



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## **SENATE**

STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE  
AND TRADE

ESTIMATES

**(Budget Estimates)**

THURSDAY, 5 JUNE 2008

CANBERRA

BY AUTHORITY OF THE SENATE



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**SENATE STANDING COMMITTEE ON  
FOREIGN AFFAIRS, DEFENCE AND TRADE**

**Thursday, 5 June 2008**

**Members:** Senator Mark Bishop (*Chair*), Senator Trood (*Deputy Chair*), Senators Cormann, Forshaw, Hogg, Sandy Macdonald and McEwen

**Participating members:** Senators Abetz, Adams, Allison, Barnett, Bartlett, Bernardi, Birmingham, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Bushby, George Campbell, Chapman, Colbeck, Jacinta Collins, Coonan, Crossin, Eggleston, Ellison, Fielding, Fierravanti-Wells, Fifield, Fisher, Heffernan, Humphries, Hurley, Hutchins, Johnston, Joyce, Kemp, Kirk, Lightfoot, Lundy, Ian Macdonald, McGauran, McLucas, Marshall, Mason, Milne, Minchin, Moore, Nash, Nettle, O'Brien, Parry, Patterson, Payne, Polley, Ronaldson, Scullion, Siewert, Stephens, Sterle, Stott Despoja, Troeth, Watson, Webber and Wortley

**Senators in attendance:** Senators Mark Bishop, Cormann, Hogg, Ian Macdonald, Sandy Macdonald, McEwen, Payne and Trood

**Committee met at 10 am**

**DEFENCE PORTFOLIO**

Consideration resumed from 4 June 2008

**In Attendance**

Senator Faulkner, Special Minister of State and Cabinet Secretary

**Department of Veterans' Affairs**

**Portfolio overview**

**Corporate and general matters**

**Outcome 1—Eligible persons (including veterans, serving and former Defence Force members, war widows and widowers, certain Australian Federal Police personnel with overseas service) and their dependents have access to appropriate income support and compensation in recognition of the effects of their service**

**1.1 Means tested income support, pension and allowances**

**1.2 Compensation pensions, allowances et cetera**

**1.3 Veterans' Review Board**

**1.4 Defence Home Loans Scheme**

**1.5 Incapacity payments, non-economic loss lump sums for injuries resulting in permanent impairment and payments to dependants of deceased employees through the SRCA**

**1.6 Administer individual merit reviews of SRCA decisions**

**1.7 Incapacity payments, non-economic lump sums through MRCA**

**1.8 Administer individual merit reviews of MRCA decisions**

Mr Mark Sullivan AO, Secretary

Mr Ed Killesteyn PSM, Deputy President

Mr Ken Douglas, General Manager, Service and Delivery

Mr Barry Telford, General Manager, Policy and Development

Mr Bob Solly, General Manager, Business Integrity

Dr Graeme Killer AO, Principal Medical Adviser

Mr Steven Groves, Chief Finance Officer

**Outcome 2—Eligible persons (including veterans, serving and former Defence Force members, war widows and widowers, certain Australian Federal Police personnel with overseas service) and their dependents have access to health and other care services that promote and maintain self-sufficiency, wellbeing and quality of life**

**2.1 Arrangement for delivery of services**

**2.2 Counselling and referral services**

**2.3 Deliver medical, rehabilitation and other related services under SRCA and related legislation**

**2.4 Deliver medical, rehabilitation and other related services under MRCA**

Mr Mark Sullivan AO, Secretary

Mr Ed Killesteyn PSM, Deputy President

Mr Ken Douglas, General Manager, Service and Delivery

Mr Barry Telford, General Manager, Policy and Development

Dr Graeme Killer AO, Principal Medical Adviser

Mr Steven Groves, Chief Finance Officer

**Outcome 3—The service and sacrifice of the men and women who served Australia and its allies in wars, conflicts and peace operations are acknowledged and commemorated**

**3.1 Develop and implement commemorative initiatives**

**3.2 Maintain, construct and refurbish war graves and postwar commemorations**

**3.3 Coordinate and manage the delivery of commemorative and related activities at Gallipoli**

Mr Mark Sullivan AO, Secretary

Mr Ed Killesteyn PSM, Deputy President

Ms Kerry Blackburn, General Manager, Commemorations and War Graves

Major General Paul Stevens AO (Retired), Director, Office of Australian War Graves

Mr Steven Groves, Chief Finance Officer

**Outcome 4—The veteran and defence and certain Australian Federal Police communities have access to advice and information about benefits, entitlements and services**

**4.1 Communication, community support and development services to the veteran community and providers, including veterans' local support groups**

**4.2 Advice and information to members of the Defence Force community and providers under the SRCA**

**4.3 Advice and information to members of the Defence Force community and providers under the MRCA**

Mr Mark Sullivan AO, Secretary

Mr Ed Killesteyn PSM, Deputy President

Ms Jo Schumann, General Manager, Corporate

Mr Bob Solly, General Manager, Business Integrity

Mr Ken Douglas, General Manager, Service and Delivery

Dr Graeme Killer AO, Principal Medical Adviser

Mr Barry Telford, General Manager, Policy and Development

Mr Robert Hamon, Acting National Manager, Parliamentary and Communication  
Mr Steven Groves, Chief Finance Officer

**Outcome 5—Serving and former Defence Force members and dependents have access to support services provided through joint arrangements between Veterans' Affairs and Defence**

**5.1 Joint Defence/DVA projects**

Mr Mark Sullivan AO, Secretary  
Mr Ed Killesteyn PSM, Deputy President  
Ms Jo Schumann, General Manager, Corporate  
Mr Bob Solly, General Manager, Business Integrity  
Mr Ken Douglas, General Manager, Service and Delivery  
Dr Graeme Killer AO, Principal Medical Adviser  
Mr Barry Telford, General Manager, Policy and Development  
Mr Robert Hamon, Acting National Manager, Parliamentary and Communication  
Mr Steven Groves, Chief Finance Officer

**Output Group 6—Provision of services to the Parliament, Ministerial services and the development of policy and internal operating regulations—attributed to outcomes 1 to 5**

Mr Mark Sullivan AO, Secretary  
Mr Ed Killesteyn PSM, Deputy President  
Ms Jo Schumann, General Manager, Corporate  
Mr Bob Solly, General Manager, Business Integrity  
Mr Ken Douglas, General Manager, Service and Delivery  
Mr Barry Telford, General Manager, Policy and Development  
Mr Robert Hamon, Acting National Manager, Parliamentary and Communication  
Mr Steven Groves, Chief Finance Officer  
Ms Carolyn Spiers, Principal Legal Adviser

**Australian War Memorial**

**Outcome 1—Australians remember, interpret and understand the Australian experience of war and its enduring impact on Australian society**

Major General Steve Gower AO, AO (Mil), Director  
Ms Carol Cartwright, Acting Assistant Director, Branch Head Public Programs  
Ms Nola Anderson, Assistant Director, Branch Head National Collection  
Ms Rhonda Adler, Assistant Director, Branch Head Corporate Services  
Ms Leanne Patterson, Acting Chief Finance Officer  
Ms Terri Barnwell, Acting Manager, Budgets and Financial Policy

**CHAIR (Senator Mark Bishop)**—I declare open this meeting of the Senate Standing Committee on Foreign Affairs, Defence and Trade. I welcome the Minister representing the Minister for Veteran Affairs, Senator Faulkner. I also welcome the secretary, Mr Mark Sullivan, and other officers from the Department of Veterans' Affairs. I take this opportunity to note that Mr Sullivan is leaving the department to take up the position of CEO of ACTEW and this will be his last appearance at estimates. On behalf of the committee, I thank Mr Sullivan for the assistance he has given the committee over many years and the contribution he has made to the estimates process. We wish him all the best in his future endeavours. From a personal note, Mr Sullivan, I worked with you for a number of years when you first came to

the department when I was looking after veterans' affairs from the perspective of the ALP and wish, in this forum, to acknowledge your total professionalism, integrity and the assistance you and your department gave me in those days. We wish you all the best in your future career.

The committee will begin with the portfolio overview and then consider the outcomes. When written questions on notice are received, the chair will state for the record the name of the senator who submitted the question. The questions will be forwarded to the department for an answer. I remind senators to provide their written questions on notice to the secretariat by close of business Wednesday, 11 June 2008. The committee has resolved that Thursday, 31 July 2008, is the return date of answers to questions taken on notice at these hearings. Please note that under standing order 26, the committee must take all evidence in public session. This also includes answers to questions on notice.

Witnesses are reminded that the evidence given to the committee is protected by parliamentary privilege. It is unlawful for anybody 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. The giving of false or misleading evidence to the committee may constitute a contempt of the Senate. The Senate, by resolution in 1999, endorsed the following test of relevance of questions at estimates hearings. Any questions going to the operation of financial positions of the departments and agencies which are seeking funds in the estimates are relevant questions for the purposes of estimates. The Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise. An officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy. He or she 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 shall state the ground on which the objection is taken and the committee will determine whether it will insist on an answer having regard to the ground which is claimed. Any claim that would be contrary to the public interest to answer a question must be made by the minister and should be accompanied by a statement setting out the basis for the claim.

[10.04 am]

#### **Department of Veterans' Affairs**

**CHAIR**—Minister, do you or any officer wish to make an opening statement?

**Senator Faulkner**—I am sure committee members are disappointed to see that I am at the table and not Senator Stephens but, because of the change to the committee schedule, Senator Stephens has other commitments for a least part of this morning and she may or may not be able to join us.

**CHAIR**—Senator Faulkner, you are always welcome here, you know that. Any other opening statements, Senator Faulkner?

**Senator Faulkner**—No, just to indicate that Senator Stephens does have other commitments and, as you are aware, the time of the meeting of the committee has changed. She may join us later.

**CHAIR**—Are there any questions for portfolio overview?

**Senator CORMANN**—With your indulgence, I would also like to acknowledge the outstanding contribution that Mr Sullivan has made to Veterans' Affairs over the last four years in the role of secretary. He is very highly regarded by the veteran community and we wish him well in his future career. Minister, my first question would be to you, representing the government: when did you first become aware of the resignation of the department secretary?

**Senator Faulkner**—When did I become aware of it?

**Senator CORMANN**—The government.

**Senator Faulkner**—I do not know when the minister was informed of that or the Prime Minister. You would appreciate that I merely represent the minister here at the committee. I will seek some private advice from Mr Sullivan, who may be able to assist me in answering your question. The secretary has advised me that these matters were formalised in advice to the Governor-General, the minister and Prime Minister on Monday of this week.

**Senator CORMANN**—Formalised on Monday this week? When did the government first become aware? Can you maybe take that on notice, if you are the minister representing the government?

**Senator Faulkner**—I am not sure that I can do any better than I have done. I have used the term formal advice deliberately because that is what the secretary is obligated to provide. Again, I will just check with the secretary. What I have said is accurate.

**Senator CORMANN**—It was formalised on Monday but, presumably before it gets formalised, there would have been a process preceding that and I am looking for the date.

**Senator Faulkner**—It is always risky in committees like this to make presumptions like that. I do not think that you should make that presumption because in this instance it is not warranted.

**Senator CORMANN**—I will not make the presumption then. Okay, so you are telling me, in that circumstance, the first advice to government as well as a formalisation of the resignation happened on the one day? It is one or the other; I thought there was a process.

**Senator Faulkner**—As you would appreciate, I am not a first party in relation to this. I am representing the Minister for Veterans' Affairs at the table and I am dependent on advice that Mr Sullivan has provided to me at the table. I am very confident that the advice that I have provided to you is accurate. I can say that with Mr Sullivan sitting beside me at the table and obviously in a position to intercede if I am in any way not providing the committee with accurate information. What I have said, he assures me, is correct. You appreciate that obviously it is a matter that I would not have a direct involvement in and hence I am informed in this by Mr Sullivan who has indicated that that is when he determined to undertake the course of action that he has.

**Senator CORMANN**—I fully appreciate that you do not have first-hand knowledge of this, which is why I have asked you to take the question on notice and perhaps check with the minister whether he is able to add anything to the answer that you have so far given.

**Senator Faulkner**—In the interests of transparency and given that you are asking me these questions, in this instance why do we not ask Mr Sullivan. I have checked with Mr Sullivan who is the subject of your questioning and he is relaxed in providing a response himself. That might assist you. I really do not think it appropriate to take such a question on notice when I have tried to give a very clear indication to you. Let us allow Mr Sullivan to add to my answer if he can provide any further information. That seems sensible in the circumstances.

**Senator CORMANN**—The reason I addressed the question to the minister was that I felt it was not appropriate to directly address a question of this nature to the secretary, who is obviously directly involved. If the secretary is comfortable with providing the answer to the question—

**Senator Faulkner**—That is what I have suggested, Senator. Indeed, I think that is a fair intervention that you make. Mr Sullivan has indicated to me that that was when he provided advice to government, but he can confirm this directly for you at the table. That seems sensible.

**CHAIR**—Mr Sullivan, why do you not address the response.

**Mr Sullivan**—Thank you, Senator. It is a matter of public record when the ACTEW position was advertised nationally. Clearly, it was after that date that I was interested. I made my decision to accept that job on Friday evening when I informed the board of ACTEW that I would. I informed the head of Prime Minister and Cabinet and my minister on Monday, my senior staff on Monday and I submitted my letters of resignation as Secretary to the Department of Veterans' Affairs on Monday, as President of the Repatriation Commission and as Chairman of the Military Rehabilitation and Compensation Commission on Monday.

**Senator CORMANN**—Thank you, Mr Sullivan. So it all happened in one day as far as the government process was concerned.

**Mr Sullivan**—Yes.

**Senator CORMANN**—Thank you. Minister please jump in if you think it more appropriate for you to answer this question, but Mr Sullivan is your resignation linked in any way to your assessment of the impact that the budget cuts have imposed on the Department of Veterans' Affairs?

**Mr Sullivan**—I have never run from a challenge in my life, Senator. There is an implication in that question which I do not appreciate. It is almost 25 years ago today that I first appeared at an estimates committee in respect of the then government for the Special Broadcasting Service. I have been through changes of government; I have been through 1996 cuts to a portfolio I represented; I have been through this change of government; that challenge is a challenge that I would have warmly welcomed to work through what departments and senior people in departments must appropriately work through as governments make decisions.

**Senator CORMANN**—Is it correct that as a result of the efficiency dividend your department is facing a cut of 195 FTE? That is right, is it not?

**Senator Faulkner**—Senator, I think Mr Sullivan has more than effectively put that conspiracy theory to bed.

**Senator CORMANN**—I am asking some more questions.

**Senator Faulkner**—Fine; I have just said that Mr Sullivan has put that conspiracy theory to bed so let us try the next one.

**CHAIR**—Let us just understand where we are at. You have asked questions to date regarding about the reason for resignation of Mr Sullivan. He has indicated a willingness to fully respond. Do you have further questions on Mr Sullivan's resignation from his position as Secretary to the Department of Veterans Affairs?

**Senator CORMANN**—I do indeed. Has the fact that 195 FTE's have been cut out of his department out of 2,295 contributed to his decision to leave the department?

**Mr Sullivan**—No.

**Senator CORMANN**—Thank you. I agree to cede to Senator Ian Macdonald because he has to go to another commitment.

[10.14 am]

**CHAIR**—Senator Macdonald. We are on output 1.

**Senator IAN MACDONALD**—Thanks, Mr Chairman. I have some general questions about commemorations. If it is not appropriate, or the officers cannot answer them, by way of explanation, it is the commemoration of Wally Brown—a Queensland journalist here for many years—which I would like to go to.

**Senator Faulkner**—If it would assist Senator Macdonald and with the committee's indulgence, I am very happy to help, particularly if Senator Macdonald has another commitment. We will certainly do our best to assist Senator Macdonald.

**Senator IAN MACDONALD**—Mr Sullivan, ACTEW's gain is our loss. I am very sad to see you going from this or any portfolio in government service. You leave, of course, with everyone's goodwill and congratulations on a job very well done. On a personal note, I am sorry to see you taking the ACTEW one, but good luck for the future and thank you very much for what you have done.

**Mr Sullivan**—Thank you, Senator.

**Senator IAN MACDONALD**—Congratulations on the dawn service at Villers-Bretonneux, where we last met. I understand there are sensitivities about whether that will be continued on next year. How far have we advanced on making a decision on whether that will happen?

**Mr Sullivan**—As the Prime Minister has indicated, the government's desire is that the dawn service at Villers-Bretonneux on Anzac Day be repeated. We have taken that view to the local French authorities. They have acceded and concurred with that view and we are in planning to conduct future dawn services at Villers-Bretonneux.

**Senator IAN MACDONALD**—Has that been publicly announced?

**Mr Sullivan**—When he made his statement about the desire for it to occur, I think the Prime Minister made it clear that it would occur unless something on the French side prevented it. I think publicly our community believes it will occur.

**Senator IAN MACDONALD**—And to date you have had no serious objections from the French, and they will continue their community service, which is more about the battle of Villers-Bretonneux than about Anzac Day. They just happen to coincide. Is that correct?

**Mr Sullivan**—My understanding is that they are very comfortable. The next two Anzac Days are on weekends, which means they will coincide with the community services. They are working through a way to make sure that everything works. But they were very pleased. I think the French reaction, the community reaction, to this year's service was a very positive one. I think they see it as a positive thing that there will be an official, formal dawn service commemoration leading into their community commemorations.

**Senator IAN MACDONALD**—Thank you. I notice that Major General Stevens has come to the table. If I could extend my congratulations to you, to the Australian embassy and to the department for the marvellous work done all the time, but particularly this year at Villers-Bretonneux. It was a credit to everyone involved.

Could I get a quick update on the interpretive centre. My discussions with Minister Faulkner suggest that he is a keen advocate for the interpretive centre continuing. Is there an official update you can give me? I am not going to ask and argue about the place in just this estimates because that will take longer and I do not want to impose upon the indulgence of my colleagues.

**Mr Sullivan**—There is no official update on that. As I said, it was very important for us that the minister was in France and was able to look at the issues around the notion of an interpretive centre. He has come back enthused and with his own ideas. We will work with him in taking that forward—the government—in the timetable that we have indicated in the past.

**Senator IAN MACDONALD**—Senator Bishop talks about the *Yes Minister* program and said that it is a danger leaving the minister out on his own on a weekend!

**Mr Sullivan**—He was well escorted by Major General Stevens!

**CHAIR**—I am not going to pursue this!

**Senator IAN MACDONALD**—Sorry for disclosing that confidence, Chair! I noticed that the photo of the Prime Minister at Hyde Park did not show water running over the memorial while he was there. Was it a bad photograph?

**Major Gen. Stevens**—I was there in April and the water was running.

**Senator IAN MACDONALD**—But not when the Prime Minister was there?

**Major Gen. Stevens**—No, it was running when he was there.

**Senator IAN MACDONALD**—Okay, excellent. Tell the newspaper to get a better photographer. I am delighted to see it; unfortunately, I have not been able to see it with the water running. Finally, there was a lot of talk last year about what are called, with their

approval I understand, the 'fuzzy wuzzy angels' in New Guinea. I know the previous government was very keen to make some recognition of them. I understand that work was progressed last year towards recognising them. Is that going to proceed; has the new government made any commitment one way or the other?

**Mr Sullivan**—The matter is before the government and no decision has been taken as to how to take that matter forward.

**Senator IAN MACDONALD**—I understand there was a lot of work done and perhaps some materials were prepared last year towards this end. Is that right?

**Mr Sullivan**—There was an amount of preliminary work done, but the previous government in the end did not take a decision as to what to do. This government is considering what it should do.

**Senator IAN MACDONALD**—I thought certain commemorative articles had actually been struck.

**Mr Sullivan**—As I said, some preliminary work was done. I think it is important to note that no decision was taken by the prior government as to what to do.

**Senator IAN MACDONALD**—Thanks very much, Mr Sullivan, and Major General Stevens. They are really the only questions I have on this area and I appreciate the minister and my colleagues allowing me to intervene. Having been nice to the committee and to you, Chair, can I just throw a brickbat and say that I did have questions on certain aspects of defence which were listed on the program as being for today. Because of your efficiency, you obviously got to them yesterday, but for those of us who were strictly following the thing, we have been denied. With your indulgence, Chair, I wonder if I could perhaps just ask the minister to take on notice a question. On page 120 of the portfolio budget statement it is shown that some money has been set aside for general medical and dental care in certain army bases. Two of those mentioned are Tindal and Cairns and an amount of \$12.12 million is set aside in the budget over the four years from 2008-09. I am conscious that the Labor Party election commitment—I am referring to the one by Mr Fitzgibbon, Mr Griffith and Mr Turnour—indicated that \$33 million would be spent on these clinics. I am wondering what the difference is and what is to miss out if \$33 million was intended to be allocated for the 12 clinics yet the budget only provides for some \$12 million. I suspect, Senator Faulkner, you would not be able to answer that from your own knowledge.

**Senator Faulkner**—I can say to you that in fact the issue that you have raised was canvassed at quite considerable length during the examination of the estimates of the Department of Defence. My recollection is that these issues were canvassed by senators, but the precise issue of proposed costings was not dealt with in detail. I am certainly happy to take that element of your question on notice.

**Senator IAN MACDONALD**—Thank you. As I said, I was attending other estimates anticipating this would be on today as per the original program. If you could also take on notice: what is being spent at Tindal and Cairns and how does that reconcile with the commitment made prior to the election?

**Senator Faulkner**—As I said, I did speak about some of these issues at great length, some would suggest too great a length perhaps, during yesterday's hearing. I will ensure that those are dealt with as questions on notice for Defence.

**Senator IAN MACDONALD**—Thank you, Minister, and thank you, Chair.

**CHAIR**—We will return to the program. We are in portfolio overview, corporate and general matters, outcome 1 relating to income support. Are there further questions?

**Senator CORMANN**—When was the department first advised of the requirement to apply a two per cent efficiency dividend?

**Mr Sullivan**—I would have to take on notice the exact time. But it was at the same time that all government agencies were notified of the government's decision.

**Senator CORMANN**—Can you give us a month, if not a date?

**Mr Sullivan**—It was shortly after the government took office.

**Senator CORMANN**—Was it in December?

**Mr Sullivan**—I suspect January rather than December, but I can find that out for you.

**Senator CORMANN**—What will be the impact on jobs and program cuts? Can you detail that for us?

**Mr Sullivan**—There is no impact on program cuts because the efficiency dividend is not applied against administered expenses. So, in terms of the \$11½ billion that is being applied to veterans services in this country, the efficiency dividend has no impact whatsoever. Our departmental budget is affected by a number of factors which go to our reducing population of veterans and the workload associated with it.

There are four things that affect our resources. We have had, since 2005-06, a resourcing agreement in place with the department of finance. It was negotiated in 2005-06 and signed off by then Minister Kelly. So far, that has seen reductions in our resourcing through to 2007-08 of \$13.9 million, and will result in a further reduction in our resourcing this year of \$18.7 million. The 1.25 per cent efficiency dividend of the previous government through to 2006-07 has cost us \$10.5 million, and will cost us a further \$10 million this year. I'm sorry; it cost us \$21.169 million—I should put my glasses on! —to 2007-08, and a further \$14.499 million this year. The two per cent efficiency dividend cost us \$1.461 million in 2007-08 and will cost us \$6.007 million in 2008-09. The previous government also required that we absorb the costs of our information technology redevelopment, other than the capital costs, and that has so far meant that we have cumulative savings of \$4.025 million. They are in combination, so, in terms of 2008-09, \$33 million from the resourcing agreements and efficiency dividends of the previous government, \$2.68 million in respect of IT and \$6 million in respect of the two per cent are why we will see a reduction in our average FTE of 195 staff.

**Senator CORMANN**—So between 2007 and 2008, you will have a reduction of average FTE of 195 out of 2,295.

**Mr Sullivan**—That is right.

**Senator CORMANN**—How can that not impact on your services? That is 8½ per cent of the FTE level in your department. Did you have 8½ per cent too many staff?

**Mr Sullivan**—No. A large department of state is made up of many areas. We are protecting and believe we will continue to protect those areas which are responsible for front-line services to veterans. To give you some idea of how we are approaching this, we have decided to reduce the management numbers within the department. We have already achieved a 10 per cent reduction in our senior executive service numbers and about a seven or eight per cent reduction in our executive-level officer positions in the department. That is a decision which we have taken that will help us.

Other than that, we have looked very hard at how we can work on our backroom functions as opposed to our front office functions, and at how we can consolidate them, how we can rationalise them and how we can make the savings. I am not in any way suggesting that—as a result of the accumulation of those decisions of the previous government in respect of our resourcing agreement and our efficiency dividend then—this new efficiency dividend plus the IT is going to be easy. But the minister has given me and the department the job of being able to manage these resource constraints and not affect service levels.

Our view is that that is achievable. It will require a lot of hard work by public servants in my department—and they are not afraid of hard work; they have shown that for many years. It will require a change in the way that we organise ourselves, particularly in terms of the front office and back office. It will see a reduction in our senior management layers—which some people think is a great idea anyway. It is a risk, but I think it is a good place to start when you have to make cuts. It will see us continue to invest heavily in some of our information technology systems to produce the sorts of efficiencies that we believe good, current IT systems can produce.

It is a challenge; it is not easy. I do not accept that it will have an impact on services—as I say, it is very important to remember that none of these factors I have talked about affect services to veterans. Services to veterans are protected, and again this year we had the highest spend on services to veterans ever, despite the fact that the numbers of veterans we serve continue to fall quite dramatically.

**Senator CORMANN**—We will get to that in a minute. You have given me some examples of where you are going to make cuts, like focusing on senior management levels first, which would seem to be, dare I say it, the popular thing to do, as you have indicated yourself. Have you got a more detailed and comprehensive assessment yet as to what is going to make up the 195 job cuts?

**Mr Sullivan**—The other factor that I must put on the table, because it will make sense to you immediately, is of course that we believe our veteran numbers will fall by about eight to nine per cent this year, and our transaction loadings will fall by about eight to nine per cent. So we will make some savings by not having to apply as many people as we have had to previously to our general processing because of a decline in veteran numbers and veteran business. Whether we have a dispute or difference about whether the resourcing agreement is fair in respect of our numbers—and that is something between us and government, through the Department of Finance and Deregulation—there is no mistaking the fact that our workloads and populations are falling and falling quite dramatically, which is good news. In veterans' affairs, workload falling is good news for the country.

**CHAIR**—Not good for those veterans, of course.

**Mr Sullivan**—No.

**Senator Faulkner**—We all know, because I am a former Veterans' Affairs minister myself, Senator, that the numbers are declining—and of course there are the World War II veterans whose numbers are declining.

**CHAIR**—We understand it is an age factor.

**Senator CORMANN**—Mr Sullivan, I understand that the number of veterans is falling but I also understood that the number of services accessed by those veterans, albeit a reducing number of veterans, was actually not reducing.

**Mr Sullivan**—The services to veterans in terms of numbers of transactions are reducing. What you may be missing there is the fact that we are spending the same or more money, but the number of transactions, if you look at our key transaction groups like the number of income support claims made, the number of compensation claims made, the number of requests for appliances, the number of requests for many of our services—and this is outlined in some detail in our annual report—is declining in line with our population.

**Senator CORMANN**—Is that because you are planning to restrict eligibility for some of those services?

**Mr Sullivan**—No. This is against expanded eligibility.

**Senator CORMANN**—When we get into some of the further outcomes, you are obviously restricting eligibility on a whole range of services.

**Senator Faulkner**—Perhaps it is best put this way. I think what Mr Sullivan is saying to you is both accurate and fair. As we talk about the number of services decreasing because of the trends in the veteran community, it is also important for you to understand and realise that service standards are being maintained. That is the point that is being made. That is the other critical element of what is occurring here.

**Mr Killesteyn**—I think it is important to also understand that the process of the department becoming smaller is not just something that has happened as a consequence of the 2008-09 budget. We have been getting smaller every year now since 2005-06. In fact, if you look at the size of the department today in comparison to what it was three years ago, we have lost already over 200 positions, and that is simply driven by the shrinking workloads as a consequence of the decline in veteran numbers. Over that same time, you will see the performance of the department in terms of the standards that we use to demonstrate services to veterans, particularly the time taken to process compensation claims and income support claims, has actually improved.

So we have been able to meet the natural consequences of the department getting smaller because of workloads but at the same time deal with the service issue. As the secretary said, we expect that we will be able to continue to do that over this financial year. It will not be easy; but we expect that, through the range of strategies that we have in place, we will be able to meet the decline in staffing of 190-odd but, at the same time, maintain the service levels that we have established in the past.

**Senator CORMANN**—Thank you very much for that. The reason I am asking this question is that we want to be reassured that, as a result of those efficiency dividends and budget cuts, there will not be an impact on the quality of services received by our veterans. That is the purpose of the question. What I hear you saying is that the department are able to provide a guarantee that they will provide the same level of service to the public and to the states, despite the efficiency dividend that you have to apply.

**Mr Sullivan**—I think you can say that that is our aim. It is always our aim. We have a constituency of veterans who, if we slip up in that aim, will be telling us very directly—and we would expect that.

**Senator CORMANN**—Have you made any provision for any redundancy payments in the event of job cuts?

**Mr Sullivan**—Yes.

**Senator CORMANN**—Can you give us some detail on that?

**Mr Sullivan**—We have already negotiated approximately 70 voluntary redundancies. I will have to take on notice the cost of those redundancies; they are not completed yet.

**Senator CORMANN**—Thank you.

**Mr Sullivan**—Yes, we will probably continue, in a reasonably modest and targeted way, with some further redundancies. Our staff reductions generally have been achieved with natural attrition.

**Senator CORMANN**—Have there been any forced redundancies?

**Mr Sullivan**—No.

**Senator CORMANN**—Do you anticipate any forced redundancies?

**Mr Sullivan**—I would hope not. The aim that we have put to staff from the department is that there will not be forced redundancies as a result of budget cuts.

**Senator CORMANN**—We talked before about senior management and other levels, but in what specific work areas have jobs actually been lost?

**Mr Sullivan**—The targets of our reductions have been across those areas where our transaction numbers are falling fastest.

**Senator CORMANN**—Can you specify which ones they are?

**Mr Killesteyn**—Senator, I think I can add a little bit more detail. Our focus, in terms of meeting the budget, has been right across the department. We are looking at all areas, not just those areas which are associated with the processing of compensation claims or income support. In fact, some of our earlier work is very much focused on what you might call the back office functions or the corporate support functions. I can give you a few examples. Internal support services, such as accommodation issues, HR issues and information technology issues, is an area where we have initially done some rearrangement. We now have one single corporate services centre, as we call it, in each office, and that has enabled us to save positions in those areas. We are focusing on issues like information technology to make sure that all of the expenditure in information technology is very carefully managed. We will

see, over the course of this year, perhaps a 10 per cent saving in the amount that we are spending on information technology. That is much more careful management of the staff in that area.

We are looking at administration expenditure—not administrative expenditure, as Mr Sullivan clarified in relation to benefits going to veterans, but the administration side: things like paper, pens and all that sort of equipment. We are bearing down very heavily on travel of our staff and we will make savings in that area.

So our strategy is to start in those areas which do not have an impact on staffing. Nevertheless, there will be some obvious reduction in staffing. But it is to try to avoid those issues which have a direct impact on services.

**Senator CORMANN**—Thank you. Would you be able to—perhaps on notice—provide us with more specific information on which work areas have lost staff and what levels those staff who lost their jobs were employed at? That concludes my questions on efficiency dividends.

**CHAIR**—We will continue on outcome 1. Any further questions on outcome 1?

**Mr Killesteyn**—Senator Cormann, you asked a question earlier about the point at which we became aware of the two per cent efficiency dividend. It was included in an estimates memorandum, 2008 No. 3, issued by the Department of Finance and Deregulation on 6 January this year.

**Senator CORMANN**—Thank you.

**CHAIR**—Senator Trood.

**Senator TROOD**—Mr Sullivan, my question is actually on the point that Senator Cormann was raising with you a moment ago. I just wanted to clarify the approach that the department is taking. I understand the point you are making about the decline in population and how that is in one sense perhaps easing the burden of the efficiency dividend on your resources. But is the particular challenge of the population continuing into longer life—ageing, getting frailer and requiring intensive care—a difficult one for the department to manage? I can see that if the population is declining then it eases the burden; but, if the population is actually living longer, increasingly frail and requiring an intensification of services, is that a difficulty for the department?

**Mr Sullivan**—Aged care is a major policy issue for us—aged and frail care. The nature of the development of the way that we approach service delivery is such that, for people receiving health services, including aged care services, the transaction workload for us is not great. In respect of aged care we basically make a transfer of our appropriation to Health and Ageing, who manage a lot of the aged care processes for us. We deliver services around veterans' health care: transport services, going to the doctor, going to allied health services. A veteran or a member of the veteran community who has a gold card will be able to utilise that gold card more and more now without any reference to us. They basically approach the provider, the service is provided and, between the provider and us, we work out the commerce of the transaction. In our mix of transactions, they are not the difficult, complex ones.

Our difficult, complex transactions are around claims processing and the nature of claims processing in dealing with the needs of, at one end, the aged veteran, with aged care facilities

and services for the aged—which, while I think there is still a lot to be done, are reasonably settled—and, at the other end, the younger veteran and services for them. The younger veteran may be affected by issues surrounding mental health, their rehabilitation and their desire to re-enter the workforce. That is probably where we are seeing an amount of work.

The thing about dealing with older and older people is that it is more complex because there is a difficulty sometimes in communication. Sometimes communication can be long. We have a transaction which we call ‘have a chat’, and people like talking to an officer of the Department of Veterans’ Affairs for a long time about issues surrounding them and the world, and we try to accommodate that and we work through those. I think the changing demographic is very important for us but I do not think it imposes.

On the efficiency dividend, I just want to say that it is our resourcing agreement that drives our resources around our numbers. Our efficiency dividend goes on top of that, so we have to find efficiencies. The falling veteran numbers, we think, are more than catered for in terms of our resource reductions coming from the resource agreement signed with the previous government in 2005-06. With the efficiency dividend, be it the 1¼ per cent or the two per cent, it is the same for us as it is for any other agency: we have to find that through improved efficiencies.

**Senator TROOD**—Just on that general theme, I understand several RSL groups have raised questions and concerns about aged-care beds for veterans. I wondered whether or not you had any statistics about the availability of hospital beds or nursing home beds for veterans, and whether or not that need is being met satisfactorily.

**Mr Sullivan**—There is no issue around hospital beds for veterans. Those entitled to services from us now have almost the full range of both public and private hospitals in Australia which they can automatically access in respect of services deemed necessary by their doctors. Aged-care veterans are a special status group, which assists those organisations in building and seeking licences for aged care. There are many veterans organisations—particularly, say, RSL Care in New South Wales, RSL Care in Queensland, the Air Force Association and many, many others—who are front-line providers of aged-care services to veterans. That seems to be a flourishing area.

So I think veterans are probably better off in terms of access to aged-care facilities than the general community—although, having said that, if there are issues for the general community then they may also be felt at times by veterans. But they are given special status. They are certainly given additional care in respect of their desire to stay in their own homes, and many of our programs assist veterans in staying in their own homes. Demand for aged-care facilities in this country is high. Sometimes people do not understand why, as a result of their assessment, they may not be eligible for aged-care homes and that having a special status does not give a veteran access to aged care if they do not meet the assessment requirement for aged care. They must meet the assessment required; then they have a special status.

**Senator TROOD**—Demand is indeed high. Do you know if the number of veterans waiting to get into aged-care facilities is large or is growing? Or, indeed, do you have a list of veterans who are waiting?

**Mr Sullivan**—I think the Department of Health and Ageing are better positioned in this respect because they have to take account of their special needs groups. Our knowledge probably comes mostly from our interaction with the veterans organisations engaged in aged-care facilities. Certainly, I think that the budget decision to assist RSL Care in New South Wales in delivering further veteran-labelled aged-care facilities in areas of need in New South Wales reflects the fact that there are areas of need for veterans around the country. Health and Ageing certainly have very comprehensive data on where they believe there are areas of shortage. I suspect the veteran community generally reflects the aged community in respect of where those shortages are. Veterans tend to go, in their retirement, to similar areas as aged Australians: northern New South Wales, south-eastern Queensland, places where there have been significant population increases in terms of the aged population. There are certainly areas of need. I think, though, that material which is in Health and Ageing could be useful.

**Senator TROOD**—So the Health and Ageing portfolio is the collector of the statistics on this, rather than you.

**Mr Sullivan**—They are basically the managers of aged care in this country, including for veterans.

**Senator TROOD**—Thank you.

**CHAIR**—Are there further questions on outcome 1?

**Senator CORMANN**—Yes. I would like to take you to page 409 of Budget Paper No. 2, in relation to partner service pension age eligibility. Currently the age eligibility for partner service pensions sits at 50 years. Is that correct?

**Mr Sullivan**—That is right.

**Senator CORMANN**—And the government is proposing to increase that, in one hit, to 58½ years?

**Mr Sullivan**—That is right.

**Senator CORMANN**—And you are expecting to save \$35.1 million over four years as a result?

**Mr Sullivan**—That is right.

**Senator CORMANN**—What is the justification for that? In the context of a \$21.7 billion surplus, why would you restrict that pension and have that sort of one-hit impact on the partners of our servicemen?

**Mr Sullivan**—In one way, the payment of partner service pension to a partner of a veteran at age 50 has been a somewhat anomalous policy position and it has been understood to be an anomalous policy position. We pay service pension at age 60. The historical background to that was that after the First World War there was a view that the life expectancy of servicemen of the First World War was lower than that of the general population. In fact, I think it was the Australian Statistician who was asked to do a study of that. He concluded that, in respect of the First AIF, that was true—that their life expectancy was on average about five years less than that of the general population. In response to that, the government gave access to service pension. Remember, service pension is an income-tested, assets-tested income-support

payment to eligible service men and women, so they made the eligibility date at age 60. If you ask me why it was decided that partner service pension should be available at age 50—10 years earlier than the then age pension rate for women, 10 years earlier than the service pension age for men, which was statistically validated in terms of its policy background—you would wonder. I think it was reasonable in terms of a government which was looking for savings for us to basically put forward that this was an anomalous position to have and therefore it was logical. It fits in with social security legislation.

The only argument that in terms of development of this was that in some instances partners of service men and women face particular challenges which may be associated with the care of those service men and women. That is why the measure specifically excludes the partners of TPIs, who are not subject to the limit in respect of age 58½. They will continue to be eligible for a partner service pension at age 50, and the minister is still considering whether any further consideration of above general rate pensioners should be made in respect of that.

Remember, however, on the carer side of things that a partner—generally a woman—of a serviceperson who believes they have significant caring responsibilities in respect of their partner would be eligible for a carer pension, which is the same monetary amount as the current partner service pension anyway. It basically fits with the policy which has been part of social security policy. It was not amended at a time when age pension age criteria for women were adjusted. It has been brought into line with where that adjustment is up to but it has preserved a five-year earlier entitlement to pension than the ordinary population, particularly women, have. If it is a male, it is still five years younger than a pension eligibility.

**CHAIR**—Thank you, Mr Sullivan. You might just answer the question you raised but did not answer. Why was the original partner service pension paid at the age of 50? What was the justification then?

**Mr Sullivan**—I do not know.

**CHAIR**—Has it always been—

**Mr Sullivan**—It has been there for a long time.

**Senator CORMANN**—You are pre-empting my question a bit, Chair.

**CHAIR**—The Chair is allowed to do that; that is his right.

**Senator CORMANN**—I do not share your assessment that it is an anomaly. I think it was a benefit in recognition of the service provided by our veterans and, as you have mentioned, the particular challenges faced by partners of our veterans. Even if the decision was made to lift the pension from age 50, why was it lifted in one hit from 50 to 58½? Why was it not phased in over a period of time? You have a whole heap of partners of veterans who would have planned their financial affairs on the basis of expecting to get access to this benefit from age 50. You changed the goalposts in one hit from age 50 to 58½. There are a whole group of partners of veterans that will be thrown out in terms of their financial planning. You are expecting to save \$35.1 million over four years, so there clearly must be an impact on partners of veterans?

**Mr Sullivan**—There is no doubt there is an impact on people—we are not going to walk away from that. The advice we gave government, and which was accepted, was that we

should bring this into line immediately with the social security age regime—five years advanced in respect of its transition to pension age. I make the point that until 30 June anyone who is eligible for a partner service pension and is over age 50 can apply. The old criteria apply to them. It is not one of those, ‘As of budget night you cannot do this,’ measures. I do not encourage any 50-year-old partner to decide to leave the workforce and survive on income support. That is not a really good idea. But there are circumstances where a person may decide they should do that, and I would encourage them that they should be taking and seeking financial advice before making that decision. If they wish to apply for partner service pension at age 50 or above now, they still have another 24 days to do so.

**Senator CORMANN**—You listed in the budget papers that you expect a saving of \$35.1 million, so you must have done some modelling of the people that you expect to be impacted by this. I hear what you are saying about people aged 50 today, but what about the people at age 49?

**Mr Sullivan**—They will not be eligible. Do not mistake me. I am telling you that people aged 50 to 58½ who are not in caring roles and who are not partners of a TPI pensioner will not be eligible for partner service pension.

**Senator CORMANN**—So as soon as this budget is passed, people aged between 50 and 58½—partners of veterans, former servicemen—will no longer be eligible for service pension?

**Mr Sullivan**—After 30 June, subject to the legislation.

**Senator CORMANN**—And you expect a saving of \$35.1 million.

**Mr Sullivan**—I do not get that. The government has that saving. That is their saving.

**Senator CORMANN**—I was using the royal ‘you’.

**Mr Sullivan**—It would solve my resourcing problem if I could have that saving actually.

**Senator Faulkner**—I might be worried that you had such a significant resource.

**Senator CORMANN**—Can you provide us, on notice if you must, details of the number of partners of veterans that you expect to no longer be able to access this service pension as a result of this measure?

**Mr Sullivan**—On notice, we can provide you with some historical data on the age of partner service pension applicants. That is the basis of what we provided to government. The best thing we can give you is to say that, based on historical applications, this is the age people applied for partner service pension. That will, I think, do what you are seeking to do.

**Senator CORMANN**—If it will do what I am seeking to do, that is great. You said that the government accepted your advice; so, on the basis of that, you initiated this particular initiative. You would have done some modelling—

**Mr Sullivan**—Advice to government is advice to government, Senator, as you know. I will give you some historical information in terms of agent application.

**Senator CORMANN**—Can you provide us with the detail of the number of partners of veterans that you expect, as a result of this budget measure, to no longer be able to access the partner service pension?

**Mr Sullivan**—Yes, we will provide that on notice.

**Senator CORMANN**—The other one I would like to talk about on partner service pension is on page 410 of Budget Paper No. 2—cease payment to married partners who are separated but not divorced. You expect to save \$77.8 million over four years in anticipation that some affected partners will transfer to other income support payments. As you are expecting a \$33.9 million related cost, what form of welfare do you expect those separated but still married partners of veterans to access?

**Mr Sullivan**—We are talking here where a decision has been made and that a relationship has broken down and that relationship has been over for 12 months.

**Senator CORMANN**—But they are still married.

**Mr Sullivan**—We pay partner service pension rates to de facto couples. We do not distinguish in terms of the payment and application of such pensions as to whether a person is in a de jure marriage or a de facto relationship. So it is eminently sensible that you apply that same logic and thinking once that relationship has broken down, which is a matter of a determination—and I use the words ‘the relationship has broken down’ because there has been a little bit of, I hope, misunderstanding, rather than misinformation, that it is purely around physical separation. That is an element of a relationship breakdown but in many cases that does not mean at all that a relationship has broken down. It is about relationship breakdown for 12 months. If a person has that they then would cease their eligibility for a partner service pension. That would depend upon the person’s age and circumstances. If they were over 58½ years of age they would be immediately eligible for an age pension. If they are not eligible for an age pension, they would be eligible, subject to their income and their assets, for other Commonwealth benefits. That could include Newstart, it could include a disability support pension if they were eligible for such a payment, or it could include other things. If they had formed a new relationship, then it could be that they are eligible for other forms. But it would take you to tell me to go through the analysis of the circumstances of individuals. But there is no risk. One of the great things—and I have worked in social security in this country for a long time—is that the safety net in respect of income support for individuals in this country does not disappear by a measure that says that we will cease a partners service pension 12 months after a relationship has broken down or where they form a new relationship.

**Senator CORMANN**—You have essentially identified a section of what is currently part of the veterans’ community and you have shifted it to social welfare. That is what you have done, isn’t it? And you expect to save \$77.8 million over four years. So you must have a good understanding of the number of people that would be in this sort of category.

**Mr Sullivan**—We can currently pay, where a person remains in a de jure marriage but is separated, multiple partner service pensions. It is actually seen as a policy of discouragement to repartnering, or a policy of discouragement if you repartner, to formalise that partnership in a new formal marriage relationship if you wish. The policy as it stands, subject to the legislation to put through this budget measure. I think from a policy viewpoint that review was very much needed, and looking at the issues of which the previous and current governments continue to do—and that is that accepting that a number of relationships do

break down and break down permanently—it is important to ensure that the partners in that relationship can get on with their life, can look at the workforce and again, if necessary, rely on income support payments to protect them when they are vulnerable. The fact that it is possible to pay multiple service pensions to ensure you do not enter new relationships I do not think is good policy. Yes, it saves money, but good policy that saves money is pretty good.

**Senator CORMANN**—Mr Sullivan, you talk about how relationships break down permanently, but the thing that formalises a permanent breakdown in a relationship is a divorce.

**Mr Sullivan**—How does a divorce make permanent a formal breakdown of a relationship that is not a marriage relationship? We pay. Divorce is a legal thing.

**Senator CORMANN**—As is marriage.

**Mr Sullivan**—As is marriage.

**Senator CORMANN**—That is right.

**Mr Sullivan**—But divorce does not indicate that only from the point in time a relationship has broken down.

**Senator Faulkner**—In other words, as Mr Sullivan has explained to you, this applies to people who are in a de facto relationship, and the measure that you mention applies to those who—

**Senator CORMANN**—No, Minister.

**Senator Faulkner**—Yes, Senator.

**Senator CORMANN**—I will read your budget measure on page 410:

... Partner Service Pension—cease payment to married partners who are separated but not divorced and the body of your text:

... separated from, but still legally married to, a veteran.

**Senator Faulkner**—The point I—

**Senator CORMANN**—Let me finish my question. My question is this: you have people who married, presumably at the time when the veteran was serving this nation. They are separated—

**Mr Sullivan**—That is a bad presumption.

**Senator Faulkner**—That is not necessarily right at all, Senator.

**Senator CORMANN**—Have you got figures to refute that?

**Senator Faulkner**—As you would know—and this was particularly true of the first and second world wars—because of the nature of such service, many veterans often had to delay all those life choices until they completed their service. This was very, very common, and it is not unique to those conflicts either.

**Senator CORMANN**—Let me rephrase to make sure that what I am asking you is based on fact. You have a category of people that is made up of veterans who have served our nation

who are married, separated but, for whatever reason, have made a decision not to formalise that separation by a divorce. That is the category of people we are talking about.

**Mr Sullivan**—That is right.

**Senator CORMANN**—You are saying that those veterans who are still married and who have made a decision not to get divorced even though they are separated should no longer be eligible for this particular benefit, the partner service pension.

**Mr Sullivan**—I will correct you again. You used the word ‘separated’. As long as you use the word separated to mean that the relationship has broken down rather than physical separation—

**Senator CORMANN**—You said ‘relationships break down, and there is permanent separation’.

**Mr Sullivan**—I want to clarify. Some people have raised whether this applies to people separated by illness and things like that. I want to make it clear that it does not.

**Senator CORMANN**—The minister was bringing in de facto couples. This does not relate to de facto couples.

**Senator Faulkner**—Senator, it is really critical that you understand what Mr Sullivan is saying in that last instance. In other words, he is saying that this measure does not affect people who might be physically separated, for example, for some medical reason.

**Senator CORMANN**—I understand that. I do not think for one second—

**Senator Faulkner**—That is what Mr Sullivan is trying to say.

**Senator CORMANN**—But I also understand from the statements that were made earlier that you think that somehow this relates to de facto couples—

**Senator Faulkner**—No, it does not.

**Senator CORMANN**—you agree that it does not relate to de facto couples?

**Senator Faulkner**—The point I made was that if you are in a de facto relationship we will pay you partner service pension. If you rely only on marriage, if you say marriage is the determinant of a relationship, you would have to ask why you pay partner service pension to de facto couples. The current policy in respect of a de facto is that once that breakdown in relationship has occurred we cease payment. In respect of formally married couples, this means that once we have established that the relationship has broken down, or until such time as that person enters into a new relationship, there is a 12-month limit on the payment of the partner service pension.

**Senator CORMANN**—So it happens as soon as they are separated because the relationship has broken down, even though—for whatever reason—the couple involved has not made a decision to formalise that separation by a divorce.

**Mr Sullivan**—I think you have to look at: what are the things that we look at in terms of a breakdown of a relationship? Physical separation is some evidence. The cessation of arrangements which suggest interdependency, the closure of joint bank accounts, the closure of having anything to do with each other and the evidence of the partners themselves are all

taken into account. We have to be satisfied that this relationship has ended. The fact that a marriage contract continues to exist and has not been dissolved by the Family Court is an element of that consideration but, in terms of a relationship ending, some people will never, ever divorce, for religious reasons.

**Senator CORMANN**—Exactly.

**Mr Sullivan**—They will tell you, however, ‘This relationship is over—I do not want to see that partner again, ever.’

**Senator CORMANN**—And then they lose their benefits.

**Mr Sullivan**—If you are suggesting that, if a person has a religious belief that we should never formally divorce, that is a basis for a continued payment based on a relationship—that is, as the partner of a serviceperson—I do not think that makes sense.

**Senator CORMANN**—What you are suggesting as the alternative is that they should access social welfare benefits available to the broader population.

**Mr Sullivan**—My advice to them would be to get back in the workforce and earn an income. It is a fact of life that living on income support is not something you do unless you have to do it. So my advice is not to go and look for the next form of welfare; it is to get back and participate in this economy. If you look at participation rates in this economy you will see that older women are part of the surge in participation, and that is good news for everyone. I would never, ever say to someone who is losing an income support payment, ‘Oh, just think about what your next income support payment should be.’ It is about, ‘Why don’t you get into some of the very good programs that Job Network and others run and get yourself back in?’, because it is also good for your life after separation to get back into places where you actually see social participation as well as economic participation.

**Senator CORMANN**—That is fine for people who can, and people who can should. I am the first one to fully endorse what you have said.

**Mr Sullivan**—I just did not think you were saying that, Senator.

**Senator CORMANN**—I totally say that. But, at the end of the day, there is a group of people, as you say, who need this support. What you are saying is: ‘If you are separated, even though you’re not divorced, we will no longer take care of you; it’s now the responsibility of social welfare.’

**Mr Sullivan**—We will for up to 12 months. That is a reasonable transition period. For 12 months after we have determined that a relationship has broken down, we will continue to pay. We give a person a fair amount of time to work out what is going on in their life and to get over the fact that a relationship has ended. Yes, if they require further social security payments after that, the arrangements of government are very clear. People can access—through programs of the Department of Families, Housing, Community Services and Indigenous Affairs, the Department of Education, Employment and Workplace Relations and Centrelink—a range of services.

**Senator CORMANN**—To conclude this particular line of questioning, according to the budget papers you expect to save \$77.8 million over four years. Can you tell us the categories of people that you expect to be affected, how many of them there are and what social welfare

you expect them to transition into? You would have done some modelling. I am not asking you for copies of the modelling; I am just asking you for the information.

**Mr Sullivan**—We will take that on notice.

**Senator Faulkner**—Senator, I will just make something clear. Just before your exchange with Mr Sullivan, I was about to try to throw some light on the issue in relation to de facto partners. I want to be clear, because I did not have an opportunity to finish that. I will describe my understanding to you and seek some assurance from Mr Sullivan that this is right so that the record is clear here. My understanding is that the rules regarding de facto partners are not going to change. I think the current situation is that, where a de facto partner and a veteran separate, the partner's service pension ceases to be payable from the date of the separation. I was going to get to that point, but I will just check with Mr Sullivan.

**Mr Sullivan**—That is right.

**Senator Faulkner**—That is my understanding. I am assured that that is right. I just wanted to come back to that because of the exchange between you, Senator, and Mr Sullivan may well have left what I was saying incomplete. I just wanted to clarify that for the record. Perhaps it was the definition of marriage, I am not sure, but I wanted to be clear about that point with you, just for the completeness of the record.

**CHAIR**—Thank you, Minister. Further questions on outcome 1?

**Senator CORMANN**—You mentioned before how the decision to increase the partner service pension age eligibility from 50 to 58.5 years was to align requirements with social security arrangements. Are there any plans to align veterans with social security arrangements, and is it anticipated that the age eligibility for partner service pensions will be increased in future beyond the 58½ years?

**Mr Sullivan**—The government has announced its measure—

**Senator CORMANN**—There is no plan to take it further?

**Mr Sullivan**—Not that I am aware of at all.

**Senator CORMANN**—Thank you. I have one other general question.

**CHAIR**—On the budget or corporate overview?

**Senator CORMANN**—I seek your guidance, Chair. It is in relation to Australia's representation on the Council of the Commonwealth War Graves Commission.

**CHAIR**—We can do that now, if Mr Sullivan will take the question.

**Senator Faulkner**—It is a later outcome, but we are very happy to help Senator Cormann.

**Senator CORMANN**—Can you confirm that Australia is represented ex-officio by the high commissioner on the Council of the Commonwealth War Graves Commission?

**Mr Sullivan**—I will get Major General Stevens to answer.

**Major Gen. Stevens**—Australia is represented on the Commonwealth War Graves commission by our high commissioner in London. I do not think 'ex-officio' is the term; I think that appointment is as our member.

**Senator CORMANN**—So the Australian High Commissioner to the UK is our member representative on the Council of the Commonwealth War Graves Commission?

**Major Gen. Stevens**—Correct.

**Senator CORMANN**—Richard Alston finished his term as the high commissioner in London at the end of February and that position still remains vacant. Does that mean we are not currently represented?

**Major Gen. Stevens**—No, the acting high commissioner is fulfilling the duties.

**Senator CORMANN**—So he is dealing with all issues such as the apparent recent discovery of soldiers remains at Fromelles? He is involved in all of that?

**Major Gen. Stevens**—It is a she, and she is aware of those things.

**CHAIR**—Senator Cormann, you had one question concerning an appointment to a body. That has been asked and answered. If we are going into a discussion on the work of the War Graves Commission, which is very interesting and a lot of people in this room have participated in it over many years, we will reserve that discussion to the appropriate time.

**Major Gen. Stevens**—Thank you.

**CHAIR**—Are there any further questions on outcome 1.

**Senator TROOD**—I have one. Mr Sullivan, has any consideration been given to extending gold card benefits to members of the Australian armed forces who have not served overseas?

**Mr Sullivan**—This issue has been around for a long time. I am sure Senator Faulkner would have had it put to him many times. It was considered by the Clarke review. It continues to be put as a motion at almost every RSL and veterans congress that I attend. Because it is put, of course government looks at it, but government has made no decision to extend gold card benefits to those other than those who have had qualifying service and are more than 70 years of age or those who have established eligibility for gold card as a war widow or through disability pension processes.

**Senator TROOD**—Is the matter under consideration at the moment?

**Mr Sullivan**—I do not want to say any active consideration. As I say, because of the respect we have and the government has for organisations like the RSL and the fact it continues to come up annually in their congresses, of course it must be considered. But, no, it is not something that is actively being considered. The government is committed to a revue of those Clarke recommendations that were not acted upon but in fact, in respect of the gold card and people who could not serve overseas, that was not a recommendation of Clarke.

**Senator TROOD**—Thanks, Mr Sullivan.

**Mr Sullivan**—Thank you.

**CHAIR**—Thank you Senator Trood. Any further questions on outcome 1?

**Senator CORMANN**—Questions in relation to the DVA gold card come under outcome 2, don't they?

**CHAIR**—Health care, yes. No further questions on outcome 1, so we will move to outcome 2, which does relate to health care.

[11.21 am]

**Senator HOGG**—I have just got a couple of questions on outcome 2. Yesterday I asked Defence about the issue of mental illness and I have heard you refer to mental illness as one of the emerging difficulties with younger people who served in our defence forces. I am aware that there are a couple of reviews going on, so just take these questions in the sense that I will await the outcomes of those reviews. But I am wondering if you hold any statistics on the forms of mental illness that might be suffered by your clients. Yesterday a number of categories that were mentioned to me were depression, anxiety, alcohol, drug abuse, PTSD and so on. Do you have any ready statistics on that or other classifications that you might have of mental illness?

**Mr Sullivan**—We can give you statistics on how many veterans have accepted disabilities which would fall into the mental health arena. They are categorised probably identically to Defence in terms of depression, anxiety. We get into questions of whether alcohol abuse, which is an accepted disability, is a mental illness. We can certainly provide you some statistics on that. The thing I would like to make clear is that relates to veterans. What we have been asked in the committee before, and we have trouble doing it, is relating it to conflict.

**Senator HOGG**—Right.

**Mr Sullivan**—We hold material on a veteran. It generally is ascribed to the veteran's first deployment, and it is sometimes very hard to work through: is this claim to do with East Timor, Iraq, Afghanistan, or what? We mostly can give you veteran data.

**Senator HOGG**—Right. Are you able to distil out those who might have served overseas as opposed to those who had a mental illness even though they have not served overseas?

**Mr Sullivan**—I am probably getting too pedantic. We can. We may not know if you have got a mental illness. We can certainly say in respect of deployed personnel: these are the accepted disabilities. We basically work with deployed personnel.

**Senator HOGG**—Is there any indication of increase in those statistics in any category, just off the top of your head, without getting down into the hard numbers? If you want to take this on notice—

**Mr Sullivan**—I think we should, Senator, because it is not something to have a shot at.

**Senator HOGG**—Fair enough. So, if you can give me, firstly, the statistics that you hold by category—

**Mr Sullivan**—And some trend analysis?

**Senator HOGG**—and some trend analysis, I would be interested in that, please. Also, those people, who may well come under your control, who commit suicide—are you aware of the numbers there, or is that something that you do not delve into?

**Mr Sullivan**—We are aware of those veterans where their suicide involves us in further decision making. If a veteran, for whatever reason, committed suicide and all we got was a notification of death and there was no further action to be taken, we might not be aware it was suicide.

**Senator HOGG**—Right. So you are not aware of, say, whether their mental illness contributed to their death?

**Mr Sullivan**—No. We would be aware of that where a person has accepted disabilities, particularly significant disabilities around mental illness, and that person commits suicide. It will almost invariably be accepted that that death is war related. So it is related to their service.

**Senator HOGG**—Do you have any statistics—

**Mr Sullivan**—We can tell you how many of those there are.

**Senator HOGG**—All right. And can you tell me if that trend has been increasing or decreasing?

**Mr Sullivan**—We can tell you that over a number of years.

**Senator HOGG**—All right. If you would take that on notice.

**Mr Sullivan**—Thanks, Senator.

**Senator HOGG**—Thanks very much.

**CHAIR**—Further questions on outcome 2?

**Senator CORMANN**—Yes. Mr Sullivan, is it correct to say that the bulk of the department's funding is based on the treatment population? We touched on that before—the shrinking treatment population.

**Mr Sullivan**—The bulk of our funding in respect of services to veterans is driven purely by the demand on the services. Our appropriations are special appropriations, which means they are flexible and they respond to the demand for services. So they are the driver of our administered resources. And this is where you get the situation, as we talked about before, where, while our veteran numbers are going down, our health expenditure is going up, and that is accommodated in the government's budget processes by them being special appropriations. We provide several times during the year an estimate of the expenditure, and our budget will be adjusted accordingly.

**Senator CORMANN**—So, irrespective of any other budget measures, if there is a need, you will be able to respond?

**Mr Sullivan**—In respect of treatment, if there is a need, we pay, and the budget adjusts for that demand. We are not like some countries, including the United States, where they have a hard budget in respect of health treatment; we have a flexible budget.

**Senator CORMANN**—Yes. And when we talk about 'treatment population', that is essentially those with a DVA gold card, is it?

**Mr Sullivan**—Or a white card or an orange card.

**Senator CORMANN**—Okay. Do those budget measures have any impact on your responsibilities for ancillary care and support for veterans?

**Mr Sullivan**—No, the same thing applies—in terms of your podiatrist, your optometrist, your masseur, your exercise therapist. These things are driven by demand.

**Senator CORMANN**—You indicated the treatment population is shrinking, but the level of care required is increasing—

**Mr Sullivan**—No, the cost of care is increasing. We have got to be very careful here. Expenditure on treatment is increasing, the numbers being treated are reducing—

**Senator CORMANN**—Can you give us an indication—

**Mr Sullivan**—Our annual reports give you this.

**Senator CORMANN**—The last annual report is for 2006-07. We do not have the annual report for 2007-08 yet.

**Mr Sullivan**—That is not far away. In fact, it would probably take me longer to do it separately than do it within the annual report. And the trend line is not going to be any different this year. Again, you will see—

**Senator CORMANN**—Okay, give me a high-level indication.

**Mr Sullivan**—A high-level indication is that you will see the number of veterans reduce by some nine per cent and you will see health expenditure increase by some nine to 10 per cent. Our current treatment population of gold card holders as at December 2007 was 235,267 and our white card holders, 52,000. So our population is about 288,000. It was over 300,000. It will go close to 250,000 another year out.

**Senator CORMANN**—Thank you very much. Those are my questions in outcome 2.

**CHAIR**—Thank you. Further questions on outcome 2? Questions on outcome 3—commemoration?

**Senator TROOD**—I think this is the appropriate place to ask my question, Chair.

**CHAIR**—What is it on?

**Senator TROOD**—The Office of Australian War Graves. Is that under outcome 3?

**CHAIR**—Yes. That is General Stevens. If General Stevens could come forward, we will go to Senator Trood.

**Senator TROOD**—General Stevens, my understanding is that the Office of Australian War Graves manages the graves of former Australian Prime Ministers overseas on behalf of the Department of the Environment, Water, Heritage and the Arts. Is that correct?

**Major Gen. Stevens**—That is correct.

**Senator TROOD**—Could you advise us please whether any curatorial work has been done on the graves of two former Australia Prime Ministers that are in London—former Prime Minister Reid and former Prime Minister Fisher?

**Major Gen. Stevens**—I will have to take that on notice Senator, but I can certainly advise you.

**Senator TROOD**—Would you mind doing that please?

**Major Gen. Stevens**—Not at all.

**Senator TROOD**—I understand former Prime Minister Fisher is buried in the Hampstead Cemetery and former Prime Minister Reid was cremated and his remains are in the Putney Vale Cemetery. If you could look into that for me, I would be grateful.

**Major Gen. Stevens**—I can certainly do that.

**Senator TROOD**—Thank you.

**CHAIR**—Thank you, Senator Trood. Senator Cormann?

**Senator CORMANN**—In relation to your program Saluting Their Service, in your budget portfolio statement on page 40, can you tell me a bit about this program—the history, what it has done?

**Mr Sullivan**—Are there any more questions for War Graves? Included in their service is a commemoration issue and Kerry Blackburn, the General Manager, Commemorations. But do you have further questions on the Commonwealth War Graves Commission, Senator Cormann?

**Senator CORMANN**—I have questions on the memorial in Ballarat, on Saluting Their Service and a few questions on Gallipoli.

**Mr Sullivan**—They are not war graves questions.

**CHAIR**—Are there any other questions on the War Graves Commission? Does anyone require the War Graves Commission to remain?

**Senator CORMANN**—I have questions for the War Memorial.

**CHAIR**—The War Graves Commission may be excused, but we do have questions on the War Memorial. Senator Cormann?

**Mr Sullivan**—Do you want an overview of Saluting Their Service?

**Senator CORMANN**—Yes.

**Ms Blackburn**—Saluting Their Service is a program that covers the broad commemoration that has been in place for several years now. I think the name was changed in about 2002 but I would have to confirm that. It was previously called Their Service - Our Heritage, and prior to that it in a sense evolved from the Australia Remembers 1945-95 program. It is the title that we give to a range of initiatives in the commemorative area that includes commemorative missions of veterans overseas; the education resources that we provide to all Australian schools; community awareness programs; the school community grants programs; the government grants for large memorials—for example, the World War I-World War II memorial that has been proposed; and funding and support that we provide to other initiatives including the Australian War Memorial's travelling exhibitions program and various museums' activities around Australia.

**Senator CORMANN**—Thank you very much for that. Are you able to give us an indication as to how many projects were funded under the Saluting Their Service program last financial year?

**Ms Blackburn**—That is information that we publish in our annual report. We would be able to take on notice how many grants were made.

**Senator CORMANN**—Excellent. As part of this budget, have funding eligibility requirements changed in any way? Is there a cap on the amount a project can receive? Is there any difference between the way the program was structured prior to the budget and how it is going to be structured moving forward?

**Ms Blackburn**—The criteria continue from the 2007 program. Ministers do make changes from time to time but—

**Senator CORMANN**—But there are no changes you are currently aware of?

**Ms Blackburn**—No, that is correct.

**Senator CORMANN**—Thank you. I know that there is a cut of \$481,000 compared to this financial year into next financial year. How is that going to impact?

**Ms Blackburn**—I am sorry—which figure are you looking at?

**Senator CORMANN**—I am looking at page 40, Saluting Their Service, where the estimated actual for 2007-08 is \$4,141,000. Your total estimate of available resources for 2008-09 is \$3,660,000. So, if my calculations are correct, that equates to \$481,000 less in estimated funding for the next financial year. Is that not right?

**Ms Blackburn**—That is the departmental outputs funding, so that relates to salary, POE, attributed costs et cetera.

**Senator CORMANN**—Can you provide me with more detail on that—how many people does that represent?

**Mr Sullivan**—That will be covered by the questions we have accepted in respect of the 195 staff cut. These are departmental expenses, again, not the administered expenses.

**Senator CORMANN**—But these are job cuts, essentially.

**Mr Sullivan**—Administration, including jobs.

**Senator CORMANN**—And you will provide the detail on why it is made up in this way?

**Mr Sullivan**—You have already covered that.

**Senator CORMANN**—I refer you to the Ballarat ex-prisoners of war memorial. Can you give us an update on that? Obviously, I am aware of the bill that was introduced into parliament by the government, but can you give us an update?

**Mr Sullivan**—The second reading debate commenced on 15 May, and it has been adjourned.

**Senator CORMANN**—How much has been allocated in the budget for this?

**Mr Sullivan**—Nothing.

**Senator CORMANN**—But the pre-election—

**Mr Sullivan**—That is in respect of that bill. In respect of the Ballarat POW memorial there was a commitment of \$160,000 over four years, which has been budgeted for.

**Senator CORMANN**—Is that ongoing funding?

**Mr Sullivan**—It is \$40,000 a year.

**Senator CORMANN**—Is that ongoing funding that has been included in your base, or is it for the four-year period?

**Mr Sullivan**—As you would understand—it has been a fact for a long time—you get your funding into the forward estimates. It is right through the forward estimates. You never presume after that, but it is a lot of work to stop it!

**CHAIR**—Is that \$40,000 a year for the maintenance?

**Mr Sullivan**—Yes, that is for the maintenance.

**Senator CORMANN**—As I understand it, the pre-election commitment by the current government was for the Ballarat memorial to be a military memorial of national significance.

**Mr Sullivan**—Yes.

**Senator CORMANN**—Can you describe to us what the status of a military memorial of national significance is?

**Mr Sullivan**—It is a national memorial. The current government, as you are aware, pushed for the fact that memorials outside of Canberra—and particularly the POW memorial—

**Senator CORMANN**—Sorry—I have made a technical error. As I understood it, the pre-election commitment was to make the ex-prisoners of war memorial in Ballarat a national memorial, rather than a military memorial of national significance.

**Mr Sullivan**—That is semantics—it is a national memorial.

**Senator CORMANN**—Is it semantics, or is there a statutory definition?

**Mr Sullivan**—No, it was decided to call this a ‘military memorial of national significance’. The current government’s intention was very clear: in opposition, they argued for the fact that a national memorial outside of Canberra could be nominated under the existing ordinance, and they had some legal opinion which, in their view, supported that fact. The policy intent of the then opposition, and now government, was to say, ‘We want national memorials outside of Canberra, and we will enact to have one.’

**Senator CORMANN**—But not a national memorial, rather memorials of national significance.

**Mr Sullivan**—A memorial of national significance is a national memorial—this is a Commonwealth piece of legislation. I think you have heard the minister, I have heard the Prime Minister, and I have heard members of the opposition describe the fact that what we are doing is catering for the recognition of national memorials outside of Canberra. If there was fault anywhere, maybe it was the fact that we came up with the name ‘Military Memorials of National Significance Bill’, which the minister accepted.

**Senator CORMANN**—Yes.

**Mr Sullivan**—If I had known that the semantics of that title would suggest to anyone that we were not talking about national memorials, I would rue the fact that we called it that.

**Senator CORMANN**—I think what you are doing in Ballarat is great and I congratulate you for that.

**Mr Sullivan**—I am glad.

**Senator CORMANN**—I know that the veterans community is very supportive of what you are doing, but I also know that there is a—‘concern’ is the wrong word—keen interest that the ongoing maintenance of the memorial is assured. If something is declared a national memorial under the 1928 ordinance, what is the consequence of that in terms of ongoing funding for maintenance?

**Mr Sullivan**—There is no consequence in terms of the commitment of the Commonwealth to the ongoing maintenance of that memorial. That is not what was asked for. When the then opposition raised this matter, the then government said, ‘This is what it is about.’ I recall the opposition then saying, ‘This is not about recurrent funding.’ We have separate issues here.

**Senator CORMANN**—You are answering the question you think I am asking. I would like you to answer—

**Mr Sullivan**—You asked me what the implications are for recurrent funding, and the answer is none.

**Senator CORMANN**—No. My question is: for something that is declared a national memorial under the 1928 ordinance—a national memorial, not a memorial of national significance—what is the consequence of having that status in terms of funding for ongoing maintenance?

**Mr Sullivan**—The national memorials in Canberra, which are those under the ordinance, are generally the responsibility of the National Capital Authority, with the War Memorial probably being the exception—it is responsible for itself—and as the stewards or owners of the memorials they assume responsibility for their maintenance.

**Senator CORMANN**—But such memorials have guaranteed ongoing funding arrangements in place for their maintenance?

**Mr Sullivan**—The stewards, who are in most instances the NCA, are responsible within their budget to maintain such places.

**Senator CORMANN**—But there is a system in place under the 1928 ordinance that ensures ongoing maintenance for national war memorials.

**Mr Sullivan**—There are a range of systems in place that do that.

**Senator CORMANN**—But in relation to the Ballarat—

**Mr Sullivan**—Every memorial has an owner. In respect of national memorials in Canberra, it is the NCA or the War Memorial—

**Senator CORMANN**—But the Ballarat memorial has got a different status.

**Mr Sullivan**—It has an owner who has also made it very clear that they did not expect recurrent funding—and they did not, in seeking its recognition as a national memorial, seek recurrent funding.

**Senator CORMANN**—So, beyond those estimates, we are not sure whether there is going to be ongoing funding or not?

**Mr Sullivan**—As I say, it is the same as anything else that goes across the full level of forward estimates. Your confidence that it will be ongoing is high.

**CHAIR**—They did not expect it.

**Mr Sullivan**—They did not ask for it.

**CHAIR**—They did not ask for it but they have got it.

**Senator CORMANN**—Who does take ongoing responsibility for the ongoing maintenance?

**Mr Sullivan**—The Ballarat memorial people do.

**Senator CORMANN**—They are satisfied with the arrangements that the Commonwealth has put in place?

**Mr Sullivan**—I think, as the chair said, they got more than they asked for.

**CHAIR**—They got 40 grand a year for nothing—that they did not want.

**Mr Sullivan**—They appreciate it!

**CHAIR**—Yes, I am sure they do. They are not silly.

**Mr Sullivan**—In terms of the 1928 ordinance, I have just been told that it does not have any provision for funding—that is, there are a range of systems that provide for its funding. The ordinance itself does not result in any funding.

**Senator CORMANN**—In relation to Gallipoli, what plans are being proposed by the department for the commemorations for the next Anzac Day?

**Mr Sullivan**—We have just got over the last! It was a very successful Gallipoli Anzac Day. We had the largest crowd since 2005, with between 10½ thousand and 11,000 people there. It was enormously successful from a planning and execution point of view, but, most importantly, the results of our surveying people who were there were that, despite it being an extraordinarily cold Gallipoli Anzac Day—the coldest I have felt—they found it to be a rewarding experience and an experience that they will treasure for their lifetime. And that is what we are trying to do: our job is to help people who go there understand more about it and take away from it the experience.

Next week we will sit down with our New Zealand colleagues to do our final wrap-up of Gallipoli 2008 and we will go over our initial learnings from that in respect of our planning process for 2009.

**Senator CORMANN**—Are you expecting any additional expenses to be borne by the Commonwealth in the near future for the upkeep of Anzac Cove?

**Mr Sullivan**—No.

**Senator CORMANN**—Can you confirm that the government has axed the Simpson Prize Anzac tour of Gallipoli?

**Mr Sullivan**—I can confirm that the government has not axed the Simpson Prize.

**Senator CORMANN**—There was an article—

**Mr Sullivan**—You never read the newspapers. I look at what the government tells me and—

**Senator CORMANN**—I am asking you so that you can correct the record. I am very pleased to hear it because I think it is a great program.

**Mr Sullivan**—I can correct the record: the Simpson Prize shall continue.

**Senator CORMANN**—Are you aware of the article in the *Sunday Telegraph* of 25—

**Mr Sullivan**—I do not read the *Sunday Telegraph*, I am sorry.

**Senator CORMANN**—You might want to make the *Sunday Telegraph* aware.

**Mr Sullivan**—I saw it in our press clips.

**Senator CORMANN**—I saw it in my press clips. You might want to make the *Sunday Telegraph* aware that the Simpson Prize Anzac tour will continue. It is a great program. The previous government committed to award the Flanders Fellowship to six students per year to travel to the Western Front around Anzac Day. Will the current government take that initiative up?

**Ms Blackburn**—I understand from the coalition election commitments that they included a reference to the Flanders scholarship. I am not sure about the exact number. But that was a commitment; that was all.

**Senator CORMANN**—Is that a policy suggestion like a pre-election commitment from the then government that the current government intends to take up?

**Ms Blackburn**—It was a pre-election commitment by the then government. We have just received some further advice from our embassy in Belgium and it will be a matter for the government to consider.

**Senator CORMANN**—I commend it to you, Minister.

**Mr Sullivan**—The state governments have taken a great interest in taking students to the Western Front, particularly, and to Gallipoli. We certainly applaud that.

**Senator Faulkner**—I can assure you too, Senator, that my colleague Mr Griffin, who is a most assiduous minister, would of course be looking closely at any advice he received.

**Senator CORMANN**—It would be greatly appreciated if you could commend it to him on our behalf.

**Senator Faulkner**—I am very confident that as you have raised it here, and given that, as I said, Mr Griffin is a very assiduous minister, he will be, if not following your questioning closely, certainly reading the transcript of these hearings and your views will be very clear to him. But, point taken, if that is not the case I will make sure that he is aware of your views.

**Senator CORMANN**—Thank you very much, Minister.

**CHAIR**—There are no further questions on outcome 3, we will move to outcome 4.

[11.48 am]

**Senator CORMANN**—In relation to outcome 4, the veteran and defence and certain Australian Federal Police communities having access to advice and information about benefits, entitlements and services: I know that you have taken on notice the question about

numbers of job cuts, but will those job cuts affect your services as a department under this outcome?

**Mr Sullivan**—No.

**Senator CORMANN**—It will not affect them at all?

**Mr Sullivan**—It will not affect them in terms of the expectation of the services we deliver. It will affect them because we are doing a lot of our business differently, but it will not affect the outcome that we seek to achieve.

**Senator CORMANN**—Have you got any data readily available—and you do not have to give it to me in exact detail; I would like to get an overall indication on the extent of it—in relation to complaints that have been received by the department about the Veterans Home Care service?

**Mr Sullivan**—We can give you statistics on formal complaints in respect of the Veterans Home Care service: it is either zero or one. But let us get a bit broader than that. I think the most useful reading on the Veterans Home Care service is the recently released report on Veterans Home Care; that is worthy reading. Associated with that is the minister's assurance to veterans communities as he has travelled the country that, as he reads that report and considers a response to it, the one response that he is not considering is any curtailment or reduction in respect of Veterans Home Care. As issues around Veterans Home Care and particularly the result of last year's new tender for Veterans Home Care went through the system, we certainly had concerns raised with us, and I think we have successfully dealt with those concerns as they were raised.

**Senator CORMANN**—Can you give us a bit of a snapshot overview, in a few sentences, of the main nature of those complaints?

**Mr Sullivan**—I think the main nature of the complaints was that people were subjected to some of the rules of the scheme which they had not realised were there and had not been subjected to before—that is, assessment. Some, having realised they needed to be assessed, were concerned that it was a telephone assessment rather than an in-person assessment—getting used to a telephone assessment. Some were concerned that some services that had been provided which were outside the scope of the scheme in its inception were not being provided by the new providers. If I were categorising the general levels of concerns, they were around those things. It was around the fact that (1) 'I have got a new provider; that has changed; I am concerned'; (2) 'Why do I have to do an assessment?'—which was more an oversight by the previous provider than anything else; and (3) 'Why was that assessment on a telephone?' I think people discovered that a telephone assessment was a very simple assessment. It worked very well. Finally, there is (4): 'The old provider used to do some things for me and the new provider says they will not.' Often the answer was, 'Because they shouldn't.' It was not a change in the scheme. It was basically the new provider saying, 'I am not allowed to do that for you.' Clearly some arrangements had developed between individual contractors and veterans. I think, as we have worked through those, we have resolved—

**Senator CORMANN**—Have you taken any specific actions to address some of these issues?

**Mr Sullivan**—Every time something has been raised, the most specific action we have taken has been information, and that is to alert people to the fact that, yes, an assessment is required, and we tell them why they should not be frightened by a telephone assessment or, ‘If you are attempting to meet a particular need we will see how we can meet that under this program or something else.’ The veterans community have been very helpful to us in terms of assisting us in disseminating that information.

**Senator CORMANN**—Thank you very much.

[11.53 am]

**CHAIR**—We will turn to output 5, support services through DVA-Defence.

**Senator CORMANN**—I have a great news story here on outcome 5 in relation to the HMAS *Sydney*. Can you provide us with a bit of an overview of where things are at, what has been happening, what your involvement was and where things will go from here?

**Mr Sullivan**—The *Sydney* is a Defence issue. We should make it clear that, when the *Sydney* went down with the loss of its crew, in respect of veterans’ benefits everything was resolved. In respect of their official commemoration, which we are involved in, like all Navy personnel lost at sea in World War II, in Portsmouth in England there is a wall of remembrance including the names of the entire crew of the *Sydney*, which is the actual official commemoration of that crew. Since then we have assisted the community of Geraldton in terms of a memorial in Geraldton.

**Senator CORMANN**—A great memorial it is too.

**Mr Sullivan**—It is a good memorial. So I am sure that there will be, from time to time, approaches made to us to assist in the further commemoration of these lost souls. But it is a Defence matter.

**Senator CORMANN**—The reason I am asking, just to clarify it, is that this is about joint arrangements between DVA and Defence. This is obviously something that is very relevant to the veterans community as well. I was just wondering whether there had been any joint—

**Mr Sullivan**—Make no doubt about it: in an informal way, in relation to something like the *Sydney*, Defence keeps us fully informed of what they are doing. But I am just making the distinction with a service where they hand over to us. In fact the, if you like, official commemorative side of the *Sydney* was handled many, many years ago. The impact of the deaths of so many sailors was handled many, many years ago. Defence has, appropriately, continued on with some new commemorations in terms of the services in Sydney, the service on the sea and whatever else they do as the families come to grips with the closure of this matter, including, of course, the inquiry.

**Senator Faulkner**—I can say to you, Senator, just from feedback that I have personally received, that finding HMAS *Sydney* has actually been a very significant event for very many in the veterans community, as I am sure you know. I would also commend to you the fact that at this committee, when it commenced its examination of the estimates of the Department of Defence yesterday, in his opening statement the Chief of the Defence Force, in fact, addressed the issue of HMAS *Sydney*. If you have not seen that element of CDF’s opening statement, I would certainly commend it to you as stressing the significance of that event.

**Senator CORMANN**—Thank you very much, Minister.

[11.57 am]

**CHAIR**—Are there further questions on output 5? If not, we will turn to output group 6.

**Senator CORMANN**—Mr Sullivan, how many departmental staff are currently allocated to the minister's office?

**Mr Sullivan**—Currently we have a departmental liaison officer in the minister's office. We have a Department of Veterans' Affairs officer, who has been transferred under the MOP(S) Act, acting as an adviser to the minister, so he is off our books and on the minister's books. We also take the opportunity, as part of our graduate program, to have a graduate rotation in the minister's office three times a year—which is, I think, helpful to the minister's office but also a slight impost. It is a development exercise more than anything else. So we have a graduate officer inside the minister's office.

**Senator CORMANN**—That would be a great experience, actually.

**Mr Sullivan**—It is very good. It is the most sought-after graduate rotation in the department.

**Senator CORMANN**—As somebody who has gone through an apprenticeship in a minister's office myself, I am sure that that is a very worthwhile exercise. Can you—maybe on notice—provide me with some detail on how long each of those departmental staff members have been working in the office and how long it is expected that each staff member will remain in the minister's office?

**Senator Faulkner**—By all means, the department might have information in relation to how it handles the departmental liaison officer, but I do not think that that is necessarily appropriate for the staff member who is now employed under the MOP(S) Act.

**Senator CORMANN**—Understood.

**Mr Sullivan**—The only one I can give you with any certainty is the graduate, who will be out in three months.

**Senator CORMANN**—So with the DLO the arrangement is—

**Mr Sullivan**—It is ongoing. While the DLO is happy, while we are happy and while the minister is happy, they will stay there, and I think they will be there for a long time.

**Senator Faulkner**—That probably does answer your question, Senator. As you know, some departments and ministers have a different approach—sometimes there is a rotation of DLOs every couple of years or so—but Mr Sullivan has actually been able to provide you with detail in relation to the approach that is taken with the DVA DLO in Mr Griffin's office. As I say, I certainly do not think it is appropriate to address the issue of a MOP(S) staffer.

**Senator CORMANN**—You appreciate that these are not questions that are personally directed at your department; these are questions that are asked across the board.

**Senator Faulkner**—It is fine to ask the questions. I am pleased that Mr Sullivan has been able to provide an answer to you.

**Senator CORMANN**—So am I. We are talking in outcome 6 about the provision of parliamentary and ministerial services. Can you give us an indication of the number of written briefs that have been supplied to the minister since the election?

**Mr Sullivan**—I will take that on notice in terms of its appropriateness and then provide an answer.

**Senator CORMANN**—I am just asking about the number; I am not asking about the content—bear that in mind.

**Mr Sullivan**—I am happy to do that.

**Senator Faulkner**—The number of briefs is fine, Senator.

**Senator CORMANN**—Thank you. One of the pre-election commitments of the Rudd government was to establish a Prime Ministerial Advisory Council on Ex-Service Matters. Can you give us an update on where that is at?

**Mr Sullivan**—The minister sought from the ex-service community and other interested parties submissions on how they feel a prime ministerial council on veterans affairs should operate, as well as asking for commentary on the other consultative arrangements that exist between the department and the veterans community. There was a significant response to that request. We had 109 submissions. We have prepared for the minister a preliminary analysis of those submissions—71 were lodged by organisations and 31 by individuals. We are talking to the minister about how he will now progress that. I know he is engaged in some discussions with key veterans organisations as to how he is going to progress it. I think we still are confident—the minister I know is confident and hopes—the council will be established and have had its inaugural meeting before the end of this calendar year.

**Senator CORMANN**—So you have not finalised the membership of the council—you are still working your way through that?

**Mr Sullivan**—No. The minister, as I say, is putting a lot of consideration into this. There are many, many views in 109 submissions. The next step is for him to make a deliberation, and clearly he will test it again with some key individuals before progressing.

**Senator CORMANN**—To put my next series of questions in context: Minister Faulkner at the DFAT estimates, when I asked questions about ministerial overseas travel, directed me to ask those questions specifically in each department and in each specific ministerial portfolio responsibility. So I am just going to ask a series of questions—

**Senator Faulkner**—I do not know that that is quite true. I certainly suggested you should not ask them of the Department of Foreign Affairs and Trade. I suggested that, if you were interested in asking questions about the travel of the Minister for Veterans' Affairs, it would not be appropriate to ask in the Department of Foreign Affairs and Trade. Why don't you just bat on?

**Senator CORMANN**—I will. But the question that I asked in Foreign Affairs was whether the department of foreign affairs would be able to provide us with a list of overseas travel that they assisted with and that was engaged in by ministers representing the federal government, and I was told that they did not have such centralised information.

**Senator Faulkner**—That is right.

**Senator CORMANN**—And I was told that that information would be available by asking questions of the respective departments, which I now—

**Senator Faulkner**—I can assure you that Veterans' Affairs does not have centralised information. But I am sure we will be able to help you in relation to Mr Griffin, if that is what you would like.

**Senator CORMANN**—Are you aware if the minister has taken any overseas trips?

**Senator Faulkner**—Yes.

**Senator CORMANN**—Do you know what countries the minister has visited?

**Senator Faulkner**—Yes.

**Senator CORMANN**—Would you be able to provide us with a list of the countries that the minister has visited?

**Senator Faulkner**—Yes. Do you want them now?

**Senator CORMANN**—Yes, please, if you have them.

**Senator Faulkner**—I have been informed that from 16 to 18 December 2007, Mr Griffin travelled to Vietnam. This visit related to the repatriation of Lance Corporal John Gillespie. On 20 to 26 April the minister visited France. Of course, a critical element of that visit was the Anzac day dawn service at Villers-Bretonneux and associated community activities. The minister also inspected projects being undertaken by the Department of Veterans' Affairs on the Western Front, including the First World War grave, which is now an excavation site, at Fromelles. On 27 and 28 April the minister visited Israel. He led a veterans mission there for the dedication of the Park of the Australian Soldier at Beersheba, including visits to the Commonwealth War Graves Commission cemetery and the site of the light horse charge in 1917. I believe he was accompanied there by the shadow minister for veterans' affairs, Mrs Bishop. On 29 April to 3 May, the minister visited the United States of America and attended the Ministerial International Forum that involved a range of nations including, from memory, the United States of America, the United Kingdom, Canada, New Zealand and ourselves. That was in Washington DC. Then there was a third trip that you may or not be aware of from 30 May to 1 June this year. That was a short visit to New Zealand for Tribute08, which is a Vietnam commemoration.

**Senator CORMANN**—That is a very detailed answer. Thank you very much for that, Minister.

**Senator Faulkner**—We believe in transparency here, not like the previous government.

**Senator CORMANN**—I think we were a very transparent government.

**Senator Faulkner**—You are on your own on that.

**Senator CORMANN**—I could get engaged in this, but I will not. How many staff accompanied the minister on each one of those trips? Have you got that ready there too?

**Senator Faulkner**—Yes, I will assist you with that. I will obviously assist you with the information I do have.

**Senator CORMANN**—Perhaps you can just table the brief.

**Senator Faulkner**—No, I do not have a brief in a form that I can table; it includes my own annotations. In answer to your question, on the trip to Vietnam from 16 to 18 December last year the minister was accompanied by his acting chief of staff, an adviser and an escort officer. I might come back to the issue of the escort officer if I can after I have completed my answer. When he was in France he was accompanied by his chief of staff, a media adviser and an escort officer. In Israel he was accompanied by his chief of staff and an escort officer. In the USA he was accompanied by his chief of staff and on the trip to New Zealand by the escort officer.

I know this of course from personal experience because in another life very, very many years ago, I was Minister for Defence Science and Personnel and Minister for Veterans' Affairs. At that time ministers within the defence portfolio had an escort officer. Since those ministerial responsibilities have been separated from time to time, the escort officer or aide-de-camp if you prefer that terminology, who works effectively to the Minister for Defence Science and Personnel, which is Mr Snowden, from time to time assists the Minister for Veterans' Affairs. I wanted to include that, even though your question does not directly go to that issue. I think it is appropriate that you be apprised of the fact that that person, who is probably officially a member of Mr Snowden's staff, also assists the Minister for Veterans' Affairs where appropriate. I can say to you from my own experience, having held both those portfolio responsibilities, that that is obviously of great benefit and is a sensible way of fulfilling those responsibilities.

**Senator CORMANN**—Thank you, Minister. Did the minister host any departmentally funded function on any of those overseas trips?

**Senator Faulkner**—That is a good question to ask the department and, if they can assist you, they will.

**Mr Sullivan**— I do not believe so, but I will take it on notice.

**CHAIR**—That concludes our discussion on the output groups.

**Mr Sullivan**—Chair, going right back to the start of the proceedings on partner service pension, I used the phrase 'aligning it with social security' law. I want to make it clear that it still preserves the five years; however, it is aligned to service pension age.

**Senator CORMANN**—There is no plan?

**Mr Sullivan**—No, there is no plan.

**Senator CORMANN**—I had understood that and I am very pleased that you have put that on the record.

**Senator Faulkner**—Senator, because of the quite appropriate argy-bargy really between yourself and—

**Senator CORMANN**—I was probing the government.

**Senator Faulkner**—I should describe it as 'delivering an exchange' which is perfectly appropriate. I was concerned about my own language in an area where I had not been able to

complete what I was saying. Hence I did make that explanation, which you might recall, in relation to the status of de facto partners.

**Senator CORMANN**—I do recall it.

**Senator Faulkner**—I was not quite sure where my own statements were left or how Hansard might record them. I wanted to be clear on that which is why I came back and checked with Mr Sullivan for the accuracy of the record. We were about to go into a discourse on de jure marriage and de facto marriage but the questioning went off in a different direction. That is why I wanted to make that situation really clear, particularly for the benefit of Senator Cormann and for committee members, if there was any uncertainty in the language I was using. I have no idea what the record will show.

**Senator CORMANN**—We will find out.

**Senator Faulkner**—I just wanted to make that issue clear, hence I came back to it at the end of that section.

**CHAIR**—Thank you, Minister. Mr Killesteyn, do you have something to say?

**Mr Killesteyn**—I would just like to correct my evidence earlier about the date of the estimates memorandum dealing with the two per cent efficiency dividend. It was 16 January, Senator, rather than 6 January. I apologise for that.

**CHAIR**—We now turn to the Australian War Memorial.

[12.12 pm]

**Senator CORMANN**—My first question is about whether you received the same memorandum of 16 January in relation to the efficiency dividend?

**Senator Faulkner**—Senator, before you ask that question, let us be clear. My recollection of Mr Killesteyn's evidence was that it was 6 January.

**Senator CORMANN**—No, it was just corrected.

**Senator Faulkner**—He corrected it, did he? Okay, it was 16 January.

**Major Gen. Gower**—We did receive that instruction. Whether it was on 16 January or later, I am not quite sure.

**Senator CORMANN**—You received the same memorandum?

**Major Gen. Gower**—Yes, we did.

**Senator CORMANN**—Can you talk us through the impact of that efficiency dividend on the War Memorial?

**Major Gen. Gower**—We looked at the implications for the coming financial year and it was the recommendation to council that that extra two per cent efficiency dividend, totalling about \$0.75 million for this financial year, be found from depreciation funding. Council concurred with that recommendation, sought the endorsement of our minister and permission was given by the Minister for Finance and Deregulation that we could take the two per cent efficiency dividend from depreciation funding in the way that it was recommended.

**Senator CORMANN**—How is that going to affect collections?

**Major Gen. Gower**—In the short term there will not be any discernable effect whatsoever, but we accept that it is not a long-term strategy because over time it would restrict our ability to reinvest in our assets.

**Senator CORMANN**—It is a pretty unusual form of savings, is it not? You have just said that it is not a good strategy for the long term. Can you explain to us why that is?

**CHAIR**—Can you explain to me what is depreciated.

**Mr Sullivan**—Within the departmental appropriation provided, there are a number of categories, including an allowance for depreciation. In terms of the department's operations a most common form of depreciation would be around its software and its fit-outs. In respect of national institutions such as the War Memorial, depreciation is meant to allow for the preservation of the collection and for the replacement of certain capital assets within the War Memorial. I think what General Gower is telling you, Senator, is that in this year's budget a decision was made by Steve, as the director, and endorsed by the council that it would absorb the efficiency dividend from its departmental administrative funding, not targeting staff reductions, but utilising for this year some of the depreciation funding that has been provided. I think that is, as General Gower has said, a very good short-term response while the memorial works through how best it would accommodate the ongoing efficiency dividend over subsequent years. A sensible way to ensure the least impact on the collection and visitors to the memorial is to say, 'Yes, in the short term we will use some of our depreciation funding to do this while the administrative staff and council of the memorial consider what they will do in the longer term.'

**Senator CORMANN**—When you say 'short term', are you trying to work out what you will do in the longer term? I think that my assessment that it is an unusual form of applying an efficiency dividend is correct, is it not? Has the minister for finance signed off on this?

**Major Gen. Gower**—He has signed off on it, Senator, and I do not believe it is unusual at all. When you are given a requirement to find a two per cent efficiency dividend, you look at the entire business and how you are conducting it and you make your decision accordingly. Certainly, you can take it out of activities and events or whatever. It was our recommendation for this particular financial year that it would come from depreciation. Depreciation for us covers a number of areas apart from collection. There are things like plant and equipment depreciation, software depreciation, exhibition depreciation and building depreciation. As you would expect in any organisation that has a long-term plan as we do, we do have reserves. In fact we managed to do the recently completed 'Conflicts 1945 to today' galleries using such reserves. There is a council endorsed long-term plan, and it was regarded as appropriate for this financial year to take the two per cent dividend from depreciation.

**Senator CORMANN**—For this financial year?

**Major Gen. Gower**—For this financial year, yes.

**Senator CORMANN**—How big is your depreciation fund at the moment?

**Major Gen. Gower**—It is a total of \$15 million a year.

**Senator CORMANN**—Does it have a yearly appropriation?

**Major Gen. Gower**—Yes, that is correct. It is based on the valuation of the assets.

**Senator CORMANN**—Can you talk me through that?

**Major Gen. Gower**—Yes, I can. Based on the valuation of all your assets and those categories I mentioned to you there is a figure struck, on which you will pay depreciation funding, by the Department of Finance and Deregulation. Perhaps I might explain why it is not a long-term, tenable approach to take it out of depreciation: you are depreciating your assets, and if you are not getting funding for it you have a smaller asset base, so in the profit and loss account you will have a loss—that is if you do not offset it by sponsorships and donations, and we are confident we can do that for this financial year.

**Senator CORMANN**—So you have got to offset it through sponsorships and donations?

**Major Gen. Gower**—Yes, which we can this year, I confidently believe. In your balance sheet you will see that the non-current assets are reduced in value, and that is the effect of it, basically. But this year it is, in our opinion—this is senior management council, an opinion endorsed by the Minister for Finance and Deregulation—an appropriate strategy for us given our circumstances.

**Senator CORMANN**—I ask you again how you think the decision to apply the efficiency dividend to the depreciation fund is going to affect collections.

**Major Gen. Gower**—The short answer is that I do not believe it will have a particular effect. We can do our collection activities out of reserves in the short term.

**Senator CORMANN**—We are talking about the War Memorial. It is a national asset. Why would the government enforce a two per cent efficiency dividend?

**Mr Sullivan**—The same reason why efficiency dividends have always been imposed on the institution historically.

**Senator CORMANN**—Have you previously applied an efficiency dividend to the depreciation fund?

**Major Gen. Gower**—This is the first circumstance where the two per cent was announced. We decided—I will not say ‘we’; senior management recommended to our council—that it seemed an appropriate approach. You do not necessarily need to take it from events or activities. Why jeopardise, say, plaque dedication programs for veteran groups and other activities? We decided to take it, this financial year, from depreciation, acknowledging that we would have to be in a transition for the next financial year, 2009-10. And also we did not wish to lose any staff. Since our gallery development major project had completed we downsized by eight, so in other words you staff according to your priorities and needs. We did not wish to lose any further staff.

**Senator CORMANN**—But in the budget papers you are losing eight staff between 2007 and 2008.

**Major Gen. Gower**—That is correct and they are staff who were formerly involved in our major gallery development project. That is the new galleries *Conflicts 1945 to Today*, which were opened in February.

**Senator CORMANN**—So they are all voluntary redundancies?

**Major Gen. Gower**—It is not correct. You find in any organisation that you get wastage over a year. You can balance it all out with good HR management. But the net effect, in full-time equivalents, is in the budget document: 290 full-time equivalents, eight under 298.

**Senator CORMANN**—For 2008-09 all of the efficiency dividend is applied to the depreciation fund, is it?

**Major Gen. Gower**—That is correct.

**Senator CORMANN**—So no other programs, activities or exhibitions are affected by the efficiency dividend in 2008-09?

**Major Gen. Gower**—The efficiency dividend has had no effect on any other activity.

**Senator CORMANN**—In 2008-09?

**Major Gen. Gower**—That is correct.

**Senator CORMANN**—Because you have said this is to be done for one year. What about the out years in the forward estimates from 2009 to 2011-12?

**Major Gen. Gower**—As I mentioned, that is a matter that management and council want me to address, and I will address it.

**Senator CORMANN**—Because you cannot use the depreciation fund trick every year, can you?

**Major Gen. Gower**—No, I agree, and we acknowledge that. We are quite open about it.

**Mr Sullivan**—And I do not think it is a trick, Senator.

**Major Gen. Gower**—Yes, that is right, I am very sorry that you used that term.

**Senator CORMANN**—It is a work around—

**Major Gen. Gower**—No it is not—

**Senator CORMANN**—It is commendable what you are trying to do.

**Major Gen. Gower**—I am terribly sorry, Senator, but it is not a trick. It is not a device. It is a proper management approach which I would have thought perhaps you could see and appreciate. It was a decision of management.

**Senator HOGG**—Go and read other PBSs. You will find that exactly the same thing has happened.

**Senator CORMANN**—But it is a management approach that, as you have said, you can do as a once off. It is not something that you can do every year. You are doing it in 2008-09. You have acknowledged that you cannot do it in the out years, so presumably—

**Mr Sullivan**—This time next year you will be able to ask how he has done it.

**Major Gen. Gower**—Yes, that is exactly right.

**Senator CORMANN**—No, but we are looking at the forward estimates, Mr Sullivan, and I want to understand what you intend to do. You have got a plan for the first year of the forward estimates. I want to understand what your longer term plan is for the period 2009-10 up until 2011-12. This is what we are looking at.

**Major Gen. Gower**—Yes, and I would not rule it out for next year. It depends on the circumstances at the time, and what the demands and priorities in the organisation are.

**Senator CORMANN**—For how long would you be able to apply the efficiency dividend? Clearly you have made a decision not to spread it across the out years, so clearly you have got some concerns about it. You have said before that it is not a long-term strategy; it is a short-term fix.

**Major Gen. Gower**—It is not a fix at all; it is an appropriate management response endorsed by the governing council, which does include the chairman of the finance, audit and compliance committee, a person who was the executive chairman of Boeing Australia. It is not a trick or a device. I emphasise that and I am sorry that term was used.

**Senator CORMANN**—Let me use the bureaucratic terminology: it is a short-term strategy to deal with the impact of the efficiency dividend. Politically, we might care to describe it otherwise but, from a bureaucratic point of view, it is a short-term strategy. What is your long-term strategy?

**Senator Faulkner**—Let me respond first and say that it is fair enough for you to ask in your terms for a bureaucratic definition. What, I suspect, is not reasonable is when you then provide your own 'bureaucratic definition'. That I might even describe as a trick.

**Senator CORMANN**—I would describe it as a cut-through description.

**Senator Faulkner**—If you want to suggest that officials use whatever terminology they wish to, I am relaxed about that. But let us not put too many words into officials' mouths when they are more than capable of responding to your questions which are best asked without the political spin, if that is possible.

**Senator CORMANN**—I will be very careful to be appropriate in public service terminology.

**Senator Faulkner**—Excellent. I am glad we are on the same page.

**Senator CORMANN**—But the substantive question remains: management and the council have made a decision in the face of the two per cent efficiency dividend to apply that dividend to the depreciation fund for the 2008-09 year. You have said that that is something that you could not possibly do on an ongoing basis, and that is your strategy or response to that challenge for the first financial year because you did not want to have impacts on other activities, exhibitions, staff cuts et cetera. I understand where you are coming from. What is going to be your strategy in the three out years of the forward estimates beyond 2008-09, considering you have said that this is a strategy for the first year and not for the subsequent years? Is that appropriate public service language?

**Major Gen. Gower**—I understand what you are getting at, but—

**Senator Faulkner**—You have editorialised and tried to encapsulate the evidence that had been provided to you in your own words, and then you have asked a question. I do not know whether it is appropriate public service language. It is quite typical estimates behaviour, so I will give you 10 out of 10 for editorialising.

**Senator CORMANN**—I must have watched you asking questions for too many years!

**Major Gen. Gower**—We will look at the end of the year. At the moment, we may do it again next year but that depends on how council looks at the totality of the business. I can say what we are doing is attempting vigorously to increase our donations and sponsorships, and we have had quite some success in that area in recent years. That will also offset reductions in money that is available for application at the War Memorial. I have to say that two per cent efficiency dividend represents nine per cent of our discretionary expenditure, so it is something which is very serious.

**Senator CORMANN**—I agree.

**Major Gen. Gower**—It is not something you would apply immediately and think that all will be well. You have to look at approaches and different techniques. That is what we have done, and I think it has been a very good approach, at least for this year. We will look at it again next year. It depends how our fund-raising and our in-house activities go. For example, we are doing a lot of fundraising in our e-business, our catering and beverage concessions, the bookshop—there are a whole range of other areas where we bring in revenue. So you look at it every year. You have an overall approach, I agree, but you do what you can to transition and deal with this extra efficiency dividend.

**Senator CORMANN**—I hear what you are saying, General. Can you provide—now if you can or on notice—how much of the depreciation fund was spent in the 2007-08 financial year?

**Major Gen. Gower**—I will take that on notice. As I mentioned earlier, in the application of depreciation funding we have long-term plans that apply that money.

**Senator CORMANN**—Except for next year.

**Major Gen. Gower**—No. I am sorry. That is not correct. We have long-term plans for the application of depreciation funding right up until 2012. By similar techniques, we managed to do those galleries which were opened in February—and if you have not seen them I encourage you to come across and I will be delighted to show you how the money is applied.

**Senator CORMANN**—I have been there many times and I think it is an absolutely stunning experience.

**Major Gen. Gower**—Under council direction, we do have long-term planning to use this money. This was an unexpected requirement, which we looked at. Without wishing to affect our long-term planning, we took the decision that—at least for this year—we would take it from the depreciation funding. I do not think I can say much more than that.

**Senator CORMANN**—Thank you.

**Senator HOGG**—Could I just ask a question there. As I understand it from what you have said, you have had to go to the Department of Finance and Deregulation to get this approved—that you apply the efficiency dividend in this way—is that correct?

**Major Gen. Gower**—Yes. We had discussions at officer level. Because the potential implication was a loss in our statements, we had to inform our minister of course, and he needed to seek permission from the appropriate minister. That approval was given. We are hoping that will not come to pass because we have got council members that do not wish to be

associated with a business that turns up a loss. I do not think that will come to pass. In fact, I am confident it will not come to pass.

**Senator HOGG**—My point is that to do this again you would need to go back. If the circumstances were similar, you would need to go back.

**Major Gen. Gower**—We do not anticipate this as an every-year performance at all.

**CHAIR**—I believe Senator Cormann has some questions to put on notice.

**Senator CORMANN**—These are questions that we have asked of the department as well. I understand that there have been no voluntary staffing cuts so far as a result of the efficiency dividend. That is what you have said before.

**Major Gen. Gower**—Yes. I can answer that now: there have not been.

**Mr COULTON**—Are you expecting any forced redundancies to accommodate that reduction in 2008?

**Major Gen. Gower**—I do not anticipate any forced staff redundancies.

**Senator CORMANN**—Have you made provision for payment of any redundancies in your budget over the next—

**Major Gen. Gower**—To the best of my knowledge, not at this stage.

**Senator CORMANN**—Can you give us details on the work areas that the staff who are leaving you worked in? You mentioned that they were associated with particular projects—so can you provide us with a list of those projects.

**Major Gen. Gower**—Yes, I can do that.

**Senator CORMANN**—And also those staff that have lost their jobs—or that will not continue.

**Major Gen. Gower**—No one has lost their job.

**Senator CORMANN**—Sorry, I corrected myself—the staff that will not continue.

**Major Gen. Gower**—It is on a voluntary basis.

**Senator CORMANN**—Could you provide me on notice with the information about what level they operated at.

**Mr Sullivan**—I think General Gower made it clear that this was specific new policy funding of the previous government to establish the new gallery, which is now finished. The 2008 reduction is a result of the completion of that new policy, not the impact of this budget. I know it is the same question you asked me. My answer was in the context of what you asked: ‘What is my budget impact on staffing?’. The other issues are to do with previous budgets.

**Senator CORMANN**—Yes but there is a reduction between 2007-08 and 2008-09 of eight staff, and all I want to know is what projects they have been associated with. If they are projects that will not continue, it will be obvious. And what level did they operate at? That is all I am looking for. Thank you. That concludes my questions.

**CHAIR**—There are no further questions. Thank you for attending.

**Committee adjourned at 12.34 pm**