be expanding to cover all births in Victoria during the current term of the government.

**Senator SIEWERT**—Is that in regional centres as well?

**Ms Green**—I believe so. In Tasmania, the program has been implemented at all four major hospitals, and that should pretty well cover Tasmania. South Australia has a universal program. Western Australia has 43 per cent coverage; the program covers seven hospital sites. In the Northern Territory, the program commenced at the Royal Darwin Hospital on 3 March 2008.

**Senator SIEWERT**—Is the 43 per cent coverage based on Western Australia's provided figures?

**Ms Green**—I think that is probably triaged and identified at-risk births that they would look at.

**Senator SIEWERT**—Okay. So when you say 43 per cent coverage, you are not saying that—

**Ms Green**—All births are not covered.

**Senator SIEWERT**—That is not all births?

**Ms Green**—No. It is roughly half.

**Senator SIEWERT**—At risk.

**Ms Green**—And it is probably at risk. Usually when the states do not have a universal program, they try to work out who is at risk. Obviously in neonatal intensive care units, the babies are at risk. You have genetic risk, you can pick it up pre-natally, et cetera.

**Senator SIEWERT**—Okay. Is there any way that you work with the states to encourage them to actually expand their programs to ensure they do have universal coverage?

**Ms Green**—Certainly we have been part of a national committee; we are part of committees that work on protocols, et cetera. As I am sure you understand, we do not actually do the screening.

**Senator SIEWERT**—I understand that.

**Ms Green**—We certainly encourage, support, help, give advice and participate.

**Senator SIEWERT**—Is there any leverage you can use to encourage them?

**Senator Ludwig**—We can talk about that.

**Ms Green**—I am happy to talk about that with the minister.

**Senator SIEWERT**—We can talk about that later, do you mean?

**Senator Ludwig**—I am sure that we are all of the same view that it is important to do this work. We do not control that work, but we do have an interest in every Australian who can

being able to hear, and assisting those who have hearing impairment. If these things come up, I always ask Ms Green to advise me of it so that we can start to look at how we can champion it to provide some results. If it is a state-based matter, it is certainly outside of my immediate control, but if we can do something to assist, then I am happy to try to jawbone it around.

**Senator SIEWERT**—Okay, thank you.

**Ms Green**—If I could just add, our national acoustics laboratory research will soon provide some evidence base that will make the case extremely strong.

**Senator SIEWERT**—How soon is that evidence likely to be available, and will it be public?

**Ms Green**—The first tranche of it will be available I think mid to late year. We always put that material up on our website, that is the NAL research website. You will probably find some initial papers given by Dr Theresa Ching and Professor Harvey Dillon should be there in the public domain. I can certainly send them via you, Minister.

**Senator Ludwig**—That would be helpful.

**Senator SIEWERT**—That would be much appreciated. In the Northern Territory, you said there is one hospital, the Darwin Hospital. It is not provided through the other regional medical services?

**Ms Green**—Not newborn screening, and they have only just started, and not in Alice Springs.

**Senator SIEWERT**—Obviously I have a very strong interest in the Aboriginal community in the NT, so I am just wondering if there is anything that is being done there to try to expand it beyond just the hospital in Darwin?

**Ms Green**—Not in Alice that I understand. As I am sure you are aware, the audiological staffing issues up there are severe.

**Senator SIEWERT**—Is it the sort of thing that a health worker could undertake, if there are not specialist people that can do it? Is there a way that you could encourage health workers to be able to carry out the tests?

**Ms Green**—In some states I think the screening of newborns is being given to nurses.

**Senator SIEWERT**—Yes, that is what I understand.

**Ms Green**—It is a skill that can be transferred to other people. Audiologists are needed a little further down the track, but the skills can be transferred to a nurse.

**Senator SIEWERT**—I am aware of time, so I will just move on quickly. That is how I spend my entire day, just moving on quickly. I understand that the deafness services consultation committee is still being reformed; is that correct? Am I asking the right people? Is this the right place to ask this question?

**Ms Green**—That is actually the Department of Health and Ageing. It is called the Hearing Services Consultative Committee.

**Senator SIEWERT**—Consultative, rather than consultation, okay. It is Health and Ageing?

**Ms Green**—Health and Ageing, yes.

**Senator SIEWERT**—I will ask them about that.

**Ms Green**—I do participate on the committee.

**Senator SIEWERT**—Okay. I understand that a new one is being set up, or with new membership?

**Ms Green**—The committee is called by the minister. We have not been advised when the committee will be called again at this stage.

**Senator SIEWERT**—You are probably not the right person to ask, but will its last report be released? I will ask that in Health and Ageing.

**Ms Green**—Yes.

**Senator SIEWERT**—My other question is around the support for the purchase of hearing aids. As it is associated with work, you will probably be aware there is a strong push in the community to look at how to assist people with deafness and hearing impairment into the workforce, and the issue of hearing aids is one of particular concern because of the cost. Is any work being done around looking at those issues?

**Ms Green**—The answer to that is children 0 to 21 are fully funded.

**Senator SIEWERT**—Yes, I am aware.

**Ms Green**—It is post-21 you are probably concerned about.

**Senator SIEWERT**—That is right, and the issues being raised about the huge cost when you turn 21, particularly if you are trying to study and you have HECS debts, et cetera. Then, with assistance into the workplace, people find it very difficult in the workplace. It is a huge cost. With other illnesses or disabilities, there is more equipment allowance, yet hearing aids are not recognised in any of those schemes. What discussions have been held to date and are there further discussions or work being done to look at how that issue can be addressed?

**Ms Green**—It is looked at regularly. We look at it regularly. It is a question for the Department of Health and Ageing, because they set the eligibility criteria for the community service obligation and the voucher program that provide the two streams of support for clients to get hearing aids.

**Senator SIEWERT**—They set the criteria?

**Ms Green**—Yes, they set the eligibility criteria.

**Senator SIEWERT**—Okay; you have added to my agenda for Health and Ageing next week. Thank you.

**Senator Ludwig**—I want to add that AH was allocated \$29.9 million over four years as part of the 2007-08 budget measures to improve hearing outcomes under the Australian Government Hearing Services program. I did not want to leave you with the impression that AH is not doing a pretty good job out there. That is to cover an increased demand and costs of services provided under the CSO program and also to provide devices with additional features to address the complex hearing needs of CSO clients. An additional \$2.2 million has been

provided over two years to hearing impaired children with FM systems that receive ear level technology.

The work they are doing in the Northern Territory is significant as well. Australian Hearing has received 136 referrals for audiological assessments of children across the 20 communities in central Australia as a result of the child health checks that were put in place. Australian Hearing and the Northern Territory Hearing Service, which is the responsible agency for the primary area of hearing, have seen about 68 per cent of those referrals, and visits are scheduled again between April and July 2008 to see the remaining children. Of course, a key challenge for Australian Hearing is the mobility of Indigenous communities.

**Senator SIEWERT**—Did you say that extra resources have been provided to help with the NT?

**Ms Green**—No, the extra resources that we have been given were to enhance the quality of the technology of the hearing aids that all of the children 0 to 21 get. That comes in bulk, and it goes across the board.

**Senator SIEWERT**—I think that is fantastic that you are seeing all those children, but my next question obviously is: you have seen 68 per cent, some of whom I presume would need further equipment assistance or some other form of support. Do you have the necessary resources to actually support those clients?

**Ms Green**—We would support them under our current funding, and we are tagging that so we can go back to Health and Ageing and, if necessary, put a case for additional funding. They will certainly be covered.

**Senator SIEWERT**—So you do not have additional funding yet?

**Ms Green**—No.

**Senator SIEWERT**—But there is an understanding that you may get it if you need it?

**Ms Green**—Yes.

**Senator SIEWERT**—Thank you; much appreciated.

**Senator FIFIELD**—I will be quick, because I know that we are just about out of time. This is a three-part question: could you confirm that you have not received a charter letter from the Prime Minister for your portfolio responsibilities?

**Senator Ludwig**—That is right, yes.

**Senator FIFIELD**—Could you confirm that you have had a minuted discussion in lieu of a charter letter with the Prime Minister, as Senator Faulkner indicated all cabinet ministers had had?

**Senator Ludwig**—I have had discussions with the Prime Minister about the charter letter, including that the secretary was there for part of that discussion as well. In fact, it was quite a lengthy discussion, if I may say so, about how we would set our priorities and directions for the Human Services portfolio.

**Senator FIFIELD**—You may have to take this question on notice, but what date did that discussion occur, and who holds a copy of that minute?

**Senator Ludwig**—I will have to take that on notice. I do have a recollection of the rough date, but I would be then searching my memory. Rather than get it wrong, I will provide that on notice.

**Senator FIFIELD**—Thank you; and who holds a copy of the minute of that discussion?

**Senator Ludwig**—Yes.

**CHAIR**—Just before I close, on behalf of the committee and in particular those more experienced and longer-serving members of this committee, I would like to acknowledge Mr Whalan's contribution. The professional manner in which you have conducted yourself has been greatly appreciated. I know that people from all parties within this Senate have appreciated your professionalism, and we wish you all the very best for your future.

**Senator Ludwig**—May I associate myself with those remarks from this side of the table, and I am sure from his own organisation, Centrelink, as well, and I appreciate those words. Thank you.

**CHAIR**—Thank you, everyone, and we look forward to seeing you later in the year.

**Proceedings suspended from 6.33 pm to 7.34 pm**

[7.34 pm]

**PRIME MINISTER AND CABINET PORTFOLIO**

**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

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

Ms Jo Evans, Assistant Secretary, Coordination and Frameworks Branch

Ms Clare Walsh, Assistant Secretary, Emissions Report and Analysis Branch

Mr Ian Carruthers, First Assistant Secretary, Adaptation and Land Management Division

Mr Robert Twomey, Chief Financial Officer

Professor Ross Garnaut

**Office of the Renewable Energy Regulator**

Mr David Rossiter, Renewable Energy Regulator

**CHAIR**—I welcome the minister and the officers. I particularly note Professor Garnaut's attendance here tonight. Welcome to estimates. I understand you have appeared previously in front of estimates?

**Prof. Garnaut**—Not in front of estimates, in front of other Senate committees from time to time.

**CHAIR**—Welcome. It will be a new experience for you, I am sure. I hope it is one you enjoy. Minister, would you like to make an opening address?

**Senator Wong**—Yes, if I could open briefly on a number of issues. I thought it might be useful for the committee given what has occurred since the last occasion and of course since this is the first budget estimates for this department. I thought it would facilitate the business of the committee. Obviously, as the committee would be aware, the Prime Minister formed the Department of Climate Change within his portfolio after the election. The department has been working hard since that time to implement the government's election commitments, and at the same time as Dr Parkinson and his staff have been working on the establishment of the department, which has obviously been challenging for them.

Senators would be aware that the government is investing \$59 million over four years on the establishment and administration of the department. The primary functions of the department are to lead the development of a whole-of-government strategic framework for international and domestic climate change policy, international climate change negotiations,

coordinating the development and implementation of various climate change policies on the domestic front, and primarily leading development and implementation of the emissions trading scheme. We are also charged with implementing the expanded Renewable Energy Target, implementing legislation of greenhouse emissions and energy consumption reporting, and developing a strategic approach to climate change adaptation, amongst other things.

I have previously indicated that our policy is built on three pillars: reducing Australia's emissions at least cost, adapting to the climate change we cannot avoid, and helping to shape a global solution. I did want to speak briefly about the first pillar. The government believes it is important for Australia to mitigate its emissions. Some have asserted that it does not matter what this national does on climate change because our emissions represent only a small proportion of the world's emissions, but I think the government has a different view. We say, firstly, that this national does have a lot to lose from climate change. Secondly, this is obviously a strategic question in that we cannot argue for other countries to take the difficult steps of reducing emissions unless we do the same.

We have a number of initiatives that are designed to reduce Australia's emissions. A number of these are not in my portfolio, but I thought it would be useful just to remind senators because I think it was a little unclear to the committee on the last occasion in which portfolio some of these questions belonged. For example, the National Clean Coal Fund and Renewable Energy Fund are not in this portfolio. As I said, primarily RET, Renewable Energy Target, and the emissions trading scheme is our responsibility.

The development of emissions trading is obviously a complex process. It is, as senators would know, a market based system that places a limit on the emissions we allow to be produced. Earlier this year I did announce certain principles to guide the development of our emissions trading scheme. We stated that it would be a cap-and-trade scheme. We stated that it would be designed to place Australia on a low emissions path in a way that best manages the economic impacts of the transition whilst assuring Australia's ongoing economic prosperity; that the scheme would have maximal coverage of greenhouse gases and sectors; that it would address the competitive challenges facing the emissions intensive trade exposed sector; that it would address the impact on strongly affected industries; and it would be designed to enable international linkages whilst ensuring it suits Australia's economic conditions.

I also indicated—and I did want to bring this to the committee's attention—that we would develop measures to assist households, particularly low income households, to adjust to a carbon price. I say at the outset that the government does recognise this is a complex and difficult reform and we are very conscious of the importance of approaching it carefully and methodically. Since the last estimates I have announced our detailed time line for emissions trading design. That includes current consultation processes with states, territories and peak organisations as well as key stakeholders from industry and NGOs. The government proposes to release a green paper on scheme design in July and subsequent to that there will be a further consultation period in relation to the options set out in the green paper. The government has indicated in December this year that we will release an exposure draft of the legislative package, which will also be subject to further consultation and no doubt the Senate, I will predict, will want its own inquiry process into that legislation. I have also indicated that

by the end of this year the government will give a firm indication of its planned medium-term trajectory for the scheme.

That would be consistent with the international negotiations. One of the most important contributions to the government's work on climate change, including emissions trading, is the work being undertaken by Professor Ross Garnaut. Professor Garnaut, as the committee may recall, was commissioned by first ministers and the then Leader of the Opposition, now the Prime Minister, to examine the impacts of climate change on Australia. We are very fortunate to have Professor Garnaut providing his contribution to our policy deliberations through his independent review. I have said on previous occasions that Professor Garnaut is one of Australia's most esteemed economists. His most significant recent reports, his interim report and his report on emissions trading, have certainly promoted important debate and discussion within the community on climate change issues. Professor Garnaut is currently employed on an ongoing contract with the Department of Climate Change, and I have made it clear publicly that we in the government want his work to be unencumbered by the pressures of politics. At the committee's request, Professor Garnaut has joined us here this evening.

The other two aspects or the two pillars of our climate change approach are adaptation. I would draw senators' attention to the funding in the budget of \$138.2 million to gather data on the impact of climate change on Australia's unique environment and to begin the challenging process of adaptation. There is a range of programs also not within my portfolio, particularly in Mr Burke's portfolio, which also deal with adaptation issues and, of course, in my other portfolio of water the Water for the Future plan I think can be understood in great part as an investment in adaptation and resilience for those communities particularly in the Murray-Darling Basin, where we anticipate over time, unfortunately, a reduction in available water, or certainly lower rates of rainfall on the basis of what the scientists are telling us.

The third pillar is the international negotiations. They are complex negotiations and, as senators might recall, there was an agreement under the UNFCCC meeting in Bali for a Bali roadmap. Those international negotiations are proceeding. In addition to the discussions in the multilateral context, Australia also participates in other international fora dealing with this issue. Most recently I attended the G8 environment ministers meeting in Kobe last weekend, and we are also participating in the Major Economies process. Both of these processes are relevant to the multilateral discussions under the UNFCCC. I did want to advise the committee that I have made two particular appointments in the context of the international negotiations since the committee last met.

The first is I have appointed the deputy secretary of the department, Mr Howard Bamsey, to the role of Special Envoy on Climate Change, and I thank him for that. This is a reflection of the extent of the international negotiations on climate change, which unfortunately render it difficult for me to attend as many meetings as we need senior representation at. In addition, I have appointed Ms Jan Adams to the role of ambassador for climate change. Ms Adams was a key negotiator in Bali and continues to do an outstanding job in the international negotiations. I thought it would be useful for the committee to perhaps be apprised of some of the timetables in terms of the domestic approach to climate change and particularly the emissions trading scheme and also some of the developments in terms of the international negotiations.

**CHAIR**—Thank you. Once again, I concur with your comments in relation to Professor Garnaut. We appreciate your giving up your time.

**Senator JOHNSTON**—Thank you for that opening and for having Professor Garnaut here. Thank you, Professor Garnaut, for attending Senate estimates. Minister, I note that you have confirmed the time line and I am very pleased that you have done that and I thank you again for that. I believe there has been a delay with respect to the modelling such that the professor is reporting I think in July but again in August subject to that modelling. Can you confirm that with us?

**Dr Parkinson**—I am happy to take that question.

**Senator JOHNSTON**—Thank you.

**Dr Parkinson**—Yes. The original intention was always that Professor Garnaut would release his draft report at around the end of June and his final report around the end of September. We had been working on the assumption that we would put out a separate document, because part of the modelling is joint Treasury and Garnaut review, and that we would aim to do that in around August, the intention being that you would not have all of the detailed assumptions, scenarios and the like in the professor's report, but it was important for public debate/consultation that all of that material was actually out in the public domain before there were any decisions about the trajectory.

**Senator JOHNSTON**—We are going to have the green paper before the modelling?

**Dr Parkinson**—That is correct. We have been drawing a distinction between the architecture of the scheme and the trajectory. In other words, to use an analogy we have been commonly drawing on, the architecture is designing and building the car; the trajectory is the decision about the speed at which we want to drive it.

**Senator JOHNSTON**—Surely that is dependent upon how big the motor is?

**Dr Parkinson**—We think that the architecture of this scheme has to be sufficiently credible—because essentially what we are doing is building a financial market—to last the entire period, decades, that we may be pursuing this goal, and it has to be sufficiently robust that no matter what the speed is that it can actually cope with that. The green paper will put out a set of policy options around the architecture of the scheme. Then the trajectory work will come out. Both of those will be subject to consultation processes and then they will be brought together at the end of the process. When I said the 'end', I mean later in the year so that both are interacting.

**Senator JOHNSTON**—Has there been any particular reason why the modelling is going to be after the architecture, if you like?

**Dr Parkinson**—Just the complexity of the modelling.

**Senator JOHNSTON**—I accept that and I empathise with you on the complexity. It is very complex. The minister mentioned the three pillars and she identified the measures to assist households. Is that going to be part of the green paper?

**Senator Wong**—The government's intention is that the green paper will go to a whole range of issues as to scheme design. We have not made final decisions, because we are still

consulting and we await Professor Garnaut's draft report as well. We have made it clear in terms of what I have said publicly that we will ensure there are measures to assist households, particularly low income households, with the impact of the carbon price.

**Senator JOHNSTON**—Professor Garnaut, will your July or end of June report address the issue or options for the mode of assistance given and style of policy with respect to households?

**Prof. Garnaut**—It would be my intention to discuss those issues analytically but, like the trajectories on reduction of emissions, details would have to depend on the modelling exercise because part of the modelling that we will do and present in August will be modelling of, if you like, where the impact is on households; who will pay for the operation. We need that before we can give detailed advice. May I just underline one point in my terms of reference. Mine is an independent report. I am required to exercise my independent judgment. It is a different exercise from the government formulation of policy.

**Senator JOHNSTON**—That is fine. Correct me if I am wrong, but I take it you may further refine that aspect of the broad consideration once you have seen the modelling and give us the supplementary report that I think you anticipate providing after you have seen the modelling?

**Prof. Garnaut**—Yes, we will do that. When I say 'we', I have a very good team of people working with me. Our formal advice will be in our final report, and that was always to be the case—30 September. It is really an elaborate discussion paper in June and then the final report will provide our advice.

**Senator JOHNSTON**—That helps me greatly. Thank you very much for that. If I can turn to your contract and say, Dr Parkinson, you are the person nominated. I thank you for the presentation of the contract. It is very helpful. You are the person who signed and executed the notice of engagement. I take it you are; you would be pleased to know your signature has been crossed out. I am ignorant as to various expressions on the notice of engagement. Can you help me with those? Which division is the S&C division?

**Dr Parkinson**—Strategies and Coordination.

**Senator JOHNSTON**—And the FAC Branch?

**Dr Parkinson**—We have moved on. That would have been Frameworks and Coordination Branch.

**Senator JOHNSTON**—And the section is the NST section?

**Dr Parkinson**—National Strategies.

**Senator JOHNSTON**—It is like a military structure, isn't it, really?

**Dr Parkinson**—Unfortunately, it is one of those things about being in the bureaucracy, you fill in every box. There has to be a notional home within the department for Professor Garnaut, and that is the only reason it has been done.

**Senator JOHNSTON**—I notice the hours per week are 36 hours and 45 minutes. I am curious as to why we would express it as 36 hours and 45 minutes. I would have thought that this was a contract for services and that good Professor does not watch the clock.

**Dr Parkinson**—I can assure you that the good professor does not watch the clock. I have had conversations with him over many years and he has never been a clock watcher.

**Senator JOHNSTON**—Why would we have that expression there?

**Dr Parkinson**—I think 36 hours and 45 minutes is standard in the collective agreement that applies to the Department of Environment and which we took across with us when we were created. That equals full-time hours.

**Senator JOHNSTON**—I note in clause 1.1.2 that the employee, as he is described in what we now understand to be a standard contract, conducts the duties set out in the job description which is annexed to the document and other duties as may be directed from time to time by the secretary, and I take it that is you?

**Dr Parkinson**—That is correct.

**Senator JOHNSTON**—Have you given any such directions?

**Dr Parkinson**—I have not. Could I also point out that the professor's terms of reference are attached to the contract and make it very clear that he is independent.

**Senator JOHNSTON**—Yes. I actually see the collision between his independence and a stock standard contract of employment. I think, if I may be so bold as to say, it is inappropriate in the circumstances of the expertise you are seeking to avail from the professor to have a contract of employment when it is clearly a contract for services. But that is another matter. You then say in clause 5.1(b) 'reasonable additional hours'. Does the professor come back to you and say, 'I want to work in excess of my 36 hours and 45 minutes; is that reasonable?'

**Dr Parkinson**—No. It is up to the professor to work the hours that he thinks is appropriate knowing that the task in front of him is huge.

**Senator JOHNSTON**—I would have thought that that was obvious and that such a reference was inappropriate in the circumstances of the work that he is doing.

**Dr Parkinson**—This is a function of the fact that we used a stock standard contract.

**Senator JOHNSTON**—That concerns me. Why did we do that?

**Dr Parkinson**—It was a matter of choice. If I can recall the situation we were in, the department was just created and we had no corporate functions in place at the time. We were putting Professor Garnaut on, and we put him on a contract. You are right. I fully accept the fact that perhaps it would have been better to have actually modified the contract rather than taking a stock standard contract.

**Senator JOHNSTON**—Given that we are here and I am looking at the contract and the committee is scrutinising it, may I say again that a contract for employment in the circumstances of the importance of this work is really I think quite inappropriate. We should have amended the contract or sat down in the cool, hard light of day and prepared a proper legal document that set out the fact that we are not simply employing someone nine to five, 36 hours and 45 minutes, seeking reasonable additional overtime. We are employing a person to produce an outcome. In the circumstances, it is an outcome of national significance. Notwithstanding it is a new department. For the department to produce a document that I

think is wholly inappropriate, if I may be so bold, demeans the calibre of the work that the professor is doing.

Clause 5.2 states that the 'employee recognises that their pattern of work will be dictated by workloads and government needs'. Again, that is an inappropriate expression, I would have thought, for the work being carried out. Is there any possibility that a proper contract with the benefit of hindsight could be drawn for the contractor, for the professor, which sets out the proper relationship? I think the relationship is not set out well here and I think it reflects badly on the way we do our business as a government, as a parliament in fact.

**Dr Parkinson**—I take your point. Of course, it is perfectly feasible for Professor Garnaut and I to draw up a new contract.

**Senator JOHNSTON**—I would have thought that, given what I have said, that is entirely appropriate, and for other reasons that I will come to in a moment. Without labouring the point, I also note, the 'employee will be entitled to paid time off for the two working days between Christmas and New Year'. I note that the term of the contract does not include a Christmas or a New Year.

**Dr Parkinson**—So it is not material.

**Senator JOHNSTON**—It is not material and it highlights the fact that this was done other than as best practice, I think. Let us move on.

**Senator WATSON**—I refer to your very challenging timetable and I address that from the perspective of my profession, the accountancy profession. Have you taken into account the need for a new accounting framework, a new set of accounting standards to ensure uniformity of reporting, and then that those standards have to pass a rigorous evaluation by the Accounting Standard Board, which has limited resources to look at this. In addition, we have a shortage of qualified accountants in Australia, from which pool you have to draw these people. Also, we have to develop a new set of skills. Given the timetable, I am worried whether we can get all this into place by 2010?

**Senator Wong**—I am familiar, as you will recall from our work together on the Joint Committee on Corporations and Financial services, with your interest in accounting standards and expertise in these areas. In terms of the reporting that essentially will be required for the emissions trading scheme I would say that your government, in fact, passed the National Greenhouse and Energy Reporting Act in September 2007. That system was intended by the previous government—and we are progressing that—to improve the comparability, quality and efficiency of the collection of greenhouse and energy data across the economy. We know that this is particularly important as a baseline or as one of the foundations of the emissions trading scheme. The release of the green paper in July should provide some further guidance on the relationship as between the ETS and the NGER system. One of the approaches we have sought to take with the National Greenhouse Energy and Reporting Act has been to consolidate or to streamline other reporting regimes with NGERs. In fact, as you may recall, various jurisdictions in Australia did have a range of requirements in relation to greenhouse reporting and the intention is to do what we can to streamline those with this reporting regime, and that work is continuing. But I might ask Dr Parkinson or one of his officers to give you a little more information on that.

**Dr Parkinson**—Through our colleagues in the Treasury we have consulted with AASB on this issue. They could give you greater detail on it, but my understanding is the AASB have been in contact with the IASB around these issues.

**Senator JOHNSTON**—Could you tell us what the AASB is?

**Dr Parkinson**—Sorry, the Australian Accounting Standards Board and the International Accounting Standards Board. Senator Watson and I have been on another committee, and these things have come up in the past there.

In that sense, it is essentially an international accounting standard that needs to be handed down. My understanding is the additional work for the accounting profession will simply be application of that standard in the preparation of financial reports. The issues where there is auditing around emissions is probably not an issue for accountants per se.

**Senator JOHNSTON**—If I can interrupt, to do a statutory compliant audit where there is a value per tonne of carbon that might be reflected on the balance sheet as a liability, surely we are going to amend our regulatory framework to accommodate that?

**Dr Parkinson**—That is clearly an issue that will have to be resolved with the AASB in light of whatever the appropriate standard is chosen for the accounting profession in this area.

**Senator JOHNSTON**—It is in the melting pot at the moment, I think is what you are saying.

**Dr Parkinson**—That is essentially what I am saying. What I am saying also is that our colleagues in the Treasury are responsible for this so I am actually not in a very good position to go beyond what I have said.

**Senator JOHNSTON**—I am not necessarily in a good position to ask the right questions, but when are we likely to see what those standards and regulatory framework requirements of business are going to be?

**Senator Wong**—In relation to the National Greenhouse and Energy Reporting Act, that is already in place and there are regulations under that act. I might need an officer to come to the table and assist me in terms of when they are going to be dealt with in the parliament.

**Senator JOHNSTON**—Minister, I thank you for that. I think the point is not so much the reporting, which is what the act deals with, it is how the liability that flows from within the scheme as a consequence of the audit through the reporting is accounted for in the books of account, if you follow me?

**Senator Wong**—Perhaps Ms Walsh could assist you.

**Ms Walsh**—The National Greenhouse Energy and Reporting Act outlines provisions in relation to audit and assurance. We are also developing a legislative instrument that will cover more detail around the questions that you are asking now in terms of when consultations will occur. The audit provisions have had to wait, of course, until we have got the regulation policy issues in place so we will be going out and consulting after clearing the approach with the minister around June and July this year.

**Ms Johnson**—I think that helps. That you for that. Just to clarify that, I take it is not just about the auditing of the emitter, it is how the emitter reports the audit in its books of account, given there is a potential liability?

**Ms Walsh**—In relation to the NGERs, it is only about reporting. In terms of emissions trading, that is a different issue entirely.

**Senator JOHNSTON**—That is the issue we are focusing on.

**Dr Parkinson**—That is what I was saying; that is the bit that is work in progress.

**Senator JOHNSTON**—Are we doing it in this department?

**Dr Parkinson**—No.

**Senator JOHNSTON**—Where are we doing it?

**Dr Parkinson**—As I said before, the Treasury is the responsible area.

**Senator Wong**—Senator Watson would be aware where accounting standards are dealt with in government from his previous work on the committee.

**Senator JOHNSTON**—Can I go back to the professor's contract and start by saying that the \$112,000 per annum is eminently reasonable. Everything I say from hereon in is under that umbrella. I am actually surprised at that level, as reasonable as I think that it is, without saying any more. I note in clause 23.1 that the employee's—and I hate to use that expression in these circumstances—salary for superannuation purposes is \$225,200. Could you please explain to me what the rationale behind that figure is? I do not take issue with it, but I would just like to know the rationale.

**Dr Parkinson**—This actually goes to the issue of why I was reluctant to reveal the contracts of any individual. I think it is a matter for individuals as to how they would prefer their compensation. The salary of \$225,200 is the top of the deputy secretary band in the department.

**Senator JOHNSTON**—Are you saying that this is a structured package?

**Dr Parkinson**—The top of the level in the department is \$225,200. Because the professor has a range of other private activities that he intended to continue, in light of that we agreed that it would be appropriate to pay him superannuation at the full level of deputy secretary even though he was then working full time, and to actually discount that in terms of the cash component of his salary.

**Senator JOHNSTON**—I think that is fine, but all it does is underline the inappropriateness of this contract, I think you will concede, having given me that answer. He is not really an employee in the circumstances. He is a senior executive office at minimum and a contractor who is providing quite unique services. I take it that is the reason for the next paragraph that says that in 'addition the employer and the employee may from time to time agree on a greater annual rate of salary for superannuation purposes'?

**Dr Parkinson**—That is a standard clause in all of these contracts.

**Senator JOHNSTON**—If he is on the top band, if the top band were to increase, he gets the benefit of that increase?

**Dr Parkinson**—That is exactly right.

**Senator JOHNSTON**—I am starting to understand this.

**Senator WATSON**—Has the professor been appointed as an employee or as a contractor?

**Dr Parkinson**—As an employee.

**Senator WATSON**—And does the good professor have the opportunity to salary sacrifice?

**Dr Parkinson**—He does.

**Senator JOHNSTON**—That is what the package effectively does for him.

**Dr Parkinson**—He has the opportunity to salary sacrifice, as do all employees.

**Senator JOHNSTON**—Clause 23.2 states that the ‘employer and the employee have agreed that on 1 July 2008, subject to the operation of the employee’s nominated superannuation scheme, the employee’s salary for superannuation purposes will be increased to \$234, 300.’ Is that in anticipation of his band going up?

**Dr Parkinson**—That is because under the agreement that existed for the people who came into the department, under the DEWHA agreement, a pay increase is effective on that date, and so we have just flowed that straight through.

**Senator JOHNSTON**—As part of the package he gets \$14,750 to maintain a privately plated car?

**Dr Parkinson**—That is exactly right. All of those things are identical to what you would see in anyone else’s contract.

**Senator JOHNSTON**—Let us pause there. What you have sought to do is to provide an attractive package under the framework of the public service remuneration schedules, effectively? A package that fits the bill here?

**Dr Parkinson**—In the same way I would with anyone else.

**Senator JOHNSTON**—Why would we not write a specific contract between the Commonwealth and the professor in this instance? I find this quite remarkable. What is the reason? What is the hook? Does he want the benefit of the superannuation? Is there something in the superannuation as a public servant? What is the story here?

**Dr Parkinson**—I think you are now going to issues I regard as inappropriate to discuss. With issues of any person with a contract such as this or any other form of employment I think a line that needs to be drawn about the privacy of their own financial arrangements.

**Senator JOHNSTON**—That is fine. I do not want to go to matters of privacy. What I am saying is that surely we could have accommodated the privacy and his personal situation in a specific, apt and appropriate contract?

**Dr Parkinson**—As I said to you earlier, it is perfectly feasible for us to sit down, if the professor and I chose to do so, to write a new contract.

**Senator JOHNSTON**—I think it is wholly desirable in the circumstances unless you can show me some peculiar advantage for him being under the umbrella of the public service. The work is far and away beyond anything that is relevant to what we do within the public service.

**Senator Wong**—Senator Johnston, I think at the February estimates you sought a copy of the contract and I asked you to consider that. I made the point when we were on that side of the table in opposition that it was generally the convention—I think that really was across parties—

**Senator JOHNSTON**—I do not agree with that convention. I don't think there was a convention. Don't verbal me.

**CHAIR**—Can I just remind you that the minister has the call. She is trying to answer your question.

**Senator Wong**—You are entitled to ask any question that you see fit.

**Senator JOHNSTON**—As the clerk has indicated, in writing, on this subject.

**CHAIR**—Thank you.

**Senator Wong**—I asked you to consider whether you did want that and you indicated that you did, and the government through the department has provided that information. There is an issue here as to what extent transparency then crosses over into personal financial arrangements of Professor Garnaut. You are quite entitled to ask whatever questions you see fit, and we have provided a contract. I did a lot of estimates hearings in opposition and I do not recall ever asking questions about nor for a copy of a contract of any individual before these committees. I ask that you consider the boundaries of where you want to go with these issues. We are very happy to be transparent, and I think Dr Parkinson has been quite transparent in terms of the remuneration arrangements. You may have views about that and they are matters for you, but I would ask you to consider that.

**Senator JOHNSTON**—Is there any reason why a private contract, providing all of the benefits that are set out in this contract, could not have previously been provided or could not be provided into the future wherein the remuneration is identical?

**Dr Parkinson**—There is no reason.

**Senator JOHNSTON**—I note that you have a dispute resolution clause in here. Has there been any disputation?

**Dr Parkinson**—Not that I am aware of.

**CHAIR**—Maybe in this room.

**Senator JOHNSTON**—In the job description in schedule 1, the first point is an interesting one: to report to the governments of the eight states and territories of Australia and, if invited to do so, to the Prime Minister of Australia, on the various aspects of the terms of reference and so on. Has there been a formal invitation so to do by the Prime Minister to the good professor? That is pretty fundamental, I would have thought, given the terms.

**Dr Parkinson**—Absolutely. I am just trying to recall whether there has been a written invitation. But the Prime Minister has met with Professor Garnaut.

**Senator Wong**—Perhaps I can assist a little here, just to provide some context. I hope someone can tell me if I am wrong. My recollection is that this is actually the terms of reference released whilst we were in opposition, in April 2007.

**Senator JOHNSTON**—Yes, I am aware of that.

**Senator Wong**—Obviously we were not going to ask Professor Garnaut to report to Prime Minister Howard.

**Senator JOHNSTON**—Your point being? Has there been a formal invitation?

**Senator Wong**—I was simply trying to assist you, senator.

**Senator JOHNSTON**—It does not assist me at all, because the point is—

**Senator Wong**—That ‘is invited to do so’ was obviously written because we were not going to ask Professor Garnaut, given that we were commissioning him in opposition, to report to Prime Minister Howard.

**Senator JOHNSTON**—Minister, you obviously missed the point. The point is: has he been empowered by the contract at this point in time? He has done a hell of a lot of work. If he has not been invited, he has been paid without invitation. That is the point. Has there been a formal invitation?

**Dr Parkinson**—He has had a number of conversations with the Prime Minister. As you know, budget funding was supplied. As you know, money has been expended. Yes, he has been invited by the Prime Minister.

**Senator JOHNSTON**—That invitation took the form of a discussion?

**Dr Parkinson**—Yes.

**Senator JOHNSTON**—Who witnessed the discussion, save for the professor? Are you aware of the parol evidence rule to contracts, Dr Parkinson? I note the way that you laugh at my question.

**Senator Wong**—I think what you are asking Dr Parkinson is: who witnessed discussions as between Professor Garnaut and the Prime Minister? Is that your question?

**Senator JOHNSTON**—This is a written contract of employment that has a clause in it that says that he shall report to the Commonwealth upon the invitation of the Prime Minister. You are saying there has been a discussion wherein the Prime Minister has invited him to report?

**Dr Parkinson**—The Prime Minister told me, after the government was elected, that the invitation for the Garnaut review to be Commonwealth as well as state and territory was being taken up, and that we were asked to facilitate Professor Garnaut’s work, which we have done.

**Senator JOHNSTON**—Did you minute that discussion with the Prime Minister?

**Senator Wong**—I would refer you to the fact that the Prime Minister announced to the country that Professor Garnaut would be reporting and that the—

**Senator JOHNSTON**—We are not talking about politics.

**Senator Wong**—What I am saying is that I do not think it is a state secret that the government intends to—

**Senator JOHNSTON**—We are talking about the payment of a person.

**CHAIR**—I just remind senators that you ask a question—

**Senator JOHNSTON**—You are insulting my intelligence.

**CHAIR**—Senator Johnston, you ask a question and allow the officers and the minister to speak, and we will have a better flow of questions and answers.

**Senator Wong**—The Prime Minister has made it quite clear in public statements that Professor Garnaut will be reporting to the government.

**Senator JOHNSTON**—Minister, you obviously have not read the contract.

**Senator Wong**—Or will be reporting, I should say, and that his report is a contribution to government consideration of these issues.

**Senator JOHNSTON**—So the question is: do we have a written invitation to Professor Garnaut to report to the Commonwealth? A simple question; can you answer it, please?

**Senator Wong**—I am not sure if there is something in writing from the Prime Minister, and I would have to take that question on notice. But I would say, if we can sort of lift above the procedural and parol evidence rule—it has been a while since I heard that—

**Senator JOHNSTON**—It is obvious, Minister, might I say, sadly.

**Senator Wong**—The Prime Minister has been quite clear publicly about the role that Professor Garnaut has and the importance we ascribe to the Garnaut report. I do not think there is anyone who has any interest in this who would not know that the government intends to consider very carefully not only the reports to date but the draft report and final report.

**Senator JOHNSTON**—I am not interested in the informalities; I am interested in the formalities.

**Senator Wong**—I do not know, when the Prime Minister of the country makes statements about Professor Garnaut's report, if you would regard that as an informality. But if you wish to do so, that is up to you.

**Senator JOHNSTON**—I do in the circumstance of this contract that you have not even read, or understood if you have read it. The first thing that should have hit you over the head, with great respect, Minister, is the fact that he had to be invited to report by the Prime Minister to the Commonwealth. I cannot believe that you do not have anything in writing to that extent. National interest work like never before in this country, and the terms of the contract appear not to have been complied with. That is unbelievable. Unless you can help me further.

**Senator Wong**—As I have said to you, we have been quite clear—the Prime Minister has been clear and I have been clear—about the importance we ascribe to Professor Garnaut's work. The Commonwealth is resourcing aspects of that work quite considerably, and Dr Parkinson can provide further information on that. I am not sure how much further I can take this in response. I have taken one aspect of your question on notice, and I am not sure if there is anything further I can add.

**Senator JOHNSTON**—When did the professor start work for the Commonwealth? Was it 1 January 2008?

**Dr Parkinson**—Yes, that is correct.

**Senator JOHNSTON**—Thank you very much. Professor, to this point in time what consultation levels have you had, and with whom, in the formulation of the first report?

**Prof. Garnaut**—It has been a very open review process, and the terms of reference require that to be the case. The terms of reference ask me to consult widely with the community. There is a strong record of those consultations on our website, [www.garnautreview.org.au](http://www.garnautreview.org.au). As a basis for structured communications, I have put out two discussion papers this year; one an interim report that looks at the broad question of climate change, the costs and benefits of adaptation and mitigation, and the beginnings of suggestions for policy, but inviting comments; and then we put out a discussion paper on arrangements for an ETS, an emissions trading scheme, in March, and again invited discussions.

In addition, we have had a series of public forums in which members of my team have specified a topic and asked experts in the field to present papers at it. I have participated in the discussion. It has been very open. Members of my team have written up a summary of the issues in the discussions subsequently. This all began with what I think was a very good forum on agricultural and forestry issues in Melbourne in August. In Sydney in I think September or early October we had a forum on the financial services related to an emissions trading scheme. We had a forum in Perth on transport issues and planning issues that would be impacted by an emissions trading scheme. We had a forum in Brisbane in December on the new technology where we had participants from many of the new technology enterprises and industries making presentations on how they could respond to an emissions trading scheme.

There have been others. That was a very important part of the consultation process. I have had two discussions with the opposition spokesman on Environment, Mr Hunt. I have received calls from the opposition Treasury spokesman and discussed issues he has raised with me. I have discussions with all of the state premiers a couple of times, because of course I have to report to them as well as to the Commonwealth, and also territory chief ministers.

In response to our papers, we have had about 1,000 substantial submissions, many of them the results of very detailed work by major businesses that would be affected by the emissions trading scheme and also business associations, non-government organisations such as the Australian Conservation Foundation and World Wildlife Fund for Nature. We have actually followed the Senate committee procedure so that people who give submissions can choose whether they are public or confidential submissions. Of the approximately 1,000 substantial submissions, all but 20 have been made public by the submitters and are available on our website. Also, we have received a few thousand lesser submissions where people are just putting an opinion rather than doing a substantial piece of work, but it all adds up to a very thorough process of consultation.

**Senator JOHNSTON**—How big is your team?

**Prof. Garnaut**—The team has two components. It has a group based in the states hosted by the Victorian government in Melbourne that came together last July. That has a core of people from various departments of the Victorian Public Service. The Victorian government sent a note around to public servants asking who would be interested in working on this, and so we put together a team with the right set of skills. There are also people seconded to that secretariat from South Australia and Western Australia, and other states are doing things in their own governments. There is also a team of several people, very experienced and very able in economic modelling, from the Queensland Treasury who work in the Treasury in Queensland but are working on our work. When the exercise became a joint Commonwealth-

state process, several people were identified to work with me from the Commonwealth. In addition to those people who are really part of the Commonwealth component of the secretariat, I reached an agreement with Dr Parkinson and Dr Ken Henry soon after taking up this position on a modus operandi for doing joint modelling work. Of course, the Treasury's work is Treasury work, but they are cooperating very closely with us so that, for the very important modelling of the costs of the emissions trading scheme, the costs of mitigation, that will be presented as a joint work to which I have contributed to the definition of the assumptions, and that is being carried out by Treasury. They are not part of the secretariat, but working very closely with us.

**Senator JOHNSTON**—Dr Parkinson, are questions of contributions from Commonwealth and states matters for Treasury?

**Dr Parkinson**—No, they are matters for us.

**Senator JOHNSTON**—We will come back to that. Are the modellers you talked about from Queensland the modellers that we are waiting on in August?

**Prof. Garnaut**—No. When this was begun as an exercise supported by the states, I discussed with state premiers and more broadly in state governments how we would get various aspects of the work done. It happens that there is a very strong professional group in Queensland, and the Queensland Premier and Treasurer agreed that they could work with us, and we got started then. They supervise the work of some private sector modellers, and so we got started.

**Senator JOHNSTON**—So it is the Treasury modellers we are waiting on?

**Prof. Garnaut**—No. It became a joint effort with the Commonwealth. The bulk of the person power is in the Commonwealth Treasury now, and our team, including the Treasury people, have had inputs into the modelling exercise. My representative or I am on the steering committee for the modelling, but the nitty-gritty work is being done in the Treasury.

**Senator JOHNSTON**—How big is the team all up, roughly? How many persons?

**Prof. Garnaut**—People working exclusively on our work?

**Senator JOHNSTON**—Yes.

**Prof. Garnaut**—It would be about 16.

**Senator JOHNSTON**—Does that include the states?

**Prof. Garnaut**—That is including the states, yes.

**Senator JOHNSTON**—So, 16 people?

**Prof. Garnaut**—Yes.

**Senator JOHNSTON**—Including yourself?

**Prof. Garnaut**—Yes.

**Senator JOHNSTON**—What is the break-up of the expense of those 16, please, Dr Parkinson?

**Dr Parkinson**—In what sense?

**Senator JOHNSTON**—What is the Commonwealth contribution to it? How is it billed? What is the financial obligation of the Commonwealth?

**Dr Parkinson**—We discussed this I think in passing at the last estimates. The usual practice in these sorts of joint Commonwealth-state exercises is that both the states collectively and the Commonwealth contribute approximately fifty-fifty. As you know, in the budget, \$2.3 million was allocated over two years to the department for the review. The arrangements will be, of course, that all Commonwealth moneys are spent subject to Commonwealth procurement guidelines; the moneys are kept separate from the state moneys, which are subject to state government procurement arrangements; and anything that is left over at the end of the process is returned to the Commonwealth and the states in proportion to their contributions.

**Senator JOHNSTON**—Is there anything in writing between the states and the Commonwealth with respect to this project?

**Dr Parkinson**—Could I just consult on that? There is some documentation.

**Prof. Garnaut**—Senator, could I take this break to correct a very important omission. I have also had consultations with Senator Milne.

**Senator JOHNSTON**—Very good. I think she is obliged to you for that. She did look rather miffed when you left her off the list.

**Dr Parkinson**—There is some documentation between the secretary of the Victorian Treasury and me about the arrangements for the oversight of the secretariat. We asked the Victorian Premier's department to provide a head of a joint Commonwealth and state secretariat, and there is a written set of correspondence around that.

**Senator JOHNSTON**—So, it is a letter of agreement between the Victorian premier's department and us, but there is no agreement with the other states as to their contribution?

**Dr Parkinson**—No, sorry; their contributions had already been made. We sought advice from the secretariat as to the quantum of the contribution. We looked at that and, in light of the work program going forward, the Commonwealth then made a contribution of \$2.3 million over two years, as I said. Those moneys have to be expended subject to our procurement guidelines.

**Senator JOHNSTON**—So it was their funding obligation until the change of government, and then we stepped in and assumed a 50 per cent obligation thereafter?

**Dr Parkinson**—That is correct.

**Senator JOHNSTON**—I do not have any further questions for Professor Garnaut on this subject at the moment. I have questions for the minister on subsequent subjects.

**CHAIR**—We will go to Senator Milne now on this issue and then we can come back to Senator Johnston.

**Senator MILNE**—I would like to start by asking about the whole-of-government approach to policy development and coordination, because that is not clear to me, having sat through a number of estimates this week. It was a question I did ask in February, and it is

probably clearer now, so I would like to ask it again. The portfolio overview budget paper states:

The Department of Climate Change leads the development and coordination of Australia's climate change policy.

Minister, could you or Dr Parkinson tell me how your department leads the development and coordination of climate change policy in the areas of energy and resources, transport, land use, land use change and forestry? So, in other words, the Department of Agriculture, Forestry and Fisheries, DAFF; the resources department; and the taxation department on subsidies—do you develop an overall policy and then it is implemented through those departments? What coordination role do you have in all those policy areas?

**Dr Parkinson**—In those areas, essentially what we have tried to do is put in place a strategic framework for the government, and then the individual departments are responsible within that for their own areas of policy development. We have attempted to engage early in the process when departments are thinking about some of the issues, but at this stage I think it is true to say that it is still a work in progress.

**Senator MILNE**—When you say that each department is given a strategic framework within which to work in that department—

**Dr Parkinson**—Sorry—we are attempting to develop a whole-of-government strategic framework within which each department can position itself.

**Senator MILNE**—So, at the moment, are you having any influence on policy in Transport, in the Department of Agriculture, Forestry and Fisheries or in Resources, in Minister Ferguson's portfolio?

**Dr Parkinson**—I think it is fair to say that, in the area of Transport, we are consulting with the infrastructure development side around a range of areas. In Agriculture, Forestry and Fisheries we have a very close working relationship at officer and departmental level on a range of areas, and similarly with Minister Ferguson's department.

**Senator MILNE**—I will come back to each of those in a moment. Could you tell me now what are Australia's emission projections in the coming year. When you report in December, what are you expecting or tracking towards in stationary energy, transport, land use, land use change and forestry? What is your percentage trend difference from last year?

**Dr Parkinson**—I am afraid I do not have that information with me, but it is very easy for us to get it. We can get it to you very quickly.

**Senator MILNE**—I would appreciate that, because I would like to know whether there is a percentage increase across those sectors in your projections.

**Senator Wong**—Dr Parkinson or an officer can correct me, but I have released our *Tracking to Kyoto target* report, which does set out this information. We will endeavour to see if there is anything further we can provide.

**Senator MILNE**—Can you confirm that, in the areas of transport and energy, the emissions are increasing?

**Senator Wong**—I do not have that *Tracking to Kyoto target* report in front of me. Given the growth in the economy, it would not be surprising if some sectors were increasing in their emissions. As I said, I have released those. Dr Parkinson has some here, and we can provide those to you.

**Dr Parkinson**—I am just trying to read this quickly to answer your question. The current estimates around stationary energy are around one megaton lower than in 2006; transport projections are around two megatons higher—and the other was agriculture, was it?

**Senator MILNE**—Yes, land use, land use change and forestry.

**Dr Parkinson**—Compared with the previous projection, this is now one megaton lower. So, across the three sectors, the net effect appears to be no change.

**Senator MILNE**—I want to go specifically to some of these areas. I will start with transport. Today in the estimates we were told that all of Labor's policies on the building of roads and freeways as promised in the election campaign will proceed. Can you explain to me, as the coordinating department for Australia's climate change policy, why those promises on all those roads and freeways are not being reviewed in terms of the greenhouse gas effort that will be involved not only in the construction but also in the number of vehicles using those roads?

**Senator Wong**—The government made a range of election commitments, and we intend to honour our commitments to the electorate, to the Australian people, and deliver those commitments.

In terms of infrastructure, obviously there are a range of issues associated with the impact of climate change that do over time need to be taken into account or integrated into some of our strategic planning around infrastructure. I think Minister Albanese has stated that, but I could be wrong, and obviously I would need to check some of the announcements about that. But my recollection is that he has spoken about that issue.

**Senator MILNE**—The AusLink funding for 2009-14 is locked in and committed, and it is overwhelmingly for new freeways, flyovers, tunnels et cetera. If you are going to keep your election promise on building roads, how will you keep your election promise on reducing emissions in transport?

**Senator Wong**—Is that question to me?

**Senator MILNE**—Yes. What policies are you going to put in place? How are you going to do it?

**Senator Wong**—I outlined at the commencement of the hearing that the government has a three-pronged approach or a three-pillar approach to climate change in relation to abatement. Obviously at the heart of our mitigation or abatement strategies is the emissions trading scheme.

**Senator MILNE**—So will transport be in the emissions trading scheme?

**Senator Wong**—As I outlined at the commencement of the hearing, and as the government has made clear, issues as to coverage are issues that will be dealt with in the green paper. The

government has made no final decision about what is to be included or not included in the ETS.

**Senator MILNE**—Professor Garnaut, in looking at the design of an emissions trading scheme, I have heard you say on many occasions you think an emissions trading scheme would be best if it had the broadest possible coverage. In your modelling, have you looked at including transport and the ramifications of excluding transport, and what options are there for capturing the emissions from transport if they are not in the ETS?

**Prof. Garnaut**—In the emissions trading scheme discussion paper that we put out in March we did say that it is desirable to include transport. The particular question that you raise would require the results of the modelling to answer precisely, and that is something that we look forward to, but I do not have them at this stage.

**Senator Wong**—Sorry, Senator; I wanted to make sure I had not been unclear in my last answer. In the principles that I have already announced and the government has announced in relation to the ETS that I read out at the beginning of the hearing—that is, cap-and-trade scheme, low emissions pathed in a way that manages the economic impacts and transition—we did talk about maximal coverage of greenhouse gases and sectors to the extent that it is practical. So, we have indicated that. What I was trying to be clear with you about, and obviously you want to go to Professor Garnaut on the detail, is that the government has not made any announcement about any decision as to specific sectors that will or will not be included. What we do intend to do, consistent with our principle, is release the green paper.

**Senator MILNE**—I am fully aware of all of that, but you would also be aware of the opposition's floating the idea in recent weeks of exempting transport from an emissions trading scheme. That is getting some currency around the place. What I am trying to understand from the work that Professor Garnaut has already done—and I hear you saying that, optimally, you would like to include as much as possible—is how would you capture greenhouse gas emissions if they are not included in the emissions trading scheme?

**Prof. Garnaut**—Certainly, in the discussion paper we put out in March, we strongly argued that it is best to have the broadest possible coverage, and I do not see any reason for going back on that. There will be practical reasons why some parts of the economy cannot be immediately included.

**Senator MILNE**—Yes, I understand that.

**Prof. Garnaut**—We said in the emissions trading scheme discussion paper that, where possible, it would be desirable to develop a system of offsets in those sectors—for example, agriculture, if it were not possible to include that at the beginning.

**Senator MILNE**—I am particularly interested in transport because, if we end up with an emissions trading system without transport, how will we capture the emissions? How will we actually meet the targets that we are talking about? What mechanism is there to drive down emissions in transport if they are not included in an ETS? What have you looked at, what have you modelled, why have you come to the conclusion that it would be better to have transport in an ETS than, say, a carbon tax? Presumably, that is the other mechanism.

**Prof. Garnaut**—I would think that a carbon tax that had the same price as the emissions trading scheme carbon price would have virtually the same effect in the transport sector, where you would be applying the tax upstream. I doubt that people would see merit in excluding it from the scheme and simply substituting a carbon tax.

**Senator MILNE**—What are the options for capturing it if there is no carbon tax and no ETS on transport?

**Prof. Garnaut**—I am on public record in the ETS discussion paper as favouring its inclusion, and I have not done a lot of work on fallbacks.

**Senator MILNE**—So at this point there is no fallback position that you are aware of circulating about what you would do with transport emissions in the event that they are excluded from the ETS?

**Prof. Garnaut**—It has not been canvassed by me in my independent work, but that is a report for consideration by the government and the community, and of course it is not government policy.

**Senator MILNE**—If an emissions trading system did not include transport, and did not include land use, land use change and forestry, how effective do you think it would be in reducing emissions?

**Prof. Garnaut**—As I said in the discussion paper, it will be more effective the broader the coverage. If you leave out major sectors, then you just put a very heavy burden on the rest of the economy, and that will be more economically costly. The only case that we acknowledged in the discussion paper for exclusions is where in particular sectors there are highly practical reasons, usually of measurement and administration, and in those cases you would want to include them in some way—for example, through acceptance of offsets.

**Senator MILNE**—Have you had any consultations with the coal industry, the coal generators, about an emissions trading system that exempted transport without any other mechanisms, and exempted land use, land use change and forestry? Would that be acceptable to them?

**Prof. Garnaut**—I have had extensive discussions with the coal based generators. They have been pushing a number of issues, and I do not recall their pushing particularly heavily on that one.

**Senator MILNE**—Have they been seeking the allocation of free permits and opposing auctioning of permits?

**Prof. Garnaut**—They have put the view to me that they favour the issuing of free permits, yes.

**Senator MILNE**—From what I have read, you are consistent in saying that 100 per cent auctioning would be preferable?

**Prof. Garnaut**—As argued in the interim report and the discussion paper, I see advantages in auctioning, and then the government using that revenue directly to achieve various outcomes related to emissions reduction.

**Senator MILNE**—I would like to go on to the carbon accounting in the land use, land use change and forestry sector, if I may. In particular I would like to know if it is currently the case under Kyoto protocol accounting that native forest logging is regarded as having zero emissions and zero uptake of carbon as well; in other words, it is accounted for as neutral under Kyoto accounting. Is that correct?

**Mr Carruthers**—The Kyoto protocol only covers land sector activities and emissions to a partial extent. There is a history, of which you would be well aware, Senator Milne, from personal association, as to some of the conditions that gave rise to that. Under article 3.3 of the Kyoto protocol in relation to forests, a party to the Kyoto protocol mandatorily must report the emissions and removals—the sinks—associated with afforestation and reforestation, which essentially comes down to forestry plantations, which would be for commercial purposes or environmental natural resources purposes, and must account for the emissions associated with deforestation. That is the extent of coverage. In the case of, if you like, the broader forest estate, they are not brought within the accounting framework. It is not a question of a zero; it is simply that they are outside the accounting framework. For countries, there was an option to include forest management under article 3.4, but that was an elective activity—one of a set of four elective activities. Australia, in its national initial report, as a party to the Kyoto protocol, has declared, similar to the great majority of other countries, that it will not be electing to include forest management.

**Senator MILNE**—To go back to my original question: is it correct to say that native forest logging in Tasmania or anywhere is regarded as zero emissions? It is not captured.

**Mr Carruthers**—It is not within the accounting framework, so it does not declare any figure. It is not a zero figure; it is just not within the accounting framework.

**Senator MILNE**—So, in an emissions trading system, notwithstanding that I have also heard Professor Garnaut say that it is unclear whether the land use, land use change and forestry sector would be included initially, will we get full carbon accounting in relation to the forestry sector—in other words, a separation of the full account of emissions and a separated full accounting of uptake? Are we going to move to that, or are you going to do Kyoto accounting for emissions trading?

**Mr Carruthers**—I think the minister and Dr Parkinson have identified broadly here that the government has not made specific decisions at this point regarding coverage of economic sectors within the emissions trading scheme. The minister has reminded us of the principle of maximal coverage but not made specific decisions in relation to particular sectors and that includes the land sectors—but that of course is coming.

**Senator MILNE**—I understand there has been no decision made as to whether it will or will not be included. What I am asking is: has a decision been made, if forestry was to be included, whether the accounting would be full carbon accounting, a full account of emissions and a full account of uptake separated, or whether you are currently thinking in terms of Kyoto accounting? Regardless of whether it comes in initially or whether it comes in a couple of years down the track, that decision on accounting is a critical decision for the integrity of the accounts, and also in terms of a real reflection on what logging is doing in terms of the carbon going to atmosphere. This is a critical question for us and I would like to know what

modelling you are doing, what consideration you are doing, and whether a decision has been made on whether to adopt Kyoto accounting or full carbon accounting under an ETS.

**Mr Carruthers**—In terms of the design of the national emissions trading scheme, the department will be providing advice to the minister on accounting generally and, to the extent relevant, that would obviously include in relation to the land activities and forestry. But as indicated already, there have been no decisions by government on this matter at this time.

**Senator MILNE**—Could you tell me what possible reason the government or anyone in the accounting area could have for not going to full carbon accounting and staying with a system that clearly does not account for the emissions from native forest logging, especially from primary forest? There is considerable research coming out that there is vast amounts of carbon going out with the logging of old growth forests.

**Mr Carruthers**—You will know from our previous discussions over years on these matters that I do not think Australia pretends that the Kyoto accounting framework in terms of the land sectors is perhaps ideal. It was the outcome in Kyoto. It is fair to say that the question of how the land sectors, including forests, are dealt with within a post 2012 international climate change framework is something that ought to receive serious attention and it is something that Australia will be giving priority to in the shaping of the post 2012 framework.

**Senator MILNE**—With Australia's input to the post 2012 framework under RED or whatever comes of the RED discussions, will Australia be putting a position this year in the climate negotiations that full carbon accounting, not the Kyoto accounting, be included in RED?

**Mr Carruthers**—The government has not made specific decisions at this point on that matter, but clearly Australia has argued consistently over the years, both the former government and in terms of the way things are progressing presently, that we do favour a comprehensive approach to the inclusion of land sectors.

**Senator MILNE**—A comprehensive approach to the inclusion of land sectors does not tell me about the accounting and how you are going to account in those land sectors. As you well know, this is an absolutely critical issue and I am not getting anywhere in terms of an answer as to whether we are going with the Kyoto accounting or whether we are going for full carbon accounting. Can somebody tell me, perhaps Mr Bamsey or the minister: in the current negotiations with PNG and the accounting we are offering them, are we offering full carbon accounting or are we offering Kyoto accounting, or what exactly are we offering? Secondly, has PNG rejected Australia's offer and gone with the Norwegians?

**Mr Carruthers**—Australia has the technical capability to do carbon accounting of the Australian land systems on a coast-to-coast basis. We are world-leading in our capabilities there. How we then deploy that technological capacity for particular reporting requirements is determined by particular accounting constructs, such as Kyoto. Technically we do the whole Australian land system, and we are progressively building that capacity through the national carbon accounting system. We have offered to the countries of our region, including Papua New Guinea, to work in partnership with those countries on forest carbon monitoring. Of course, those countries will make their own choices as to what systems they want to see operate in their countries. But we from Australia, through the International Forest Carbon

Initiative are offering them, if you like, a technologically advanced capacity, and we are working with Papua New Guinea and Indonesia, in particular, in that regard.

**Senator MILNE**—I did ask: is it true that Papua New Guinea has refused the Australian system and is going with the Norwegians?

**Mr Carruthers**—Australia is working in partnership with other donor countries in Papua New Guinea and elsewhere, and that continues.

**Senator MILNE**—I will come back to this.

**Senator FIFIELD**—Firstly, I would like to acknowledge that the Department of Climate Change was originally scheduled to appear earlier in the week. The nature of the Finance and Public Administration Committee is that the program does tend to ebb and flow, so I thank the minister for making herself available tonight, and Professor Garnaut and officers of the department. I also thank the chair for facilitating that.

**Senator Wong**—We appreciate that, Senator.

**Senator FIFIELD**—I would like to deal with a couple of housekeeping matters before putting some questions to Professor Garnaut. Dr Parkinson, when we last met at additional estimates your department was very much in its infancy and most of your staff were spread across the payrolls of a number of departments, and you only had about two people who actually formerly and officially reported to you. Are you fully established now and settled with all your charges under the one roof?

**Dr Parkinson**—We are fully established. As we speak, we are in the process of finalising some recruitment rounds. The outcome of that is that we will then be as fully established as any department ever is at any point in time. We are not, however, all under the one roof. We are distributed across two sites. As you would be aware, there are very big challenges in setting up a department. Notwithstanding those challenges we have been making reasonably good progress.

**Senator FIFIELD**—How many full-time staff do you have at the moment?

**Dr Parkinson**—It is in the region of 270.

**Senator FIFIELD**—You said that you are in the midst of a recruitment round at the moment. What will that see your numbers move to?

**Dr Parkinson**—Probably just a little above that because we have quite a few people on temporary transfers and secondments, and contractors. So a lot of what we will be doing is regularising those positions with a small overall expansion.

**Senator FIFIELD**—I congratulate you on the colour of your name tags in front of your places; it is good to see your branding taking effect in all things, Dr Parkinson. It is very impressive!

**Dr Parkinson**—Senator, I have to apologise; I am colour blind so I do not know what colour it is. It is black against something, as far as I can tell.

**Senator FIFIELD**—It looks green to me. Minister, could you confirm that you have not received your charter letter? Also, could you confirm, as Senator Faulkner indicated, that all

cabinet ministers have had a minuted discussion with the Prime Minister in lieu of the charter letter.

**Senator Wong**—I can confirm, as I confirmed in the DEWHA estimates after I was asked by the opposition senators, that I have not received a charter letter. I can confirm that I have had a discussion with the Prime Minister, as I believe every other member of the ministry had, in relation to his expectations about the portfolio.

**Senator FIFIELD**—Senator Faulkner indicated that his discussion had been minuted and he would have expected that discussions with other cabinet ministers would have been minuted. I appreciate that you may have to take this on notice: could you advise the committee the date on which that discussion with the Prime Minister occurred and who holds copies of those minutes.

**Senator Wong**—I will have to take that on notice.

**Senator FIFIELD**—I have to ask you; I feel compelled: would it be possible for a copy of those minutes to be provided to the committee or if not at least a list of all of the election commitments for which you have ministerial responsibility? One of the issues we pursued with Senator Faulkner earlier, in his capacity as Cabinet Secretary, was whether we could have a list of all election commitments and which ministers have responsibility for those. Senator Faulkner kept referring us to [www.alp.org.au](http://www.alp.org.au).

**Senator Wong**—It is a very useful website

**Senator FIFIELD**—Unfortunately, it did not provide a complete list of all election commitments. So I am asking whether, for your portfolio, it would be possible to have that.

**Senator Wong**—I will certainly take it on notice. I am sure you have had a very lengthy discussion about these issues with Senator Faulkner in this committee. I am happy to reprise those if you wish but I am not sure that that would be helpful to the committee.

**Senator FIFIELD**—No, it was not a particularly illuminating discussion.

**Senator Wong**—I make the point that it was asserted to me, in a previous committee that I was at, that opposition senators were unable to find particular election commitments and I did direct them to the policy on the website at the address that we spoke to you about.

**Senator FIERRAVANTI-WELLS**—What policy?

**Senator Wong**—The policy that was released prior to the election, costed, and taken to the Australian people as an election commitment.

**Senator FIFIELD**—We did find a number of commitments missing from that, so your assistance in providing a comprehensive list for your portfolio would be appreciated.

**Senator Wong**—I understand that Senator Faulkner has undertaken to take that question on notice in the Prime Minister's portfolio. I similarly will take on notice that question in this portfolio.

**Senator FIERRAVANTI-WELLS**—I have a question on that point. Is that where I would find the election promise to abolish the water grants and the solar panels in the schools? Will it be on that website under policy?

**Senator Wong**—We did have a discussion today about the ending of the community water grants and I made the point that, in that portfolio, Minister Turnbull spent a vast proportion of the five-year funding profile of that measure in the lead-up to the election. I made the point that I think the savings measure out of the community water grants is about \$73 million, and we are actually pledging \$12.9 billion to water. But if you want to open up that discussion again, I would be very happy to have it.

**Senator FIERRAVANTI-WELLS**—I just asked whether that is where I am going to find the election promise to abolish the community water grants and the solar panels to the schools. You are talking about your election promises and I have just asked you whether that is where I am going to find that election promise.

**Senator Wong**—I think you will find—

**Senator FIERRAVANTI-WELLS**—Yes or no will suffice.

**CHAIR**—Can I just remind members of the committee that you ask the question and then allow either the officer or the minister to respond. If you keep repeating the same question you are not going to get an answer.

**Senator Wong**—I refer you to the questions and answers in DEWHA portfolio, which is where those measures are discussed.

**Senator FIERRAVANTI-WELLS**—So is that where I am going to find the answer to my question?

**Senator Wong**—The answer to your question is that you are asking these questions in the wrong committee. I have traversed these issues in detail with your colleagues in Environment, Water, Heritage and the Arts.

**Senator FIERRAVANTI-WELLS**—A simple yes or no will suffice.

**CHAIR**—The question has been answered. Do you have another question?

**Senator FIERRAVANTI-WELLS**—Is it too much for her to repeat the answer?

**Senator Wong**—I do not have officers at the table in relation to that portfolio. I have moved our attendance in order to be here tonight, when I was due to represent Minister Garrett in another portfolio, at the request of the committee in order to facilitate questioning. If you want to traverse issues in that portfolio, I can leave here and wander back into that portfolio and ask those officers to come back and traverse the same questions—

**Senator FIERRAVANTI-WELLS**—I just asked you a simple question, Minister. If you do not wish to answer it, that is fine.

**Senator Wong**—that we spent some time on today. I again make the point in relation to community water grants that yes there is a saving of just over \$70 million. This government is investing \$12.9 billion in water.

**Senator FIERRAVANTI-WELLS**—So the answer to my question is no, there is no—

**CHAIR**—Senator Fifield has the call.

**Senator FIFIELD**—Professor Garnaut, I know that you recently had an experience that most of us around this table have had of waking up on a Saturday morning and thinking, ‘I

don't want to pick up the newspaper because there is going to be something there which I don't like and which I don't necessarily agree with the accuracy of.' I wanted to provide you with the opportunity to respond to claims in the *Weekend Australian* of 10 May that you sought to use your status as a government climate change adviser to influence Yarra Council to give you a favourable planning decision. As I am sure that you recall, the headline of the article was 'Garnaut heavies council over roof'. For the benefit of the committee, the allegation in the article was that Professor Garnaut used his position to seek to influence council to allow him to build a second house behind his heritage listed property in Princes Hill. The article summarises the issue at the outset, making this allegation:

The economist, who is due to hand down his final climate change review to federal and state governments later this year, is being accused of using his status to influence a local council decision to allow him to build a second house behind his heritage-listed property in Princes Hill.

It refers to a letter to council. I will seek your comments on whether this is an accurate quote from the letter. It alleges that the letter to Yarra council says:

'I have been commissioned by all Australian state and territory governments to provide a review on climate change,' before adding, 'in the course of climate change review, I have held extensive discussions around the world with scientists and key groups who are being affected by the change in the world's climate.' Defending what objectors call an ugly curving steel roof set to dominate the streetscape at the rear of the property, Professor Garnaut says he has consulted the insurance industry in the course of his climate change work and adds: 'Australia will experience variable, but dramatic changes in climate with increasing storms, particularly along the eastern coastline. Severe and more frequent hailstorms will be a feature of this change. The insurance industry has shown me data which prove that, in the past, the most costly climatic events for the home insurance industry have included episodes of hail damage. This is expected to increase to such an extent that it is no longer prudent to build new houses with slate roofs as they are more susceptible to hail damage than all other common types of roof. Steel roofs are less susceptible to hail damage than any other type and curved roofs less susceptible than any other shape.'

Professor Garnaut, firstly, are those quotes accurate? Do they reflect the content of your letter? Secondly, were you seeking to use your position as a climate change adviser to influence a council decision for your private benefit? I hasten to add that that is the allegation of the newspaper article; I am not giving any credence to it. I want to give you the opportunity to respond.

**Prof. Garnaut**—Senator, thank you for giving me that opportunity. I should first point out that I did not have any role with the Commonwealth at the time of those events. That relates to submissions to the Yarra Council last year. I can assure you and this committee that the headline was quite inaccurate. I was not seeking to use my position to heavy anyone. You are quite correct to say that it was one of those things where you open the newspaper on a Saturday morning and you cannot believe what you are reading.

**Senator FIFIELD**—The newspaper article does quote your letter as saying that the plans for the site are at once attractive and sensible in the emerging environment of climate change.

**Senator MILNE**—I have a point of order. Professor Garnaut has just said that this incident occurred when he was not employed by the Commonwealth; he was a private citizen at the time. I do not see that this is relevant in the context of this inquiry.

**Senator FIFIELD**—Professor Garnaut, have you had any progress with the council?

**Senator MILNE**—How much have you got in your bank account? If we are going to ask everyone personal questions, let us ask some of you.

**CHAIR**—Can we move on? We are due to go to a break? Would you like to give a response, Professor Garnaut?

**Senator FIFIELD**—Sorry; before Professor Garnaut—

**Prof. Garnaut**—Senator, so that there will be no suggestion that I am seeking to influence anyone, my wife is now handling this matter.

**Senator FIFIELD**—Just in conclusion, clearly there are two ways to look at this. It could also be viewed that you are merely endeavouring to practice what you preach, Professor Garnaut.

**Prof. Garnaut**—Senator, we instructed our architect to design a building that was exemplary in sustainability in every respect.

**Senator FIFIELD**—I take you at your word, Professor. Thank you.

**CHAIR**—I propose that we adjourn now. We will recommence at 9.36.

#### **Proceedings suspended from 9.16 pm to 9.36 pm**

**CHAIR**—Welcome back. Before we continue with the proceedings, I would like to have it noted in *Hansard* that the questions put earlier about Professor Garnaut's application to the council and the issue in the newspaper are outside the scope of estimates. As Professor Garnaut said he was not employed under contract to the Commonwealth at that time. I would like to have that duly noted in *Hansard*.

**Senator FIFIELD**—There was no reflection on Professor Garnaut, and the exchange provided the opportunity for Professor Garnaut to point out that it related to a matter before he was on the Commonwealth payroll.

**Senator Wong**—I want to perhaps provide a little more information to Senator Milne in relation to some questions she was asking on forestry. I want to let her know—and she may well be aware of this—that, obviously, the issue of the reduction of emissions from deforestation and forest degradation was included in the Bali roadmap COP 13, which she would probably be aware of. That is, obviously, something Australia was quite active in its support of. There was also a second decision at COP 13 on forestry specifically, in which Australia participated, and there is quite a bit of information we could provide you with on that. It is also on the web.

**Senator WATSON**—I think possibly my question is directed to the minister, the Hon. Penny Wong: in terms of the extent of the coverage of the compliance net for greenhouse gases, is it the intention of the government to cover the local polluting foundry or country sawmill?

**Senator Wong**—To cover the—

**Senator WATSON**—The local foundry—iron foundry. It produces a lot of gases.

**Senator Wong**—Sorry, I just did not hear: the local foundry or sawmill—was that the—

**Senator WATSON**—Or the country sawmill. Because in terms of their area, they can be quite highly polluting.

**Senator Wong**—First, I have already outlined the decision-making process, Senator Watson, in relation to the emissions trading scheme.

**Senator WATSON**—No. This is just the greenhouse gas site.

**Senator Wong**—The NGERs Act that I referred to was in fact legislation put forward by your government. My recollection is there is a \$25,000 threshold, but Ms Thompson can assist you on that.

**Ms Thompson**—The minister is correct in terms of the threshold, so it would depend on whether the companies or the facilities that you mention actually trip that threshold as to whether they are included in the reporting requirements.

**Senator WATSON**—How big would they have to be in terms of relativity? Are we talking about a local zinc company?

**Ms Thompson**—It depends on how much greenhouse gas emissions, how much they are metal or how much energy they actually consume.

**Senator WATSON**—And the threshold is?

**Ms Thompson**—It is as the minister mentioned.

**Dr Parkinson**—Twenty-five thousand tonnes per annum of—

**Senator WATSON**—So there would be no problem.

**Senator Wong**—Unless it is a very, very big sawmill.

**Ms Thompson**—If you could bear with us a minute, Senator, we are just trying to locate—

**Senator WATSON**—We have got the answer: 25,000 tonnes.

**Senator JOHNSTON**—Can I talk to you briefly, and we can take some of these on notice. I have question number 89 and the answers there too with respect to the Bali expenses. I thank the departments for those answers. The travel to Bali by yourself: \$6,394. We canvassed this in the other committee. That was via Singapore on Singapore Airlines first class?

**Senator Wong**—No, not first class

**Mr JOHNSON**—Okay. What was it?

**Senator Wong**—My recollection is I flew business class to Singapore then Denpasar. On my return, my recollection is—and I notice I do not have these details in front of me.

**Dr Parkinson**—We flew Adelaide to Singapore business class.

**Senator Wong**—Adelaide to Singapore business class, Singapore to Denpasar business class. My recollection is that because of the change of flights I was on an economy flight from Denpasar to Singapore and then business class from Singapore back to Australia. I am not sure if I came back to Adelaide or Sydney. Apparently I came back to Adelaide.

**Mr JOHNSON**—That seems like an extraordinarily expensive airfare, if I may say so. Is there a night stopover included in that?

**Senator Wong**—No, there was no night stopover.

**Senator JOHNSTON**—This was a standard airfare to Denpasar in business class via Singapore?

**Senator Wong**— I did not book the fare. I can tell you what I flew. Obviously, it was a fairly late booking given when the government was elected, given when I became minister and given when we flew. The dates of attendance are the 10 to 15 December 2007. We were sworn in on 3 December 2007.

**Senator JOHNSTON**—That is fine, I accept all of that. In looking at air fares with respect to leaving Sydney, Melbourne or Adelaide to get to Bali, the most expensive business class return airfare I can see is something under \$3,000. Yours is \$6,394, and I feel obliged to ask why it is so expensive? Is there something there? I have compared it with all the other answers and this is one of the most expensive. I did not understand it.

**Senator Wong**—I cannot give you much further information than I have already given you. I do not want to surmise because obviously there may be reasons I am not aware of. I can say to you, and these issues may have impacted on the fare cost, that obviously the fare to Bali was booked, in relative terms, quite late because of the proximity of this conference to our election and me becoming the relevant minister and we did also have to change the flights on the return. There may have been, as a result of that, a more costly fare. The reason for that, you might recall, was the conference went almost a day late. We were due to finish on the Friday night and we in fact left quite late on the Saturday and I got very good assistance. I was quite lucky to get a seat out because people were having a great deal of difficulty getting out of Bali. There were quite a number of thousand people there, so the change of the finishing time was quite a logistical problem for a lot of people.

**Senator JOHNSTON**—In my experience, it does not necessarily follow that there is a jack-up of the airfare given the length of time of the booking prior to the flight. Nevertheless, can I ask the secretary of the department to come back to me on notice with respect to a full break-up of the \$6,394 with respect to the minister's travel? I think that needs some explanation.

**Dr Parkinson**—We can try and do that, but ministerial flights are not typically booked. I will have to check this by the department.

**Senator JOHNSTON**—If you can have a look and then even if the cover question needs to be framed as who is the responsible department with respect to a proper break-up of that? It stands out amongst all of them. There have been a lot of questions on these things. This particular figure stands out. I am interested to know precisely why.

**Senator Wong**—I am not sure how you can say that if you look at some of the other figures, but I am not clear what you want broken up. We provided an answer.

**Senator JOHNSTON**—I want to know the Adelaide to Singapore. It is obvious is not it?

**Senator Wong**—Can I finish?

**Senator JOHNSTON**—You are just wasting everybody's time. I do not know why you have such a prerogative to do that.

**Senator Wong**—I am trying to clarify something. We have provided a break-up in terms of airfare, accommodation, incidentals, date of attendance and so forth. You are going to why is the fare expensive?

**Senator JOHNSTON**—Am I not entitled to the figure, Minister?

**Senator Wong**—I am not saying that. I have put this answer on notice that explains—

**Senator JOHNSTON**—But it does not add up.

**Senator Wong**—Can I finish?

**Senator JOHNSTON**—Sure. If you are going to advance the situation or just waste time.

**CHAIR**—I remind senators that it is getting late. The minister is trying to answer the question. Let her answer the question and then you can have the opportunity, obviously, to drill further.

**Senator Wong**—I just want to be clear, are you saying domestic versus international component?

**Senator JOHNSTON**—I want every leg and what it cost.

**Senator Wong**—If that is possible we will seek to obtain that.

**Senator JOHNSTON**—It should be possible because it is an incurrence of taxpayers expense. Surely we are accountable for that, aren't we?

**Senator Wong**—I do not think I have suggested we are not.

**Senator JOHNSTON**—Thank you. With respect to accommodation; you had five nights at \$4,010. May I ask where you stayed and what the nightly rate was?

**Dr Parkinson**—Because this meeting was so large, and, with limited hotel rooms, the hotels imposed a block booking arrangement. Irrespective of the number of nights we were actually there we were billed for seven nights. The minister received a rate of US\$488 a night but there had been a booking for a while for a minister. In contrast, and it goes to the issue of cost, I was a late addition to the group and I was required to pay—or the Commonwealth paid on my behalf—US\$532 a night for each of the seven nights notwithstanding the fact that we were not actually there for seven nights.

**Senator JOHNSTON**—Are you saying to me that, in answer to the question three, the minister was accompanied by one adviser. That is your figure is it?

**Dr Parkinson**—No. You had my figures.

**Senator Wong**—It is in the question on notice.

**Dr Parkinson**—It is in the question on notice that you asked, and we provided you with a complete breakdown.

**Senator JOHNSTON**—For you?

**Dr Parkinson**—For everybody.

**Senator JOHNSTON**—So the answer to question three and question number 89 is not you?

**Dr Parkinson**—Let me have a look at question 89.

**Senator JOHNSTON**—The minister was accompanied by one adviser with costs as follows.

**Senator Wong**—No. That was a personal staff member.

**Senator JOHNSTON**—The accommodation explanation with respect to the block booking applies to answer 3b. That the adviser had expenses of \$4,400 pursuant to the block booking arrangement?

**Dr Parkinson**—I am sorry, Senator. I did not hear that.

**Senator JOHNSTON**—In answer to question 3b, the accommodation for the ministerial adviser which accompanied the minister was \$4,400. I take it, given that the minister was \$4,010; the \$4,400, could you explain what that was all about? Why is that so high? Is that a part of the block booking structure?

**Dr Parkinson**—I imagine so because that is only accommodation costs. I can crosscheck that, but we went through this comprehensively in order to respond to you. That is just the accommodation expenses.

**Senator JOHNSTON**—The question, obviously, was not broad enough.

**Dr Parkinson**—As I understand it this again is the classic problem of lack of competition. It was very packed at the time the booking was required. Even though it was a cheaper room on a per night basis, it was required for two weeks notwithstanding however long we were there.

**Senator JOHNSTON**—We paid for 14 nights and we were there for five?

**Dr Parkinson**—Absolutely.

**Senator JOHNSTON**—Goodness.

**Dr Parkinson**—This is not at all unusual when these sorts of events are held. On the issue of airfares, exactly the same thing happened. It was impossible to get airfares at short notice. I recall at one stage, to get to Denpasar, we were being routed through Hong Kong.

**Senator Wong**—We are trying to not do that.

**Dr Parkinson**—But they were sorts of choices that were being offered.

**Senator JOHNSTON**—Did we eliminate some airlines from the choices? Jetstar and Garuda spring to mind because my experience is they run irregular flights that are not well patronised.

**Senator Wong**—In my personal indication to people I certainly give no instruction to not fly any particular airline. In fact when I went to the major economies meeting in Honolulu, I think I flew Jetstar for that leg to Honolulu.

**Senator JOHNSTON**—With respect to the officers: for 18 officers from the department the travel was \$73,325. They were there over a much longer period and I take it that pressure for airfares was not as great. The average of that for 18 officers is over \$4,000. Is there anything particular about that?

**Senator Wong**—What is your question?

**Senator JOHNSTON**—Eighteen officers of this department attended over varying lengths of time from four to 17 days. The average time was 12 days. The travel cost was \$73,325 which averages out for 18 officers to over \$4,000.

**Senator Wong**—Is the question: why is mine higher?

**Senator JOHNSTON**—No, the question is: that seems a high fare just for ordinary officers. Given that they were there for some period of time, many of them would have been able to access much cheaper fares. The pressure that you have talked about in terms of the 'see you coming' mentality of both airlines and hoteliers, obviously, was not necessarily applicable. Why is that such a high figure?

**Senator Wong**—I might ask Ambassador Adams to respond.

**Ms Adams**—In terms of the officers, some of the people left at the end of the negotiations and some had left earlier. The ones who were still present right at the end also incurred expenses of last-minute changes to the airfare to accommodate the fact that it was a day over schedule. So there were some elements of that—

**Senator JOHNSTON**—There was effectively a penalty for short-notice bookings?

**Ms Adams**—I am not talking about short-notice bookings in terms of getting there.

**Senator JOHNSTON**—Penalty for sudden certain changes in the bookings?

**Ms Adams**—Yes. Other more expensive flights had to be taken because there were no alternatives. I am sure you have had similar experience where you have had to change a flight on the day.

**Senator JOHNSTON**—No. I have not actually had that experience because usually I have been in places where there, fortunately, has been enough competition or what have you. Which airlines were involved in this? I am interested to know.

**Ms Adams**—Most of the officers travelled—I do not have detailed information in front of me but I know because they are my staff, by and large—Jetstar flights, at least up. I should not say that all of us took them, but the majority took Jetstar flights up because that was the direct, quickest way to get there. For those of us who had to make ad hoc arrangements at the end when the conference went on for the extra day, we did whatever we could manage on the day. It was very difficult to get flights.

**Senator Wong**—I want to make one point to get some context. You made the comment that you have not been in a situation where you have not been able to get flights. My recollection is the conference at Bali was attended by—I saw newspaper reports—in excess of 10,000 people, not just the delegations from the 190-odd countries but obviously a substantial number of NGOs, industry et cetera. Not just official delegations attended but obviously members of the community and industry et cetera who were part of those countries' delegations. The context of the return flights that Ms Adams is talking about is a great many people trying to get out of Denpasar at very short notice, a day later.

**Dr Parkinson**—Senator, could I just add—I am aware that some of our colleagues, who were at that meeting from other countries, actually could not get out for another two days.

**Senator JOHNSTON**—We were able to provide them with accommodation obviously. We left our premises, which were being paid for, so we had them for another 12 days.

**Dr Parkinson**—No, sorry. We left at the end of the process. The bookings had to be done prior to that. There were some from other countries' delegations who did not get home for a couple of days after we got back because they were not able to get flights. This literally was like a football scrum. I personally have never seen anything like it in the number of people trying to get onto planes.

**Senator JOHNSTON**—Just a last question. Ms Adams, in the obvious unfortunate event of an overrun of the conference and people having to change arrangements for their departure, if they wanted to go they had to take what they could including business and other class fares which they would not have otherwise had to pay for just to get on?

**Ms Adams**—I do not think that happened. It was a question of whichever hub you had to go through to actually get back to Australia as opposed to direct flights.

**Senator JOHNSTON**—They lost the regular booking that they had and had to pay for that obviously.

**Ms Adams**—They had to pay adjustment or amendment charges, yes.

**Senator JOHNSTON**—Then they had to pay for what they could get just to get out, because I take it all of the cheap fares were booked the following day by people who wanted to exit.

**Ms Adams**—I do not think there were any cheap fares.

**Senator JOHNSTON**—You know what I mean. If they wanted to get out they had to pay business class if there were any vacancies.

**Dr Parkinson**—I do not think that was actually the case. I think the issue was that we were being forced to pay those fares to get them into economy for those people who were travelling home.

**Senator JOHNSTON**—That is even worse isn't it? Let's face it, they were given less service.

**Dr Parkinson**—I agree entirely. The alternative could have been that I, as secretary, said, 'Stay for two days until we can get you a cheaper airfare home.' Then we would be having a very different conversation and you would be quite rightly—

**Senator JOHNSTON**—In those circumstances I am not actually questioning the expenditure, but we got gouged I think is what you are saying?

**Dr Parkinson**—Supply and demand. The demand was as you put it earlier, 'you could see them coming'.

**Senator JOHNSTON**—Yes, we got gouged. They jacked-up the prices on us because they knew we were late and we wanted to go home.

**Dr Parkinson**—They jacked-up the prices on everyone, not just us.

**Senator JOHNSTON**—Everybody got gouged then. Which airlines were flying in and out? I would like to know who the people were that did this so that I remember to guard against this if I am ever caught in such a similar situation? Which ones were they?

**Ms Adams**—I do not think it is right to think of the airfares in terms of gouging. It is just a simple fact that if you have a fare booked in advance you pay a particular fare. If you make amendments to that or then have to buy a fare for travel the next day, it costs more. That is the fact wherever you are not just Bali because of the conference. The accommodation is a different issue.

**Senator JOHNSTON**—So we did not get gouged, we just had to pay for two airfares effectively is what you are saying?

**Ms Adams**—No, not for two. We had to pay additional costs for amendments and in some cases rerouting. That is just how the airline industry works.

**Senator JOHNSTON**—What were the additional costs as a percentage of the fare that would have been paid?

**Ms Adams**—I cannot tell you that.

**Senator JOHNSTON**—Was it double?

**Ms Adams**—As I said, the only direct flight was the Jetstar service and then otherwise people were travelling on various airlines back through Singapore.

**Senator JOHNSTON**—When I look at an airfare of \$4,000 for the ordinary officers and I now find out they flew Jetstar, I find that even more incongruous.

**Ms Adams**—That is an average, of course. Some of the staff arrived and left at the times that they expected to.

**Senator JOHNSTON**—Can you see the point I am making? Bali is a place that is renowned around the world for cheap access. Everyone goes to Bali because the airfares are really cheap.

**Ms Adams**—And they book their fares well in advance to get those cheap fares and they do not change their dates.

**Senator JOHNSTON**—They do, but you have flown Jetstar up there. It just does not fit to me that there would be a \$4,000 average for 18 staff members. It just does not fit to me and you cannot explain that to me.

**Ms Adams**—I am explaining to you that is in fact what the airlines charged for the amendments that needed to be made.

**Senator JOHNSTON**—Mr Secretary, can we have any further break-up of how these fares panned out? Can you tell me what the booking costs were for the airfare if the time schedule had been met and what we ended up paying?

**Dr Parkinson**—We can have a look to see what we can get for you.

**Senator JOHNSTON**—I would be obliged. Thank you.

**Senator MILNE**—I would like to return to a remark that Mr Carruthers made when I was asking him some questions earlier in relation to accounting and land use. My recollection is

that you made a comment that we already have the capability of doing coast-to-coast accounting. Can you tell me to what degree of accuracy can you do that? For example, can you calculate the carbon in a standing forest?

**Mr Carruthers**—One of the fundamental elements of the national carbon accounting system is remote sensing, which is done annually for the vegetation cover continent-wide. That remote sensing is done at the sub-hectare scale and so Australia does generate carbon accounts at the sub-hectare scale. The first priority in producing the accounts has been within the Kyoto construct, so particularly for deforestation and for the forest plantations, both commercial and environmental. We are working towards producing full carbon accounts on that basis for the general forest estate.

**Senator MILNE**—Given what you just said that you have got it at the moment for deforestation and you have got it for afforestation and you are working on it in terms of being able to calculate the carbon from the standing forest, when would you expect to have that carbon accounting methodology finished and accurate?

**Mr Carruthers**—We do not have a specific delivery date at this time, but as a general guide we would say in the next couple of years we would be looking to be ready for roll out on that. The priority and timetable obviously will depend on our judgements about when this might be required for purposes of international reporting, and that links perhaps to our objectives for the post-2012 framework.

**Senator MILNE**—Given that we are about to have emissions trading as well, at the moment if we were to include forestry, let us say, in an emissions trading system at the start, you would not at this point have the capability of measuring the carbon in a standing forest for the purposes of looking at full carbon accounting and native forest logging?

**Mr Carruthers**—In a way the form of your question is a bit hypothetical because, depending on what the government did decide about coverage of the emissions trading scheme and its connection with forests, if hypothetically the government were to take a decision of the kind you are suggesting in your question, then presumably that would have some implications for the priority of our work in the national carbon accounting system and we would accelerate that. It is really around priorities. What we are doing, if you like, is the avoided deforestation, reducing deforestation and degradation agenda in terms of the Bali roadmap decision that the minister referred to after the tea break. The concept there is that that same technological capacity can be available to the developing countries wall-to-wall as well.

**Senator MILNE**—In your negotiations with PNG at the moment on what you are offering them with regard to accounting, you cannot offer them a full carbon account for a standing forest right now?

**Mr Carruthers**—Yes, we could. It would not replicate the Australian system; it would be purpose designed for their conditions. For example, we are in active discussions with the Japanese government over the use of radar satellite technology which would be more suited for the purposes of tropical countries than the Landsat NASA system that we use in Australia, which is fine for Australia under our cloud-free conditions, but not suitable to the same extent for a tropical cloud covered country.

**Senator MILNE**—You could do full carbon accounting on Tasmania's forest now, for example, if it were a priority?

**Mr Carruthers**—Yes. We have done radar trials in Tasmania.

**Senator MILNE**—And what do they show in terms of carbon in old growth forests per hectare?

**Mr Carruthers**—We have not turned those into carbon accounts at this point, but we have done trials of the technology to be able to generate the measurements of forest cover change, really for the purpose of demonstrating that we would be able to roll that out in developing countries.

**Senator MILNE**—Or in our own country, depending on what our priorities are?

**Mr Carruthers**—Yes, if that was our priority.

**Senator MILNE**—At the moment can you tell me whether the emissions from the logging of native forests as feedstock for the pulp mill will be calculated in any of our accounts?

**Mr Carruthers**—That would depend on the timing on which we roll this out on a broad basis.

**Senator MILNE**—As we have not got it rolled out now—and we are talking a few years away depending on a government priority—if that logging for the pulp mill were to proceed and current wood chipping is proceeding, we would not know what the emissions are from Tasmania's native forests? I am not talking plantations, I am talking about native forests. Is that correct?

**Mr Carruthers**—Not with that precision at this stage, no.

**Senator MILNE**—Can you tell me how the emissions from the native forest incinerator that Gunns intend to use will be captured?

**Mr Carruthers**—Under the international guidelines for national inventory reporting produced by the Intergovernmental Panel on Climate Change, biomass waste is treated as a zero emission. The emission is calculated to have occurred back in the forest.

**Senator MILNE**—Basically, are you saying the logging of native forests for the pulp mill will be counted as a zero emission and the incineration of native forests at the pulp mill will be a zero emission. Therefore, the carbon emissions for the pulp mill are not going to be captured anywhere in terms of any accounts?

**Mr Carruthers**—The current accounting convention that is endorsed by the UN does it on the basis that I have stated.

**Senator MILNE**—Exactly, Kyoto accounting. Given what you have just said, it would be some years before we go to full carbon accounting?

**Mr Carruthers**—As I said, we have not made specific decisions on timing and that is really dependent on government priorities as to how quickly we might choose to get there.

**Senator MILNE**—When the former Tasmanian Premier, Mr Lennon, says that 'Tasmanian forestry is incredibly positive for climate change and greenhouse', he is referring to a form of accounting which does not count emissions for native forest logging?

**Mr Carruthers**—I am not familiar with the premier's remarks or perhaps the fashion in which he was approaching that from an accounting viewpoint. It is very hard to make any informed comment.

**Senator MILNE**—As everything is regarded as zero and there is no data in the public arena to the contrary, one can only assume that would be the case. Is that true?

**Mr Carruthers**—If you like, there are other more general methods of calculating carbon accounts for forests. I do not know what Tasmanian agencies might have done in terms of estimates of forest cover and carbon stocks. It would be possible for somebody to generate an account if they so chose.

**Senator MILNE**—To the best of my knowledge it has not been done. Minister, can you tell me if that has been done?

**Senator Wong**—I am sorry?

**Senator MILNE**—I was asking to the best of your knowledge has the Tasmanian government calculated the carbon emissions from the logging of native forests?

**Senator Wong**—I am sorry, I do not have any particular knowledge of what the Tasmanian government may or may not have done on this front.

**Senator MILNE**—I would like to ask Professor Garnaut. The former Premier of Tasmania, Mr Lennon, on leaving a COAG meeting or maybe it might have been a briefing with you in Adelaide, said that he had asked you and you had given an undertaking that you would do the accounting of Tasmania's forests and their carbon impacts. Can you indicate whether you have a contract with the Tasmanian government separate from the work that you are doing for all of the states currently?

**Prof. Garnaut**—No, I do not have any contract of that kind. It was a meeting of the Council of the Australian Federation at which I gave a briefing on my interim report in February. Premier Lennon came up to me after that meeting and asked if I could make sure that forest issues were covered in my work and I told him that there would be treatment of forest issues in my final report. It was always part of our work program and the premier's discussion with me just heightened my awareness of the issue.

**Senator MILNE**—Basically, at the moment you are not doing any specific modelling study or anything in relation to Tasmania's forests, is it just in the context of your broad work and report that you are going to bring down for the states and the federal government?

**Prof. Garnaut**—That is correct.

**Senator MILNE**—In terms of what you are doing on forestry for your report—land use change generally, but forestry specifically—given Mr Carruthers's evidence a moment ago that the full carbon accounting is not something that the coast-to-coast measurement can do immediately, or it is not a priority, then surely it would not be responsible to include forestry in an emissions trading scheme until full carbon accounting was possible. Is that correct?

**Prof. Garnaut**—I have been encouraged by what I have heard of the work that Mr Carruthers's group is doing and I would hope that that can be the basis of inclusion of forestry as soon as possible.

**Senator MILNE**—Do you agree that full carbon accounting would provide a better integrity for an emissions trading system than the Kyoto accounts?

**Prof. Garnaut**—There are a number of ways in which the Kyoto approach is defective and I would hope that the Australian government can be influential in improving the approach next time round.

**Senator MILNE**—I would like to ask Mr Bamsey or Mr Carruthers or whoever is doing the RED work about the international negotiations. With respect to the post-2012 global negotiations, are other countries already moving to full carbon accounting now? What is your observation about where other countries are at in terms of how they are approaching RED?

**Mr Bamsey**—I cannot say that I have been personally involved in the discussions of the accounting process. Mr Carruthers might have some further information there. The debate around RED has certainly involved questions of whether deforestation can be appropriately accounted for and I think we can answer that question now, and that is that it can, but Mr Carruthers may have further comments to make.

**Senator MILNE**—What about logging defined as degradation?

**Mr Carruthers**—I think Australia really has been a leader in developing the technological capacity for the sub-hectare scale accounting of forests, because we had the requirement nationally to do that for the purposes of the Kyoto protocol. So we have demonstrated that you can do it, in this case on a continental scale. Whilst no decisions have been made yet in terms of what will come out from the Copenhagen conference in 2009 regarding the rules around reducing deforestation degradation, we expect that if it is technologically possible to do it at this scale and with this capacity, then perhaps the rules will go in that direction. That is an assumption on our part.

One of the things you need to do with reducing deforestation is to be able to demonstrate whether the leakage is occurring, so you need wall-to-wall accounting, coast-to-coast of a whole country, to establish the confidence that, if you like, you are saving a valley here and it is not simply being displaced somewhere else. You need to be able to get the national accounts.

Secondly, if there is a focus on degradation then you need the technological capacity to measure that. That is what we have very much in mind in terms of the move to the radar satellite technology. We are confident that it will generate the capability, firstly to measure logging and deforestation at a fine scale and, secondly, to be able to determine that perhaps there has not been gross deforestation but selective degradation within the forest; you will pick that up as well.

**Senator MILNE**—Thank you.

**Senator Wong**—I was just going to say that one of the things that we are very conscious of in the context of international negotiations and the view that we do take about the importance of trying to progress this forest degradation/deforestation issue is the issue that Mr Carruthers touched upon. If we are going to mobilise essentially the international carbon markets to this end, then the world will need an accepted, agreed, coherent, sound carbon accounting mechanism that enables investors to have confidence.

**Senator MILNE**—That is right.

**Senator Wong**—That is not an easy task technically and obviously there will be challenges in terms of the international negotiations. The logic behind the position is that the objective would be to have an international system that enabled those markets to be mobilised to this end. For that you require some level of certainty for investors.

**Senator MILNE**—I would like to move to Professor Garnaut on including forestry and agriculture in the emissions trading system. My understanding is that the reason the European emissions trading system has not been as effective as it might apart from the over allocation of permits is that they did not have accurate enough data to begin with, and they recognise that to have a system with integrity you have to have good data. Given what we have heard about forestry and the inadequacy of the data at the moment in terms of full carbon accounting, what is your assessment from the work you have been doing about the adequacy of the data for agriculture?

**Prof. Garnaut**—In our discussion paper we noted that it was unlikely that you would have adequate data in an administrative capacity in time for the start-up for the scheme. We said then that it would be good to aim for a post-2012 inclusion, recognising that that required a lot of investment in systems and measurement administration. My own view is that there will be a very large pay-off if we can get that right because I think there are lots of opportunities for carbon soil sequestration through improved agricultural techniques.

**Senator MILNE**—I can tell you that farmers are looking to have some answers on that. I would like to go to whether you have done any examination of the economic efficiency of feed-in laws compared with an emissions trading system. Hans-Josef Fell was here recently. I do not know if he met with you, but certainly in meeting with me he suggested that in Europe the feed-in tariffs have been more effective than emissions trading in reducing emissions. Have you done any modelling or analysis around that idea?

**Prof. Garnaut**—We have not made that comparison. I have taken an interest in what you might call the theory of the feed-in tariff, looking at what the economics of it actually are. I must say I did have to tutor myself on this, because it is not obvious at first sight. If you have a good emissions trading scheme with credible administration and the right targets coming down at the right rates, then that establishes that you will reach your mitigation targets, and then the role of other measures like the feed-in tariff, if there is one, is to reduce the cost for individuals and the system as a whole of meeting those targets. That is the question, if you do something like that as well, will that be a cost effective way of helping you to deliver the reductions in emissions that the emissions trading scheme is set upon. I, myself, have not come to a firm view on quantities on the feed-in tariff. There is a theoretical case related to differences in peaking time and reductions in peak capacity and electricity, especially now that Australia has a day time and air conditioning peak in summer, and there are also savings in transmission costs in some circumstances that can provide value for the feed-in tariff, but I have got more work to do before I reach firm conclusions.

**Senator MILNE**—Since you mentioned the right targets and the right rate of bringing them down, the problem I have with the carbon budget idea, which you have discussed, is that the right rate and the right speed of bringing them down assumes no change in the science,

and the science is changing rapidly in terms of accelerated problems, rather than slowing down. I wanted to ask if you have had any evidence from any scientists or will you be taking into account things like the coupled climate carbon cycle model intercomparison project? That is one which looks at the positive relationship between climate change and the carbon cycle, which is suggesting that climate change is reducing the strength of the oceans and land sinks, therefore increasing the amount of CO<sub>2</sub> that remains in the atmosphere? So, that work on the weakening of sinks is pretty compelling. I wondered, in considering the 2020 target, whether you have been getting much evidence about that?

**Prof. Garnaut**—I am certainly taking an interest in the new science, but I do not pretend that I can make an important contribution in interpreting the science. As you saw in the interim report, we are noting that a number of developments are bringing us towards dangerous climate change more quickly than had earlier been anticipated.

**Senator MILNE**—That is right. We look forward to the 2020 target with great interest.

**Prof. Garnaut**—Not until the supplementary draft report.

**Senator MILNE**—That is right. We are getting closer and closer to 2020 every day. I would like to ask you, Professor Garnaut, whether you have had any input or discussion with the Wilkins review of various measures that are currently in place to see whether they are going to have perverse impacts on what you are trying to develop in terms of an ETS?

**Prof. Garnaut**—The secretary of the Department of Climate Change organised a meeting to discuss the Wilkins work about two months ago and I participated in that, together with a couple of people who are working with me on my review. I found that quite helpful in getting an idea of where the Wilkins work was headed.

**Senator MILNE**—I would like to ask the minister about this. This comes to my difficulty in understanding how the whole-of-government approach works on this. In terms of taxation measures, in particular, what is the process for making sure there is consistency between the climate objectives of the government regarding reducing emissions and the tax structures that will deliver them? Do you have a process for this to happen?

**Senator Wong**—There are a great many areas of government policy which different people will argue have a climate change aspect. The reason we have set out the framework that I discussed at the beginning is to set a principle's based articulated framework for our climate change policies. It is a process over time. I think that is quite obvious, in terms of how we effect the decision of the Prime Minister, firstly to establish the department which obviously is an implementation challenge, to work through the development of the ETS, the renewable energy target and the range of other policy responsibilities with which we have been charged. I think it is fair to say we are working towards developing better arrangements for consultation as between DCC and relevant departments on a range of policy areas. I am not going to pretend to you that that is a process of reform itself.

The Prime Minister announced the Henry review—the taxation review—and obviously that review, as the Treasurer and Prime Minister have stated, will look at a range of issues associated with Australia's taxation system.

**Senator MILNE**—In relation to that, will your department in feeding into the Henry review on taxation be conducting any studies investigating the impact of subsidies to the fossil fuel sector on greenhouse gases? A specific example is the policy objective in providing fuel tax credit exemptions to coal mining companies and what that means regarding greenhouse gas emissions and the fringe benefits tax concession on motor vehicle use? They are two policies which directly undermine your policy objective, so how do we get consistency?

**Senator Wong**—There is quite a lot of opinion, with respect, in that question. I understand this is an issue that you feel strongly about. I think you asked me questions about this on the last occasion. I am not pre-empting what the Henry review will or will not do, nor am I pre-empting what engagement my department will have with that process.

**Senator MILNE**—If your department is charged, as has been said here, with leading of the development and coordination of Australia's climate change policy and giving the policy advice for the whole-of-government, surely it is the role of the Climate Change Department to give oversight to the tax regime and the subsidies regime in the country to make sure that none of them undermine the effort to reduce greenhouse gas emissions, otherwise they undermine the whole ETS or any other initiatives that you might take. That is the problem. On the one hand you are doing one thing and on the other you are making it worse. It just is not working at the moment.

**Dr Parkinson**—I will try to help there. We have a staff member attached to the Wilkins review and we are involved with the steering committee of that review. Indeed, the antecedents of that review go back to when some of us were at the Climate Change group within PM&C. That is one vehicle for attempting to coordinate and influence, but that is an independent review, so there is a process for us to feed into that, along with others.

Equally though, we have been asked to work with the Treasury in the process of the Henry review, the Henry commission, and to taxation. The one thing I would say is that it is a mistake to look at single pieces of the tax system in isolation or to attribute only one objective to any particular part of the tax system. We are quite mindful of the things that you have raised and in terms of our consultation with the review, we will be conscious of the interaction of the tax system and climate change objectives, but in the same way we would not want to set the tax system up to deliver any other single objective. We have to be conscious that there may be multiple objectives associated with any individual tax or tax concession. We are mindful of the points that you are making.

**Senator MILNE**—Whilst I accept what you are saying, there should be no initiative that undermines the climate effort. There have got to be ways of delivering equity and all sorts of things without undermining the climate effort. If it undermines the climate effort then it is not worth doing, surely, if we accept there is a global crisis.

**Dr Parkinson**—It reminds me a little bit about what is the most important thing in the tax system. Is it the progressivity of any individual tax or is it the progressivity of the tax system as a whole? I think there is an analogue here, which is, is it that every single policy results in abatement or is it that the policy mix as a whole generates least cost and most effective abatement. We would come at this issue with, in a sense, a Mecca view recognising that,

because there are a range of trade offs. You would not necessarily apply that to every single instrument or, equally, every single expenditure, but we are mindful of the point you are making.

**Senator MILNE**—Are you considering making a shift? Is there any sort of big picture thinking about shifting the taxation system on to taxing resource use rather than income? That is a shift that has been made in other countries. This is where the climate policy, whole-of-government approach could make a significant contribution to actually changing the tax system to get us a good outcome.

**Dr Parkinson**—You are asking me almost in a sense a hypothetical. We would need to wait and see how the Henry Commission decides it wants to do its work and how that unfolds.

**CHAIR**—Senator Watson has a question on the same issue.

**Senator WATSON**—Not quite. My question concerns carbon sinks and the side effects. In my state of Tasmania there has been a great deal of public feeling about management investment schemes taking over agricultural lands often near rural towns. Given the greater financial resources associated with carbon emissions trading, has consideration been given to the further displacement of agricultural traditional farming lands through this new competition for a very limited resource, the land?

**Senator Wong**—This issue has been raised and there has certainly been public discussion about MISs when you were in government. My recollection is that this is a matter within the Treasury portfolio and really any questions about those schemes should be directed to Treasury, so I am sorry I cannot assist you on those.

**Senator WATSON**—I would have thought that the concept of carbon sinks is obviously a part of the arrangements that fall within carbon emissions trading and therefore I would say it is quite a relevant issue that is certainly going to create a lot of public feeling.

**Dr Parkinson**—As we said earlier, no decisions have been taken about the coverage issues overall, including the treatment of carbon sinks. But as you are aware, MIS plantations are not established for the purposes of being carbon sinks.

**Senator WATSON**—I know that. I am just saying that, given the problems that have been associated with the MIS schemes, I believe this is going to have an even greater impact because of the greater availability of finance. MIS schemes have got to raise their finance.

**Dr Parkinson**—That is true, but MIS schemes have much shorter time horizons. If you are talking about carbon sinks you are typically talking about permanence issues.

**Senator WATSON**—My concern is the added competition for a limited resource, namely the land, obviously because they can attract the price. People tend to walk off their farms and sell it to the Origin Energies of this world or the BHPs.

**Dr Parkinson**—We are conscious of the issue of the extent to which the inclusion of carbon sinks into the ETS may influence land use decisions. This is an issue that we are quite conscious of.

**Senator WATSON**—If you are talking about marginal lands it will not be the same problem, but obviously trees grow better on better land and that is where the competition is going to come.

**Dr Parkinson**—Better land has higher alternative values, too. You would imagine that—

**Senator WATSON**—Not compared with what these financially strong companies will be able to put in, because it is an easy solution to solve their problem.

**Dr Parkinson**—I understand what you are saying. It is a matter that we will have to look at where they think their best pay-offs are. If you look to date the carbon sink plantations tend to be in marginal areas where the opportunity cost of the land is not that high. You are right that under certain circumstances—

**Senator WATSON**—This is where the MIS schemes started, with marginal lands, but they found they were not getting the returns they wanted and so they are gradually moving to the more productive lands.

**Dr Parkinson**—It is a legitimate issue to be concerned about. I sound like a dissembling bureaucrat, but we are conscious of this issue in our thinking about the treatment of agriculture and forestry.

**Senator WATSON**—Thank you.

**Senator MILNE**—I would like to follow up from Senator Watson. If you are mindful of that, what is your view about how long a carbon sink plantation should be in the ground to be classified as a carbon sink?

**Dr Parkinson**—You are asking me a policy question about an issue that the government has not yet had the opportunity to deliberate on.

**Senator MILNE**—You just told Senator Watson you are mindful of it.

**Dr Parkinson**—Being mindful means that I am aware of it and I understand what the issue is.

**Senator MILNE**—Did your department have any input to the tax amendment before the Senate currently which provides 100 per cent tax deductibility for the planting of carbon sinks which are not required to be in the ground any more than 14 years? Did you have any input into that as a department?

**Mr Carruthers**—Yes, but I am not sure where the reference to 14 years comes from. The particular tax amendment is for forests dedicated to the purpose of forest carbon sequestration and specifically designates that those forests are not for harvest purposes. So in essence there is effectively a permanent land use change with the planting of those forests.

**Senator MILNE**—The tax deductibility is over 14 years, which coincidentally is one rotation of a plantation and there is nothing in the legislation to say they cannot be cut down.

**Mr Carruthers**—The legislation that has been introduced provides for tax deductibility in the year of expense for the establishment of those carbon sink forests so that is, if you like, a one-year deductibility period for the plantings up until 2012. After 2012 the write-off period is over, in round terms, 14 years, which happens to correspond with that class of deductibility that applies to horticulture, where the taxation specialists within Treasury judged that was the

best analogy. So, the deductibility period does not in any way relate to the duration of the forest cover. I would just repeat that the definition of the forest carbon sink is that it is not for harvest.

**Senator MILNE**—I understand that is what a carbon sink ought to be, but I am just interested that your department had input into it and presumably is satisfied that they will provide sinks?

**Mr Carruthers**—That is correct. The history of this particular measure goes back some little while and the former Australian Greenhouse Office, now the Department of Climate Change, has been very actively involved in the development of this measure, and we obviously have been approaching it from the viewpoint of achieving the climate change outcome. We have been working with Treasury, because it is a taxation matter and therefore it is the Treasurer bringing the legislation forward, and we are also being very mindful of attending to, if you like, consequential natural resources and environmental implications of these plantings, and that is also built around the design of the measure.

**Senator MILNE**—Senator Watson is right to be concerned. We will deal with that at another time. If I can just get back to the issue of the whole-of-government approach, Treasury, taxation and so on, are you compiling in the climate office a breakdown of the subsidies and one-off grants to the fossil fuel industry in any particular financial year? Could you also give me a breakdown of the subsidies, including one-off grants, to the renewable energy industry just so that we could see a comparison and see how government policy is delivering one outcome or the other? Are you actually able to give me a breakdown of the subsidies to both sectors?

**Dr Parkinson**—No. We have not collated that data.

**Senator MILNE**—How can you deliver a whole-of-government policy approach to climate change when you cannot tell me what are the subsidies, which are perverse incentives to pollute in the case of the fossil fuel sector?

**Dr Parkinson**—That is a matter of judgement. We have not collated that data.

**Senator MILNE**—Are you intending to collate that data?

**Dr Parkinson**—I have not approached the issue yet. We are in the process of trying to put in place the NGERs regulations and have that running; design and implement the emissions trading scheme, which will be the biggest structural reform in Australia since at least the 1980s; undertake the development of the expandable renewable energy target; design that; bring the legislation together; do all of the COAG related work to try to introduce some coherence to climate change policy there; work on the climate change science strategy; work on the climate change adaptation strategy and in our spare time do the international work. Frankly, I would have to say it may well be important but it is not on my list at the moment. I would be happy to come back to the issue at some point in the future.

**Senator MILNE**—I am fully cognisant of the work that is going in to trying to develop an ETS and everything that is going on, but I just do not think that in looking at the Australian economy you can actually approach climate change reduction across the board unless you know the extent to which the subsidies you are offering the fossil fuel sector are undermining

your effort or, conversely, the subsidies you are offering to the renewable energy industry and measure the cost benefit in terms of that.

With the feed-in tariffs, Professor Garnaut, obviously one of the things you would be hoping to get out of the feed-in tariff is reduced emissions, but that is not the only reason you would do it. It is also the bringing on of the new technology. Is that not a big advantage?

**Prof. Garnaut**—There is a question of what is the most efficient way to support new technology. My own view, as expressed in the interim report and the discussion paper on the ETS, is that direct support for innovation, for the development of the new technology where there is learning development of new techniques that others can learn from, is strongly justified and just in terms of the development of the industry that is the best focus. The special case for feed-in tariffs from the thinking that I have done comes from the particular timing and the reduction of transmission costs.

**Senator MILNE**—Thank you for that. We only have a few minutes to go, so I want to just go to some quick questions for the Minister or Dr Parkinson. Can you explain to me why there was no money allocated in this year's budget for commercialising renewable energy but there was \$35 million that went into clean coal in this year? Why did you delay that investment in renewables but give \$35 million to carbon so-called clean coal?

**Senator Wong**—At the outset I indicated to you, apropos of our previous discussion about taxation, that there is obviously a range of matters which have a climate change aspect which are not in this portfolio. The two areas which you identify, which is the Renewable Energy Fund and the Clean Coal Fund, are in Minister Ferguson's portfolio. I cannot provide you with an answer about a decision that was made in another portfolio.

**Senator MILNE**—Again, you have got overall carriage responsibility for climate strategy and climate policy for Australia and Minister Ferguson can get \$35 million this year for carbon capture and storage, but commercialising renewable energy gets nothing. How is this contributing to some consistency in responding to what is a global emergency? There is an urgency issue here.

**Senator Wong**—Yes. I am sorry, I would have to repeat my answer, which is that these are matters that really should be raised with Minister Ferguson's representative in the Senate, who I think is Minister Carr. I am not sure which committee the RET portfolio is appearing in, but I am sure it is appearing somewhere because they all do.

In terms this portfolio, obviously we do have responsibility for the renewable energy target, which is a very substantial short and medium-term policy measure to drive investment in renewable energies. I understand the position that your party takes in relation to coal. We, as a government, do not share it. We do have a view that, given how much of Australia's electricity sector, for example, is dependent on coal, if we want a response on climate change we do have to find a low emissions solution for coal. The view the government has taken is not to pick a particular technology per-se in terms of renewable versus coal, but to invest in both of those areas. As I said, in terms of start up that is something that you would have to address to Minister Ferguson's representative.

**Senator MILNE**—Did your department have any input or have you expressed a view, taken any position or directed any discussion with Minister Ferguson about the efficacy of floating coal to liquids as the transport fuel to replace oil?

**Dr Parkinson**—Not that I am aware of.

**Senator MILNE**—How can it be that the department which is coordinating a whole-of-government response to climate change does not have input into what the Minister for Resources is doing in terms of investing in carbon capture and storage or promoting coal to liquids?

**Senator Wong**—In terms of the investment in carbon capture and storage, I have outlined to you our rationale for that. That is a whole-of-government position.

**Senator MILNE**—What confidence have you got as a department or as a minister that this will be commercially viable, given that we have got 250 million tonnes from coal-fired power stations and the one pilot project in the Otways is 100,000 tonnes, so you would need 2,500 holes in the ground as big as the Otways every year just for coal-fired power, let alone coal to liquids. How many years are we going to wait to see if carbon capture and storage works? Is it going to be like fusion, 50 years away?

**Senator Wong**—I am not sure there is a question in that. That is a view and you are entitled to have it. I have to say there are those who put views not similar to me about the commercial deployability of some renewable energy technologies as well. The government's view is we have a set of commitments in relation to supporting renewable energies and also clean coal and the funds are in Minister Ferguson's portfolio. I have responsibility within this department for the renewable energy target.

**CHAIR**—I am about to wrap up. I would like to remind people that any further questions on notice have to be in to the secretary by 3 June. Answers to questions, more importantly, have to be in by 11 July. I would like to once again thank Professor Garnaut for coming. Thank you very much for coming along tonight and, again, I would like to thank you Minister for rearranging your schedule and that of your officers. I would also like to thank my committee but, more importantly, to thank the secretariat for their work and also for Hansard. I would like to say good night and travel home safely.

**Senator MILNE**—I would like to add my thanks for the departmental officers and the minister for making this time available because it is critical. Thank you.

**Committee adjourned at 10.54 pm**