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SENATE

STANDING COMMITTEE ON FINANCE AND PUBLIC
ADMINISTRATION

ESTIMATES

(Supplementary Budget Estimates)

TUESDAY, 21 OCTOBER 2008

CANBERRA

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

Tuesday, 21 October 2008

Members: Senator Polley (*Chair*), Senator Fifield (*Deputy Chair*), and Senators Cameron, Jacinta Collins, Fierravanti-Wells, Hanson-Young, Moore and Ryan

Participating members: Senators Abetz, Adams, Arbib, Barnett, Bernardi, Bilyk, Birmingham, Mark Bishop, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Bushby, Cash, Colbeck, Coonan, Cormann, Crossin, Eggleston, Ellison, Farrell, Feeney, Fielding, Fisher, Forshaw, Furner, Heffernan, Humphries, Hurley, Hutchins, Johnston, Joyce, Kroger, Ludlam, Lundy, Macdonald, Marshall, Mason, McEwen, McGauran, McLucas, Milne, Minchin, Nash, O'Brien, Parry, Payne, Pratt, Ronaldson, Scullion, Siewert, Stephens, Sterle, Troeth, Trood, Williams, Wortley and Xenophon

Senators in attendance: Senators Abetz, Barnett, Bernardi, Bishop, Boyce, Brandis, Cameron, Cash, Jacinta Collins, Cormann, Ferguson, Fifield, Forshaw, Hanson-Young, Heffernan, Humphries, Hutchins, Johnston, Moore, Parry, Polley, Ronaldson, and Ryan

Committee met at 8.59 am

FINANCE AND DEREGULATION PORTFOLIO

Consideration resumed from 20 October 2008

In Attendance

Senator the Hon. John Faulkner, Special Minister of State

Department of Finance and Deregulation

Executive

Dr Ian Watt, Secretary

General

Ms Jan Mason, General Manager, Corporate and Parliamentary Services

Mr John Edge, Division Manager, Corporate Services

Mr David Yarra, Chief Audit Executive

Mr Duncan McIntyre, Branch Manager, Parliamentary and Corporate Support

Mr Michael Nelson, Acting Branch Manager, HR Services Branch

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

Mr Andrew Harvey, Branch Manager, CFO Unit

Outcome 1

Dr Paul Grimes, General Manager Budget Group

Mr Sam Rosevear, Branch Manager, Budget Group

Mr Lembit Suur, Head of Taskforce, Expenditure Review Taskforce

Mr Dario Forner, Director, Budget Group, Education Employment and Workplace Relations Agency Advice Unit

Dr Greg Feeney, Division Manager, Industry, Education and Infrastructure Division

Mr Phil Richardson, Acting Division Manager, Social Welfare Division

Mr Peter Saunders, Division Manager, Government and Defence Division
Mr David Nicol, Acting Division Manager, Budget Policy and Coordination Division
Mr Geoff Painton, Branch Manager, Central Agencies Branch
Ms Jackie Wilson, Acting General Manager, Financial Management Group
Dr Tom Ioannou, Acting Division Manager, Financial Framework Division, Financial Management Group
Mr Rod Smith, Acting Branch Manager, Financial Framework Division, Financial Management Group
Mr Matthew King, Branch Manager, Financial Reporting Branch
Mr Colin Plowman, Director of the Office of Evaluation and Audit
Mr Alan Greenslade, Division Manager, Funds and Superannuation Division
Mr George Sotiropoulos, Branch Manager, Superannuation Policy Branch, Deregulation, Funds and Superannuation Division
Mr Shane Bennett, Acting Branch Manager, Funds Branch, Financial Management Group
Mr Marc Mowbray-d'Arbela, Branch Manager, Legislative Review Branch, Financial Management Group
Mr Tim Youngberry, Division Manager, Financial Reporting and Cash Management Division
Ms Susan Page, General Manager, Deregulation Policy Division
Mr Peter McCray, Division Manager, Deregulation Policy Division
Mr Matthew Bishop, Branch Manager, Deregulation Policy Branch
Mr Robert Antich, Branch Manager, Deregulation COAG Branch
Ms Su McCluskey, Executive Director, Office of Best Practice Regulation

Outcome 2

Mr Simon Lewis, General Manager, Asset Management Group
Mr Robert Butterworth, Division Manager, Shareholder and Asset Sales Division
Mr Rick Scott-Murphy, Division Manager, Property and Construction Division
Mr John Grant, Division Manager, Procurement Division
Mr Andrew Smith, Branch Manager, Property
Dr Guy Verney, Branch Manager, Special Claims and Land Policy
Mr Philip Smith, Branch Manager, Insurance and Risk Management
Mr Robin Renwick, Branch Manager, Central Contracts Coordination

Outcome 3

Ms Jan Mason, General Manager, Corporate and Parliamentary Services
Ms Kim Clarke, Division Manager, Ministerial and Parliamentary Services
Ms Suzanne Pitson, Branch Manager, Entitlements Policy
Ms Carolyn Hughes, Branch Manager, Client Services
Mr Ken Sweeney, National Manager, COMCAR
Mr Greg Miles, Branch Manager, Entitlements Management
Mr Stephen Taylor, Branch Manager, Legal Services
Mr Brett Quester, Acting Branch Manager, IT Services Branch

Outcome 4

Ms Ann Steward, General Manager, AGIMO
Mr Patrick Callioni, Division Manager, AGIMO

Mr Graham Fry, Division Manager, AGIMO
Mr Trevor Smallwood, Branch Manager, Capability Building Projects
Mr Brian Stewart, Branch Manager, ICT Review
Ms Kayelle Wiltshire, Branch Manager, Service Delivery Operations Branch
Mr Scott Wallace, Acting Branch Manager, ICT Review
Mr Peter Alexander, Branch Manager, Online Service Point Branch

Australian Electoral Commission

Mr Paul Dacey, Acting Electoral Commissioner
Mr Tim Pickering, Acting Deputy Electoral Commissioner
Mr Tom Rogers, Acting First Assistant Commissioner
Ms Barbara Davis, First Assistant Commissioner
Mr Paul Pirani, Chief Legal Officer
Ms Gail Urbanski Assistant Commissioner

ComSuper

Ms Cindy Briscoe, Acting Chief Executive Officer
Mr Neal Mason, Acting DCEO Internal Services
Mr Marcus Markovic, DCEO Information and Technology Solutions
Ms Emily Canning, Chief Financial Officer

Australian Reward Investment Alliance

Mr Lochiel Crafter, Chief Executive Officer
Mr Peter Carrigy-Ryan, Chief Operating Officer
Mr Kevin Thompson, Head of Finance
Future Fund Management Agency
Mr Paul Costello, General Manager, Future Fund Management Agency
Mr David Neal, Chief Investment Officer, Future Fund Management Agency
Mr Paul Mann, Head of Finance, Future Fund Management Agency
Mr Gordon McKellar, Head of Operations, Future Fund Management Agency
MediBank Private Ltd
Mr Michael Sammells, Chief Financial Officer, Medibank Private
Mr George Savvides, Managing Director, Medibank Australia

CHAIR (Senator Polley)—Good morning. I declare open this meeting of the Senate Standing Committee on Finance and Public Administration. The Senate has referred to the committee the particulars of proposed and certain expenditure for 2008-09 and the 2007-08 particulars and proposed supplementary expenditure for the Parliamentary departments and the portfolios of Prime Minister and Cabinet, Finance and Deregulation and Human Services. The hearing today is supplementary to the budget estimates hearings held in May. The committee has before it a list of outcomes relating to matters which senators have indicated they wish to raise at this hearing for the portfolios of Finance and Deregulation and Human Services. The committee has fixed 5 December 20 as the date for the return of answers to questions taken on notice. I proposed to proceed by opening with the Australian Electoral Commission and then calling on the outcomes and outputs in the order listed on the program.

Understanding orders 26, the committee must take all evidence in public session. This includes answers to questions on notice. I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten

or disadvantage a witness on account of evidence given to a committee and such action may be treated by the Senate as contempt. It is also a contempt to give false or misleading evidence to the committee. The Senate by resolution in 1999 endorsed the following test for relevance of questions at estimates hearings. Any questions going to the operations or financial positions of the departments and agencies which are seeking funds in the estimates are relevant questions for the purpose of estimate hearings. I remind all officers that the Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has the discretion to withhold details or explanation from the parliament or its committees unless the parliament has expressly provided otherwise. The Senate has resolved also that an officer of the department of the Commonwealth or of the states shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted.

If a witness objects to answering a question, the witness shall state the grounds for which the objection is taken and the committee will determine whether it will insist on an answer having regard to the ground which is claimed. Any claim concerning a commercial in confidence must be made by the minister and shall be accompanied by a statement setting out the basis for the claim, including what possible commercial harm may result. Officers are reminded that when called to answer a question for the first time they shall state their full name and the capacity in which they appear and speak clearly into the microphone to assist Hansard to record proceedings. All mobile phones should be switched off.

[9.02 am]

Australian Electoral Commission

CHAIR—I welcome the Special Minister of State and Cabinet Secretary, Senator the Hon. John Faulkner, and officers of the Australian Electoral Commission. Minister, do you have an opening statement?

Senator Faulkner—I thought I would very briefly important to the committee the fact that Mr Ian Campbell, who of course has appeared at this committee many times, has since our last estimates round moved on as the electoral commissioner. I am sure committee members would be aware that he has taken up the role of Secretary of the Department of Veterans' Affairs. When that was announced, I had the opportunity to thank Ian for his service and the contribution he has made as Australian electoral commissioner. In fact, he served in that capacity from July 2005, and of course critical in that time period was the fact that Mr Campbell was commissioner during the 2007 election. For the benefit of the committee, Mr Dacey, the deputy commissioner, is acting Australian electoral commissioner until a permanent appointment is made. Just for the benefit of the committee, I think I should also indicate that the appointment process for a new commissioner is being conducted by the Department of Finance and Deregulation in accordance with the new merit based appointment system that I introduced earlier this year. I thought it important to place that on record as we commenced today's hearings.

CHAIR—Any other opening comments?

Mr Dacey—No.

Senator FIFIELD—There is something that you might be able to assist in clearing up that I know my colleague Senator Arbib would probably appreciate. Around the middle of the year Senator Arbib stated several times that it would be beneficial to have three by-elections in three different states on the one day. He had in mind Mayo, Lyne and Gippsland. He contended that that would be of benefit because it would save around \$1 million in taxpayers' money. I must confess I scratched my head to think how three simultaneous by-elections in three different states could result in a saving of that magnitude. Can you help shed any light on that?

Mr Dacey—Certainly. Obviously we have conducted the three by-elections. There are no great economies in conducting the by-elections on the one day. I can give the committee the costs to date for the by-elections. The first by-election, the Gippsland by-election, was more expensive than the others, although there are particular reasons for that. One of the reasons—not a significant one—is that we did stock some forms and equipment, when preparing for the Gippsland by-election, in preparation for subsequent by-elections that were rumoured to be about to occur. But really there is not a great economy in conducting them all on the one day because you still have the staffing, the polling places, local advertising—

Senator FIFIELD—You have still got individual returning officers for each electorate.

Mr Dacey—That is correct. So there are some minor savings. We did attribute some of the cost to the Gippsland by-election that would have flowed over to the subsequent two by-elections because we did stock some forms—particularly declaration envelopes—but other than that there is really not a lot of saving in having them all on the one day.

Senator FIFIELD—So a figure of a \$1 million saving is totally out of the ballpark?

Mr Dacey—As at the end of September our costs—these are rounded—for Gippsland are about \$750,000, \$370,000 for Mayo and \$440,000 for Lyne. So there really is not the potential there to save \$1 million.

Senator FIFIELD—Thank you. I will convey that to my colleague. I am sure you will have seen the proposal from a colleague in another place, Mr Dreyfus, in relation to the concept of arbitration in disputed seats where a matter would otherwise be taken to the Court of Disputed Returns, as happened in the case of the seat of McEwen. Do you think such a system could possibly work? Again, it stretches my mind to think how Mr Mitchell and Ms Bailey might have conducted themselves in some sort of arbitration—whether Ms Bailey would have said, 'Well, fair enough Mr Mitchell I have had a pretty good go. You can have this one.' It does not seem likely to me. I can think of many contexts—commercial and otherwise—where arbitration may work. But in an area such as electoral law and electoral politics I have some difficulty seeing how that might play out. Mr Dreyfus obviously does see a way that it might work. Do you see any possibilities for that sort of a system?

Mr Dacey—It is an issue that the joint standing committee has asked us to look at as well. I will ask Mr Pirani, our chief legal officer, to comment in more detail. But I would just make one comment about such a proposition: without constitutional change, the Court of Disputed

Returns process would still be in existence. So it would not streamline the process by doing away with a petition to the Court of Disputed Returns. It would still be open to any candidate to petition the election. But Mr Pirani can go into more detail.

Mr Pirani—Yes, we are still considering our position in developing a response to the letter from the chair of JSCEM. There was evidence that was asked at the JSCEM hearing last week about where we were in relation to responding to that letter. The issue as stated by Mr Dacey is that the Court of Disputed Returns has to be there and the High Court—unless you can amend section 73 of the Constitution—will still be there as the ultimate body to resolve such matters. So whatever process is put in place cannot replace that. It is whether it is appropriate to have some additional mechanisms.

We are looking at that in the context of the Henderson report. Mr Dacey has signed a letter to Senator Ronaldson, to the chair of JSCEM et cetera—it was signed last Friday—saying that we have received the Henderson report of his review into the implications of the decision of the Court of Disputed Returns in *Mitchell v Bailey*. We are still considering the matters raised by Mr Henderson in that report. But it does impact to some extent on this issue of whether it is appropriate to have consensual arbitration.

One of the other difficulties we are having is that to have an arbitration process presupposes that the nature of the decision is appropriate for arbitration. That is an issue that I do not think we have come to a final conclusion on yet. It also presupposes that there are probably only two parties. Given that election funding is tied to candidates achieving four per cent of first preference votes, there is the potential that it could well involve more than just the two parties who are involved in the *Mitchell v Bailey* case and that is an implication that we are working our way through as well.

Senator FIFIELD—I have visions of some sort of electoral equivalent of Family Court alternative dispute resolution I must say.

Mr Pirani—It certainly was some of the things that were discussed in the evidence of the JSCEM hearing in Melbourne. I noted that Mr Dreyfus referred to the possibility of the Administrative Appeals Tribunal being inserted to do a merit review process, but that again was an issue that we are still working through and are still considering in preparing a response to the chair of JSCEM.

Senator FIFIELD—Having the AAT involved in such matters fills me with absolute horror, I must confess, so I hope that does not go anywhere in particular. But I think you are right. Who actually determines which matters would go for arbitration would be a very vexed issue indeed. Thank you for that.

Senator ABETZ—The other point would be that even if you go through all of that unless you change section 73 of the Constitution the High Court would be seized of the matter in any event.

Mr Pirani—That is correct.

Senator ABETZ—So all it will mean is a whole lot of different appeal processes to the AAT and then the Federal Court and then if you are not happy you would still go to the High Court.

Senator FIFIELD—The Mitchell v Bailey matter was fairly protracted so I think speed is a good thing in resolving these matters. We will wait and see what JSCEM comes up with.

Senator RONALDSON—I do not think JSCEM will be spending a lot of time on it because quite frankly it is an absolutely nonsense notion.

Senator FIFIELD—That is very reassuring.

Senator RONALDSON—If this comes from one of the brightest and best then heaven help the rest of them.

Senator FIFIELD—He is a QC apparently. Onto another matter, Mr Dacey, you have probably seen in newspaper reports, such as the one in *The Australian* headed ‘One home for 32 voters in union poll’—this particular article was in *The Australian* on 19 October—that a non-descript factory on Perth’s eastern outskirts is the home address of 32 construction workers according to information given to the Western Australian Electoral Commission. I know in some states that the AEC and the state electoral commissions have a common enrolment process. Is that the case in WA?

Mr Dacey—Common enrolment for parliamentary electoral rolls.

Senator FIFIELD—Yes, for parliamentary elections.

Mr Dacey—But for union rolls there is no commonality.

Senator FIFIELD—Okay. It would be something that would cause concern to the AEC if the AEC saw, on the Commonwealth electoral roll, 32 people enrolled at the one address.

Mr Dacey—It certainly would. Although there are possibilities such as caravan parks or whatever, but if it was a standard address, yes, it would ring alarm bells with us.

Senator FIFIELD—And even more so if it was an address that was a factory or a business of some sort. That is something that would be seen as peculiar.

Mr Dacey—It would be seen and with our enrolment system we have those checks and balances in place to be able to check those sorts of anomalies.

Senator FIFIELD—That is good to know. I think there are probably some lessons there for other jurisdictions and for other purposes.

Senator RYAN—Various political parties have electoral roll based requirements for their own internal rules, which I understand are not relevant to that extent to your work. If a member of one of those political parties becomes aware of a fraud or alleged fraud on the roll through their internal activities and notifies your office, what do you do?

Mr Dacey—With any such cases our normal course of action is to follow-up. It may mean calling the elector, it may mean door-knocking the elector or writing to the elector at that address. It may mean referral to the Australian Federal Police if there is any strong evidence in relation to a possible fraudulent enrolment issue. Those cases are always followed up.

Senator FIFIELD—But in this particular instance, and similar instances, where you see what could be evidence of electoral fraud—not in your jurisdiction but in another jurisdiction or in another context—do you take note of that material and investigate that material yourselves in case there is—

Mr Dacey—Yes. It does not have to be a first-hand recommended to us. If we read a newspaper report or we get evidence from somewhere else that there is possible enrolment fraud we will follow that up.

Senator FIFIELD—Even if it is possible enrolment fraud in another jurisdiction or another context would you investigate that on the basis that the individuals who are perhaps perpetrating electoral fraud in one jurisdiction or in another context may be doing so in the Commonwealth jurisdiction?

Mr Dacey—It depends on the nature of it. If it was particularly for a union ballot roll, not necessarily so, but then we would not necessarily not do it either. It really depends on the circumstances. Any evidence that comes to us or any information which could indicate that there is a problem with the electoral roll rather than a union roll we would certainly follow up.

Mr Pirani—If I could add to that. In the context of union elections and ones where we are involved in either a fee-for-service, or a protected-action ballot or one of the other matters under the Workplace Relations Act, we are actually not the administering body. We would refer that matter to the Industrial Registrar, who has the various functions under the act and is able to take action to the Federal Court to get injunctions—there are a whole range of powers that the Industrial Registrar has. Certainly, in the context of a couple of matters that we have been involved in and are aware of in Western Australia where allegations have been made, the responses that the AEC has provided in the fee-for-service elections are that those matters are appropriate to be referred either to the police or to the Industrial Registrar.

Senator FIFIELD—I appreciate that. In the case I am citing here it is not a role that the AEC maintains; it is not an election or a ballot that the AEC is conducting on a fee-for-service basis. But, with an eye always to the integrity of the Commonwealth roll, would the AEC—and let us take this specific instance—think that it is worth looking at the individuals who are all enrolled at one address to see if there are any practices that we would not want to see with the Commonwealth electoral roll as a matter of ongoing diligence on the part of the AEC. So in a case like this—let us take this specific case—has the AEC undertaken any inquiries of its own to ensure that none of these individuals is enrolled inappropriately on the Commonwealth roll?

Mr Dacey—We have checked our enrolment system in relation to this case and it is on our system as a non-enrolable address for our purposes, being commercial premises, and there is no-one enrolled there for electoral purposes.

Senator FIFIELD—So it is something that you have investigated as a matter of maintaining the integrity of the Commonwealth roll. You have not checked to see whether these individuals might happen to all be enrolled at some other address for the purposes of the Commonwealth roll?

Mr Dacey—I do not think we have gone that far.

Senator FIFIELD—Will the AEC go that far? Perhaps they have found a residence somewhere which the all—

Mr Dacey—I am not sure if we have the full details as well of those electors. But we will take that on notice and look at what further action we might need to take.

Senator FIFIELD—If you could, because if there was the temptation in one context to all enrol in a factory maybe there was the temptation in another context to all enrol at a residential address.

Mr Dacey—It was our understanding that that enrolment was done for a particular purpose, which is not a Commonwealth electoral purpose.

Senator FIFIELD—No, indeed. Mr Dacey, I think the practice that Senator Faulkner first suggested when he was on this side of the table was to have a rundown of compliance activities.

Senator Faulkner—In the bad old days.

Senator FIFIELD—Indeed. I wonder if we might do that.

Mr Pirani—At the budget estimates hearings, I indicated that there were four matters that we were close to finalising, and they are now up on the internet. One involved the Independent Candidate Advisory Network. There was an allegation that they were involved in relation to expenditure on electoral matters. We have investigated that and found no evidence that a disclosure obligation existed.

There was another allegation involving roting in the Victorian branch of the ALP, in which invoices were being put forward in relation to the provision of services that were actually not provided. We have found no evidence to support that there was a disclosure obligation in relation to that matter.

There was also an allegation about contributions by two unions to the ALP that they had not been appropriately disclosed. We found no evidence to support that.

There was the matter of Mr Russell Galt and the issue of legal fees and whether that was a donation that was required to be disclosed. We did eventually find the identity of the donor. However, the three-year limitation period for us to take any action in relation to that matter had expired, and therefore that matter has been ended.

We have two other investigations that are current. The first investigation is one that was originally raised by Senator Fierravanti-Wells, involving the Transport Workers Union and donations to the New South Wales branch of the ALP. In relation to that particular matter, we have been able to track the payments and the funds for all but \$7,000 of the \$100,000-odd that was mentioned, and we have gone back to the TWU to get further clarification in relation to that matter.

The other investigation that is current at the moment involves the South Australian Labor Unity Society. The issue that has been raised there is, first, whether it is an associated entity which has an annual reporting obligation. The second issue is whether the expenditure is such that it also requires a disclosure obligation. We have issued notices under section 316 of the act, but at this stage that matter is unresolved.

Senator FIFIELD—Thank you for that. So the \$7,000, I think you said—

Mr Pirani—It was \$7,000 that we are still looking at in New South Wales from the TWU.

Senator FIFIELD—That cannot be accounted for in what sense?

Mr Pirani—In the original allegation there were two large sums that were reported as in the annual return of the ALP, and the concern was that the TWU had not disclosed them as a donation. Again, of those two large sums, we have been able to track through the financial records, and it is only an amount of \$7,000 that is unaccounted for at this stage.

Senator FIFIELD—When did you put to the TWU the matter of the \$7,000? How long has that query been outstanding?

Mr Pirani—A letter, I am told, has just been dispatched in the past week. We have also written to the ALP for further clarification.

Senator FIFIELD—Thank you for that. There is just one more question from me, Mr Dacey. I am just wondering if you could give us an update on investigations into instances of multiple voting from the 2007 election.

Mr Dacey—This is a to-date update, because some investigations are still continuing. Twenty thousand, six hundred letters were posted to apparent multiple voters seeking additional information. To date, approximately 18,000 have responded, with no further action required; 2,640 have possible further action required, including 1,160 admissions of multiple voting—

Senator FIFIELD—Admissions of multiple voting?

Mr Dacey—Dual or multiple voting, yes. One hundred and fifty have denied multiple voting, and we still have 1,140 replies outstanding and 190 returned undelivered.

Senator FIFIELD—Of those 1,160 admissions of multiple voting, is there any pattern to those? Are they concentrated in particular electorates?

Mr Dacey—No. They are very much spread across electorates.

Senator ABETZ—Can we be provided with the electorates and the make-up of that 1,160 figure per electorate?

Mr Dacey—Yes, Senator.

Senator ABETZ—On notice—that is, unless there were a lot in McEwen!

Mr Dacey—No, there were not.

Senator RONALDSON—I think a breakdown of all the electorates for all those categories—

Senator ABETZ—Yes, the 1,160—

Senator Faulkner—I think, Senator, we have just taken that on notice for Senator Abetz.

Mr Pirani—In relation to McEwen, in the court case eight dual voters were mentioned. Those eight were referred to the Australian electoral officer. I have reviewed them, and we have one of those where there is some evidence to support a matter, but it is likely that it will not be sent to the AFP and the person will be issued with a warning letter. The other matters were either people who were confused or people who were aged and their families et cetera had assisted them in voting.

Mr Dacey—In relation to the 1,140 replies that are outstanding and the 190 returned undelivered, the AEC will take enrolment follow-up processes to look at those. If the elector

is located then the AEC will attempt to pursue multiple voter action. But, in many cases, those electors may have moved on, so in the enrolment follow-up process we try and find where those electors have moved to.

Senator FIFIELD—I know you have taken on notice the electorate breakdown for the 1,160 admissions. If we could also have that for the 1,440 nonreplies, that would be useful.

Mr Dacey—1,140.

Senator FIFIELD—Yes, 1,140. Have any prosecutions been launched to date?

Mr Dacey—At this stage, because we are still reviewing processes and reviewing some of the cases, seven cases of apparent multiple voting have been referred to the Australian Federal Police.

Senator FIFIELD—Can you indicate which electorates those seven are from—if it would not compromise anything?

Mr Dacey—On notice.

Mr Pirani—We will take that on notice.

Senator RONALDSON—That is at this stage?

Mr Dacey—That is at this stage, yes.

Senator BOYCE—What about the 2,640 with possible further action? Explain what that means.

Mr Dacey—They are still being reviewed by our statutory officers, our Australian electoral officers, but we find that in a lot of cases they may be elderly or confused people who have voted twice. For example, someone may vote in a nursing home when our mobile teams come through and then—

Senator BOYCE—A week later.

Mr Dacey—the family come to pick them up on Saturday to take them to vote, and they cast a vote at a polling place. So in most cases it is not in the public interest to follow those up.

Senator FIFIELD—For completeness, could we have an electorate breakdown of those 2,640 as well.

Mr Pickering—That 2,640 is the total number that Mr Dacey was talking about—

Mr Dacey—Sorry, yes.

Mr Pickering—including the 1,160 and the 1,140. That is the total figure requiring some form of follow-up.

Senator BOYCE—So there is only quite a small group in there.

Mr Pickering—We have been talking about subcategories of that 2,640.

Senator BOYCE—The 2,640 is a total.

Mr Pickering—That is correct.

Mr Dacey—We can give you the 2,640 by electorate, or we can split it into the subcategories, whichever you prefer.

Senator BOYCE—Both would be good.

Senator FIFIELD—By subcategories per electorate would be most helpful. Thank you for that.

Senator RYAN—You said there were 18,000 cases that did not require follow-up. I just want to make sure that I have the numbers correct—20,000 apparent cases and 18,000 that did not require follow-up. What sort of issue would mean that it does not require follow-up, other than what you mentioned, which was apparent double voting, because there were also denials in the other 2,640?

Mr Dacey—They are mainly cases where it has been polling officials' errors. The polling official has marked the wrong person on the certified list so we get a match with a non-voter and a multiple voter and one balances the other out—not all cases, but most of those cases would result from polling officials' errors.

Senator ABETZ—How do you find that out? Only after you contact the elector?

Mr Dacey—We contact the electors first. The elector says 'Yes I voted at such and such a place.' In the meantime we also contact non-voters and they confirm that they voted and we match those on the list of electors. So it is usually one person's name above or below another person's name—where they may have the same surname and the polling official has marked through the wrong name.

Senator ABETZ—I understand. So we have 18,000 clerical errors?

Mr Dacey—Possibly 18,000. They are not all clerical errors. Some of those could fall into the category that I was referring to for Senator Boyce's question where it could have been voter confusion—and we become aware of voter confusion so they would not be followed up. They would be followed up initially with a letter but if we realised that through voter confusion, particularly with the elderly, obviously there is no further follow-up required in terms of possible prosecution action.

Senator ABETZ—That is 133 per electorate.

Mr Dacey—That is an average.

Senator ABETZ—That is quite a number that we put down to clerical error. I suppose this is a hypothetical that you cannot answer, but one would imagine that there might be clerical errors the other way that mean that the odd multiple voter in fact may get away with it and not be picked up due to clerical error. But that is just a hypothetical.

Mr Dacey—It is a hypothetical. In any sense I guess of course that it is possible.

Senator RONALDSON—Does it happen to the extent that you believe that it is a matter that needs to be addressed in the training sense? Do you have figures from the last election, for example, as to what the number of clerical errors was?

Mr Dacey—I would have to take that on notice, but yes we would have those figures from the last election.

Senator RONALDSON—Could I then ask you the question, do you think it is at such a level that there is obviously a serious training issue that needs to be addressed in the postelection review?

Mr Dacey—We are always very mindful of polling officials making errors. Unfortunately when you have 60,000 to 70,000 polling officials recruited for one day sometimes they do make errors. I would not call that level of error in an electorate of 80,000 to 90,000 a high level of error. But, yes, we are always mindful of improving our training and we certainly have in place procedures that point out to polling officials the importance of getting it right when they are marking the list. But errors do occur.

Senator ABETZ—Can I disagree with you; I think it is a high level and a matter of concern. Can I ask how does that equate with other elections? Do we have figures from 2004 and 2001?

Mr Dacey—We would have those figures and we can provide them to the committee.

Senator ABETZ—If you could because that may provide us with some sort of comparison as to whether the AEC is getting a handle on this or whether it is becoming a growing problem.

Senator BOYCE—Given the aging of the population, elderly and confused voters have the potential to be a growing problem. What programs have you put in place to try to address issues there.

Mr Dacey—All we can put in place is to try to make people more aware through our campaigns.

Senator BOYCE—But lack of awareness is the issue.

Mr Dacey—Lack of awareness is an issue. The family may come on Saturday to visit and not be aware that Mother voted on Wednesday. But we have processes in place to fix that up.

Senator BOYCE—There is nothing that could be looked at in terms of improving the system so that it cannot happen?

Mr Dacey—The only thing that could be done, and it is certainly something over the horizon, is to have electronic certified lists available as soon as possible after the close of nominations and to mark those lists back when people have all sorts of votes. But certainly the legislation does not provide for that currently and probably technology has not quite come that far to have that extended to that sort of process at this stage.

Senator BOYCE—So when you say ‘on the horizon’, it is on your wish list or is it under active consideration?

Mr Dacey—It is certainly on our wish list. It is something that the ACT Electoral Commission used last weekend in the ACT election, where people were marked off electronically on a small PDA. But that did not address the fact that someone could vote in two polling places, because the PDAs were not networked. The difficulty is that we have 7,000 polling places, and we may have 50 polling places in one electorate. To ensure that the system knows that I have voted somewhere those electronic rolls would need to be networked

so that it would throw up a message that Paul Dacey appeared to have already voted somewhere else. There is a significant cost and logistics issue for a federal election.

Senator ABETZ—It will happen one day, I am sure.

Mr Dacey—Perhaps, Senator—if it can happen in the ACT. But that is a very small electorate. To have that operating federally would be a very expensive process.

Senator ABETZ—Can I follow up on this particular issue. With respect to the 150 who denied multiple voting, what were the circumstances? Do you put the allegation to them, they said ‘I didn’t do it’ and you walk away and say, ‘Oh, well, if you say you didn’t do it, we accept that’? What happens with the deniers? Because if this gets out into the public the other 1,160 people you are thinking of pursuing who have made admissions might feel quite foolish.

Mr Dacey—Each returning officer makes an individual judgement. If someone is sent a letter, for example, that says ‘It appears that you have voted twice’, and that elector comes back and states categorically, ‘I only voted once, and I voted in X polling place’, unless there is some evidence such as from a polling official who may have seen someone vote twice, or some photographic evidence, it is very difficult to continue a case when electors flatly deny that they have voted more than once. However, if someone appeared to have voted eight or 10 times, we would certainly not just accept that elector’s statement that they had only voted once; we would need to follow up a bit more because of the apparent—

Senator BOYCE—Are there examples of people who have voted more than twice?

Mr Dacey—Yes, there are—or who appear to have voted more than twice.

Senator ABETZ—What is the worst case of multiple voting this election that we are aware of? More than twice?

Mr Pirani—Of the current referrals that have gone to the Australian Federal Police there was one where I think they had voted four times.

Senator BOYCE—A very active voter.

Senator ABETZ—A very actively participating citizen, yes.

Senator RONALDSON—Do you do an initial investigation, ascertain the veracity of the multiple voting—

Mr Dacey—Yes, our process is to write to everyone who appears to have voted more than once, seeking further information.

Senator RONALDSON—At what stage do you then refer it to the AFP?

Mr Pirani—The process is that, first, the divisional returning officers have a look. If the divisional returning officers believe there is some evidence then it goes through to the state managers, the Australian electoral officers, and they review the matter. I then receive from each of the Australian electoral officers matters that they are concerned with and my lawyers review the matter. If we then think there is sufficient evidence we refer it to the Australian Federal Police for further investigation.

Senator RONALDSON—So it is actually initiated by the DRO?

Mr Pirani—Yes, the DRO is the first person involved in reviewing the processes.

Senator RONALDSON—And if the DRO reports back that there is nothing there, you do not have another method of cross-checking the DRO—

Mr Pirani—In the current system, you are correct; we do not go back and review that initial assessment. We have gone back and done some sampling. We did go back to the Australian electoral officers in relation to matters that had been referred from the divisional returning officers to ascertain the decisions that were made by the Australian electoral officers, but I do not think we have done any work at the moment to go back to the next stage.

Senator RONALDSON—One would assume that the DROs have their staff doing this cross-referencing. Is there an opportunity for even further clerical error at that DRO office level? Could it be that the multiple voting is potentially understated again at that level?

Mr Pirani—The view is that the DROs are the people there on the ground, they are aware of who their offices in charge were in polling places and they are the ones who are reviewing the lists, the matches et cetera. So they are the people there on the ground who would have the best grasp on the available evidence. We also have a look at the voting histories of particular persons to see if there were allegations made in previous elections of multiple voting, because our experience has proven that quite often if a person does it once then they will continue on. That is also something that is taken into account in that decisions that they identify. We actually have a policy document which we have not published, which is for an internal consumption, that assists the DROs and the decision-making processes in looking for the multiple voters.

Mr Dacey—Just to follow on from that, whilst there is always, I guess, the potential for some clerical error anywhere, the certified lists or the rolls are electronically scanned and there is a report given to every divisional office of the number of apparent multiple voters. So it is not as if the staff in the divisional office are going through and manually checking that process; that checking is done through an electronic scanning process and then there is a report given to the divisional office that X elector appears to have voted X number of times on lists 1, 7 and 9, and we know where those lists were used and what polling places they were used in. So we can track back as to where it was alleged the person voted more than once.

Senator RONALDSON—I presume you could actually go back and drill right down to who was on what desk.

Mr Dacey—You can, and if, for example, there was electronic evidence that showed that apparently someone voted more than once at one polling place and maybe at different issuing points, we could go back to the officer in charge or the staff of the polling close to see whether they recall someone voting more than once. But we would hope that if they did recall that they would let us know on the day rather than wait till after the event.

Senator ABETZ—Do you check to see how many people vote from the grave?

Mr Dacey—I am not quite sure if we have checked that this election, but we certainly did after the 2004 election. I think we had one case where it was still outstanding as to whether or not there was a clerical error.

Senator ABETZ—Did you write to them?

Mr Dacey—And we did not write to them. As a normal part of our process, we delete from the roll after the rolls have closed. We have a list of people who have died subsequently, from close of rolls to polling day. So if someone did vote in those person's name it would come straight to our attention. I am not aware of any from the last election.

Senator ABETZ—Have there been any successful prosecutions on multiple voting when there has not been an admission by the voter?

Mr Pirani—I need to take that on notice. Certainly from the 2007 election there have not been any prosecutions thus far. We have only just referred matters to the Australian Federal Police. If we are going back to 2004—

Senator ABETZ—Take it on notice. I do not know whether I was ever briefed on that when I had Senator Faulkner's exalted role.

Mr Dacey—We will take it on notice.

Senator ABETZ—I would be interested in that.

Senator BOYCE—On return to sender mail in general, is there a service standard that the AEC uses for that? You get the letter, and then what is best practice?

Mr Dacey—If it is official return to sender mail from Australia Post with the Australia Post finger stamp on it, 'Return to sender,' we use that as the first step in checking the enrolment entitlement of those electors. Normal practice would be to follow up with those electors, in the first instance by mail or by telephone and subsequently field work at times. But it is an indicator to us that there has been some change at the household, and we take the appropriate follow-up action through our continuous roll update processes.

Senator BOYCE—How many return to senders would you get in a year? I imagine it is a very large number.

Mr Dacey—I cannot answer that, and even on notice I do not know whether we would have those figures available. But obviously we have sources directly back to us, we have sources from senators and members who send out letters to the electorate, new electors in the electorate, and any return to sender mail is used as a prompt for us to initiate further follow-up.

Senator BOYCE—On average, how quickly would those people be confirmed or removed from the roll?

Mr Dacey—That is difficult to answer. Some may respond immediately. In quite a few instances, we find that the elector is still there. We do have some issues, particularly with some agencies of Australia Post where sometimes the mail does not get out of the agency. It is just very difficult to answer. Some may be outstanding after 12 months, but if we have sufficient evidence—

Senator BOYCE—Obviously you have problems if there are 60 or 70 per cent outstanding after 12 months; if it is two or three per cent, you don't.

Mr Dacey—It would not be.

Senator BOYCE—Do you have any way of measuring that?

Mr Dacey—With return-to-sender mail, probably not. We have a way of measuring how long since we have had information that an elector may not be there, but we do not know whether that was as a result of return-to-sender mail or some other evidence. For example, we have had information we data match with other agencies, I do not think we split it down to that level.

Senator BOYCE—I am just trying to determine how you know if you are doing a good job in this area?

Mr Dacey—The best way to indicate that we are doing a good job is the growth we have in the roll and the participation rate that we have in the roll. We also do sample checks as to the accuracy of the roll. We do sample address fieldwork and check that people are enrolled where they tell us they are enrolled. We look at indicators like that.

Senator BOYCE—You have your Disability Action Plan 2008-11 and you trialled electronic voting for some people in the federal election. Can you tell me about that?

Mr Pickering—One of the particular electronic voting trials was for the blind and low vision, and we conducted that at 29 sites located around Australia. We were very pleased with the way the trial operated.

Senator BOYCE—Why is that? What was good or bad about it?

Mr Pickering—The process that we put in place in a very short period of time prior to the federal election involved a number of stages, including getting software written, buying the equipment, putting together the reference group with peak bodies and also rolling out the gear in time for the federal election. All of that side of things worked very successfully.

Senator BOYCE—What has the feedback been from the voters who use the system?

Mr Pickering—The feedback from those who use the equipment was very positive. There was a very high level of satisfaction from the blind and low-vision community, even though the take-up was not enormous for this first trial. If it is to be used again in future elections, and it is a matter for consideration by the Joint Standing Committee on Electoral Matters, we will have the opportunity of broadening communication with the peak bodies to get greater participation.

Senator BOYCE—How many people did vote electronically in the last federal election?

Senator Faulkner—830 is my recollection of the figure—for the blind or visually impaired people.

Senator ABETZ—Some others voted electronically, for example, from the Antarctic—is that right?

Senator Faulkner—Also the ADF.

Senator BOYCE—850 for visually impaired. What was the total electronic vote?

Mr Pickering—We had two trials operating. That one I just explained and the other one was for remote electronic voting using ADF personnel, and there were 1,511 voters who participated.

Senator BOYCE—The 29 locations involved roughly 2 ½ thousand people or 850 voters?

Mr Dacey—That is correct—29 locations just for the low-vision community.

Senator BOYCE—It was a low take-up?

Mr Dacey—Yes.

Senator BOYCE—Was that about location or what?

Mr Pickering—It is always a problem with location. If we had it in 140 divisions around Australia, possibly the take-up level would have been higher, but because it was a trial we only had 29 locations. We used a reference group to help advise the commission in relation to the best locations where we could get the maximum impact from these electronic pre-poll sites available for blind and low vision people and that is how those were located around Australia.

Senator BOYCE—Where is the decision at as to whether this would be used next time or expanded or whatever?

Mr Pickering—The trials were authorised under the Commonwealth Electoral Act, so new legislation will need to be passed in order for further trials and/or permanent installation of this process to occur. It is currently with the Joint Standing Committee on Electoral Matters.

Senator BOYCE—Do you have anything to add to that, Minister?

Senator Faulkner—Yes, Senator. I think the question you asked about the response rate is a good one. I have certainly met with representatives of blind and vision impaired Australians to try and work some of those issues through. Obviously the government will need to consider its approach with the benefit of the views of JSCEM on this matter. I suppose it is fair to say that the take-up rate amongst blind and visually impaired people was a little disappointing. I think that is probably acknowledged by most people. Trying to understand and establish the reasons for that is one of the things that is happening at the moment.

Senator BOYCE—Perhaps I could follow up on that with the general disability area. What level of percentage improvement have we had with respect to wheelchair accessible booths from 2004 to 2007?

Mr Dacey—We have those figures, but not with us. We can give you those figures.

Senator BOYCE—Okay. So there has been an increase in the number of wheelchair accessible booths?

Mr Dacey—I cannot say without looking at the figures, but we can get that to you as a matter of urgency. It is an active strategy of ours—

Senator BOYCE—To increase the numbers is something you would seek to do, you just do not know whether you have done it or not?

Mr Dacey—One of the issues is not knowing the date of the election and not being able to hire premises until the election is announced. Sometimes we are at the whims of what might be available.

Senator BOYCE—So booths can move from election to election.

Mr Dacey—But we actively pursue trying to get wheelchair accessible polling places where we can.

Senator BOYCE—The other thing is enrolment of voters with a disability.

Senator RONALDSON—Sorry, before you move on from that, can I just finish off the discussion about the voting. Minister, in fairness, when we took evidence in JSCEM about blind and impaired voters, I think when you say the take-up was ‘disappointing’—

Senator Faulkner—I think most people would acknowledge it was a little disappointing.

Senator RONALDSON—But I think the evidence that was given was that the infrastructure was in a very limited number of polling booths, and those who were able to access it were actually very pleased with the outcome.

Senator Faulkner—Sure.

Senator RONALDSON—And JSCEM was looking at this issue in the context of additional resources to potentially not only have the infrastructure in different electorates but also to have more infrastructure within the electorates themselves. I think the reports back to JSCEM from those who did use it was very favourable.

Senator Faulkner—I agree with what you say. It is true that there are in excess of 7,000 polling places across Australia, and there were 29 polling places where this particular facility was available. I think you are right to say, and I would be the first to acknowledge, that for those blind and visually impaired people who did access the facilities were very positive about that experience. That certainly accords with the feedback that I have had. There are a range of issues here that we will need to balance. It is not an easy question. There are significant costs, as you are aware, with the provision of these facilities. It will be a challenge for all of us in the period ahead to ensure that we get an appropriate response in these circumstances prior to the next election. But I think the way that you have portrayed the response is a fair one. I think you have encapsulated that well. Certainly the feedback that I have had is that those who were able to access it were very positive about it.

Senator ABETZ—Can I encourage you to continue with it, because I would anticipate that there has been a strong culture of those who are blind or visually impaired being taken to the polling booth by a carer or family member who, over past elections, have gone into the booths and assisted them in filling out the ballot paper. In those circumstances one would assume that, if they have done it for five, 10 or 15 years they would keep doing it rather than trialling some new technology which the carer themselves may even have some trepidation about. So I think it will be a cultural change that will take place over the years and I would encourage you to keep persevering.

Senator Faulkner—It was a challenge to get the balance right on this. Again, I think that what you are saying is true. I have heard directly from some blind citizens who really had the first opportunity in their adult lives to be able to cast a vote absolutely without assistance or without any individual knowing what their vote—

Senator ABETZ—Yes, and I think that is preferable.

Senator Faulkner—So there are a range of issues that will need to be considered and addressed here but, again, I accept the point that you make because I have had that feedback directly from people.

Senator BOYCE—I certainly think that developing good strategies about this would be a big improvement on what has happened in the past. Often people with visual or other disabilities have sought to take themselves off the rolls or have not enrolled to vote. I think there has been a sense within the disability community that no-one cared about whether they voted or did not vote.

That brings me to my last question in this area. You do work with students with your campaigns for 17- and 18-year-olds to enrol to vote. Are they targeted at special schools as well as mainstream schools?

Ms Urbanski—With the Enrol to Vote Week there were some special schools that we did not include. That was often at the request of the school.

Senator BOYCE—At the request of the school?

Ms Urbanski—Yes.

Senator BOYCE—How does that happen?

Ms Urbanski—When we set up Enrol to Vote Week we contact the schools. We start with a letter from the Electoral Commissioner to all of the principals—

Senator BOYCE—Of every school in Australia?

Ms Urbanski—Those that are eligible—they have 17- and 18-year-olds. That is to alert them to the fact that we are going to have an Enrol to Vote Week—the previous one was the second Enrol to Vote Week that we have had—and we foreshadow that we will be contacting the school to set up an opportunity for them to participate, to register. And then, when they register, they are contacted by the coordinator, mainly through telephone and email. We mail packages out for them to conduct an enrolment activity. At that point, when you contact the schools, some schools will elect not to participate, but there was a decision about some schools that, because the school would say, ‘We’re a special school and we don’t think it’s appropriate,’ you cannot force your way into these schools.

CHAIR—Senator Boyce, can I just clarify how many more questions you have?

Senator BOYCE—I just want to finish this area around special schools.

CHAIR—We had some time lines, so we have another department, if you can wrap up quickly.

Senator BOYCE—How many mainstream schools sought not to participate?

Ms Urbanski—In terms of Enrol to Vote Week, 1,701 secondary schools and colleges participated. I do not have the exact total number of schools, but it was about 750 that elected not to participate. That would be a range of schools. It would be some normal, mainstream high schools.

Senator BOYCE—How many special schools did participate then? That is probably the next question I should ask.

Ms Urbanski—I do not know. I would have to see whether I can find out.

Senator BOYCE—Is there any way you can ascertain that for me?

Ms Urbanski—We could try.

Senator BOYCE—Were there some?

Ms Urbanski—I would have to find out for you.

Mr Dacey—It might be difficult, in that the special schools might not readily identify themselves as such through the title of the school, but we can have a look and see what we can find.

Senator BOYCE—It just concerns me that there is still a culture that does not encourage people with disabilities to want to participate in voting, and I think we need to develop further in that area.

Mr Dacey—Certainly, during the more immediate period prior to the election, we do have active strategies in relation to encouraging people with disability to fulfil their electoral responsibilities. For example, we have press advertising on Radio for the Print Handicapped; we have had a direct mail campaign to over 20,000 disability groups, organisations and individuals, letting them know about accessibility issues; and official versions of the election guide were produced in braille and audio format. So we do have a strategy in place closer to the election time that targets particularly disability groups.

Senator Faulkner—I should be frank with you also, Senator, and say to you that, with disability groups that have seen me about this issue, I have been very upfront about the fact that the provision of these facilities is quite cost intensive. As you appreciate, there is a considerable financial burden that is borne in that regard. That is one of the elements. When I talked about getting the balance right, that is obviously one of the factors as well. I have not been and I would not be willing not to make that clear to groups and to a parliamentary committee like this. I know that Senator Abetz, for example, is well aware of this. There are considerable costs involved, obviously, in the provision of—

Senator BOYCE—I think there are probably quite a lot of low-cost things and cultural attitudinal changes that we could make that would make a significant difference without a lot of cost being involved, but, yes, I take your point, Minister.

Senator Faulkner—Yes, I am talking about the provision of the electronic-voting facility itself, but I do accept the broader point you make about the need for us to ensure that other low-cost or no-cost initiatives are examined and progressed where appropriate. I do accept that.

Senator BOYCE—Thank you.

Senator ABETZ—Before I ask a few questions that I specifically want to ask, can I put on record, at least, the thanks of the former government and now opposition to Mr Ian Campbell, the Electoral Commissioner, and say that the AEC's loss is undoubtedly the gain of Veterans' Affairs, wish him all the best and thank him for his services.

Senator Faulkner—Senator, I do not know if you were here at the beginning of the hearing, but I did acknowledge Mr Campbell's contribution.

Senator ABETZ—Yes, and I would like to do that on behalf of the former government. I thought it was quite an inspired appointment, of course, but that is another matter.

I ask the commission whether it has a particular view of the sticker that appeared on the front of the *Canberra Times* for the last two days before the territory election and whether that would be allowed in a federal election. What I am specifically referring to is the little sticker—I am old-fashioned: it would be about an inch or two inches square—that was a Labor Party advertisement and clearly very effective, but, when you read it, it had no authorisation, nothing, on it. It nearly looked as though it was part of the newspaper and the newspaper's campaign. Then you peeled it off and the authorisation was on the back. I think on the second day they had 'PTO' on the sticker, alerting people that there might be something on the back, but it was in such small print that I doubt that the vast majority of people would have seen it. It seems to me to be stretching the spirit of the law if not the letter of the law, but I was just wondering if that would be allowed under federal election laws, under the Commonwealth Electoral Act.

Mr Pirani—The issue under the Commonwealth Electoral Act is section 328. Section 328 requires all electoral advertising to have the name and street address of the person who authorised it. Yes, I did examine that sticker—out of interest, because, as you correctly state, it did not fall within our jurisdiction—and noted that it did have the details of the authorising person on the back of the sticker.

During the 2007 election campaign, there were quite a few matters that were referred to me. I think there were 184 that dealt with issues about electoral advertisements and whether they were properly authorised. They ranged from such things as a float behind an aeroplane, where from ground level you could see that it was for a particular candidate and, if you had a telescope, you might have been able to see the authorisation details at the bottom of that. They included such things as a large poster that was above the Monash Freeway, which had at a corner, in very small print, I am assured, the authorisation details et cetera.

Senator ABETZ—That would be like any roadside poster—

Mr Pirani—Indeed.

Senator ABETZ—where you see the candidate's face and name but the 'printed and authorised' information is so small that you would have to stop, get out of your car and read it, which is fine if you are genuinely interested. But, with these stickers, the average punter would have no idea that you were supposed to peel this thing off and read the back of it. It was a very clever ploy, but I must say that it stretches the spirit, I would have thought.

Mr Pirani—I agree with you that it does stretch the spirit, but the issue that we have is that, because section 328 is about a criminal offence, we would have to go through the Director of Public Prosecutions in relation to having a matter before the court. Given that there was an authorisation there, I am just not clear whether DPP would agree to accept such a brief.

Senator ABETZ—All right. So, next time around, if I have a poster printed, I can put the authorisation on the back of the poster?

Mr Pirani—What I am saying is that I am not the final arbiter of that. I would be taking the view of the Director of Public Prosecutions. Again, I acknowledge your comment about the spirit of the act, and I would readily agree with you that that was the parliamentary intention. The difficulty we have is doing a 'beyond reasonable doubt' criminal prosecution in

a court, given that there was an authorisation there on the back. There was another pamphlet during the election—

Senator ABETZ—Time is unfortunately running away from us, so, if I may break in there: would it be possible for you to get an opinion to advise the political parties in relation to this as to whether it is appropriate under the Commonwealth Electoral Act to behave in this way? If it is, it may well be a matter for JSCEM to look at for an amendment to the section—323, did you say?

Mr Pirani—328. I will take that on notice. Normally I would not go and get an advisory opinion on something of this ilk that was not specifically within our role, but I do acknowledge that, given the current JSCEM review, it might be appropriate for us to consider.

Senator ABETZ—But we do have a specific example on which you could seek advice as to whether that would or would not be allowed, because if it is allowed under the electoral act then everybody knows that it is and everybody can do it, whereas, of those who say, ‘We do not think this is within the spirit or, potentially, the letter of the law,’ some then desist but others do not, and that is where you have a difficulty. So, whatever the rule is, just so long as everybody knows about it, as far as I am concerned that is fine, but I think some clarity would be helpful. But I note your comment on the spirit of it, and if you could provide us with some advice then I would have thought that, for all political operatives, that would be a very helpful thing.

Mr Pirani—I will take that on notice.

Senator FORSHAW—Can I ask you to provide us—on notice, so that we do not hold up the committee this morning—some of those other examples which I think you were going to go on and give us: further indications of novel advertising or whatever that had occurred.

Mr Pirani—I will take that on notice, too.

Senator FORSHAW—I am extremely interested in some of those, but I do not want to take up all morning going through them.

Senator ABETZ—Can I ask about the precedent, if it is such, set by the Australian Electoral Commission when it determines boundary adjustments, when it makes a determination on one occasion: is that a precedent for future boundary adjustment bodies to take into account? The reason I ask is that there is a specific example in Tasmania—and I only use it as an example, not as a criticism of the proposal, because the proposal is currently being considered by the augmented Electoral Commission for Tasmania because there have been objections to the proposal. The specific example is that—and somebody can correct me if I am wrong—I think in 1998 or so, there was a redistribution in Tasmania, and the augmented electoral commission determined that there was not a sufficient community of interest between the west coast and Braddon. On the basis of that, many people said, ‘The AEC or the augmented commission have determined that—that there is not that close connection’, and therefore thought, ‘Well, it would be silly to try to say, this time around, that there is,’ especially when the population of the west coast has shrunk by, I think, 500 people. And now, all of a sudden, we are told that there is this huge community of interest that justifies the west coast going into Braddon.

It seems to me that there needs to be some robustness and consistency in the Australian Electoral Commission's approach, because otherwise it starts looking as though a decision is made and then the commission says, 'On this occasion, there is no community of interest,' and, a few years later, 'Yes, there is a community of interest, just to suit the effect that we want to have.' I am not saying that there is any conspiracy on this; I am not asserting that there is any manipulation involved. I am just asking about the robustness and the strength of these determinations, because the message basically is: next time around, forget everything that the augmented commission may have said last time around—you can challenge all of that. It just seems to me that there is a bit of inconsistency there, and it is a matter of some concern to those who are genuinely trying to assist the commission with plans for reconfiguring the electoral boundaries when, on one occasion, we are told there is no community of interest warranting this, and then, a few years later, all of a sudden—despite a decrease in population—there is this community of interest. I am just wondering about the precedent value.

Mr Dacey—As you are probably aware, the AEC as an organisation does not conduct redistributions.

Senator ABETZ—Yes.

Mr Dacey—It is a redistribution committee which is established under the electoral act—

Senator ABETZ—That is right.

Mr Dacey—and the AEC provides, basically, secretarial support to that. There are certain guidelines and criteria in the act in a hierarchical sense as to what those committees should take into consideration. I was not a member of the current redistribution committee, so I cannot comment on the views they had and what they took into account. Obviously it is open to the committee to take into account any submissions that are put to that committee. Obviously some members of the committee will have their own views. It is a subjective view, I guess, guided by what people propose to the committee—what the committee comes up with, with a proposal.

In terms of any precedent for what might have happened seven years ago, I am not sure what the committee would have taken into consideration when they made their proposal this time, other than what is in the report of the committee. The committee may have been convinced that, over a period of time, some circumstances have changed. I just cannot comment on it.

Senator ABETZ—They did not refer to any. I will not labour that point any further, but if some sort of advisory could be provided—I do not know how—to indicate some consistency over the years, that would be, I think, of assistance to all people who do spend a lot of time—in the case of political parties, a lot of volunteer time—in making submissions. I will move on to my final question. Do enrolment procedures currently require identification to be provided?

Mr Dacey—There is a three-tier process.

Senator ABETZ—Yes, but some identification is required.

Mr Dacey—Yes.

Senator ABETZ—How is that working, just generally? Are we getting a lot of consumer resistance?

Mr Dacey—The majority of electors, 91.3 per cent, are providing their drivers licence number—or passport number, in the case of overseas electors—on their enrolment forms. So 91.3 per cent fall into category 1, another 7.4 per cent of electors show an authorised person an approved document, and the remaining electors—1.2 per cent—have to have two electors who know them to confirm their identity because they do not have the relevant documentation. I am not sure if you are aware of the recommendation we have made to the joint standing committee, but, given that it is a fairly seamless implementation and that 91.3 per cent of electors merely have to provide a drivers licence number—which, of course, we check online with motor vehicle authorities—the AEC has recommended retention of tier 1, but we have suggested that perhaps tiers 2 and 3 could be collapsed, so that, rather than people having to provide approved documentation or find two electors to confirm their identity, they can just find one elector who is on the electoral roll to witness their application. But, for 91.3 per cent of the population, it is a very simple process now.

Senator ABETZ—Thank you.

CHAIR—Are there any further general questions?

Senator RYAN—Yes.

CHAIR—Are you hoping to go through all the outputs—is that still your intention?

Senator RYAN—I have nothing for the outputs.

CHAIR—What I am proposing is that, when we have finished with the AEC, then we will have our adjournment and come back.

Senator RYAN—My questions are of a slightly technical nature and they relate to the electronic voting that has been used, my knowledge of which relates to the ADF overseas. Are people who are using the electronic voting system also given an option for a paper ballot, or is that the only option they are provided with?

Mr Dacey—They are, but Mr Pickering can give you the details.

Mr Pickering—Once the ADF personnel had been registered to take part in the electronic voting trial, they were also sent postal voting material.

Senator RYAN—Has there been any feedback regarding the usability of the interface of the electronic voting system used in the 2007 election, or any surveys taken about it?

Mr Dacey—Is this the Defence system?

Senator RYAN—Yes.

Mr Pickering—Yes, a survey was taken of personnel who participated in the trial, and the feedback was generally very positive.

Senator RYAN—One of the issues that was highlighted to me by someone I know who was using the system was that, in the position they were in, which was a remote station, it took over half an hour to fill out the Senate ballot paper because the connection was very

slow. Is that purely of a technical nature? Is it the system? Is that something that has been looked at?

Mr Pickering—Any form of electronic interface in these areas of operations is always a challenge. The way in which this trial took place was to use the Defence restricted network, which has a very high security classification, and the response time within that Defence restricted network is something that is beyond our control and is determined by the equipment of Defence.

Senator RYAN—That is fine.

Mr Dacey—Senator, the voter in question may have chosen to mark the ballot paper below the line, and if he or she was from a large state it would take some time to do it manually anyway.

Senator RYAN—Sure, thank you.

Senator RONALDSON—Minister, just before we finish with the commissioner, there was some talk about the Dreyfus model earlier on. What is the government's view of Mr Dreyfus's suggestion in relation to the breaking of deadlocks? Do you support his proposal or not?

Senator Faulkner—I would not consider myself an expert on Mr Dreyfus's proposal, but I am happy to have a very close look at it and come back to you. I have not given it close consideration at this stage.

Senator RONALDSON—It did get a lot of publicity. I am sure that you had a briefing in relation to what he had said. Have you formed an initial view on whether you support the resolution process or the continuation of the democratic outcomes that we are accustomed to at the moment?

Senator Faulkner—I have not received a brief on Mr Dreyfus's proposal, and it is because I have not closely examined it that I am reluctant to provide a response to you. But I am happy to give you a considered response. Generally, of course, I would say to you that there is a principle here that any process that extends the time to conclude the decision in a close seat is something that we would need to consider very closely before we adopted.

Senator RONALDSON—Can you imagine any situation where the outcome of a close election could be clarified by way of conciliation? Can you imagine any situation in which that would occur?

Senator Faulkner—I try not to leave these things to imagination. Obviously, if any proposal like that were progressed by any parliamentarian it would get very close consideration in both houses of parliament, as you are aware. Beyond the statement of the general principle that I have just made, having not looked at the detail of what Mr Dreyfus has proposed, I really do not want to go any further.

Senator RONALDSON—I suppose if I am imagining things too, I can only imagine your response when you do have a close look at it. But that is all I have.

CHAIR—If there are no further questions—

Mr Dacey—If I could just add one point. At the Senate estimates hearings in May the committee requested that the AEC table updated enrolment statistics at future hearings, so I would like to table the end of September enrol statistics by state.

CHAIR—Thank you very much.

Proceedings suspended from 10.24 am to 10.42 am

CHAIR—Welcome, Dr Watt and your departmental staff. It is very nice to have you here. Did you wish to make an opening statement?

Dr Watt—Thank you, no.

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

Senator Faulkner—No, thank you.

CHAIR—We will move on to general questions.

Senator RONALDSON—Welcome, Dr Watt. We were concerned as to whether you might join us. It is very pleasing to have you here.

Dr Watt—I always join this committee, Senator, but I do think that I probably have the least value to add by sitting through the Australian Electoral Commission. My knowledge of the electoral system is far inferior to theirs.

Senator RONALDSON—I suspect that is probably so for most of us. Minister, yesterday I was asking you about an itemisation of travel, a breakdown of travel, for Mr Peter Stephens. You suggested that I should make that request today under MAPS, so I ask you to take on notice a full breakdown and itemisation of Mr Peter Stephen's travel with dates and destinations and who else was on the travel party. I presume you are happy to take that on notice?

Senator Faulkner—I am.

Senator RONALDSON—Thank you.

Senator Faulkner—The issue of who was on the travelling party may cut across elements of other portfolios, but let us not go back there. I am happy to take it on notice. Which travelling party are you referring to?

Senator RONALDSON—Travelling parties that would form part of the answer to the first question, the breakdown of Mr Stephens's travel—

Senator Faulkner—All right.

Senator RONALDSON—Anyone else who may have been travelling at the same time with him. You might remember that yesterday Mr Mrdak and I had a conversation about whether Mr Stephens accompanies Ms Rein when she is travelling independently. Mr Mrdak took that on notice because he did not have personal knowledge. He said he would try and get back to me after lunch in relation to that matter. Mr Mrdak said, 'I will endeavour to do so.' I am not jumping up and down about it, but, if Mr Mrdak could be reminded that I am still waiting for something that he said he would try and get back to me by lunchtime yesterday, I would be very grateful as well.

Minister, I have the normal questions on the breakdown of government and personal staff et cetera, with which I am not going to take up the time of the Senate this morning and which I will put on notice.

Senator Faulkner—Do you mean by that the normal documents that are tabled here?

Senator RONALDSON—The normal questions in relation to the breakdown of government and personal staff positions et cetera. We do not need to go through that now. I will put all that on notice.

Senator Faulkner—You will provide questions on notice to take account of that?

Senator RONALDSON—Yes.

Senator Faulkner—As you know, as a result of an initiative that Senator Ray and I took when we were on the other side of the table, the department now regularly provides a tabulated response on those issues.

Senator RONALDSON—If you have got that standard response at estimates, I am happy for that to be tabled now.

Senator Faulkner—That certainly can be tabled for the benefit of the committee if that assists. It probably saves time for you, Senator, in asking a whole range of questions on notice.

Senator RONALDSON—I presume this singing we can hear is for our benefit. I might just close the door, if you do not mind.

CHAIR interjecting—

Senator Faulkner—That is very cruel, Chair!

Senator RONALDSON—That is right; I am a very sensitive man! I am horrified that you would attack me like that, Chair! Minister, I would like now to turn to the Caucus Committee Support and Training Unit. What is the role of the CCSTU? Forgive me if I just refer to it as ‘the committee’ while we are having this discussion rather than going through the—

Senator Faulkner—If you use the terminology ‘committee’ and we understand that by that you mean the—

Senator FIFIELD—Or ‘unit’.

Senator RONALDSON—Yes, perhaps ‘the unit’ might be a better way of doing it.

Senator Faulkner—Whatever. It is in fact the Caucus Committee Support and Training Unit. It has the acronym CCSTU, but if you call it ‘the committee’ that is fine by me. It was established to provide support to the caucus and its committees and to provide support and training to government members, senators and their staff on a very wide range of issues that relate to their parliamentary and electorate responsibilities.

Senator RONALDSON—From the calculations I have done, there are approximately 10 staff in the unit. Is that correct?

Senator Faulkner—Yes, I believe there are 10 full-time staff in the CCSTU. That is correct.

Senator RONALDSON—Minister, what is the breakdown of staff allocation between the support to the caucus committees and the second part of the role, which is the support and training for government members and senators?

Senator Faulkner—I am not sure that I can provide that breakdown. I can certainly provide a breakdown for you in terms of the traditional, if you like, staffing establishment. I think it is fair to say that those broad roles that I have outlined are conducted by all of the staff in the CCSTU.

Senator RONALDSON—Do certain staff have specific responsibilities?

Senator Faulkner—To some extent yes, Senator, because as you are aware the caucus has a range of established committees and it is certainly my understanding that particular staff members are allocated to service particular caucus committees. So that is the case.

Senator RONALDSON—So they are allocated responsibilities to look after those committees, are they?

Senator Faulkner—Yes, there are, as I have indicated to you. But you asked me a different question before in relation to the broad range of responsibilities. I have outlined the role of the CCSTU to you and the fact, as I understand, given the number of caucus committees that exist, that you have a specific staff member who services a particular committee.

Senator RONALDSON—Indeed, one of your comrades very kindly gave me a copy of the August federal parliamentary Labor Party staff and directly attached to that is the Caucus Committees Support and Training Unit.

Senator Faulkner—It would be in there, I am sure, if someone has kindly given that to you. By the way, I do not have a copy of that, so I will have to listen carefully to what you are saying.

Senator RONALDSON—I could possibly arrange for that person to give you a copy as well, if you like.

Senator Faulkner—No, I would have one in my possession. I still have mine but I do not have it with me.

Senator RONALDSON—Can I just go through the responsibilities. A Nina Gerace has responsibility for Climate Change and Water and the Environment, Heritage and the Arts. A Janet Smith has—

Senator Faulkner—Just before you go on, I am sure this is true, and you can approach this how you like, but I have generally made a practice of not talking about ministerial staffers' names. But you approach your questioning as you wish to.

Senator RONALDSON—Thank you very much for that, but this is in the context of responsibilities within a 10-staff unit for caucus committees. If you have concerns about the names then I will give you the portfolios—

Senator Faulkner—I am just telling you what my approach was. You can outline it as you see fit.

Senator RONALDSON—I will give you some responsibilities. If you are concerned about the names of those people—

Senator Faulkner—I am making the point that it is up to you to ask your questions how you will, but I generally tried, if it were not relevant, not to identify staff members.

Senator RONALDSON—Can I perhaps ask this, thanks very much. That is under the Climate Change and Water and the Environment, Heritage and the Arts. Then under ‘Economics’ there is Treasurer; Finance and Deregulation; Competition Policy and Consumer Affairs; Superannuation and Corporate Law; Trade; and Small Business, Independent Contractors and the Service Economy. Then ‘Education, Employment and Training’, under the same person, has Employment and Workplace Relations; Employment Participation; Innovation, Industry, Science and Research; and Social Inclusion and the Voluntary Sector. Then under ‘General Administrative Policy’ there is the Special Minister of State and the Attorney-General—that is one person. Under ‘Infrastructure, Transport, Rural and Regional’—the person on the committee has the same responsibility as the Climate Change and Water and the Environment, Heritage and the Arts—is Infrastructure, Transport, Regional Development and Local Government; Regional Development Northern Australia; Agriculture, Fisheries and Forestry; Resources and Energy; Tourism; and Broadband Communications. And then another staff member—so a fourth staff member—has responsibility for ‘National Security and Social Policy’ which is Foreign Affairs; Defence; Attorney-General; Home Affairs; Pacific Island Affairs; International Development Assistance; Human Services; Families, Housing, Community Services and Indigenous Affairs; Veterans’ Affairs; Housing; Health and Ageing; Disability and Children’s Services; Early Childhood Education and Child Care; Sport and Youth; Immigration and Citizenship; and Multicultural Affairs and Settlement Services.

So, having had a reasonably close look at that, I cannot think of any areas of government that are not covered under those portfolios. Having heard the list, do you believe there are any that have not been covered?

Senator Faulkner—Not to my knowledge. I have only listened to the list that you read out, but it is certainly broad—if not all encompassing, it is quite a broad list responsibilities.

Senator RONALDSON—So we have four members of this 10-member unit who are covering one of the roles, which is the support for the caucus committees. Minister, can I then turn to the other six members who do not have those responsibilities and ask you what their roles are within the unit.

Senator Faulkner—I think I have outlined this, but let us be clear again. What the CCSTU was established to do is manage the organisational work of the federal parliamentary Labor Party—that is, the caucus itself—to manage the organisational work of the committees that the caucus has established and to manage the organisational work of prime ministerial taskforces. It is also engaged in assisting government parliamentarians in those areas where they have entitlements. It has an involvement in assisting and training parliamentarians and a role in training staff in both parliamentary and electorate work.

Senator RONALDSON—Thank you, Minister. We have the four people who are doing the caucus work. Can you describe to me what support and training the other six people are

providing to the parliamentarians and the Labor Party. Can you just give me an overview of the training and support roles those six people have during the day—what sort of roles they might be playing at the moment, for example.

Senator Faulkner—Only in the broad terms that I have. What I can assure you of is this: unlike the 15-person government member secretariat that was established during the life of the last government, I can say categorically the Caucus Committee Support and Training Unit does not monitor the media, it does not in any way, shape or form campaign for the Labor Party or conduct Labor Party fundraisers, and again, unlike the GMS, it does not conduct opposition research.

Senator RONALDSON—What was the role of aNiMaLS in the former government?

Senator Faulkner—So not only can I say to you what it does do—and I have outlined that in as much detail as I intend to—but I have also outlined for you, as I think I may have previously, what it does not do; and that stands in very stark contrast to the 15-person government member secretariat that operated during the life of the Howard government. It is a very different operation, a much smaller operation, doing very different things—and, I might say, doing absolutely appropriate things.

Senator RONALDSON—Look, we can all go back historically. I could sit here for some time and talk about the role of aNiMaLS and the government before then.

Senator Faulkner—Feel free, if you wish.

Senator FIFIELD—Please do.

Senator Faulkner—That is a matter for you, Senator.

Senator FORSHAW—If you want to waste your own time, you do it. How many years ago was that?

Senator RONALDSON—Oh, I see, so that is okay, is it?

Senator FORSHAW—You are the one who said you could sit there and do it.

Senator FIFIELD—The year zero starts from 1996.

Senator FORSHAW—Excuse me, Senator Ronaldson, you actually volunteered to do it. Now you have a go a me for offering you the opportunity!

CHAIR—Can I just remind all senators that Hansard are trying to record these proceedings. I cannot make heads nor tails of who is talking about what. If you could please stop talking over the top of one another we will proceed in an orderly manner.

Senator RONALDSON—It must be feeding time again when we start getting those sorts of interventions at the other end of the table. I actually did not mention aNiMaLS—

CHAIR—Senator Ronaldson, do you have a question?

Senator Faulkner—I think I am guilty, Senator Ronaldson.

Senator RONALDSON—Yes.

Senator FORSHAW—We will check the *Hansard* on that one.

Senator RONALDSON—I took up the invitation, quite rightly provided by Senator Fifield. But let us get back to the here and now, because your pleas, with the greatest respect, Minister, about this newfound openness and transparency when it comes to this unit, quite frankly, beggar belief. We have four staff who are fulfilling the role of supporting the caucus committees—quite substantial roles, I have to say. I imagine they would be pretty busy servicing all those portfolio areas. So we have six staff who are providing the support and training for parliamentarians. Can you just go through again for me the sorts of things they would do on a day-to-day basis.

Senator Faulkner—Do not jump to those conclusions. Let me first respond to the—

Senator RONALDSON—Can you just answer the question. I do not want the commentary. Can you just answer me the question?

Senator Faulkner—Senator, I intend to answer your question.

Senator RONALDSON—It is quite a simple question.

Senator Faulkner—Please let me answer it, Senator.

Senator Jacinta Collins interjecting—

Senator RONALDSON—Thank you. I have the question and now I want the answer.

Senator JACINTA COLLINS—If you would stop speaking over the witness, Senator.

Senator RONALDSON—Thank you very much for that.

Senator Faulkner—Let me go to the first element of Senator Ronaldson's question, which goes to openness and transparency. Let me say in response to that element of Senator Ronaldson's question the fact that we are actually having questions and answers at this estimates committee is an example of the government's commitment to openness and transparency. I would ask Senator Ronaldson on that issue to reflect on what occurred during the life of the Howard government when the government members secretariat, the 15—

Senator Ronaldson interjecting—

Senator Faulkner—I am going to answer your question in detail, Senator.

Senator RONALDSON—Will you answer the question? I have asked you what the day-to-day role—

Senator Faulkner—I am going to answer the question. I am answering the first part—

CHAIR—Senator Ronaldson, there is a question before the minister. He is attempting to respond to it. I cannot direct him on how to, but please show common courtesy.

Senator Faulkner—which related to a suggestion that there was no openness or transparency, and then I am going to move to the second part of Senator Ronaldson's question. I am debunking the suggestion. During the life of the Howard government when questions were asked about the government members secretariat at this very committee by me, amongst other senators, this became unacceptable to the Howard government. As a result, the government members secretariat was transferred to be under the responsibility of the Chief Government Whip in the House of Representatives, who happened to be Senator Ronaldson, I might say, so that questions could not be asked at Senate estimates committee

about those issues. That you can even ask these questions was a deliberate decision for me, Senator. And I will say this—

Senator RONALDSON—To bring them under your bailiwick?

Senator Faulkner—Yes. It was a deliberate decision for me to take responsibility of this organisation, this unit, so that you could ask questions and—

Senator RONALDSON—What do these six people—

Senator Faulkner—I am going to get to the second part of your question, Senator—people could be satisfied about accountability.

Senator RONALDSON—He is just filibustering.

Senator Faulkner—So I will and do answer questions in this Senate estimates committee, unlike what occurred during the life of the Howard government.

Senator RONALDSON—So answer my question.

Senator Faulkner—Staff would be involved in, amongst other things, briefings and seminars. They would be involved in the preparation of legislation briefs for the federal parliamentary Labor Party on specific areas of legislation or on policy issues and the like. It is those sorts of—

Senator RONALDSON—Don't the ministers advise backbenchers on legislation?

Senator Faulkner—Senator, please do not have it both ways. I can assure you that the federal parliamentary Labor party—and I do not speak here on behalf of the federal parliamentary Labor party; in this room there are five members of the federal parliamentary Labor Party—treat extremely seriously their responsibilities in this regard. I actually think that fair-minded people know that that is the case.

Senator RONALDSON—Let us cut out the editorial. When you and Mr Rudd discussed where this unit would be put, did he think it would be better with the chief whip or with the then current president of the ALP in relation to examples of openness—

Senator Faulkner—I am not president of the ALP.

Senator RONALDSON—I said 'then'. So that is an example of openness and transparency, is it?

Senator Faulkner—You have asked before what this group has done and you have asked about examples of openness and transparency. I actually think that if you reflect on this the fact that you can ask questions of me about the CCSTU is indicative of a commitment to openness and transparency. I think the fact that I could not ask questions of any minister in the Howard government about the former government members secretariat—it was covered up and sent to you as Chief Government Whip in the House of Representatives so questions could not be asked by senators about that organisation—is an indication of a lack of commitment to openness and transparency. That is my view, Senator. I think the record stands for itself. I am going to continue to argue in this forum and in the Senate chamber that that is the case because it is a fact.

Senator RONALDSON—I am sure you will. I will ask you the question again. When you have four people who are responsible to the committees, can you give me an example of the day-to-day activities of six full-time staff members? I could ask the Labor Party backbencher who was sitting here today how much time they spend with the unit on a daily basis, or how much time they spent with it yesterday, Thursday, Wednesday, Tuesday or Monday of last week. I rather suspect that I know what the answer is. The answer is zero.

Senator FORSHAW—You are wrong. You are completely wrong.

Senator RONALDSON—Perhaps you can run through with me the amount of time you did spend with them and what you did. Minister, in relation to the staffing in the unit, what was the—

Senator FORSHAW—I want to know how much time you spent undermining Brendan Nelson. I would like to know how much time you occupied yourself in that endeavour.

CHAIR—Senator Ronaldson has the call.

Senator FORSHAW—I suspect I probably know the answer to that one—and it was a lot.

Senator RONALDSON—You are a complete and utter goose, aren't you. Why don't you go and have a cup of tea and a biscuit, and we will get on with the business.

Senator JACINTA COLLINS—On a point of order, Chair.

Senator RONALDSON—So how were these people—

CHAIR—A point of order from Senator Collins.

Senator JACINTA COLLINS—Senator Ronaldson has suggested we start asking questions of each other across the estimates. This is obviously not the point of estimates, but he is encouraging some of my colleagues to respond. I would rather that he focus on questions to the minister or the department. That is the role of estimates.

Senator FIFIELD—I think it was merely a rhetorical flourish on the part of Senator Ronaldson.

Senator JACINTA COLLINS—He is flourishing a bit too much.

CHAIR—Can I just remind senators that it is your time.

Senator Faulkner—While all this was happening, Chair, I had time to go out and have a cup of tea.

CHAIR—It is the senators' time and how they choose to use that is up to them. Senator Ronaldson has the call.

Senator RONALDSON—What was the basis on which you chose the staff for the unit? Did you choose those staff yourself, Minister?

Senator Faulkner—I am responsible for the staff in the unit. I am the employing minister. I did employ the staff.

Senator RONALDSON—These staff appointments were on your personal recommendation? They did not go through another committee?

Senator Faulkner—Yes, I am responsible for the staff. Again—except that you do not acknowledge this—I did actually take the view and argued this strongly right through the years that the party I happened to be a member of was in opposition that, on Labor's return to government, a minister needed to be responsible for the staff in the CCSTU or whatever the organisation was called—that backbencher support group, if you like—and that that minister needed—

Senator RONALDSON—So what qualifications—

Senator Faulkner—Let me just finish; it is important that you understand this.

Senator RONALDSON—Well, can you stop the editorial and just answer the question.

Senator Faulkner—I do want to give you a complete answer to your question.

Senator RONALDSON—Thank you very much.

Senator Faulkner—It was important because I did believe that a minister should undertake that responsibility so that a minister could be held accountable at Senate estimates—standing in contrast to what occurred when the government members secretariat was transferred to you as whip in the House of Representatives. I learnt from that experience and wanted a different approach.

Senator RONALDSON—Did you. So what sort of criteria, what skills, were you looking for when you put these staff on?

Senator Faulkner—It would be like me asking you what was in your mind or what skill sets you wanted—

Senator RONALDSON—What skill sets were you looking for when you appointed these people?

Senator Faulkner—when you appointed your own personal or electorate staff. Those are matters for individually employing ministers or parliamentarians. I have always accepted that. I always will accept that. And that is the principle that we all apply, I think, in politics.

Senator RONALDSON—But this is a special unit—this is your openness and transparency unit.

Senator Faulkner—Yes, and ministerial staff are special staff, and electorate office staff are special staff, too.

Senator RONALDSON—This is your openness and transparency unit. So what were the skill sets that you were looking for to put into this openness and transparency unit?

Senator Faulkner—I have answered the question before, of what this unit does. You were informed, in fact—as far back, I believe, as February of this year—of the sort of work that was being undertaken in the CCSTU. Let me give you some examples: the capacity to train government members and their staff; the provision of administrative support for caucus committees and prime ministerial backbench taskforces; the provision of information and advice to government members and senators on their rights and responsibilities under Commonwealth legislation; the provision of information and advice to government and members and senators on the effective use of FOI legislation, for example—

Senator RONALDSON—Ha ha!

Senator Faulkner—Well, I am using it as an example of the sort of government—or the Electoral Act, for that matter—

Senator FIFIELD—There would be a lot of FOIs emanating from Labor members for the government, I am sure!

Senator RONALDSON—That's right! That would almost be a full-time job, I reckon, wouldn't it?

Senator Faulkner—Well, hardly.

Senator RONALDSON—No—exactly!

Senator Faulkner—But, as you know, an understanding of government legislation—

Senator FORSHAW—I get lots of requests under FOI as to what you blokes were up to, from the public. They are very keen to know.

Senator RONALDSON—Can I just—

Senator Faulkner—Senator, let me complete my answer to you. As you would know, a knowledge of legislation that governs the work of parliamentarians is important. That includes not only legislation but also, of course, requirements that the houses of parliament themselves have; provision of advice on how you make the most effective use out of your electorate office; staff structures; the way an electorate office works—knowledge of all these sorts of issues, is, I think, very worth while and is utilised by members of the FPLP—

Senator RONALDSON—Thanks for the editorial again and for a bit of filibustering again. There seems to be a bit of a theme running through the people who you have appointed to the unit—in fact, a very strong theme, Minister—and the theme seems to be a very, very active involvement with the Australian Labor Party. And there does not actually seem to be a lot here in relation to the so-called openness and transparency skill sets that you referred to. I wonder—

Senator Faulkner—In response to that—

Senator RONALDSON—Would you please let me finish!

Senator Faulkner—Would you please let me respond to that?

Senator RONALDSON—Would you please let me finish my question! Madam Chair—

Senator Faulkner—Well, you make an allegation; let me respond to it.

Senator RONALDSON—Okay, if you want to have it out—

Senator Faulkner—The truth of the matter is this: if you look at both electorate and personal staff—if we are being sensible about this—employed under the MOPS Act, it is true that members and senators, from all sides of the parliament, do select staff who tend to be supportive of their own—

Senator RONALDSON—Well, thank you for acknowledging that you have actually filled the unit with Labor Party people. Why didn't you just say that earlier on?

Senator Faulkner—Can I now finish my sentence, please. I was about to say, I was in the middle of saying, that senators and members from all sides of the parliament—not only from government and opposition but also, I think you will find, minor parties—tend to appoint people who are like-minded, to their staff. It is true, I would have to admit that my own personal staff is not full of people who are card-carrying members of the Liberal Party. This may come as a shock to you—

Senator RONALDSON—So can we actually move on from your electorate—

Senator Faulkner—but it is a fact of life.

CHAIR—The minister is trying to finish his answer.

Senator Faulkner—Will you let me, please, finish? Just like your staff—

CHAIR—Senator Ronaldson, I am sorry; you asked a question; he is trying to answer it.

Senator RONALDSON—Madam Chair, with the greatest respect, this is just a bit of filibustering to avoid—

Senator Faulkner—Just like your staff are not card-carrying members—

Senator RONALDSON—He is simply filibustering to avoid answering. I ask you to intervene, Madam Chair. He is just filibustering.

Senator Faulkner—Please let me finish.

Senator RONALDSON—Well, get on with it.

Senator Faulkner—Please let me finish my answer.

Senator RONALDSON—Well, get on with it so I can continue my questions.

CHAIR—Senator Ronaldson, can I just remind you: Hansard are trying to record these proceedings.

Senator Faulkner—You ask questions; I think you are entitled to an answer—but I am also going to deal with what are half-baked comments—in the interests of openness and transparency. It is true of others around this parliament, and everyone knows it, that the skill set that is important here is the operation of parliamentary, legislative and also caucus processes. That is what is critical here, and it is what I believe these staff have.

Senator RONALDSON—Thank you, Minister, for giving me a dissertation for five minutes on who you put on to electorate staff. Can I now take you away from the electorate staff and move back to the unit that you have got responsibility for, which is your openness and transparency unit, apparently. And I put it to you that this unit—with these 10 people—is actually filled with Labor Party apparatchiks who have long history in the Australian Labor Party and who have been chosen by you quite carefully so as to use this as a unit for the government's purposes. You have already acknowledged that only four people are actually involved in the caucus committee—

Senator Faulkner—No, I have not said that; you have said that.

Senator RONALDSON—You did admit that.

Senator Faulkner—No, you said that.

Senator RONALDSON—And you have also acknowledged that there are six people who are apparently doing something loosely described as support and training.

Senator Faulkner—I have said no such thing.

Senator RONALDSON—Do you want me to go through the Labor Party credentials of each of these staff members?

Senator Faulkner—No, but you can if you wish to.

Senator RONALDSON—Or do you just acknowledge that they are Labor Party apparatchiks, with long-standing history in the party?

Senator Faulkner—If that is the question: what I have acknowledged is that—

Senator Forshaw interjecting—

Senator RONALDSON—Sorry—I will just take the interjection from Senator Forshaw who just said, ‘Is that wrong?’

Senator FORSHAW—No, I didn’t; I said—

Senator RONALDSON—Well, can I say to Senator Forshaw—

Senator FORSHAW—Excuse me, I said: ‘Is that a crime?’ A point of order: if you are going to quote me—

CHAIR—Yes, it is a point of order. Senator Forshaw has the call.

Senator FORSHAW—Chair, if I am going to be quoted in this hearing I want to be quoted accurately. I am not going to be verballied, as this senator at the other end of the table is seeking to do. Every time the minister answers a question, he then seeks to verbal whatever the answer is, to make up his next question. For the record, when you said, ‘These people are members of the Labor Party,’ I said, ‘Is that a crime?’

Senator RONALDSON—I did not mention the words ‘members of the Labor Party’ at all; I said, ‘Labor Party apparatchiks, with a long-standing history in the party’.

CHAIR—Senator Ronaldson, we are not here to—

Senator FORSHAW—Is that a crime?

CHAIR—Senator Forshaw, Senator Ronaldson: we are not here to debate across this table. If you have a question, can you put it to the minister or the department, please.

Senator RONALDSON—I just want on the public record that Senator Forshaw says it is not a crime to fill this unit with Labor Party apparatchiks.

Senator FORSHAW—You are doing it again! You are verballing me again!

CHAIR—You put a question to the minister; he was trying to respond.

Senator RONALDSON—Minister, again: do you want me to go through the staff members one by one, and show their bona fides in relation to the Labor Party—those who have been mentioned in maiden speeches and so on? For example: I will not mention the lady’s name because it would be inappropriate, but she was mentioned in a maiden speech of Mark Dreyfus’s in 2008, and by Ann Barker in November 2008. Another one, well known to

you, I think worked for one of the members of this committee and was an IT officer with the Victorian Labor Party—

Senator CAMERON—If she's that good you'll need to give her a pay rise!

Senator RONALDSON—actually started a company called Subrepublic, which produced broadband coverage maps used by Labor in 2007. Another one worked for a former staffer—

CHAIR—Senator Ronaldson, have you got a question?

Senator RONALDSON—I am just putting this to the minister, and if he disagrees he can tell me. Another one worked for Senator Hogg, was the campaign manager for Steve Whan and was given special thanks in his speech. Another one was thanked in a speech by Tony Piccolo, the member for Light in South Australia. Another one was thanked by the ACTU branch secretary in 2005 for assisting with the ALP's 2005 annual conference, worked with a Labor senator—

CHAIR—Senator Ronaldson, I would ask you to come to the point of your question and show its relevance before the estimates committee.

Senator RONALDSON—Another one worked at the federal Labor Party secretariat. So this is a unit, for all your claims—

Senator FORSHAW—Now we know what you have been doing with your time on the public purse. Now we know what you have been doing with your time, paid for by the taxpayer—

CHAIR—Senator Forshaw, Senator Ronaldson has the call.

Senator FORSHAW—trawling through to try and destroy the reputations of staff. That is where you are at. Is that how you exercise your time, Senator Ronaldson?

CHAIR—Senator Ronaldson, have you got a question?

Senator RONALDSON—You are a very strange little man, aren't you?

Senator FORSHAW—Why don't you actually do some work for your constituents?

Senator RONALDSON—You really are a very, very strange—

CHAIR—Senator Ronaldson, have you got a question to the minister?

Senator RONALDSON—little man.

Senator FORSHAW—You're the one attacking the reputations of people, of staff.

Senator RONALDSON—What—do you think that it is attacking their reputation to say that they worked for the federal Labor secretariat?

Senator FORSHAW—No, your purpose here—

Senator RONALDSON—Well, if that is attacking their reputation, I am absolutely guilty.

Senator FORSHAW—Your purpose here—

Senator RONALDSON—I am absolutely guilty, if that is attacking their reputation.

Senator FORSHAW—Well, what are you trying to do?

Senator RONALDSON—I am guilty on that count.

Senator Faulkner—Chair, for the last three minutes I have not been able to get a response in. But I am very happy to respond.

CHAIR—Can just remind all senators that personal remarks and reflections on people personally are unacceptable and not within standing orders. And the minister, at least four minutes ago, was attempting to answer a question. Minister, you have the call.

Senator Faulkner—Thank you, Chair. I am very much only playing a bit part in these estimates. But the answer to the question is this. It may come as a surprise to committee members—though I hope not—that many members of personal staff and electorate staff employed by Labor ministers and Labor members and senators do share a political commitment with their employing minister, member or senator. But, of course, having said that, this is not unique to the Labor Party. It is true of all political parties, and I do not think anyone should be surprised about it. These people, in the broad, who work for all political parties and get these sorts of jobs, by and large are people who have earned that level of respect because they are very effective and committed workers. So I do not think there is any particular shock in this. In fact, I think members of Senator Ronaldson's own staff probably have very strong Liberal Party credentials, and I am not critical of that at all. The key point here is, and let me just say this, Chair: the reason that Senator Ronaldson can raise these issues—while they are not questions they are issues, I suppose—is because the matter is subject to consideration and oversight at this estimates committee. That is important. It was not the case when Mr Howard was in office, when the former GMS—much larger, and involved in political activity—was hidden away in the office of the whip of the House of Representatives—who was, in fact, Senator Ronaldson himself—so we could not have any of this sort of oversight. The old GMS was 15 persons strong. This unit is 10 persons strong—

Senator RONALDSON—This is just repetition.

Senator Faulkner—but, most importantly, Chair, just in answer—

Senator RONALDSON—This is just a repetition; we have heard this. This is all on the public record.

Senator Faulkner—Senator, let me conclude my answer.

Senator RONALDSON—Well, can you say something new?

Senator Faulkner—This unit does not, unlike the GMS, monitor the media, campaign for the Labor Party or conduct Labor Party fundraisers and those sorts of things, and nor does it engage in opposition research. It undertakes the work that I have outlined. It is held accountable here, as it should be, but I do not think it is fair—and I say this advisedly, through you, Chair, to Senator Ronaldson—to criticise members of staff employed under the MOP(S) Act for having political conviction or memberships of political parties. Most of them do, Senator. That is the truth. Let us be honest about that. I am not ashamed of that, I do not duck away from it—I just acknowledge it.

Senator RONALDSON—Thanks for the lecture on this. Can we get back to the issue. I am not actually reflecting on whether these workers are committed; it is what they are committed to that I have concerns with. Minister, it has been put to me that at least one, possibly two, of these six staff members who are apparently frantically running around all day

doing support and training for parliamentarians—frantic work for six people every day of the week—has the sole responsibility of dirt-digging in relation to members of the opposition.

Senator Faulkner—That is categorically not true.

Senator RONALDSON—So you emphatically deny that?

Senator Faulkner—I emphatically deny that. It is categorically untrue.

Senator RONALDSON—Good.

Senator FIFIELD—They have some other duties as well.

Senator Faulkner—Look, I do not say this lightly, Senator—

Senator RONALDSON—Oh, come on; don't give us this stuff.

Senator Faulkner—but, unlike the government members secretariat—

Senator RONALDSON—Yeah, we have been down this path.

Senator Faulkner—staff members of the CCSTU are expressly not engaged in any opposition research and will not be engaged in any—it is not true.

Senator RONALDSON—I am sure that a lot of people who are listening to this, and others who read it, will make a decision about whether it is at all believable that six people are working full time on a training and support role just for the parliamentarians—we already have the four people doing the caucus part. It is clear that this unit is doing the political work of the Labor Party. With the greatest respect to you, while your t-shirt these days may say 'Gamekeeper' I put it to you that your hat still says 'Poacher'.

Senator CAMERON—Who wrote that line for you?

Senator Faulkner—It is easy to make a statement like that. The claim that you made in relation to the staff member is untrue. It would be very easy for me to ask some other minister in the government to be responsible for the CCSTU, but I actually personally wanted to take responsibility for it so I could answer any senators' questions about it, including yours. I do not say lightly what I have said to you today. I can assure you I am very serious about maintaining the principles I have outlined to you about the unit and what it does. I will also make the point—you know this anyway—that we have a committee of members of the FPLP, chaired by Mr Bevis, who also oversees the work of the CCSTU. But I do not say lightly to you that opposition research is off limits for the CCSTU. It is off limits. It is not being undertaken there. I have made my requirements in that absolutely clear.

Senator RONALDSON—Just before I pass over to my colleagues, you were discussing before mentioning staff members by name. Did you ever do that?

Senator Faulkner—Yes, I did from time to time.

Senator RONALDSON—Thank you.

Senator Faulkner—I did, Senator, but rarely. You may not be aware that I talked to senior members of the then government about this and agreed that, except in exceptional circumstances where it could not be avoided, we would certainly try not to do that. And it is true—

Senator RONALDSON—A discussion about ‘roving briefs’, for example—would that be pivotal, do you think, to discussion?

Senator Faulkner—You will find examples of where I have done that, and it is a matter for you as to whether you do it or not, but I think you would have to—

Senator RONALDSON—Just do not lecture me about mentioning staff members’ names. I can go through a list of 26 May 2004 in estimates where you mentioned staff names, so do not take the high moral ground and lecture me on names, when your record—

Senator Faulkner—As you may be aware—

Senator RONALDSON—in this estimates stands for itself in relation to those discussions.

Senator Faulkner—The answer to your question is: yes, I have mentioned staff members by name, but I have also agreed to minimise the number of occasions when that was done. That is the answer to your question.

Senator RONALDSON—And I would think you would probably accept that mine has been minimal as well. I will now pass to one of my colleagues.

Senator RYAN—Earlier this morning, you made a comment that the unit—as I will continue to call it—does not conduct Labor Party fundraisers.

Senator Faulkner—Yes.

Senator RYAN—My attention was drawn not long after taking office to a fundraiser for an outgoing senator, Senator Robert Ray.

Senator Faulkner—It would not have been, because that was not a fundraiser. There was a testimonial dinner to Senator Ray, but I am aware of the dinner. It was not a fundraiser.

Senator RYAN—The testimonial dinner contained—

Senator FIFIELD—It might have had a loss, but—

Senator RYAN—Well, I will go into that in a minute. But the invitation that I understand was mailed out in unit envelopes on taxpayer funded stationery was franked—and I would be interested to know where that was franked from—and it did say ‘cheques should be made payable’ and ‘payments to the ALP National Secretariat’.

Senator Faulkner—You would be aware that I have been asked questions about this previously, and it is true that cheques were asked to be made payable to the ALP. You would, I hope, also acknowledge that this is a matter where I have said previously that, to my knowledge, there had not been a bank account effectively operated by the Federal Parliamentary Labor Party, and I acknowledged in the circumstances that, so that people could not draw what would be a wrong conclusion, we needed to address that issue. As I have indicated publicly in the past, it has been addressed, and the caucus, on a resolution that I moved immediately after that, have taken steps to ensure that we do not face that circumstance again.

Senator RYAN—I understand that that happened after this became public, Minister.

Senator Faulkner—It did—

Senator RYAN—My concern is about what happened before that, which is that this was posted out on envelope letterhead from the unit. Were those invitations franked in the unit?

Senator Faulkner—Senator Ronaldson has, I believe, asked a question on notice about this, and we are in the middle of preparing a precise answer for him. That work is underway. That answer is going to be provided within the time frame, and it will be absolutely accurate in terms of—

Senator RYAN—But you are not aware at the moment of where those—

Senator Faulkner—I am becoming aware. The question that Senator Ronaldson asked on 13 October is question 752. I am ensuring that we provide an answer to you as soon as we can and going to the detail. I am taking steps, I can assure you, Senator Ryan, to ensure that the answer that is provided to you is accurate in all details. Included in Senator Ronaldson's question—it goes to part (6) of his question—are:

Were the paper and envelopes used for the dinner invitations the resources of the CCSTU as allocated by the Federal Government.

... Were the invitations and envelopes printed in the office of the CCSTU—

and so on and so forth. That information, as I speak, is being prepared—that answer to the question that was asked on 13 October 2008—and it will certainly be provided within the time frame. You would be aware of the practice that has normally been adopted of—

Senator FIFIELD—But, Minister, these are your personal staff. This is not some portfolio agency; these are your personal staff, effectively in your office. These people report to you. You specifically asked for these people to come under your direct responsibility.

Senator Faulkner—That is right.

Senator FIFIELD—So why don't you know?

Senator Faulkner—The question was asked on 13 October, and I am in the middle of providing and establishing precise answers. Some of the information is being collated by the Department of Finance and Deregulation. I have taken the responsibility of ensuring that an accurate answer is provided to Senator Ronaldson on other parts of the question on notice, so I do accept the responsibility seriously. The answer will be provided. It will not be delayed, and that work is underway.

Senator FIFIELD—So there would be nothing to stop you answering Senator Ryan's specific question in relation to franking right now?

Senator Faulkner—There is one thing to stop me answering it—that is, apart from the normal precedent in relation to this, which you would be aware of, I am in the middle of establishing what the precise answers and accurate answers are. I will only provide—as I hope, as deputy chair of this committee, you would acknowledge is appropriate—absolutely accurate answers on these sorts of questions. It will be provided. It will be provided in accordance with the time frames that are set down by the Senate. It is not going to be delayed. That information will be made available.

Senator RYAN—Minister, this became publicly available in the first week of July. Should I assume that you have only undertaken investigations into this since Senator Ronaldson asked his questions on the 13th?

Senator Faulkner—I responded to a range of these issues after there were some issues raised about Senator Ray's testimonial dinner. I took a range of actions, including the one that I mentioned to you, including within the Federal Parliamentary Labor Party. While I actually thought the allegation was very unfair, I did not want anyone to be in a position where this situation might be misinterpreted.

Senator RYAN—I understand your efforts—we have heard of this testimonial. But, in my experience in politics, a cheque made out to the national state office of a political party tends to be considered a fundraiser, so the question I have is: has the ALP paid back any money to the government?

Senator Faulkner—Sorry, what was the question?

Senator RYAN—Has the ALP paid back any money to the government or the Commonwealth of Australia so far for use of public resources involved in any of this?

Senator Faulkner—No, but what has occurred and what will be provided in answer to Senator Ronaldson's question on notice is an accounting of all funds that were paid to the ALP for the cost of the tickets for that dinner. That will be provided in answer to the question on notice. And there is a comparatively small amount of money that remained after all the costs of the dinner were paid for. What we have ensured occurred is that those moneys have been paid now into an account that is operated by the Federal Parliamentary Labor Party.

Senator RYAN—But the cheques were cashed by the ALP National Secretariat?

Senator Faulkner—I assume that.

Senator FIFIELD—How do we know it did not run at a profit?

Senator Faulkner—It did run at a small profit, Senator.

Senator FIFIELD—Funds were raised. That is a fundraiser.

Senator Faulkner—Senator, it ran at a small profit in the sense that a small amount of money, which is going to be provided to you, has been passed to an account that is now held in the name of the Federal Parliamentary Labor Party. Not one cent remains in the coffers of the ALP.

Senator FIFIELD—It is not in taxpayers' hands. It is in Labor Party hands.

Senator Faulkner—It is not in taxpayers' hands but no testimonial dinner run by anyone would be in taxpayers' hands. Let's not be silly about this.

Senator RONALDSON—It came out of taxpayers' pockets.

Senator Faulkner—The argument was that cheques should not have been made payable to the Australian Labor Party. I accepted that even though it was not a fundraiser.

Senator FIFIELD—Does it matter if it was a caucus fundraiser?

Senator Faulkner—We now have an account that is operated by the parliamentary party.

Senator FIFIELD—So what.

Senator Faulkner—What do you mean, ‘so what’? This was the argument that was being used: that those moneys should not have been paid to the ALP.

Senator RYAN—That argument is not valid.

Senator Faulkner—The funds are fully accounted for. There was a small surplus amount beyond costs because it was not a fundraiser, neither in the ticket price nor were there raffles, auctions nor any associated fundraising elements. There was no fundraising element to this dinner at all. There was a very small surplus, which will be identified in response to Senator Ronaldson’s question, which has been paid into an account that is now operated by the FPLP. It is the Federal Parliamentary Labor Party’s intention to continue from time to time to honour anniversaries. This is not unique, Senator, we have had a number of these things over the years. I can go through them with you if you like.

Senator FIFIELD—Using taxpayer money.

Senator Faulkner—Senator, for example, we—

Senator FIFIELD—You would not do this again though, would you?

Senator Faulkner—I will just go through it with you and give you some examples. The Federal Parliamentary Labor Party celebrated its centenary in May 2001. We had a very major dinner in Melbourne. We celebrated the centenary of the formation of the Watson Labor government in 2004.

Senator FIFIELD—Using taxpayer resources?

Senator Faulkner—I will come back to that. We celebrated officially 50 years’ contribution in public life of Gough Whitlam. We have run a number of testimonials. Please listen to what I am saying, it is important.

Senator FIFIELD—That is not the issue.

Senator Faulkner—It is not your issue. I am responding to your question, Senator.

Senator FIFIELD—That is not my issue.

Senator RYAN—Response is not an answer.

Senator Faulkner—Senator, we have run a number of testimonials or retirement dinners for former prominent members—

Senator FIFIELD—Terrific.

Senator Faulkner—and we have done it all the say way.

Senator RONALDSON—Using taxpayer resources.

Senator FIFIELD—There was no caucus support unit then.

Senator Faulkner—There have been caucus staff and caucus members obviously very involved, including me, in those functions. I have made sure that no suggestion or allegation can be made in the future in relation to all of those functions. None of them were fundraisers. But the caucus itself, which has held these functions, does not have a bank account—

Senator FIFIELD—The issue is not where the money ended up. The issue is: were taxpayer resources used to organise the functions. In this case they clearly were. Are you saying that in these other instances taxpayer resources were also used?

Senator Faulkner—What I am saying Senator is, inevitably, a small amount of taxpayers' resources would have been used such as phone calls and letters that I have sent myself and a range of things like that. Yes, a small amount would have been used. I would be very surprised—but it may be the case—if this has not been the situation in relation to other events that have occurred that are not fundraisers and are not party political in their nature but are, in fact, celebrations of the history of the parliament and parliamentary parties where this has occurred. That is the fact of the matter, Senator.

Senator RYAN—The question I have, with Senator Fifield, is that you are saying that you do not think it inappropriate, that you do think it appropriate, for taxpayer funds to be used to organise party political—

Senator Faulkner—No, Senator, you are saying that. I have never said that.

Senator RYAN—Well, you are defending the use of—

Senator Faulkner—I cannot say to Senator Fifield that, when I was shadow minister for the centenary of Federation, I did not make phone calls to—

Senator RYAN—That is semantics.

Senator Faulkner—No, it is not semantics.

Senator RYAN—That is attempting to dodge the issue of—

Senator FIFIELD—You are likening a Robert Ray testimonial dinner to a Senate deliberation.

CHAIR—I am sorry but you have asked the question. The minister is trying to respond, Senators, please.

Senator RYAN—Let us get back to the question at issue here, which is a testimonial dinner—which I would allege is a fundraiser, which I will get to in a minute—sent out by the taxpayer funded unit—

Senator Faulkner—You can allege it, Senator; it is not right.

Senator FIFIELD—An unsuccessful fundraiser.

Senator RYAN—Whether it is successful or not is not up to me. Information was sent out by a taxpayer funded unit. The issue of where the money ended up is not the issue of our questioning here; it is the issue of the use of taxpayer funds used for it. You are refusing, or cannot yet answer, whether or not these were franked and mailed out from the unit, and the cost of that. You have said there is a small surplus. One of the questions I have is: when does a surplus become a fundraiser? What number does a surplus from a function—

Senator Faulkner—Wouldn't it be absolutely remarkable, Senator, if the cost of any function of any description came out down to the absolute cent? There was a small additional amount in this case, after paying all the costs. There was never any intention on this or any of these other functions to have had fundraisers—and this one specifically was not—but those

extra funds, which as I said was a small amount of money, I wanted to make sure did not remain in the accounts of the Australian Labor Party. I thought you would respect those efforts and say, 'This is the right course of action.'

Senator RYAN—With all due respect, Minister, you seem to have taken the efforts after it became public. Given that the issue of where this was mailed and potentially printed from, using taxpayer funded stationery and postage allowances, became available in the first week of July and you are still unable or refusing to say whether or not the taxpayers paid for this—

Senator Faulkner—You are jumping to a conclusion there. Why don't you wait for the answer to the question on notice to see if in fact you can justify that statement that you have made?

Senator RYAN—What I am saying is that you are not able to answer it now and you said earlier that you—

Senator Faulkner—Because I am preparing an answer to a question that has been placed on notice by one of your colleagues. I said it was 18 October—that was the date on the document. I think it may have been placed on notice on 25 September.

Senator RYAN—Does that question include where the invitation was printed?

Senator Faulkner—I will have to check that.

Senator RYAN—I am not familiar with the question, given I did not ask it. I am interested also in who paid for the printing of the invitation as well as the postage, mailing and stationery.

Senator Faulkner—Yes, it does include that.

Senator RYAN—Another question I have is: Minister, given that staff responsible to you arranged this function, are you aware of how many people attended the function or paid to attend?

Senator Faulkner—I am not precisely aware of how many went to the function, but I know a number did.

Senator RYAN—I am assuming a number did—you said there was a surplus. But not enough to be a fundraiser.

Senator Faulkner—It was not a fundraiser.

Senator RYAN—You have said there was no other auction, raffle or component that gathered any sorts of funds at the function.

Senator Faulkner—That is correct. But if you are casting aspersions or slurs on the staff who went, let me assure—

Senator RYAN—I am doing no such thing.

Senator Faulkner—Generally, you are. But if you are let me make it absolutely clear—

Senator RYAN—I am doing no such thing.

Senator Faulkner—Let it be absolutely clear, so you do not understand: they all paid their own way.

Senator RYAN—I was hinting or assuming no other—

Senator Faulkner—And I suggest, before you go down that track, you check what occurred during the life of the previous government.

Senator RYAN—Minister, I am not going to sit here and have you accuse me of making a slur. I am doing no such thing.

Senator Faulkner—I suggest very strongly, before you get into that, that you know where you are going.

Senator RONALDSON—Stop being so precious. It was not what was put.

Senator RYAN—Minister, that had nothing to do with what I said. I was not even considering it, nor going down that path. The fact that you make that accusation—

Senator Faulkner—I make no accusation, Senator. I am dealing with what you are saying. I would be very careful if I were you before I danced down that track.

Senator RYAN—I am doing no such thing, and I will put it on the record that I was dropping no such hint or providing any such direction.

Senator Faulkner—Good.

Senator RYAN—And I reject your accusation completely.

Senator RONALDSON—Which was totally inappropriate.

Senator RYAN—You mentioned before that the Labor Party has kept these funds in its new account. Is that account purely for this particular function or is it to be on an ongoing basis? Also, is it associated with the ALP for declaration purposes?

Senator Faulkner—I would consider it a small amount of funds in reserve for the next such dinner that we hold.

Senator RYAN—I have nothing more on that.

Senator Faulkner—I promise you, Senator, we will be holding more because we intend to continue to celebrate the contribution of our esteemed members to our party. I commend it to the Liberal Party. It is a good thing to do.

Senator RYAN—We do it ourselves, Minister. We just do not use taxpayer resources.

CHAIR—Are there any further general questions? There are some questions relating to the other items, and we are hoping to get through this by 12.30. Senator Fifield.

Senator FIFIELD—I apologise. I feel that we have been neglecting the officials at the table a little bit this morning. Senator Faulkner has been enjoying the committee's attention.

Senator Faulkner—I would not have said that I was necessarily enjoying—

Senator FIFIELD—Senator Faulkner always enjoys the experience. I want to check a matter in relation to mailing entitlements of members of the House, which, obviously as a senator, I am not all that familiar with. For a member of the House to use their mailing entitlement to send out material, what is required of that material to be eligible to be posted out using the postal entitlement?

Ms Clarke—Can I just clarify: you are talking about the communication—

Senator FIFIELD—Clearly material in a letter with a member's letterhead is material that is appropriate to send out using a postal entitlement. If there is some other sort of publication or brochure, is there a requirement for it to have a certain amount of content? I might be mixing two separate things here—the printing entitlement and the postal entitlement.

Ms Clarke—That is what we are trying to clarify. The postage entitlement comes within the Communications Allowance, and there is a separate printing entitlement which comes within the Parliamentary Entitlements Act.

Senator FIFIELD—I will go through them in turn. Are there any restrictions on what a member can use their postal entitlement for?

Ms Pitson—The Communications Allowance covers the provision of stamps and stamped envelopes at Parliament House. The conditions are set out in the Remuneration Tribunal determination for the 'distribution of letters, newsletters and parcels and electronic services (including establishment and maintenance of web sites) at Commonwealth expense in relation to parliamentary or electorate (but not party) business'.

Senator FIFIELD—Parliamentary or electorate but not party business.

Ms Pitson—That is correct.

Senator FIFIELD—Let us have a fictitious seat. Would it be outside their entitlements if a member wanted to post out, for instance, a union publication to people?

Senator Faulkner—Not necessarily. There is difficulty with the hypotheticals. It is possible it would be and it is possible it would not be. It would depend on a whole range of other—

Senator FIFIELD—Whether it would be considered of constituent interest, for instance, if they were sending it to constituents?

Senator Faulkner—It would depend on other factors.

Senator FIFIELD—That is fine.

Senator Faulkner—Senator, what I would say to you is that, if you have a concern about something that a member of the House of Representatives—and I do not know if you have or not—and this is where your questioning is going, you should contact me or the department about this so that it can be dealt with in a proper and official way. I can assure you that I am and the department is very regularly dealing with these sorts of issues as a result of issues being raised in the media or by parliamentarians or by members of the public. It is very commonplace. We have a protocol, as you know, for dealing with these things. I do not know whether your hypothetical is a result of a circumstance which you are concerned about, but obviously the department would look at it closely. I do not, as the minister—I say this to you categorically—interfere in these things at all. These things are exhaustively, professionally and appropriately dealt with by the department, according to their protocol. If there is an instance you are concerned about, we should do the same in this case.

Senator FIFIELD—I did want to endeavour to resolve this particular matter through a hypothetical example. As you quite rightly point out, it is not always possible to resolve these

things in the hypothetical. Ms Clarke, you did mention that sending out party political material is specifically prohibited.

Ms Clarke—My colleague did.

Ms Pitson—I did indicate that it may be used in relation to a parliamentary electorate but not party business.

Senator FIFIELD—In that vein, I am wondering whether I could ask officers at the table if they are aware of a publication called ‘Higgins ALP Voice’. It would appear that it was distributed by the member for Isaacs in an envelope marked as the ‘Member for Isaacs’. It would also appear that it was issued using the franking entitlement of the member concerned. I will take you through the document. As you say, party political material is specifically excluded. I note this material was distributed in Higgins. Mr Dreyfus lives in Higgins, where he gets very good service, I think, from his member there.

In this newsletter there is, I guess, what some would consider great reading. There is information on the Higgins Labor Readers Group, which I am sure Senator Faulkner would be pleased about. He encourages people to read widely, and no doubt the Higgins Labor Readers Group has a bit of a library, maybe containing a bit of Bonhoeffer. The newsletter also contains an invitation for an event that occurred last Sunday, 19 October, which, sadly, we have missed. There is an invitation from the Malvern branch to attend the Happy Palace to have brunch with Lindsay Tanner. The invitation reply slip to this Labor fundraiser is included in the newsletter. I did notice—for those not from Melbourne—that this fundraiser was at the Happy Palace restaurant in Burke Street and that it was \$500 for a table of 10. That seems pretty steep for the Happy Palace. There is no message from Mr Dreyfus in this publication. There is no picture of Mr Dreyfus. There are two references to the Dreyfus report, I hasten to add. This report is about Labor branch stacking in Victoria, written by Mr Dreyfus before he became an MP. Yet all of this is in a ‘Mark Dreyfus, Member for Isaacs’ envelope, with a Commonwealth crest on the front. It appears as though it has been franked in Mr Dreyfus’s office. I just ask officers at the table: prima facie, does that sound as though it is something within entitlement?

Ms Mason—From time to time material such as that which you have referred to does come up at estimates hearings and we have taken a consistent approach, which is, now that we know about that material and if you would be kind enough to provide us with a copy—

Senator FIFIELD—Certainly.

Ms Mason—we will examine it in accordance with the protocol for handling allegations of misuse of entitlement, but it would not be appropriate for us to offer an opinion about that material without carefully examining it.

Senator FIFIELD—So this material has not previously been drawn to your attention?

Ms Mason—Not that I am aware of.

Senator FIFIELD—It would seem—just going back to the earlier subject—that the Caucus Committee Support and Training Unit does perhaps have a little more work to do with some members to bring to their attention what their entitlements are and are not. What would be the best way for me to provide this to you? Would it be to table it here?

Ms Mason—It is your call as to how you provide it. You can provide it to Ministerial and Parliamentary Services separately if you wish and we will treat it in the normal way.

Senator FIFIELD—I will hand it to you afterwards then.

Senator FERGUSON—Minister, when were senators notified of a reduction in their Charter Allowance?

Senator Faulkner—I am not sure what you are referring to.

Senator FERGUSON—I just noticed in my management report, which I should read closer than I do, that the entitlement for Charter Allowance for a senator for South Australia is less than it was last year.

Senator Faulkner—I do not know the answer to your question. We will try to find out.

Senator FERGUSON—I hope it is a typo. Do you think that it is the same as last year?

Senator Faulkner—I am not aware of any decision that has been made in this regard.

Ms Mason—I have just consulted with my colleagues. We are not aware of any reduction in the Charter Allowance.

Senator FERGUSON—Okay, I will check again. I apologise, Minister, if there was not a reduction. I was alerted by my staff that there was a reduction in the Charter Allowance from last year.

Senator Faulkner—It is perhaps something you can either raise privately with your entitlement manager, or with me, and we will see. But, certainly, I have not been involved in any decision to reduce charter entitlements. The officials do not know about it. I suspect it is probably just a glitch somewhere in the system.

Senator FERGUSON—The main reason I ask is that with the cost of living in an electorate that covers 93 per cent of South Australia and with no commercial flights practically anywhere in the electorate the Charter Allowance is pretty important. With the rising costs of chartering aircraft because of the cost of fuel, it is very difficult to keep within the Charter Allowance for members to service those electorates.

Senator RONALDSON—You can rebook now!

Senator FERGUSON—Yes.

Ms Clarke—The Charter Allowance is actually set by the Remuneration Tribunal, so any changes to that would come from there and be flagged by them in the first instance. And any changes required would be put to the Remuneration Tribunal in the first instance.

Senator FERGUSON—I will check it.

Senator JOHNSTON—I have a question on staff security clearances for the minister. I do not expect necessarily that you would have these numbers at your fingertips, but can you tell me how many ministerial staff—including parliamentary secretary office staff and including part time staff that are ministerial staff or parlsec staff—there are.

Senator Faulkner—We can provide that for you.

Senator JOHNSTON—On notice?

Senator Faulkner—No, we can easily give it to you. It is actually in the document that was tabled earlier. But we can extract that for you.

Ms Hughes—There are 504 positions covered by the requirement, but there are a greater number of people because some positions are occupied by more than one person.

Senator JOHNSTON—So it is slightly more than—if we can just be that general—504. Is that what you said?

Ms Hughes—There are 504 positions that are covered by the requirement.

Senator JOHNSTON—So more than 504?

Ms Hughes—Yes, there will be.

Senator JOHNSTON—I take it that there are some positions that are perhaps not filled.

Ms Hughes—At any one time, yes. We always talk about establishments.

Senator JOHNSTON—Currently, how many of those staff have completed their security clearance forms?

Senator Faulkner—Yes, we can give you those figures.

Ms Hughes—There are 320 staff who have had their clearances granted. That means the whole process has been gone through. There are nine files with the delegate, which is me, for clearance. There are another 155 employees who have completed their packs, and they are with the security vetting providers. That is quite a lengthy process once they come back. There are 64 staff who have not returned their packs. They could be people who have been more recently recruited.

Senator JOHNSTON—Sorry, can we just go through those numbers again, and we will reconcile the 504.

Ms Hughes—They will exceed the 504.

Senator Faulkner—Because there is a turnover in staff.

Senator JOHNSTON—Okay.

Ms Hughes—Three hundred and twenty are granted; nine files are with me for approval; 155 have returned their packs and are awaiting assessment; 64 have been issued with packs and have not yet returned them; 58 packs have been cancelled because the person has resigned before the process has been completed; and we have 10 employees who are going to the much higher level, which is called a top-secret positive vet, and that is a much longer process. We do not do that.

Senator JOHNSTON—Yes, I am not necessarily concerned with those. The 155 and the 64, I think, are what I am interested in. Where are the 155?

Ms Hughes—With the 155, the staff member has returned the pack and they are now back with one of our two service providers.

Senator JOHNSTON—So they are being processed?

Ms Hughes—They are being processed. They would be getting the referee reports, conducting the interviews with the staff member and so forth.

Senator JOHNSTON—So there are no problems there; they are just in the pipeline?

Ms Hughes—They are in the pipeline. That is correct.

Senator JOHNSTON—The 64?

Ms Hughes—They have not returned them. It could be that they are quite recent appointees.

Senator JOHNSTON—Is there anything in those numbers that causes you any interest in the 64, given that we have had the government in position for almost 12 months now?

Ms Hughes—In what respect?

Senator JOHNSTON—Is 64 a large number, in your experience?

Ms Hughes—This is an unusual large number processed because of a change of government. You are not normally handling this number at any one time.

Senator JOHNSTON—So 64 being outstanding is quite a large number?

Ms Hughes—It is a large number. It just depends, though, on how recently the person was appointed.

Senator Faulkner—I think you have to appreciate too that obviously there are a very large number of new ministerial staff who are requiring security clearances. Even in a new parliament—as I am sure you appreciate—with a change of government, you obviously have a major pressure in relation to these matters.

Senator JOHNSTON—What safeguards and mechanisms do we have, Minister, with respect to the 64?

Senator Faulkner—What do you mean by ‘what safeguards and mechanisms’?

Senator JOHNSTON—Do we just let the 64 vacillate in the ether without following them up?

Senator Faulkner—No. The officials can let you know what the processes are, but there is a time limitation within which this process needs to be completed.

Senator JOHNSTON—What is that time limitation?

Ms Mason—I think Ms Hughes can run you through the process, but we do send out security packs to new employees and ask them to return those. If they are not returned promptly, we have a number of follow-up mechanisms that we employ to make sure that they are reminded of that requirement, and then there is an escalation in procedure that we run through if compliance is not achieved within a reasonable period. Ms Hughes may wish to add to my answer.

Senator JOHNSTON—Please, Ms Hughes.

Ms Hughes—The security vetting providers provide a number of follow-up emails to people who have not had their packs returned. They invite them to send them back, even if there are gaps. If that does not happen then it comes back to MAPS, and the entitlements management area, which is the client contact area, will be in touch with the staff member. Ultimately, if a pack does not come back, we will initiate a process to suspend the clearance

process. That gives a person a final two weeks in which to complete their pack. If there is no action taken by the end of that two-week period then ultimately we would deny the clearance.

Senator JOHNSTON—How many two-weeks have you got running now?

Ms Hughes—None at the moment.

Senator JOHNSTON—No two-week period?

Ms Hughes—There is no-one on whom I have a suspension process happening at the moment.

Senator JOHNSTON—One step back from that: how many processes have you got where you are advising them?

Ms Hughes—We have had two processes in the past and people got their packs in in time, so that the process then was able to be concluded.

Senator JOHNSTON—So there is no action being taken with respect to the 64 at the moment?

Ms Hughes—No, but there are probably one or two coming into the danger zone.

Senator JOHNSTON—Only one or two?

Ms Hughes—Yes.

Senator JOHNSTON—Very good. Can we just talk about electorate staff?

Ms Hughes—Yes.

Senator JOHNSTON—Do electorate staff access or be exposed to classified material?

Senator Faulkner—This would be a case by case situation, Senator.

Senator JOHNSTON—I am interested to know what we are doing about the case by case analysis.

Senator Faulkner—The same provisions in relation to clearances apply to electorate staff.

Senator JOHNSTON—We have 504 positions in ministerial, then to add onto that the electorate staff—

Ms Hughes—That includes electorate staff of ministers—

Senator JOHNSTON—That includes electorate staff?

Ms Hughes—and parliamentary secretaries. Yes, Senator.

Senator JOHNSTON—How do we go about the business of these clearances? They fill out a form and return it. Who reads it, digests it and makes an evaluation of it?

Ms Hughes—The process is handled for us through outsourcing to security vetting services.

Senator JOHNSTON—Security vetting services?

Ms Hughes—There are two: one is Staff Check and the other is ASVS, which is a subsidiary, I think, in the Attorney-General's Department. They are currently our security vetting providers.

Senator JOHNSTON—That is a contractual relationship?

Ms Hughes—Yes.

Senator JOHNSTON—They are a contractor to the Commonwealth?

Ms Hughes—Yes, that is right.

Senator JOHNSTON—Do we know what the value of the contract is?

Dr Watt—We would have to ask the Attorney-General, I think.

Ms Mason—It is us but we would need to take it on notice. We do not have that information at hand.

Senator JOHNSTON—That is fine. Do you have any idea how long Security Vetting Services have held the contract?

Ms Hughes—We will have to take that on notice, Senator.

Senator JOHNSTON—Yes, please. What guidelines and criteria are provided to security vetting services and by whom?

Ms Mason—The security vetting services carry out the vetting process in accordance with the Protective Security Manual.

Senator JOHNSTON—The Protective Security Manual?

Ms Mason—Correct.

Ms Hughes—Which is issued by the Attorney-General Department.

Senator JOHNSTON—Have you had any issues with respect to security clearances of staff?

Senator Faulkner—Issues?

Senator JOHNSTON—Have you had to go and see security vetting services with respect to issues surrounding—

Senator Faulkner—The only security vetting service I have seen is when I have actually been interviewed by one for the granting of a clearance.

Senator JOHNSTON—There are no other issues requiring your intervention or further explanation as to situations surround security?

Senator Faulkner—Some staff have had concerns, Senator, about the nature of the vetting process. As you are probably aware it is intrusive. There has even been some press coverage about this. So there has certainly been those sorts of concerns. It would not be right to say that I have not had those sorts of issues. I have tried to deal with them as they have come forward and I have personally taken a role on one or two occasions. As Ms Hughes has said there have been some tardy responses and I have, not on all occasions but on some occasions, personally intervened. Those are the sorts of things.

Senator JOHNSTON—Has there been any particular departmental bias as to where the problems have been?

Senator Faulkner—I think it might be useful for you to ask some questions in the Attorney-General's portfolio. I am just checking what is occurring in A-G's. As you are probably aware, there is an inquiry being conducted by the Attorney-General's Department into the provisions of the manual and other issues in relation to clearances. As you would probably understand, I cannot give you an update on where that is at at the moment, but it is certainly underway. It is under A-G's auspices.

Senator FIFIELD—Has any security clearance ever been denied to a ministerial staffer?

Senator Faulkner—Yes.

Senator FIFIELD—They have been?

Senator Faulkner—But, to my knowledge—

Senator FIFIELD—I mean under this government or the previous government.

Ms Mason—The answer to your question is yes, there has been a denial, but not under the current government.

Senator FIFIELD—Were there many under the previous government? I might be mistaken, but I just have the feeling that basically everyone gets—

Ms Mason—Not many, Senator. I think it is a very small number.

Senator FIFIELD—It is a very rare occurrence?

Ms Mason—Yes.

Senator Faulkner—At this stage, there has not been a denial under the current government.

Ms Hughes—Chair, may I correct some evidence I just gave to Senator Johnston. There is one case that is currently in suspension. I had thought it was resolved, but there is one. The person is in the process of getting the final two weeks notice to get the pack in.

Senator MOORE—Ms Clarke, I said that I would take on Andrew Murray's questioning about management reports, and I will. I have on record at each of these Senate hearings what the current status of management report returns are, how many are outstanding and for what period.

Ms Hughes—The figures I have are for the last financial year. For each month of the last financial year, the certification rate in July was 91 per cent; August, 90 per cent; September, 86; October, 82; November, 82; December, 85; January, 85; February, 83; March, 83; April, 77; May, 77; and June, 74. Of the end of financial year reports, which only went out in September, only 16 per cent of those have been certified. In the current year, for July it was 61 per cent and for August, 41 per cent.

Senator MOORE—It does seem, Ms Hughes, that that response is on a decline. Have you followed that up, or have any questions been asked?

Ms Hughes—That is correct. We follow up by having included every month in the monthly management report a table for each senator and member indicating the status of their own monthly management report certifications for that year. That is the reminder we have

every month. Periodically, in the attachment to management reports, we remind people about outstanding certifications.

Senator MOORE—Is there any leeway to how long they can be outstanding? I know Senator Murray had a particular concern about how long some people—

Ms Hughes—How long sometimes it takes, yes.

Senator MOORE—The minister has disappeared, but, Ms Hughes, because I do intend to continue following this up, I will ask at the next estimates to see whether it has improved and maybe look at a process. But, last month, was that 41 per cent?

Ms Hughes—That was for August, yes.

CHAIR—I have a question in relation to management reports and the issue of travel budgets, either for staff or for your charter accounts, and whether or not there can be an earlier alert that you are running out of your entitlements. At the moment it appears that it gets as low as \$3,000 and all of a sudden you get notification. As there is a long lag between cabcharge receipts being claimed and airline tickets being processed, it appears to me that that does cause undue stress on the office. I know that in some instances staff have had to be returned from Canberra during a sitting week because they were told they were about to blow their budget, when in fact there were so many anomalies that there was more than ample entitlement there. Has there been any change to the procedures?

Ms Hughes—We are reliant very much, particularly from our travel service provider, on having ticket costs and refunds come through. Often we also find that claims for travel allowance come in a considerable time after the date of travel, so it is hard for us in any one month to actually reflect—

CHAIR—It is even harder for the management of our entitlements when we almost have to employ an accountant because there are so many discrepancies between the management report and we are supposed to tick those off. There is also the issue with management reports, for instance, relating to the charges for the cleaning of your electorate office. There are lots of things there where senators and members do not have any knowledge of the account. Are we also supposed to tick those off?

Ms Hughes—What you are certifying is not so much the dollar value but that the use of the facilities and the entitlement has been within entitlement. So we are not asking you to verify the dollar amounts; that is not the purpose of certification.

CHAIR—But you are certifying the amounts in terms of your budget and whether or not you are going to spend that.

Ms Hughes—Your certification is that the use has been within entitlement.

CHAIR—Are there any further general questions, bearing in mind that there are some outputs to go through?

Senator RONALDSON—Just to the officials: there was an adviser to Ms McKew, the parliamentary secretary. I was wondering whether you could tell me what date Ms Forrester signed her contract of employment as an adviser to Ms McKew, what date she commenced

her employment and whether there was any provision in her employment contract to declare to the department her equity interest in the Allen Consulting Group.

Ms Mason—We will need to take the first two questions you have asked on notice. As far as the declaration of personal interest is concerned, that is a matter between the staff member and the employing senator or member.

Senator RONALDSON—Thank you.

Senator Faulkner—But just on that, Senator, I think I provided some information on that in answer to a question asked in the parliament, which I could refer you to.

Senator RONALDSON—Yes, there was something. Thank you. Minister, I thank you for the government personnel positions. There are some other more detailed questions which I am happy to put on notice.

Can I go back to the department. The rules in relation to the advertising of staff. We all get an allowance for one or two dailies or a regional or something—I cannot remember what the rules are. Is there any allowance for party political stuff to be included in those? I always thought they were a pretty straight bat. The Leader of the Greens, Senator Brown—look, it may well be within the entitlement, but I will just read it to you. This is an ad that appeared recently. There were a multitude of jobs that were being advertised—I think chiefs of staff, whips, clerks and a whole variety of things.

From 1 July Australian politics enters a new era—

I am reluctant to read this into *Hansard*, as you would appreciate, to give it any credibility at all, but I probably need to—

The Greens will have a key role in the Senate with Bob Brown leading the Greens Senate team in the balance of power, reviewing government legislation—

et cetera et cetera. It goes on talking about ‘environmentally and socially responsible policies.’ But my understanding was that you had to play a pretty straight bat with these ads, compared with words such as ‘From 1 July Australian politics enters a new era’ and that someone ‘will have a key role in the Senate’. As I said, I am not making a big song and dance about it, but if it something that needs to be clarified with members and senators, I think that should probably be done.

Ms Clarke—We have templates as to what an ad should look like for recruitment—if there is a security clearance involved, what the salary is like, what the allowances are like. The judgement is made on a case-by-case basis as to what the lead-in is about what the role is that the person will be doing. It would vary from ad to ad.

Senator RONALDSON—Are there any rules about having general information of a political nature? I cannot remember.

Ms Clarke—Not that I am aware of.

Senator RONALDSON—You can take that on notice.

Ms Mason—We are not aware of any particular restrictions there, but the purpose of the advertising clearly is to fill a position, so it is best if the advertising does focus on the requirements of the position that the employer is seeking to fill. The text of the

advertisements, to my recollection, is cleared by Ministerial and Parliamentary Services prior to the placement of them.

Senator RONALDSON—So it was cleared, and on that basis I—

Ms Mason—I am assuming that that advertisement would have been submitted to Ministerial and Parliamentary Services so that we could place the advertisement in the publications that had been selected—so it would have come before us before it was published.

Senator RONALDSON—On that basis I take it that the language that was used—some sort of party political preamble—is now reasonable. I suppose that is my interpretation of the preamble.

Ms Mason—I am not sure how much reflection the officer may have given to that point, given that we are not aware of any particular guidelines on that point. I am not sure how much—

Senator RONALDSON—If it has gone through to the keeper and someone had a pile of these things and it was not given close attention—I am not reflecting on the decision; I just need to know if the rules have changed. I think it would be useful for everyone to know that.

Dr Watt—We will see if we can answer that question. I suppose there is a fine line between attracting a good field and doing something else.

Senator RONALDSON—I am not entirely convinced the introduction would have been the deal breaker for someone who was looking for a job. I understand that Senator Bob Brown, the Leader of the Greens, now has a permanent office at Treasury Place. Is that right? Is it within normal historical entitlements for a further office to be allocated in a CPO, Minister?

Senator Faulkner—Yes. In relation to Senator Brown's personal office, I have certainly been briefed by the department on a number of occasions and there has been a significant amount of negotiation conducted between the department and Senator Brown in terms of his requirements. Certainly I was advised, and I am absolutely satisfied that there is no question that the provision of such an office is within entitlement. I certainly would not have agreed to it if it were not.

Senator FERGUSON—Is this the first time there has ever been a senator or member have a permanent office outside of their own state?

Senator Faulkner—No. From my recollection of the briefing I received, there have been precedents, but Mr Miles can perhaps go through that.

Mr Miles—There are certainly precedents—whether I am able to recollect all of them I am not sure. As an office holder, which is the status that Senator Brown has, he is entitled to an office in that capacity—not his electorate office—in a capital city. There are precedents for establishment outside of, in his case, Tasmania.

Senator RONALDSON—Access to an office as opposed to—

Senator Faulkner—No, I can assure you that the department of finance brief that came to me on this matter included some precedents, and that what was determined on departmental advice is within entitlement.

Senator RONALDSON—Could Mr Miles provide the committee with those precedents. I would be interested because I think like some of my colleagues we have not heard of two permanent—

Senator FERGUSON—I think Mr Miles might have been going to give us something.

Senator FIFIELD—Does Senator Brown have an office holder's office in his home state as well?

Mr Miles—No he does not.

Senator Faulkner—The issue is where his office holder's office is located. It would have been in some ways easier if it were in Tasmania because there is a bit of pressure in terms of office holders' accommodation in Melbourne, as you would probably appreciate, but there it is.

Senator RONALDSON—I am not too sure which of your ministerial colleagues are not in there as a result of this move, but I will not ask that question because I know that—

Senator Faulkner—It is very popular accommodation!

Ms Mason—May I just clear up something I said earlier about the advertising. I think I led you to believe that we approved the content of the advertising. We do not in fact. We provide template advertisements for recruitment and the material is lodged with us for placement in the newspapers but we do not actually approve the text. I am sorry that I misled you earlier.

Senator RONALDSON—Mr Miles, will you provide the committee with a precedent for an office holder having a permanent office outside of their own home state?

Mr Miles—I can provide one now. If you wanted the complete answer we could take that on notice.

Senator RONALDSON—Can you give what you have got and then we will get the complete answer after.

Mr Miles—Certainly. The then Leader of the Opposition, Mr Beazley, established an office holder's office in the CPO in New South Wales.

Senator Faulkner—That was certainly one that I was aware of. But my recollection is—and I am using that word deliberately—that there might have been some other examples. I was certainly aware of that one myself.

Senator RONALDSON—So your view minister is that this is within entitlement based on precedent. I presume there is nothing in writing that would include it within entitlements.

Senator Faulkner—I received advice from the department on this recommending that I approve the establishment of the office. I think I am correct in saying that.

Ms Mason—Yes.

Senator Faulkner—And I did not overturn the departmental advice.

Senator RONALDSON—Perhaps then I can ask the department under what entitlement has this been given?

Senator Faulkner—If we are able to we will provide an answer to you, Senator Ronaldson.

Ms Clarke—We are looking for it now.

Senator FERGUSON—Did Mr Beazley give up his office holder entitlement in Perth when he moved to Sydney or did he not have one, other than his office in Brand?

Mr Miles—Part of the condition of his having an office in Sydney was that he would not have one in Perth.

Senator FERGUSON—So he had to vacate the one that he had.

Mr Miles—That is correct. I now have the legislative reference for the provision of an office to an office holder. On schedule 1 part 2 of the Parliamentary Entitlements Act provides:

For an Opposition Office Holder, Presiding Officer or leader of a minority party, office accommodation in a capital city, together with the equipment and facilities necessary to operate the office, as approved by the Minister.

Senator RONALDSON—So Senator Brown is using that as his office holder's entitlement and he just has his normal electorate office in Tasmania. Is that right?

Mr Miles—That is correct.

Senator RONALDSON—There are no other assets or no other provisions made available in the electorate office in addition as part of office holder entitlements over and above those in Melbourne?

Mr Miles—That is correct.

Senator RONALDSON—I gather the chief of staff to the defence minister has resigned, according to an article on 26 September. I think the members of parliament staff collective agreement, 2006-09, provides that staff employed under the MOPS Act for one to three years are eligible for two weeks notice of termination or payment in lieu of notice. Is that correct?

Ms Clarke—The collective agreement sets out the termination provisions. The chief of staff, though, being a senior officer, would not be covered by the collective agreement.

Senator RONALDSON—Are you aware of what date Mr Cotterill stopped working at the minister's office and what date his contract formally terminated?

Ms Clarke—We would have to take that on notice.

Senator RONALDSON—Was Mr Cotterill's employment terminated or did he resign?

Ms Clarke—We will have to take that on notice.

Senator RONALDSON—If he was terminated, what was the termination of employment payout that the department had to provide? If he resigned, was any termination payment made? If he was terminated, what were the reasons provided for the termination of employment? Was Mr Cotterill the recipient of any extraordinary termination benefits above and beyond those provided under the agreement? I just note for the record that this is the fifth chief of staff to leave the Rudd government since its election. That is the end of my questions.

[12.37 pm]

CHAIR—If there are no further general questions, we will go to outputs. I have some questions on output 3.1.1, relating to PDAs. I will put the majority of the questions on notice, bearing in mind the time, but I just wanted to get an update, following on from the last round of estimates and the queries we had in relation to the PDAs and the complaints by senators and members. Can you give me an update as to the number of PDAs that have been returned and whether or not there has been the option of going back to mobiles? Have there been any further requests from people wanting a mobile in addition to their PDA because of the lack of service?

Mr Quester—In relation to senators and members who have requested an additional mobile phone, it is 17 senators and members.

CHAIR—So that has gone up from six at the last round to 17.

Mr Quester—Yes, from six to 17. The number of senators and members that handed back their mobile PDA and requested going back to a mobile phone is 22.

CHAIR—So that has increased as well.

Mr Quester—From 19.

CHAIR—From the information provided last time, there has been no survey done in terms of the satisfaction of senators and members with these PDAs. In light of the enormous number of complaints that have arisen with these, are you going to undertake one before there is a rollout of any other additional PDAs?

Mr Quester—The Department of Parliamentary Services undertake a client satisfaction survey once every parliament. They have indicated to us that they will be doing that in July 2009 and will be incorporating questions on PDAs within that survey. In addition to that, we are undertaking a review of the PDA entitlement and are looking at BlackBerry solutions. We will not be jumping straight in and changing technology. We are doing a cost analysis of that at the moment with the Department of Parliamentary Services, and we are looking at recommending a pilot of that technology to be able to give the comparison between the two. We are also consulting with POITAG, who are taking an interest in this as well and have made representations to the special minister on this.

CHAIR—In relation to the tender process undertaken by the department under the previous government, what sorts of considerations were given to the reliability and the performance and the evaluation of the PDAs that were introduced, in light of the number of problems that have been experienced?**Mr Quester**—At the tender process?

CHAIR—When you decided on X, Y and Z as models of PDAs, what evaluation was done at that time and what has changed in relation to the introduction of BlackBerrys, which have once again been proven to be performing very well on the commercial market? What is going to be different about this process from the one that was undertaken previously?

Mr Quester—Originally we did an evaluation in conjunction with the Department of Parliamentary Services. A working group was set up between the department of finance and DPS. The recommendation that came out of that was for a BlackBerry solution that would meet the needs of senators and members. As I reported at the last estimates, that went back through the Presiding Officers Information Technology Advisory Group and they asked us to

do a survey of senators and members on what they thought their needs were. That came back indicating that mobile PDAs would better suit their needs. From there, we did a request for a proposal out to telecommunication providers to get a cost for data carriage and phone carriage on PDAs. We were then limited by the amount of devices that were running Windows Mobile 5.0 at the time of the deployment that ran on the 3G networks the providers were providing. We needed to go to the 3G network because the CDMA network was going to be decommissioned and there were going to be no PDAs available on that CDMA network. That forced us to the 3G network and then we had a limited choice of devices from there.

CHAIR—You are looking now at running a pilot program in relation to BlackBerrys. Is there any other option that is being looked at?

Mr Quester—Those are the two main providers of services out in the market. There are some smaller third-party proprietary services but they use the same technologies. They reside either on the Microsoft platform or the Research in Motion BlackBerry platform.

CHAIR—In light of the issues being related, the frustrations being caused and the added expense incurred by the department in relation to changing over of PDAs—I would suggest that some members and senators probably have had one of each of the varieties that have been on offer and all have failed—are you going to do a survey of what is required by senators and members before you go ahead with introducing any other options?

Mr Quester—I can put forward the option of a survey being done again on the provision of these services and we can go back to what we did in conjunction with Parliamentary Services on that to try and ascertain. We are getting feedback through the Presiding Officers Information Technology Advisory Group that some senators and members would like to retain PDAs, and there is a push also for BlackBerrys. It is very hard to meet the needs of all 226 senators and members.

CHAIR—Can you give me a breakdown in relation to the average length of time that it has taken to repair or replace PDAs? I intend to put other questions on notice, so you can take that one on notice too.

Mr Quester—Yes.

CHAIR—Good. Are there any further questions in any of these outputs? As there are not, I thank you, Minister, and you, Dr Watt.

Proceedings suspended from 12.43 pm to 1.50 pm

DEPARTMENT OF FINANCE AND DEREGULATION

CHAIR—Welcome. Minister, would you like to make an opening statement?

Senator Sherry—No, thank you, Chair. I am happy to move to questions as soon as it is convenient.

CHAIR—Then we will go to general questions. Senator Cormann.

Senator CORMANN—Maybe I can just kick off with some of the questions that I ask the department. I have some separate questions in relation to Medibank Private for a later stage. Following on from a question that I asked in June about the role of the Department of Finance and Deregulation in supporting the Minister for Finance and Deregulation as a shareholder

minister, can you provide us with an update as to the level of communications that have now taken place between Medibank and the shareholder minister about the Medicare levy surcharge change? Has the corporate plan been lodged with the government? Has there been any re-evaluation of Medibank as a Commonwealth asset? Has there been any other action taken by the shareholder minister as a consequence of the impact of the Medicare levy surcharge change, the policy change on Medibank Private, as a government business enterprise?

Dr Watt—I will get Mr Lewis to answer that.

Mr Lewis—Medibank submitted its corporate plan for the period 2009-11 on 15 July 2008 in accordance with an extension that was approved by the minister. The minister endorsed the corporate plan on 5 August 2008.

Senator CORMANN—What are the key changes in the corporate plan that was submitted to the shareholder minister compared to the previous corporate plan?

Mr Lewis—To answer that question I need to get into the detail of the corporate plan, and it is not normal practice—

Senator CORMANN—Are you able to table a copy of the corporate plan?

Mr Lewis—We are not, no. The minister might have responded to that issue in response to a question taken at the last estimates hearing.

Senator CORMANN—During the last estimates hearing Dr Watt actually said that you would table the corporate plan.

Dr Watt—No, we said that we would take it on notice.

Senator CORMANN—I can refer you to the reference in *Hansard*.

Dr Watt—I am very happy for you to do that, but I do not think that we have the ability to table it.

Mr Lewis—The minister considered the issue and provided the following response:

The Corporate Plan cannot be publicly tabled as it would reveal commercially sensitive information which could prejudice Medibank's competitive position in the private health insurance industry and therefore be of detriment to the Commonwealth as Medibank's owner. It is not normal practice to release Corporate Plans of any Government Business Enterprises in whole or part for commercial reason.

Therefore, we cannot undertake to provide a copy.

Senator CORMANN—I actually understand the specifics of what you are saying, but can you, in general terms, give us a flavour of what the differences in directions are?

Mr Lewis—To go to your question in the last estimates hearing, I think the key thing was that the plan submitted was consistent with the evidence provided by George Savvides in relation to membership loss, which I recall you spent some time querying us about.

Senator CORMANN—And I will be pursuing that.

Dr Watt—That was about 8.4 per cent.

Senator CORMANN—So the corporate plan was lodged on 15 July. Since then there have been two further changes to government policy, on this occasion beneficial compared with what was originally mooted—still bad public policy from our point of view, but slightly better than what was originally mooted. Have there been further updates by the government business enterprise to the shareholder minister?

Mr Lewis—The most significant change of course was the one that was announced at the end of last week in relation to the revised thresholds. Medibank will be working through those issues now; we will have them a little bit later this afternoon. Obviously, the trend will be in the right direction; you would expect a lower number than—

Senator CORMANN—Well, it will be in a less bad direction that it would otherwise have been.

Mr Lewis—But I am not sure that Medibank will have done all of that analysis yet.

Senator CORMANN—Has there been any re-evaluation of the value of Medibank Private as a Commonwealth owned asset?

Mr Lewis—We will do updates of the value of Medibank's value at the appropriate time, which would not be now. We do an annual update for inclusion in the budget papers. We would not need to do that right now.

Senator CORMANN—I have a final general question on this. In Medibank Private's annual report they talk about business expansion and the offer that they have put forward to AHM. Has the government an official position on this?

Mr Lewis—The government was consulted in relation to the proposed merger and the government was comfortable with what was proposed.

Senator CORMANN—It seems to be rather inconsistent with the position on the sale or non-sale of Medibank—but, anyway, I will leave it at that.

Mr Lewis—I will just make the point that AHM is a very substantial business in relation to health management. Therefore, in terms of trying to manage individuals, particularly the high-claim individuals, if the merger does proceed, AHM will make a significant contribution to preventative healthcare because it plugs what is a bit of a gap in MPL's current business.

Senator CORMANN—Has the department of finance assessed, in the context of Medibank as a government business enterprise, the exposure in the context of the global financial crisis?

Mr Lewis—We certainly had a close look at that issue as part of the request that came in from Medibank. I would not want to suggest that we have done a substantial re-evaluation in the light of events over the last two weeks.

Senator CORMANN—You are advising the minister for finance as the shareholder minister. Investment income is one of the key components of what makes up revenue of a health fund. There have clearly been some dramatic developments in recent weeks and months.

Mr Lewis—That is true, Senator, but this is a relatively small business and it does contribute quite significantly in terms of preventative healthcare. In that sense Medibank

regards that this will actually be a significant boon to its business in reducing future claims, particularly by the most expensive claimants inside their funds.

Senator CORMANN—Sorry, I think we are talking at cross purposes here. I am talking about investment income and the returns that Medibank gets out of its investments. As the department involving the shareholder minister, have you satisfied yourself that there is not a problem around the corner as a consequence of any possible exposure in the context of the global financial crisis?

Mr Lewis—We do not believe there is. But, again, you can ask those questions of Medibank directly this afternoon.

Senator CORMANN—I guess right now I am asking questions of your performance as the department involving the shareholder minister. The questions to Medibank are quite separate questions. I guess I want to understand how proactive you are, as there are strategic threats emerging, in satisfying yourself, so that you can provide appropriate advice to the minister, that there are not any problems and that there is not any exposure for the Commonwealth.

Mr Lewis—I can provide you this assurance: we liaise very closely with Medibank. We liaise with them in relation to their investment policies and we brief the minister with regard to that.

Senator CORMANN—Okay. That is a general statement. Very specifically, in the context of the global financial crisis, has there been any communication with Medibank. I am not asking you for the content of the advice, but have you provided any advice to the minister?

Mr Lewis—Not specifically in the last two weeks.

CHAIR—Are there any further general questions? Do you have general questions, Senator Brandis, or are you going through outputs?

Senator BRANDIS—I suppose my questions could be regarded as general, or they could be regarded as specific. Is it convenient for me to ask—

CHAIR—How would you like to proceed? Are you going to ask any general questions now?

Senator BRANDIS—Why don't I ask my questions and we will see how specific it is.

Dr Watt—All general questions are specific, Senator.

Senator BRANDIS—That is what I would have thought, Dr Watt. I want to ask some questions in relation to the announcement by the Prime Minister and the Treasurer on 12 October about the government's response to the global financial crisis and the range of policy measures in response to it. Dr Watt, I do not think I need to refer with particularity to individual measures because I am going to ask about the so-called package with which I am sure you are familiar and which is described in the Prime Minister's press release of 12 October. Dr Watt, can you tell me what involvement your department had, if any, in the preparation of the package?

Dr Watt—The Department of Finance was involved in the preparation of the package—

Senator BRANDIS—I will ask you some more particular questions in a moment, but can you in a general sense describe the character of your department's involvement.

Dr Watt—We provided advice to the government on aspects of the package.

Senator BRANDIS—On which particular aspects of the package did you provide advice?

Dr Watt—Those with direct financial implications.

Senator BRANDIS—In effect, budget implications.

Dr Watt—Yes. We also undertook costings on those with a direct financial implication.

Senator BRANDIS—And beyond that?

Dr Watt—We participated in discussions.

Senator BRANDIS—With which other agencies?

Dr Watt—Treasury and the Department of Prime Minister and Cabinet.

Senator BRANDIS—Are those the only two, or was the Attorney-General's department involved in some of the discussions as well?

Dr Watt—In the discussions we participated in—I emphasise 'the discussions we participate in', because we would not necessarily be participant in all discussions—

Senator BRANDIS—I understand that.

Dr Watt—clearly we were most interested in those aspects of the package as announced by the Prime Minister which dealt with budgetary issues, and less directly interested in those aspects of the package that dealt with the banking issues.

Senator BRANDIS—That is the distinction I wanted to make too.

Dr Watt—All I can say is that in the discussion of budgetary issues and the fiscal stimulus package—to distinguish the two—we did not participate in any discussions with the Department of the Attorney-General, but that does not mean that there were not any.

Senator BRANDIS—All right. Let us start with that part of the package with which you had relatively less involvement, that is the so-called banking package, or as you have described the banking package as convenient. The Prime Minister's press release identifies three measures in particular: a guarantee on deposits, a guarantee of term funding for institutions, and purchase of residential mortgage backed securities. Am I right in understanding that those are the three principal components of the banking elements of the package?

Dr Watt—So far as I understand, Senator.

Senator BRANDIS—Taking them in turn—obviously I am not going to ask you about the content—what was the character of the advice that Finance provided in relation to the guarantee on deposits?

Dr Grimes—The character of the advice that we provided was very much around financial framework issues.

Senator BRANDIS—Such as?

Dr Grimes—Such as the operation of the Financial Management and Accountability Act and related regulations.

Senator BRANDIS—Go on.

Dr Watt—That is the advice we provided. I think Dr Grimes is saying that there was nothing further.

Dr Grimes—That is right, that was the area on which we provided advice.

Senator BRANDIS—When you say financial framework issues, those issues were specifically the operation of the FMA Act and related regulations?

Dr Grimes—That is correct.

Senator BRANDIS—What was the question in relation to the FMA Act and related regulations which you addressed?

Dr Grimes—I think it might be more appropriate for Dr Ioannou to take you through those items because he was directly involved in that work.

Dr Ioannou—In the normal course, Finance tends to be involved in a range of policy initiatives where issues relating to the financial framework are involved.

Senator BRANDIS—To contextualise, this came about very quickly. It is not as if you had this in the bottom drawer, as it were, is it? In other words, these policy measures were developed from conception to the announcement phase in a relatively short span of time.

Dr Watt—I do not think we are able to make that assessment. We had some limited involvement, as we have indicated, in providing advice. That does not mean we pretend to know the duration of the policy development process.

Senator BRANDIS—That is a fair observation, Dr Watt. I am obviously confining myself to Finance's role. I will ask elsewhere about other agencies.

Dr Ioannou—What is the question?

Senator BRANDIS—What was the issue concerning the operation of the FMA Act and regulations which the finance department's advice addressed?

Dr Ioannou—At one level it was a fairly conventional set of questions relating to the financial framework and the operation of the FMA Act, the Financial Management and Accountability Act 1997.

Senator BRANDIS—What were those questions?

Dr Ioannou—That is to say, for example, who has authority under certain circumstances to give various types of approvals for spending proposals and for entering into arrangements, or agreements or contracts and what the regulations say about the approval of such potential spending proposals.

Senator BRANDIS—Which regulations are we talking about, by the way?

Dr Ioannou—There is a group of regulations in the financial management regulations 1997.

Senator BRANDIS—Are those regulations made under the FMA Act, are they?

Dr Ioannou—Yes, correct. The combination of regulations is FMA regulation 13, and this is a regulation which in general terms says that no-one is to enter into an agreement, arrangement or contract which commits the Commonwealth to expenditure or potential expenditure without first going through a number of other regulations having regard to the requirements of other regulations.

Dr Watt—This is advice that we would provide in relation to a large number of potential or actual policies during the course of a year. It is bread-and-butter stuff

Dr Ioannou—This is very bread-and-butter stuff.

Senator BRANDIS—Whether it is bread-and-butter or whether it is extraordinary, I do not mind. I just want to get the clearest picture that I can of the range of topics concerning which Finance provided advice on the different aspects of the financial stimulus package from the mundane to the exceptional. Please go on.

Dr Ioannou—I think I have just covered FMA regulation 13.

Senator BRANDIS—What other regulations?

Dr Ioannou—FMA 13 has linked to it FMA regulation 10, which is a regulation which simply provides that if monies are not appropriated by the parliament or if there is not a bill before the parliament to appropriate monies then the finance minister's authorisation is required before entering into commitments to spend such monies.

Senator BRANDIS—Right.

Dr Ioannou—Also, there is the well-known FMA regulation 9, which basically tells the approvers of spending proposals that they are not to approve such spending proposals unless—how is it expressed?—they are satisfied after reasonable inquiry that it is consistent with the policy of the Commonwealth and also that it is an efficient and effective use of public monies. In this context there is a further regulation, FMA regulation 14, which relates to loan guarantees.

Senator BRANDIS—We will pause on that last regulation, regulation 14. Mr Ioannou, do you happen to have a copy of the regulations to hand?

Dr Ioannou—I do.

Senator BRANDIS—Could I see them, please? Or perhaps a copy could be made by the secretariat. Thank you. I am interested in the last regulation you mentioned, concerning loan guarantees. May I take it that certain criteria have to be met before the Commonwealth will enter into a contingent liability through a loan guarantee?

Dr Ioannou—Yes. You have the terms of FMA regulation 14 there?

Senator BRANDIS—I am about to get them. As part of its advisory function in this aspect of it did Finance satisfy itself as to compliance with those requirements? Or did it merely offer advice as to what steps were required to be taken by government in order to satisfy the requirements?

Dr Ioannou—We provide framework advice.

Senator BRANDIS—What do you mean by 'framework advice'?

Dr Ioannou—People ask us, ‘Which regulations should we, in certain circumstances, be cognisant of?’ and we provide them with advice on just that question.

Senator BRANDIS—I will come back to this. You said you addressed conventional questions of who had authority to enter into the contracts and what did the regulations say. I interrupted you at that point. What other topics did your advice address?

Dr Ioannou—From a framework perspective?

Senator BRANDIS—Yes.

Dr Ioannou—They are the main issues that tend to come to us—from a framework perspective, of course.

Senator BRANDIS—At the time you gave this advice, what material did you have before you? In particular, did you have before you models or samples of the contracts the Commonwealth proposed to enter into to guarantee the deposits?

Dr Ioannou—No.

Senator BRANDIS—You didn’t?

Dr Ioannou—Of contracts?

Senator BRANDIS—Contracts of guarantee.

Dr Ioannou—No.

Senator BRANDIS—Were there contracts of guarantee, by the way, or was this simply a unilateral announcement by the Commonwealth?

Dr Watt—I think that is something you would have to ask the Treasury.

Senator BRANDIS—Do you know the answer, Dr Watt?

Dr Watt—No, I do not. That is why I am saying you will have to ask the Treasury.

Senator BRANDIS—Do you know the answer, Mr Ioannou?

Dr Ioannou—I need to clarify your question. We saw no contracts; we had general discussions with people.

Senator BRANDIS—Perhaps we are at cross purposes. In that aspect of the package which we have described at the ‘banking package’ we have agreed there are three elements, and one is the announcement of an unlimited guarantee on certain categories of deposits. My question is a very elementary one: was that to take the form of some sort of written instrument between the Commonwealth and relevant financial institutions or was it merely, as it were, a declaration of intent or a promise on behalf of the government as reflected in the Prime Minister’s press release?

Dr Ioannou—I am sorry, these are policy matters for the Treasury—

Senator BRANDIS—No, they are not.

Dr Watt—Senator, the issue was not canvassed with us as to the nature. I think that is what Dr Ioannou is saying.

Senator BRANDIS—Is that right? Is that what you are saying, Dr Ioannou?

Dr Ioannou—Yes.

Senator BRANDIS—I suppose you cannot say no now.

Dr Watt—I do not think I am verballing him, Senator.

Senator BRANDIS—Mr Watt, you have put forward Mr Ioannou as the officer with the most particular knowledge of these matters, and Mr Ioannou has been very helpful to me. So why don't I just ask my questions of Mr Ioannou and, if he feels the need to refer something to you or the minister, he can do that.

Dr Watt—I am sure he will.

Senator BRANDIS—Thank you. Mr Ioannou, what did you have before you, apart from a description in the broad of what the government had in mind to do? Did you have any documents before you?

Dr Ioannou—The Treasury supplied certain materials to us.

Senator BRANDIS—What sort of materials were they?

Dr Ioannou—I am just trying to recall now. There was draft legislation, for example, in the—

Senator BRANDIS—Draft legislation, yes. Was that produced in Treasury by the way? Do you happen to know? Or was it produced in Attorney-General's or in some other agency?

Dr Ioannou—Our contact is with the Department of the Treasury.

Senator BRANDIS—That is not what I asked you. Do you happen to know where the legislation was drafted? Was it drafted within Treasury or was it drafted in A-Gs or was it drafted by some other agency like the Office of Parliamentary Counsel? Or don't you know?

Dr Ioannou—It was provided to us by the Treasury.

Senator BRANDIS—Yes, I understand that. But you do not know the source of it beyond that? Do you know, Dr Watt?

Dr Watt—The Treasury was responsible. What we are saying is the Treasury provided you with the material.

Dr Ioannou—Yes.

Dr Watt—We do not know who would have drafted it. Nor would we expect to, incidentally.

Senator BRANDIS—It is all right, Dr Watt. I am not saying that you necessarily would. I am just interested in finding out as much as I can. Dr Ioannou, as well as the draft legislation, was there a draft explanatory memorandum?

Dr Ioannou—I do not recall seeing such a document, no.

Senator BRANDIS—What other documents were provided to you? Were there any draft legal instruments, by which I do not mean legislation but instruments which would document the Commonwealth's guarantee?

Dr Ioannou—No.

Senator BRANDIS—What other documents did you look at?

Dr Ioannou—It was a conventional process. We had email exchanges with the department et cetera. We asked questions—

Senator BRANDIS—These are part of the interim discussions in the development of the package?

Dr Ioannou—Yes, so we saw that sort of documentation from Treasury as we discussed it with them.

Senator BRANDIS—Other than what might loosely be called due diligence, what specifically was Finance being asked to do in its participation about these discussions? You have told us that you gave advice about who had authority to enter into contracts.

Dr Ioannou—Yes.

Senator BRANDIS—And you told us that you basically checked whether there had been compliance with the FMA Act and the regulations made under the FMA Act.

Dr Ioannou—I would not put it in those terms. I would put it in terms—

Senator BRANDIS—Well, you put it in your own words.

Dr Ioannou—It was, as I said, a normal conventional process where we were shown draft legislation and we reacted to the contents and also drew other matters to the attention of the Treasury department on issues that they may not have thought through, for example. So we were not doing a compliance exercise as such.

Senator BRANDIS—That is what I meant by due diligence I suppose.

Dr Ioannou—It was a developmental exercise, if I could put it that way.

Senator BRANDIS—Can you give me an example of an issue that you drew to the attention of the Treasury, just for instance.

Dr Ioannou—We try to be diligent in these things.

Senator BRANDIS—I am sure you do.

Dr Ioannou—We would have drawn to their attention the nature of the regulations I just described to you, their interaction and the importance of ensuring that these matters were taken into account.

Senator BRANDIS—You said before that one of the questions you addressed yourself to was who had authority to enter into contracts.

Dr Ioannou—Yes.

Senator BRANDIS—What contracts are you speaking of?

Dr Ioannou—In a sense you are asking me a hypothetical question.

Senator BRANDIS—No, you addressed the question of who had authority to enter into contracts.

Dr Ioannou—Yes.

Senator BRANDIS—So, what contracts?

Dr Ioannou—It is hypothetical in this sense: that should, in the future, pursuant to a scheme of legislation a contract be required—should a liability crystallise, for example, and an arrangement needs to be entered into to meet those contingent liabilities—then there are certain obligations to consider this as a spending proposal in the normal way before committing the Commonwealth to such a spending proposal.

Senator BRANDIS—Did you have draft contracts before you?

Dr Ioannou—No.

Senator BRANDIS—But it follows from what you have told the committee that one of the issues on your mind was the way in which the proposed liability be assumed.

Dr Ioannou—Well, yes.

Senator BRANDIS—And that contract would be, what, between the Commonwealth and a financial institution whose deposits were being guaranteed?

Dr Ioannou—The terms of FMA regulation 13 are broadly drawn—contracts, arrangements, agreements.

Senator BRANDIS—Just so that we are not speaking obscurely between each other, FMA 13 reads:

A person must not enter into a contract, agreement or arrangement under which public money is, or may become, payable (including a notional payment within the meaning of section 6 of the Act)—whatever that means—

Dr Ioannou—A transfer between agencies.

Senator BRANDIS—Then that is not relevant here, is it?

Dr Ioannou—No.

Senator BRANDIS—FMA 13 continues:

... unless a proposal to spend public money for the proposed contract, agreement or arrangement has been approved under regulation 9 and, if necessary, in accordance with regulation 10.

So it was plain to you, Mr Ioannou, was it, that one of the issues presented by the policy proposal which was being discussed here was that the Commonwealth was proposing to enter into a contract, agreement or arrangement within the meaning of financial regulation 13.

Dr Ioannou—What was on our minds, I think it is fairer to say, was that there was a prospect that such a contract, agreement or arrangement may need to be, at some point, entered into.

Senator BRANDIS—Yes. Did you discuss that?

Dr Ioannou—With whom?

Senator BRANDIS—With your interlocutors; with the other agencies with whom you participated in these discussions.

Dr Ioannou—As I said, through email exchanges and the normal course of officer level interaction, yes.

Senator BRANDIS—I am not going to ask you about the substance of your advice, but would it be a fair inference from what you have already told the committee that in performing what you have described as a compliance function, one of the things that you told the government was, ‘If you are going to do this, you had better make sure that you satisfy financial management regulation 13.’

Dr Ioannou—I think that I said that it was an advisory function as opposed to a compliance function.

Senator BRANDIS—You used the word ‘compliance’ as well, actually. You said that it was ‘a compliance exercise.’

Dr Ioannou—No, I believe that they were your words.

Senator BRANDIS—No. they were yours. I wrote them down as you said them. But we can check the transcript. I do not want to delay over a verbal quibble.

Dr Ioannou—I think you asked me a subsequent question where I said that at this stage it was an advisory activity.

Senator BRANDIS—Of course it could have been both; but let us not quibble. One of the things that you turned your mind to in discharging this advisory function was whether or not it was necessary to satisfy financial regulation 13.

Dr Ioannou—Yes, we did turn our minds to that.

Senator BRANDIS—All right. That is good; thank you. And did you think that it was necessary to satisfy financial regulation 13?

Dr Ioannou—Any potential spending proposal needs to comply with the regulations.

Senator BRANDIS—But only a spending proposal arising under a contract, arrangement or agreement is a spending proposal for which regulation 13 applies.

Dr Ioannou—Sorry. It is the construction of the regulation that can be a little difficult to grasp, I suspect.

Senator BRANDIS—This regulation seems unusually clear to me. It says that if there is a contract, arrangement or arrangement then certain consequences follow.

Dr Ioannou—As I said before, we were saying that, basically, you need to turn your attention to the fact that if at some point you need to enter into such an arrangement, agreement or contract then of course the FMA regulations will have effect.

Senator BRANDIS—Sure; perfect. Would it be fair to say that it was part of the shared assumptions of this discussion, or it was one of the premises upon which your advice was being offered, that there would at some stage down the track, in order to fulfil the government’s policy proposal, need to be a contract, arrangement or agreement—in other words, a circumstance attracting the operation of regulation 13?

Dr Ioannou—There was a prospect of such a thing.

Senator BRANDIS—What do you mean by ‘prospect’.

Dr Watt—Perhaps I can answer this. I think we do need a little bit of context. As I understand, what you have been told is that we were asked for advice on the possibility, or

prospect, if you prefer—to use Dr Ioannou’s term. That does not mean that we were providing advice on ‘This is actually what is going to happen.’

Senator BRANDIS—I understand that. Presumably because of the suddenness of this—and I have no criticism of it—this was an emerging thing.

Dr Watt—I do not think that is quite what I am saying. We often get asked for advice on options in relation to policy. Some of them will materialise, some of them will not materialise and some will crystallise in a very different form. I think, as Dr Ioannou said, this was a possibility. But I do not think he said—forgive me if I am wrong—that he provided advice against a certainty that this was exactly what was going to occur.

Senator BRANDIS—Not only did he not say that, but no question I have directed to Mr Ioannou has been based on an assertion that he did say that.

Dr Watt—I am pleased to hear that.

Senator BRANDIS—Well, just follow carefully, Dr Watt, and you will not need to interrupt again.

Dr Watt—I do follow very carefully.

Senator BRANDIS—Mr Ioannou, you said there was a ‘prospect’—that was your word—and I asked you, ‘What do you mean by a “prospect”?’ We have heard Dr Watt’s helpful intervention. I am not saying that this was set in stone, that this would be embodied in a contract arrangement or agreement, but it is clearly a prospect that you turned your mind to. Was your advice provided in the expectation or belief that that was the shape that this guarantee was ultimately going to take?

Dr Ioannou—Are you referring to the deposit guarantee?

Senator BRANDIS—Yes, I am.

Dr Ioannou—It is the nature of a contingent liability that, should it crystallise, a potential commitment of public expenditure may be required. Therefore, in that circumstance, should that prospect occur, a spending proposal would need to be entered into—a contract, arrangement or agreement.

Senator BRANDIS—That is very important, Mr Ioannou, the fact that you put it that way, because now what you seem to be saying—and perhaps I am just a bit slow—is that the prospect was the crystallisation of the obligation. What I thought you were talking about before was the prospect that the obligation would be embodied in a contract. Was it a given that the obligation would be embodied into a contract which might prospectively or possibly crystallise in a liability?

Dr Ioannou—I think that is why I asked you whether you were referring to the deposit guarantee.

Senator BRANDIS—And I am. There are three elements, as we agreed—the deposit guarantee, the—

Dr Ioannou—Indeed. If you were to ask me about other elements—

Senator BRANDIS—I am going to.

Dr Ioannou—That was our perspective in respect of the deposit guarantee, yes.

Senator BRANDIS—Limiting ourselves then, for the moment, to the deposit guarantee, do I understand you correctly that the issue to which you were turning your mind in the context of financial regulation 13 was the prospect of a contingent liability crystallising at some uncertain future date?

Dr Ioannou—Yes.

Senator BRANDIS—And that contingent liability, were it to crystallise, would be a liability under a contract?

Dr Ioannou—It was a policy matter, I suppose, for the Treasury how we would actually pay out on crystallisation.

Senator BRANDIS—You would pay out by making a transfer. I think what you mean to say—if I may suggest with respect—is the basis of the legal liability of the Commonwealth upon the crystallisation of its obligation, not the way in which that obligation would be met.

Dr Ioannou—All I can advise you on is what was in our minds at the time. What was in our minds at the time was, should that contingent liability crystallise, there was a prospect that we would have to enter into spending proposals, whatever form they might take, and therefore the terms of the regulations were an important consideration should that be an issue.

Senator BRANDIS—And, were that liability to crystallise, it would have crystallised under a regulation 13 contract arrangement or agreement.

Dr Ioannou—I do not believe we had a conversation about the exact nature of the type of agreement.

Senator BRANDIS—I hope that I am not being too much of a lawyer about this—

Senator CAMERON—Yes!

Senator BRANDIS—excuse me, Senator Cameron—but it seems to me that the Commonwealth could make a promise to an unknown class of persons that in certain circumstances it would guarantee deposits or it could commit itself contractually to do so. If it were to do the former, that would merely be a promise; arguably not legally enforceable. If it were to do the latter, then it would be a contractual liability assumed by the Commonwealth and would be legally enforceable. It sounds to me, I must say, by addressing this in the context of regulation 13, you were assuming, as I think most people would assume, that this was more than a flimsy promise by a politician. Rather, it was actually going to be a contractual commitment by the Commonwealth of Australia. Is that not right?

Dr Ioannou—I could tell you what was in my mind.

Senator BRANDIS—Please do.

Dr Ioannou—What was in my mind was an understanding of the solemnity of such a promise. So I agree with you in that sense. The point that I was trying to make was that at that point we were not turning our minds to the nature of whether it would be a contract instrument that we would enter into with an individual who came to us. It was a high-level policy discussion.

Senator BRANDIS—Sure. I understand that, and in fairness to you, Mr Ioannou, this is something that I suspect would have been more immediately of concern to the Attorney-General's Department or Treasury, perhaps, than Finance, whose observations were being sought in relation to matters that were slightly oblique to that question.

Dr Ioannou—They have carriage of those details, yes.

Senator BRANDIS—All right. You said that you had draft legislation. Did you read the legislation yourself?

Dr Ioannou—I had a copy of this legislation—

Senator BRANDIS—Did you read it?

Dr Ioannou—I cannot pretend that I read every word of it.

Senator BRANDIS—Well, you familiarised yourself with it?

Dr Ioannou—We read the relevant aspects as we understood them, yes.

Senator BRANDIS—Senator Sherry, is it still the position—and if I misunderstand please correct me—that it is not the government's intention to legislate to support these deposit guarantees?

Senator Sherry—That will be matter for Treasury estimates. We can deal with the matter there.

Senator BRANDIS—Well, the Prime Minister, having been pressed on this matter several times by the Leader of the Opposition and the shadow Treasurer, has indicated that no legislation is contemplated, and I am merely asking you, as the minister at the table, whether that is still the intention of the government, as you understand it.

Senator Sherry—It will be a matter for Treasury estimates. My colleague Senator Conroy handles these matters; I do not act—

Senator BRANDIS—Do you not know the answer.

Senator Sherry—in that representational capacity, so it will be a matter for Treasury estimates.

Senator BRANDIS—Do you know the answer to my question.

Senator Sherry—As I have said to you, it will have to go to Treasury estimates tomorrow.

Senator BRANDIS—No, that is not the question that I am asking you. The question that I am asking you is: do you know the answer to my question?

Senator Sherry—No.

Senator BRANDIS—You do not know the answer to my question?

Senator Sherry—No. It will be a matter for Treasury estimates.

Senator BRANDIS—Well, if you do not know the answer to my question, there is no point in my pressing it. Mr Ioannou, did Finance have any comment to make on the draft legislation?

Dr Ioannou—As I said, we provided the normal type of financial framework advice that we provide, yes.

Senator BRANDIS—Did you suggest any amendments to the legislation, for example? I am not going to ask you what they were, but did you suggest any amendments to the draft legislation?

Dr Ioannou—It is the nature of such a process.

Senator BRANDIS—That you would do so?

Dr Ioannou—It is the nature of a process where one is reviewing draft legislation.

Senator BRANDIS—May we take it then that if it is the nature of such a process, the process was followed in the ordinary course on this occasion?

Dr Ioannou—If you would like to put it that way, yes.

Senator BRANDIS—Well, is that statement accurate?

Dr Ioannou—We had a dialogue and interaction with the Treasury and, as you put it previously, there was an iterative process.

Senator BRANDIS—In the discussions you had with the other agencies, did anyone raise the question of section 83 of the Constitution?

Dr Ioannou—With us?

Senator BRANDIS—Yes—or in any conversation in which you participated.

Dr Ioannou—We are not constitutional advisers.

Senator BRANDIS—I know you are not. That is not the question I asked you. I asked you whether anybody raised this constitutional issue about whether it was necessary for the government to establish a legislative basis for this policy proposal. Was that issue raised?

Dr Ioannou—We had legislation before us.

Senator BRANDIS—Indeed, which is very interesting because that legislation does not ever seem to have seen the light of day. So somebody has decided to put that legislation in the bin. Did you know that?

Dr Ioannou—Are you referring to the deposit insurance legislation here?

Senator BRANDIS—I am talking about that part of the banking package described by the Prime Minister as the ‘guarantee on deposits’. The Prime Minister’s press release says:

In response to these developments the Australian Government will guarantee all deposits of Australian banks, building societies and credit unions and Australian subsidiaries of foreign-owned banks.

Dr Ioannou—We had legislation relating to the deposit insurance scheme before us, as I said, and I do not have a recollection of section 83 issues.

Senator BRANDIS—Or any other constitutional issues?

Dr Ioannou—No, I do not have a recollection of such issues.

Senator BRANDIS—All right; that is fine.

Dr Watt—As Doctor Ioannou said, we are not constitutional lawyers, Senator—we would not expect it to be raised with us.

Senator BRANDIS—Dr Watt, I am sure your advice on the law would not have been sought, but, nevertheless, the issue as to whether or not you were advised by another agency that this particular measure required a particular legislative framework for constitutional reasons I would have thought would have been directly germane to your participation as described by Mr Ioannou.

Dr Watt—It is possible, but, as I said, it would be much more likely that we would be focused on the particular aspects of the legislation that we were involved with, the Financial Management Act, and we would be less likely to be concerned with, less likely to be involved with and less likely to be asked about other things.

Senator BRANDIS—Sure. Rather than telling us about what you hypothetically would have been more or less likely to be involved in, why don't we just hear about what in fact was the topic of these specific conversations—which, no doubt, are fresh in your mind. What other topics were you asked to address in relation to the deposit guarantee proposal?

Dr Ioannou—As I said, the financial framework. It is why people come to us: financial framework issues.

Senator BRANDIS—Were there any other aspects of what you call financial framework issues, other than those we have discussed, about which your advice was sought?

Dr Ioannou—When we talk about financial framework issues, that relates to the application of the FMA act, regulations et cetera.

Senator BRANDIS—What is the 'et cetera'?

Dr Ioannou—The orders—

Senator BRANDIS—The administrative orders?

Dr Ioannou—No, the finance minister's orders made pursuant to the legislation.

Senator BRANDIS—Anything else?

Dr Ioannou—You mentioned contingent liabilities—issues around general government policy on contingent liabilities.

Senator BRANDIS—Could you elaborate on that, please?

Dr Ioannou—There is a longstanding framework for considering contingent liabilities.

Senator BRANDIS—Let's go to the second element of the banking package, the guarantee of term funding of institutions. The Prime Minister said:

The Australian Government will also guarantee wholesale term funding of Australian incorporated banks and other authorised deposit-taking institutions (ADIs).

The Government will offer the guarantee in return for a fee in respect of eligible non-deposit debt obligations of Australian ADIs and foreign subsidiary banks operating in Australia.

Were you asked for advice in relation to that matter, that policy proposal?

Dr Ioannou—Since the public announcement we have had discussions with the Treasury.

Senator BRANDIS—I am assuming—correct me if I am wrong—that the discussions you had about the deposit guarantee were in advance of the announcement of that measure by the Prime Minister on 12 October? Is that right?

Dr Ioannou—Correct.

Senator BRANDIS—Are you telling me that the advice you have given about the guarantee of term funding for institutions was not sought prior to the announcement by the Prime Minister of that measure?

Dr Ioannou—We were approached by the Treasury the following week.

Senator BRANDIS—The week after 12 October?

Dr Ioannou—If that was the date of the announcement.

Senator BRANDIS—It was. So in the preannouncement phase you had no involvement or participation in the development of this policy proposal. Is that right?

Dr Ioannou—Personally, no.

Senator BRANDIS—Dr Watt, were you or was any officer of your department other than Mr Ioannou involved in the development of the second leg of the banking measures—that is, the guarantee of term funding for institutions?

Dr Watt—No, not to any significant extent. I was aware of the issue but we were not involved in the policy development work.

Senator BRANDIS—All right. What about the issues to which you directed your mind concerning the deposit guarantee—that is, what you have called financial framework issues: the financial management act issues, the financial management regulations issues and regulations 9, 10, 13 and 14? Were they not relevant to the second aspect of the banking measures?

Dr Ioannou—Yes.

Senator BRANDIS—They were?

Dr Ioannou—Yes.

Senator BRANDIS—Then are you able to explain, please—perhaps this is more a question to you, Dr Watt—if they were relevant to the policy proposal, why wasn't Finance's advice sought as it had been in relation to the first leg of measures in advance of the announcement?

Dr Watt—You would have to ask the Treasury that.

Senator BRANDIS—But this issue—that is, the financial framework advice—is a Finance issue, isn't it?

Dr Watt—You have asked me why our advice was not sought. I cannot answer that question because I am not the person seeking the advice, so you would have to ask the Treasury.

Senator BRANDIS—You must be very annoyed if the advice was not sought, and this is a finance department piece of turf here.

Dr Watt—No, we are not territorial.

Senator BRANDIS—You are.

Dr Watt—No, we are not.

Senator BRANDIS—Yes, you are, Dr Watt. I know you, Dr Watt. You are very territorial and so you should be.

Dr Watt—No. It is not quite like that. We are not.

Senator BRANDIS—All right. So the evidence before the committee is that no significant advice and in particular no financial framework advice and no advice in relation to the FMA Act or the financial management regulations was sought from your department in relation to the guarantee of term funding for institutions prior to the announcement by the Prime Minister on 12 October.

Dr Watt—That is correct.

Senator BRANDIS—All right. Mr Ioannou, going back to the first dimension, the deposit guarantee, did Finance do any costings of the contingent liability of the Commonwealth in relation to the deposit guarantee?

Dr Grimes—Costings are normally undertaken by my group. There were no costings of a contingent liability undertaken by Finance.

Senator BRANDIS—None? All right.

Dr Grimes—As Dr Watt is indicating, when we are costing proposals we do not normally cost proposals that have contingent assets or liabilities associated with them.

Senator BRANDIS—No.

Dr Grimes—The sorts of things we cost of those that have a direct impact on the budget bottom line.

Senator BRANDIS—Dr Watt, did Finance turn its mind to the question of whether the deposit guarantee should be unlimited or capped?

Dr Watt—No, we did not.

Senator BRANDIS—You did not?

Dr Watt—It is not an issue. It is an issue again primarily for the Treasury rather than us.

Senator BRANDIS—I understand that. I am not saying that you were necessarily the primary mind operating here on this policy question; but, nevertheless, as the custodian of Finance, I would have thought that the question of the assumption by the Commonwealth of an unlimited contingent liability would wear a much more sinister complexion in your eyes than the assumption by the Commonwealth of a capped contingent liability, would it not?

Dr Watt—It depends on the extent of the liability because—

Senator BRANDIS—The extent of the liability as announced by the Prime Minister is an unlimited one, although a contingent one.

Dr Watt—It depends on the liability contingency.

Senator BRANDIS—Again, I am not necessarily saying this would have been your job, but did you in fact make some assessment of the likelihood of the contingency eventuating?

Dr Watt—No, Senator, we did not.

Senator BRANDIS—Okay. When the Prime Minister announced the guarantee of term funding for institutions that in this case the government's guarantee would be in return for a fee, was the input of Finance sought as to the quantification of structuring of that fee?

Dr Grimes—There were no detailed discussions of that. However—

Senator BRANDIS—Dr Grimes, when you tell me there were no detailed discussions—

Dr Grimes—it was briefly canvassed—

Senator BRANDIS—it sounds to me that there were discussions but they were not very detailed.

Dr Grimes—Briefly canvassed.

Senator BRANDIS—Tell me what was said in the brief canvass, please.

Dr Grimes—It was just in the nature of a short conversation.

Senator BRANDIS—Yes. What was that conversation directed to? Was it directed to the size of the fee, how it was to be quantified or how the obligation to the Commonwealth to pay this fee was to be structured? What topic did you address in this brief conversation?

Dr Grimes—Structure and size.

Senator BRANDIS—All right. Dealing with size first, was it the view of Finance that the fee should be a commercial fee?

Dr Grimes—I think you are going into policy advice there, Senator.

Senator BRANDIS—Let me retreat rapidly from there and come about it in another way. Is one of the topics that was addressed the question of whether or not the fee should be a commercial fee?

Dr Grimes—Once again, I think you are really heading into the area of the policy advice that we might have provided—

Senator BRANDIS—I am heading there but I am not there yet, Dr Grimes. You have told us that it was a brief conversation. It was about structure. And you have told us you discussed size.

Dr Grimes—That is right. And I do not think I am comfortable in going beyond that point, because I think at that stage I am straying very much into policy territory.

Senator BRANDIS—I find it difficult to accept that, if you discussed structure and you discussed size, the question of whether or not this fee should be a commercial fee was not addressed by you. I am not asking you what your advice was. I am asking you whether that question was addressed, albeit briefly.

Dr Grimes—I am not comfortable in going into great detail here because I think that is very much encroaching into the area of the policy advice we might have provided.

Senator BRANDIS—Dr Grimes, I do not want you to go into any details. I just want you to tell me whether or not an issue was addressed.

Senator Sherry—Senator Brandis, when you move from fee to discussing the details of the fee—that is, commercial or not—that is a further step. It is a step that the officer has said he is not going to take. It is a detailed further step.

Senator BRANDIS—As you know, Senator Sherry, the rules are that I am not at liberty to ask for policy advice, and I am not doing so. I am asking whether or not the issue of whether the fee should be a commercial fee or not was addressed.

Senator Sherry—I do not agree with your view on that.

Senator BRANDIS—Fortunately, Senator Sherry, you are not a member of the committee.

Senator Sherry—But, fortunately, I am the one who makes the call in terms of the question and whether it should be answered or not. The officer has indicated that he does not believe he should go further, and I agree with him.

Senator BRANDIS—Dr Grimes I am going to press you on this. I want to know whether the issue of whether the fee should be of a commercial character was addressed.

Dr Grimes—I believe that I have given—

Senator CAMERON—Madam Chair, this is quite clearly an issue of policy, and I do not think the public servant should be pressed any further. Senator Brandis has had many opportunities to press this and he keeps coming back to this issue of policy. It is not appropriate.

CHAIR—Senator, I think your point—

Senator BRANDIS—Before you rule, Madam Chairman, may I speak to the point of order?

CHAIR—Senator Brandis, on a point of order.

Senator BRANDIS—The practice of this committee has always been—as Senator Fifield, who used to chair this committee I am sure would be in a better position than most to tell you—that questions have always been allowed and were always accepted without objection by the previous government to the effect of ‘was an issue looked at or thought about or addressed’, so long as the question did not trespass into the substance of the advice—that is, what the public servants may have advised government. I very carefully avoided asking about that. Given that the witness, Dr Grimes, has quite freely offered that the issue of the size of the fee was addressed, has quite freely offered that the structure of the fee was addressed and, therefore, has quite freely and without objection from the minister at the table been prepared to share with the committee the question of whether the characteristics of the fee were addressed and given that I am not going to, and I undertake to you I will not, proceed to ask him what advice was given, with respect, it would seem to me both on the basis of what the witness has said without objection, the practice of this committee and the proper application of the rules and the standing orders that the question of whether other aspects of the issue were addressed is a proper question.

Senator FIFIELD—Madam Chair, on the point of order. As a former chair of the committee, it certainly has been the practice of this committee to permit questions which go to the range of matters which may have been touched on. But, as my colleague Senator Cameron has indicated, it has not been the practice of the committee to actually permit questioning in relation to the actual advice to the government. However, I think Senator Brandis is correct that questions which go to the character or nature of things canvassed are appropriate. This committee has always had a fairly liberal interpretation of that.

CHAIR—I thank you for all your contributions on the point of order but I think all senators know, and I am sure those witnesses before us know, that in terms of policy it is not appropriate for them to delve into that area, and an officer can defer to a senior officer or to the minister at the table. The minister, I recall, made some contributions. So you might want to rephrase your question, Senator Brandis. In terms of long standing traditions, and that goes for this committee and others, that is very clearly the policy in relation to delving into government policy.

Senator BRANDIS—As you know, Madam Chairman, I have not asked a question about policy. I have asked whether a topic was addressed, without asking what the response was.

CHAIR—The officer is entitled to defer that to a more senior officer or to the minister.

Senator BRANDIS—I will not delay the committee. People can form their own conclusion about the concealment of these relevant matters from the public. Dr Grimes—

CHAIR—I do not think that sort of terminology is really warranted, Senator Brandis.

Senator BRANDIS—I think it is warranted, Madam Chairman. You may not think so. I do. Dr Grimes or perhaps Mr Ioannou—I am not sure who is the appropriate person to address these questions—staying now please with the guarantee of term funding for institutions, was there draft legislation? Was that part of what Finance had before it when considering this aspect of the package?

Mr Ioannou—Senator, I have told you what draft legislation we saw.

Senator BRANDIS—With respect, Mr Ioannou, you told us you saw draft legislation in relation to the deposit guarantee, which was the first of the three elements of the banking package.

Dr Ioannou—Yes.

Senator BRANDIS—Now, dealing with the second of the three elements, the guarantee of the term funding for institutions, was there draft legislation in relation to that aspect of the package?

Dr Ioannou—I have not seen such legislation.

Senator BRANDIS—Do you know whether there was draft legislation?

Dr Ioannou—I have not seen it; I cannot—

Senator BRANDIS—I heard you the first time.

Dr Ioannou—I have no personal knowledge of such legislation.

Senator BRANDIS—I heard you the first time. Just because you have not seen something does not mean that you do not know about it.

Dr Ioannou—I think I said I have no personal knowledge of such—

Senator BRANDIS—To the best of your knowledge, was there draft legislation in relation to this aspect of the package?

Dr Ioannou—Yes, to be best of my knowledge there was no—

Senator BRANDIS—Okay, that is fine; thank you.

Committee member—There was or was not?**Dr Ioannou**—To the best of my knowledge—and I have not personally seen such legislation, if I can put it that way.

Committee member—No, that is different.

Dr Ioannou—I am sorry, I have been confusing.

Senator BRANDIS—To the best of your knowledge—and we know that you have not personally seen any draft legislation—was there or was there not draft legislation?

Dr Ioannou—To the best of my knowledge there is not draft legislation.

Senator BRANDIS—There was not draft legislation. Right, that is what I thought you said the first time. Thank you.

Dr Watt, although as you have told us, astonishingly—I am not doubting your veracity; it is astonishing to me in terms of the way the government has handled this—that Finance had no significant input in providing advice in relation to the guarantee of term funding for institutions, prior to the Prime Minister’s announcement on 12 October, is it nevertheless the case that subsequent to that announcement Finance did have some input in relation to what Mr Ioannou has described as ‘financial framework issues’?

Dr Watt—I believe that is what Dr Ioannou—

Senator BRANDIS—I am sorry, is it ‘Dr Ioannou’? I have been calling you ‘Mr Ioannou’. I do apologise, Dr Ioannou. Post 12 October did Finance have involvement on this aspect of the package on financial framework issues?

Dr Ioannou—Yes.

Senator BRANDIS—And, like the first aspect of the package, the deposit guarantee, was that advice in relation to the FMA Act, the financial management regulations—in particular regulations 9, 10, 13 and 14?

Dr Ioannou—Yes.

Senator BRANDIS—Were there any other relevant acts or regulations beyond those which were germane to this aspect of the package but not to the deposit guarantee aspect of the package?

Dr Ioannou—In the course of discussions we were asked about the operation of regulation 14.

Senator BRANDIS—Remind me what reg 14 was.

Dr Ioannou—One of the regulations you mentioned.

Senator BRANDIS—Yes, I know that, but—

Dr Ioannou—I am just checking.

Senator BRANDIS—Oh, I have it here. So that is the loan guarantee regulation.

Dr Ioannou—I think you mentioned it in your question.

Senator BRANDIS—Yes, I did. What about contractual aspects of the implementation of this policy proposal and the regulation 13 issue. Was that addressed?

Dr Ioannou—Yes, it was.

Senator BRANDIS—And, in the case of this guarantee of term funding for institutions, did you see draft contracts?

Dr Ioannou—No.

Senator BRANDIS—So you saw no draft contracts and you saw no draft legislation—and to the best of your knowledge there was no legislation. What did you see? In general, I mean; obviously I am not going to ask you about the content. What was the nature of the documentation that you saw?

Dr Ioannou—We have had conversations with the Treasury—

Senator BRANDIS—Were they email conversations?

Dr Ioannou—Yes.

Senator BRANDIS—Were there face-to-face meetings on this, by the way, and on the first aspect of the package?

Dr Ioannou—One.

Senator BRANDIS—Only one? How long did it go for?

Dr Ioannou—About 90 minutes.

Senator BRANDIS—And which other agencies were represented at this 90-minute meeting? Treasury, presumably.

Dr Ioannou—The Treasury.

Senator BRANDIS—PM&C?

Dr Ioannou—No. The Attorney-General's Department, the Australian Government Solicitor and ourselves. That was it.

Senator BRANDIS—What day did that meeting happen?

Dr Ioannou—It was the Monday after the announcement.

Senator BRANDIS—Was 12 October a Sunday? So it was Monday the 13th.

Dr Ioannou—It was the Monday after the announcement.

Senator BRANDIS—Okay, so it was Monday, 13 October. So the entire Finance contribution, other than email exchanges, to this package—or at least to the second part of the package—consisted of one 90-minute meeting the day after the Prime Minister had already announced it. Is that what you are telling me, Dr Ioannou?

Dr Ioannou—I can only tell you what I have been involved in.

Senator BRANDIS—And I am sure you are telling me the absolute truth.

Dr Watt—I think you said ‘the entire involvement’. I think Dr Ioannou’s point is important: he is able to tell you what he has been involved in.

Dr Ioannou—Yes. And, as I said previously, these are iterative processes. If you are asking me whether there were some telephone conversations, I would answer that there were. There were email exchanges. These are iterative processes.

Senator BRANDIS—Given that, as the Prime Minister has very melodramatically and perhaps accurately said, this is the greatest financial crisis since the Depression, I do think the general public would be very surprised to learn that the entirety of the bureaucratic consideration of this measure by the department of finance consisted of one 90-minute meeting the day after it had already been announced.

Dr Watt—I think there are a few points there.

Senator BRANDIS—There are.

Dr Watt—The ‘entire’ bureaucratic consideration was not one meeting. As Dr Ioannou said, there were email and telephone discussions as well. Secondly, I think we have emphasised to you that we did not have primary responsibility for this aspect of the package. So I do not think that we would necessarily expect, if there are no issues to be discussed, to go on discussing them.

Senator BRANDIS—I don’t know, Dr Watt—I remember last year when I was a minister spending more than 90 minutes arguing with you about a couple of million dollars for an arts funding project. Heavens above!

Dr Watt—I don’t think it was more than 90 minutes.

Senator BRANDIS—It seemed like it! All right. Just to complete the picture, Dr Ioannou, how many meetings involving Finance were there in relation to the deposit guarantee issue to the best of your knowledge?

Dr Ioannou—There were two roundtable meetings with us.

Senator BRANDIS—And who were the agencies participating in each of those?

Dr Ioannou—These were bilaterals between ourselves and the Treasury department.

Senator BRANDIS—Both?

Dr Ioannou—Yes.

Senator BRANDIS—So there were two meetings. What were the dates of those?

Dr Ioannou—I am sorry, I do not have that with me.

Senator BRANDIS—But they were both prior to 12 October, I think we have established.

Dr Ioannou—Yes.

Senator BRANDIS—So they were bilaterals between Finance and Treasury on both occasions. PM&C was not present at any of these meetings—either the two bilaterals, as you

have described them, prior to 12 October, or the quadrilateral meeting on 13 October. I am surprised to hear that. Wasn't PM&C one of the lead agencies?

Dr Watt—They were, but you would not expect them to be involved in every aspect of this.

Senator BRANDIS—All right. Once again, in relation to the second aspect of the package, the guarantee of term funding for institutions, were there any costings done by Finance?

Dr Watt—No.

Senator BRANDIS—Dr Grimes?

Dr Grimes—This really goes to the answer I gave before—no costings; these were contingent liabilities.

Senator BRANDIS—I understand that, but I asked you about the deposit guarantee—

Dr Grimes—Yes, I understand.

Senator BRANDIS—and I am asking the same question. I am trying to be methodical, you see. Was there any costing of the fee?

Dr Grimes—No, there was no costing of the fee.

Senator BRANDIS—The third aspect of the package announced by the Prime Minister on 12 October was the purchase of residential mortgage backed securities from non-ADI lenders by the Australian Office of Financial Management. Did you, Dr Ioannou, Dr Grimes or any other officer, participate in the development of that policy proposal?

Dr Ioannou—Speaking for myself, no.

Dr Grimes—I had some conversations with Treasury, but of a very general nature.

Senator BRANDIS—Dr Watt, from your perspective can you describe the extent of Finance's involvement in the development of that aspect of the policy?

Dr Watt—It was not extensive.

Senator BRANDIS—To the extent to which it happened.

Dr Watt—We were aware of the policy. Dr Grimes had had some early discussions with Treasury on the issue. I do not think we were more involved than that.

Senator BRANDIS—You were not really involved in it?

Dr Watt—No.

Senator BRANDIS—Did this aspect of the policy give rise to the need for financial framework advice or issues arising under the FMA Act or the financial management regulations?

Dr Ioannou—On this occasion we were not approached specifically for such advice—which is not to say that it was not considered by the Treasury department, remembering that all agencies are under an obligation to have an understanding of the requirements of the act and regulations.

Dr Grimes—Senator, I think it is relevant to note that there is legislative provision for the AOFM to make those sorts of investments, so the framework was already in existence. So I would imagine there was no need for Treasury to seek further framework advice

Senator BRANDIS—I see. That makes sense. Were there any costings done by Finance as to—

Dr Grimes—No, there were no costings done. We would not normally do a costing on something like this, because it is a financial investment by the AOFM so there is no direct impact on the budget bottom line. It is just a reordering of the AOFM's balance sheet, so we would not normally cost these sorts of proposals.

Senator BRANDIS—Remind me: who can give directions to the AOFM? The minister?

Dr Grimes—From memory, it would be the Treasurer who gives directions to the AOFM.

Dr Watt—The other point worth reflecting is that this was the second time that this was done. The AOFM had already made one tranche purchase of this. This was doing more of something that had already been in place.

Senator BRANDIS—Were there compliance issues in relation to the financial management regulations with this aspect of the package?

Dr Ioannou—We have not been approached on those matters.

Senator BRANDIS—You have not been involved at all?

Dr Ioannou—Correct.

Senator BRANDIS—Let me turn to the other side of this, the financial stimulus package—the \$10.4 billion and the range of different policy proposals contained within. Did Finance participate in meetings with other agencies in relation to the development of the \$10.4 billion stimulus package?

Dr Watt—Yes, we did.**Senator BRANDIS**—Can you tell me how many of those meetings you or your officers participated in and with which agencies.

Dr Watt—I cannot tell you the exact number. There were several over a period of a few weeks. They involved Dr Grimes and a number of his officers. There were also individual discussions in relation to specific policies. There may have been more than several meetings. I could not—

Senator BRANDIS—Dr Watt, I am sure your officers are watching the broadcast of these proceedings. You will obviously take that question on notice.

Dr Watt—I will.

Senator BRANDIS—Could I ask, through you, for your officers to check the number of meetings and the dates on which they took place to put you in a position to answer my question when we resume after the dinner adjournment.

Dr Watt—We will see what we can do.

Senator BRANDIS—Thank you very much. In relation to the various elements of financial stimulus package, were there financial framework issues or were these just expenditure measures that needed to be costed and appraised?

Dr Watt—They were more expenditure measures that needed to be costed and assessed.

Senator BRANDIS—Did you prepare greens, or the equivalent of greens, in relation to each measure?

Dr Watt—No, we did not.

Dr Grimes—That is correct; we did not. We participated in the preparation of central agency briefing.

Senator BRANDIS—The central agencies being you, Treasury, PM&C—

Dr Watt—That is correct.

Senator BRANDIS—In relation to each particular measure, did the implementing department participate in these meetings as well?

Dr Watt—The implementing department in the case of the first home owners scheme is the Treasury and the implementing department in the case of the pension and family allowance measures is FaHCSIA.

Dr Grimes—That is right. For those pension measures and family allowance measures the lead department is FaHCSIA, and FaHCSIA did participate in the preparation of costings with us.

Senator BRANDIS—Would you remind me of the other main measures: first home owners, pension family allowances—

Dr Grimes—There was also an expansion in training places under the productivity places program. There were costings prepared for that element and those costings were prepared and agreed with the DEEWR.

Senator BRANDIS—Let us deal with each of those. Did you prepare costings for the first home owner's policy proposal?

Dr Grimes—That is correct. We prepared those costings in consultation with Treasury; Treasury is the lead department, and those costings were agreed with us.

Senator BRANDIS—So you initially prepared your own costings and Treasury prepared their costings and then you had a meeting to discuss each other's respective costings. Is that right?

Dr Grimes—The typical approach is that the agency concerned prepares costings and then they are sent to us for agreement. That was the process that was followed in this case I believe.

Senator BRANDIS—What did Treasury cost the proposal?

Dr Grimes—I am sorry, I do not follow the thrust of your question.

Senator BRANDIS—What was the Treasury costing, the initial costing?

Dr Grimes—I would not have that information at hand.

Senator BRANDIS—I will ask them. What was your costing of the Treasury proposal, the first home owners?

Dr Grimes—It was an agreed costing. The process that we undertake is that the Treasury prepares a costing; we then review that costing and agree—

Senator BRANDIS—And you pratique it.

Dr Grimes—It may be an iterative process. Sometimes we just immediately accept the costing. In some cases—

Senator BRANDIS—Did you immediately accept the costing on this occasion?

Dr Grimes—I would have to take that on notice because I did not participate in it personally.

Senator BRANDIS—Can we have the officer who did, because my next bracket of questions are about these costings—so it would be efficient if we had the officer who participated in the costing process.

Dr Watt—We can see if the officer could come. I doubt whether they are here.

Dr Grimes—It would probably take 15 minutes or so.

Senator BRANDIS—All right, if they would not mind presenting themselves, perhaps after the afternoon tea adjournment, it would be tremendous, thank you.

Dr Grimes—The costing process is a collaborate process, that is the way I would characterise it. We seek to agree costings.

Senator BRANDIS—That is an anodyne way of describing it, Dr Grimes. We are all in awe of Dr Watt's skill in appraising departmental proposals and pointing out all the reasons why it costs too much. Dr Watt would not be doing his job unless he did that.

Dr Watt—There are two different things you have to distinguish between. One is agreeing a cost, which is the process Dr Grimes is talking about, which we do for a wide variety of proposals. The other is what you are talking about, I think, which is assessing the value of the proposal.

Senator BRANDIS—I am talking about both, Dr Watt. But let us not be diverted. What was in the end the agreed costing of the first home owners measure?

Dr Grimes—The agreed costing was the costing that was published by the government. I have not got the figure in front of me at the moment but it was the number that was presented by the government.

Senator BRANDIS—Was that a number different from the number originally submitted to you by Treasury?

Dr Grimes—As I say, I do not know the answer to that question beyond saying, as I said before, that the costing process is a collaborative process.

Senator Sherry—I think Dr Grimes had already indicated that he was not involved in that particular bit. Which is why you asked for the officer.

Senator BRANDIS—That is why I was about to say, Senator Sherry, I wonder, given that the officer who was involved in the costings is on his way here and we are told is about 15 minutes away—

Senator Sherry—Or she; we do not know.

Senator BRANDIS—we hopefully expect, I wonder if it might be possible to either take the afternoon tea adjournment now, or alternatively let me pause for a moment and let other senators ask other questions but I will come back to this at a later time in the afternoon.

CHAIR—We have got an agreed timeline for this evening. It is up to you to discuss it with Senator Fifield. In relation to the officer, whether or not they are available, if there are other general questions we can continue on and hopefully they will be available after the tea-break.

Senator BRANDIS—All I am saying is that I want to approach these questions in a particular way and I do not want to delay the committee and waste time, so it might be best if I pause now and let other senators ask other questions and I will resume when the officer is available.

Senator Sherry—What have you agreed to do, Chair?

CHAIR—Senator Bob Brown wants to come and ask some general questions, as I understand it. We are trying to get hold of him now so we were not wasting valuable time. We will recommence at 25 to.

Proceedings suspended from 3.17 pm to 3.36 pm

CHAIR—Welcome back. We are continuing with general questions.

Senator HANSON-YOUNG—I have some questions about detention debts. I am going to be asking the Department of Immigration and Citizenship about the policy aspect of it, but I was hoping that you might be able to give me some ideas as to what the existing outstanding debts are in terms of the total amount, how many debts have been waived in the last financial year and what the percentage is of waivers and of those that continue to be debts.

Dr Watt—I doubt that the person who handles our act-of-grace payments—because, if they are waived, that is the route they come through—will be able to tell you, and we would not expect to know—but I will confirm this—about the stock of outstanding debts. We do not monitor that stock. We do not report on it. That is a matter for the Department of Immigration and Citizenship. We can tell you about waivers. Whether we have the right numbers remains to be seen. Dr Verney will be in almost momentarily.

Senator Sherry—While we are waiting for Dr Verney: the act-of-grace applications are individual applications, so there are individual applications, but that does not give us any indication of the total stock of debt in that area.

Senator HANSON-YOUNG—So I should be able to get that from the department of immigration?

Dr Watt—They are the best source. I assume they will have information on the stock of outstanding debt, but, as I said, it is not something that we hold. I do not believe that we hold it centrally, and it is not something we would expect to.

Senator HANSON-YOUNG—What is the process for the individual application for a waiver then? How long would that normally take?

Dr Watt—It depends a little bit on the nature and complexity of the waiver. We will bring Mr Lewis and Dr Verney in. It depends a bit on the nature and complexity of the proposal. It

is also the case that an act of grace only applies after all other avenues have been exhausted. I will now pass over to Mr Lewis and Dr Verney, who know a lot more about this than I do.

Senator HANSON-YOUNG—I am just asking about detention debts. I want to know what the waiver rate is and perhaps how many debts have been waived in the last financial year and what the overall amount of those individual debts would come to—an average.

Dr Verney—Finance received 144 claims—that is, 143 waiver-of-debt requests and one act-of-grace request—from 1 July 2007 to 30 June 2008. This is in relation to immigration. One hundred and thirty-four were approved for a total of \$3.39 million approximately, seven were not approved and three were finalised with no further action.

Senator HANSON-YOUNG—Sorry, how many were not approved?

Dr Verney—Seven.

Senator HANSON-YOUNG—What is the purpose for them not being approved? Obviously, I understand that they are all individual, but what would normally be the reason that a waiver is not given?

Dr Verney—Each case is look at looked at on its particular circumstances, and I really cannot generalise, I think, about particular trends in terms of the decisions in each case. You asked: were there any reasons why they were not paid? They can encompass a wide range of reasons which mean that an assessment is made that people could repay their debt—the circumstances that they were in and all those sorts of issues.

Senator Sherry—Perhaps I can help you, because I have responsibility delegated by the minister for finance for acts of grace, other than in respect of cases from Tasmania. Tasmania is not included in my remit because I am a Tasmanian senator. There are indications that there will be significant further applications in terms of immigration debt, and there is to be a meeting between me and Senator Evans to discuss the best way of handling those immigration debts, rather than individual applications through an act-of-grace process. That meeting is yet to take place.

Senator HANSON-YOUNG—When somebody puts in an application to have the debt waived, how long would that generally take?

Dr Verney—Again, it depends on the circumstances of the case. We are required to consult with the line department, which is Immigration, and acquire information from them in making an assessment and if necessary briefing the minister, so it depends on the availability of information.

Senator HANSON-YOUNG—And those debts—

Senator Sherry—As has been indicated, there can be the quality or quantum of information, the complexity of the case—the times can vary. I would have to say that, because an election intervened, some cases that I have seen in the last six months go back prior to the election period. There is a whole range of circumstances that can mean many months—three, six, nine months. There is a very significant range of time treatment.

Senator HANSON-YOUNG—Is any interest accumulated on them throughout that period?

Dr Verney—Sometimes there is, yes.

Senator HANSON-YOUNG—What would the level of interest be?

Dr Verney—You would have to ask the immigration department that question.

Senator HANSON-YOUNG—So you do not know if there is just a set level? It varies, does it? You do not know?

Dr Verney—That is right.

Senator Sherry—I will just clarify my earlier comments. I indicated that Tasmania based cases are an exception. Superannuation cases are an exception that I do not handle either.

Senator HANSON-YOUNG—In terms of the conversation that you are to have with Minister Evans—and I am on the speaking list to ask him exactly the same question, so bear with me—I understand that it is government policy to try and look at a better way of doing this and moving forward. Do we have any time frames of when perhaps an announcement will happen?

Senator Sherry—No, because I have not had a meeting with Senator Evans yet.

Senator HANSON-YOUNG—Okay, thank you. What is the regular rate per day that is charged to somebody who is being held in Villawood; do you know?

Dr Verney—I do not know the answer to that particular question. You would have to ask Immigration.

Senator Sherry—And I do not know, because the level of payment and whether there are penalties on that payment are determined by the department.

Senator HANSON-YOUNG—I am not necessarily thinking of refugees here; I am thinking of perhaps an overstayer. If somebody is accumulating debt while they are in, say, Maribyrnong or Villawood and then they are deported, what happens to the outstanding debt?

Senator Sherry—I do not know. That is in the hands of the department—in this case Senator Evans's department. Where X amount of debt is accrued, if the individual determines to process it through an act of grace, the debt, if you like, is set by another process, another department—in this case Senator Evans's department.

Senator HANSON-YOUNG—Thank you. That has been helpful in piecing it all together. I will get the other side of the story. Thanks for squeezing me in.

CHAIR—If there are no further general questions, we will move to Medibank Private now, and then we will come back to general questions.

[3.46 pm]

Medibank Private Ltd

Senator CORMANN—Welcome back, Mr Sammells. A lot has happened since we last met, in June, in many respects. Can I start off by asking why the managing director is not available for this estimates committee.

Mr Sammells—Mr Savvides is currently tied up with another commitment and he has asked me to attend on his behalf.

Senator CORMANN—Referring back to our discussion at budget estimates in June: you mentioned that you were having a board meeting on 12 July, by which time you would have finalised your modelling of the impact of the original Medicare levy surcharge measure. Did you conclude that modelling in time for your board meeting on 12 July?

Mr Sammells—Yes, we did, and we in turn submitted our corporate plan to our shareholder minister.

Senator CORMANN—Can you summarise for us the findings of that modelling in terms of anticipated membership trends, impact on future premium growth and products?

Mr Sammells—At the time of completing that process, as you would be aware, the Medicare levy surcharge proposal was pinning the change in the threshold to \$100,000 for singles and \$150,000 for families. I think when we last spoke at estimates we declared that that modelling was indicating to us a potential one-off hospital membership loss in the range of seven to 10 per cent. We took that assumption into our modelling and recalibrated our plans accordingly and submitted that in our corporate plan to our shareholder minister.

Senator CORMANN—The officials of the Department of Finance and Deregulation earlier mentioned that the figure that you came up with in the end was 8.4 per cent. Can you confirm that that is what you anticipated as the expected membership loss for Medibank as a result of the original Medicare levy surcharge measure?

Mr Sammells—The point to note about our corporate plan process is that membership levels are a product of many variables. There is no doubt that certainly the Medicare levy surcharge is one of the variables, but our corporate plan is ultimately a summation of the whole business and it took account of that change as well as the general economic environment and a whole range of other issues.

Senator CORMANN—Of course, but clearly the whole economic environment is a matter that always will feed into your forecasting. But there was obviously a change to one of the key policy settings and, as we discussed at the last estimates, you were going through a process of assessing the impact of that change on, among other things, membership trends. You indicated then that you expected the impact to be in the range of seven to 10 per cent.

Mr Sammells—Correct.

Senator CORMANN—Finance this afternoon told this committee that the overall estimated impact on membership was 8.4 per cent. Can you just confirm that figure of 8.4 per cent?

Mr Sammells—I do not have the exact number, but I think that number would be reasonably correct.

Senator CORMANN—'Reasonably correct'?

Mr Sammells—Yes.

Senator CORMANN—And you submitted your next three-year corporate plan to the minister for finance on 15 July 2008.

Mr Sammells—Correct.

Senator CORMANN—Can you get back to us if the 8.4 per cent figure is not correct? If you do not get back to us I will work on the assumption that 8.4 per cent is indeed the overall decrease that you estimated in the context of the original Medicare levy surcharge measure. What was your estimated impact on future health insurance premium growth?

Mr Sammells—It would be inappropriate of me to declare that here, on the basis that, firstly, as we said last time we were here, that is our best educated guess of what the impact may be and, secondly, we are not in the business of publicly declaring future price point intentions.

Senator CORMANN—Just so you understand the question, I am not asking you to tell me what your next premium increase is going to be, I am not asking you to give me an indication product by product and I am not asking you to reveal any commercial-in-confidence information; what I am asking you is very specifically just the additional increase that you are anticipating in an overall sense, as with the original measure, according to the modelling that you would have done. I am not looking for information about the overall premium increase that you are looking to achieve later in the year or early next year. I am just looking for the additional component that is directly related to the impact of the policy change. You were able to give us some very specific information in terms of the impact on membership trends; I am sure that you would be equally able to provide us with some more specific information in terms of the additional—

Senator Sherry—The witness has to be very careful that any information he gives is not to the commercial detriment of the organisation and is not anything that may be useful to competitors.

Senator CORMANN—Minister, you have intervened, and a claim of commercial—

Senator Sherry—No; I am just indicating to you why the officer—

Senator CORMANN—A claim of commercial-in-confidence has to be submitted by the minister. I guess I will just clarify here. Could you please explain for me, on notice if required, how there is any commercial-in-confidence delicacy around not the overall premium increase that is expected but the very specific additional component that is directly related to a change in federal government policy? I cannot see how there is commercial sensitivity in that. I can see political sensitivity for the government but I cannot see any commercial-in-confidence sensitivity. Are you claiming commercial-in-confidence immunity in terms of answering this question?

Senator Sherry—No, I just indicated and supported the approach of the particular witness. But we do have to be careful about the level of detail that is disclosed because it can impact in terms of commercial in confidence information and have a flow-on consequence in terms of competitors of Medibank Private. I am sure the officer will bear that in mind when he responds to your questions.

Senator CORMANN—So the question stands. You have provided us with very specific—

Senator Sherry—You can go ahead and put the questions but I want to reinforce the message that we need to be very well aware here that it is a commercial operation and there are commercial competitors, and I understand the witness is the chief financial officer. We are

going to be very careful about the level of detail that could be used by commercial competitors. You can place your questions. In that context that I think we need to be careful.

Senator CORMANN—Minister, Medibank and the department of finance were able to provide this committee with very specific information about the expected loss in membership as a result of the original Medicare levy surcharge measure.

Senator Sherry—Yes—agreed.

Senator CORMANN—Can you explain to me how information about the additional increase in premiums—not the overall premium increase—directly related to a policy change is in any way—

Senator Sherry—Based on what has now passed the parliament as a consequence.

Senator CORMANN—I am going to get to all of that. Can you explain to me the commercial sensitivities in that?

Senator Sherry—The competitors of Medibank would be very carefully assessing any information that is given at this point in time.

Senator CORMANN—Okay. Let me rephrase the question so that we do not lose time. The Australian Health Insurance Association, said that under the original measure they expected additional increases of up to 10 per cent. Is that something that Medibank Private agreed with at the time or is that something on which you had a very different view?

Mr Sammells—The best way to answer your question is to say that there is no doubt that the impact of the hospital membership loss on our business does create some increased pressure in the business generally. The numbers that you are talking about do not feature in some of our corporate plan modelling. When regulation is changed such that it impacts our business in the way that this regulation change does then the first thing that we do is, beyond just understanding that impact, work out what else we can do in the business to help mitigate that impact. We have no interest in charging our members a higher price than we need to.

Senator CORMANN—Of course not.

Mr Sammells—Regulation change is one part of the modelling that features in our corporate plan and our rate change application. The next question we ask ourselves is what can do in the business to mitigate that impact.

Senator CORMANN—Thanks. Since 15 July, when you submitted your corporate plan, have you revised your modelling to take into account the changes under the final compromise deal on the Medicare levy surcharge passed by the government, the Greens and the Independents? What does it show? How does that impact on your 8.4 per cent estimate?

Mr Sammells—We are going through that process right at the moment. As you would be aware, the legislation only passed last week. We are working through that at the moment. We will take a position to our board, which meets again next week. Our estimations at this stage are that the membership loss will fall somewhere in the range of four to eight per cent, as opposed to the seven to 10 per cent at the \$100,000 threshold level. That is the broad assumption that is being fed into our modelling. We are taking a position to our board for their consideration next week.

Senator CORMANN—When do you expect that to be finalised? By the time of the board meeting next week?

Mr Sammells—We will have it finalised for our board, but the real process that will go on will ultimately lead up to our rate change application, which is due Christmas time. It is part of re-forecasting our business position, which is our normal process for this time of year. That, along with a whole range of other business strategies, comes together in our revised forecasts for the business.

Senator CORMANN—What are the demographics in general terms and other characteristics of the members you expect to lose in the first instance? You say that even under this revised final deal we are looking at a range of four to eight per cent. What is your overall membership, three million?

Mr Sammells—About 3.2 million people.

Senator CORMANN—You have 3.2 million members and you are looking at, as a result of the measure that was passed in the Senate last week, about four to eight per cent leaving. What are the demographics of the members who you expect to leave in the first instance?

Mr Sammells—The first thing to say, as we said last time, is that we do not hold income data on our members. We are left to make a range of assumptions, which is why we come up with a range as broad as four to eight per cent. Logically, the members who are most likely to leave are those who now fall below the new surcharge level. The balance of probabilities suggest that they are younger members, and potentially lower claimers. But that is supposition on our part. It will not be until such time as we have seen many months of the behaviour of our membership that we will be able to make an informed call.

Senator CORMANN—The minister certainly has said that she expects that the members who will leave private health insurance or not take it up will predominantly be the young and healthy. Are you saying that you have a more relative assessment of that and that you do not entirely agree with the minister's assessment?

Mr Sammells—I think that that assessment is fair. That is a fair assessment across the industry. The membership profile of each of the 37 individual funds is not necessarily a mirror image of the industry. I am assuming that every fund will go through its own estimations of how it will impact on their business in isolation, which is exactly what we are doing.

Senator CORMANN—As a general rule or a general trendline, if the younger and healthier leave and the comparatively older and sicker stay behind, how would that impact your premiums moving forward?

Mr Sammells—If the young and the healthy leave, then there is no doubt that it creates more pressure on price points. That is true. The business response to that is: 'What else can we do about it?' We are talking about one of the factors that impacts on our business. The business challenge, which is a very live discussion at Medibank at the moment, is working through those and saying, 'Based upon these assumptions, here is what could happen,' with the next question being: 'What can we do to mitigate part of that and what else can we do in the business to offset that?' We have no interest in charging our members a higher price than we need to.

Senator CORMANN—Of course not.

CHAIR—Currently, if older Australians who have not been in private health insurance choose to enter into private health cover they are penalised. Have you looked at whether or not you would remove that penalty as a way of attracting more people into the fund?

Mr Sammells—The penalty is not at the discretion of Medibank Private. It is a regulation issue. It is not something that Medibank can change.

CHAIR—It is not an issue that you have considered taking forward?

Mr Sammells—It is a regulatory issue; it is not a Medibank Private issue.

CHAIR—It is not an issue that you have raised?

Mr Sammells—I guess we talk to our shareholder about regulation from time to time. But we have been more focused in recent times on understanding the impact of the Medicare levy surcharge and working that through the business. We have not necessarily been contemplating what may or may not come from other regulatory change.

Senator CORMANN—I would like to pursue my line of questioning, because some interesting logic will emerge. As a general rule, you are saying that, if the younger and the healthier leave and if in comparative terms the older and sicker are the ones who stay behind, that will put pressure on premiums moving forward—I am summarising what I think that you said.

Mr Sammells—Yes.

Senator CORMANN—Under community rating, which is another regulatory requirement, can you explain what an ageing demographic in terms of your membership means in terms of your capacity to offer value for younger members that might consider joining health insurance?

Mr Sammells—The very nature of community rating is such that a health fund is not able to discriminate on the basis of age, sex or medical capacity. Therefore, a product, having been released to the market, is able to be purchased by anyone of any predisposition at the same price. The industry shares part of the risk of that through risk equalisation for the elderly and for high-cost claims.

Senator CORMANN—As premiums go up, and they will go up because the demographic of your membership is ageing, essentially, you will have to increase premiums for younger members to the same extent as for older members for the same product. Is that fair?

Mr Sammells—On the same product. But generally the sector offers products that are more geared towards a younger population. Medibank, and most other funds, have products that do not necessarily cover someone for all services and in fact typically do not offer cover for some of the most expensive services that are typically the property of the elderly as opposed to the young. That then enables us to achieve a cheaper price point. Anyone who buys that cover knows exactly what they are and are not covered for.

Senator CORMANN—In the context of the Health Insurance Association saying that health insurance premiums could go up by an additional 10 per cent and the fact that the younger people who will leave first so the demographic of the remaining membership will be

older, which will put pressure on premiums, do you think that the impact of this measure will be one off or do you think that there is at least the potential for further second, third or fourth round effects—or, at an extreme level, the start of a new downward spiral such as we experienced in the 1980s and early 1990s?

Mr Sammells—We understand the risk of a spiral. Our challenge is to make sure to the best of our ability that there is only a one-off effect. We as an insurer understand that the more people that we can have insured, the bigger the pool of people to spread the risks of claims over. That is why some of the questions that you are asking about particular information are not that easy to answer, because they are about the whole-of-business strategy which ultimately is all about making sure that we make the right changes in the business to offset whatever comes our way to make sure that we do not provide reasons for more members to leave.

Senator CORMANN—How long have you been involved in the industry, Mr Sammells?

Mr Sammells—I have been at Medibank Private for five years and in the health sector for nearly 10 years.

Senator CORMANN—Do you remember former senator Graham Richardson?

Mr Sammells—I do.

Senator CORMANN—He was health minister about the period 1993-94 and he actually released a pretty insightful reform discussion paper on private health insurance which I commend to you, as I commend it to the government, because it actually outlines some of the risks for the industry as younger and healthier members leave and the demographic that stays behind ages. I will quickly read you a quote and ask you to comment. Graham Richardson on the *7.30 Report* on 16 March 1994:

As everyone drops out you're seeing healthier, younger people drop out, and that feeds into higher premiums. So as the 2 per cent go out each year, they'll push premiums up much higher. By the end of the decade those premiums will be so high that the increase in the numbers leaving won't be 2 per cent, it will be more like three or four, or even more than that. And that's what I fear, a freefall in the numbers in private health insurance.

That is, of course, what we experienced in the mid-1990s. Do you agree with former Senator Richardson's assessment of the risk?

Mr Sammells—I am not familiar with the paper you are talking about but the sentiment I understand. I think we are looking at a different era of behaviour in the private health insurance industry. Back then it was typically the habit of a private health insurance fund to be what I will loosely call a passive payer. What I mean by that is typically enrol members in the fund, allow the claims to come in and just pay the claims, and that was the level of their intervention. What Medibank has been doing for quite a few years now is pouring a lot of energy into health management and trying to do a more proactive job to manage the risk of our members and give them a better health outcome. I think that is one of a range of strategies that means that a place like Medibank Private should be successful in not having that occur over the next couple of years.

Senator CORMANN—I certainly agree with you that the health insurance industry today in general, and Medibank Private in particular, is very different from what were the

circumstances 10 or 15 years ago. A lot of great work has been done in particular by your team at Medibank Private. So I commend you for that. Nevertheless, what is your current admin ratio at Medibank Private?

Mr Sammells—Our management expense ratio is about 10.3 per cent.

Senator CORMANN—Mr Savvides told us in June that the private health insurance industry operates at very low margins. You would agree?

Mr Sammells—That is correct, yes.

Senator CORMANN—Can you tell us what your reported overall gross and net margins are? Reported; I am not asking you to reveal anything confidential.

Mr Sammells—In our financial results for the year ended June 2008 we had an underlying margin of 5.9 per cent, which was underlying profit of about \$200 million and reported net profit of \$187 million.

Senator CORMANN—It has been quite a turnaround for Medibank Private because in 2002 you has a deficit of about \$175 million.

Mr Sammells—That is correct.

Senator CORMANN—It has been quite a significant achievement over the last five or six years in terms of turning it around. Presumably you would have pursued significant efficiencies over that period and, as you say, a whole of business strategy.

Mr Sammells—That is right.

Senator CORMANN—Would you say that Medibank Private today is a pretty lean operation compared to what it was five to 10 years ago?

Mr Sammells—I think today's operation is quite an efficient operation and I think we would always have opportunities to be more efficient as well. We see that as our obligation.

Senator CORMANN—If you had to put a percentage to it, how much capacity do you have to achieve further efficiencies?

Mr Sammells—We are in the process of a major internal change program that certainly is investing a lot of money in our IT platforms. That is one of the mechanisms and when that program is rolled out, as it is being progressively over the next couple of years and we have already rolled part of it out now, that provides quite a few opportunities for greater efficiencies to be derived.

Senator CORMANN—Can you quantify that for us? Have you got a target you are aiming for?

Mr Sammells—It is hard to quantify in a hard target. The industry talks a lot about a management expense ratio. I think ours last year was about 10.3. That variable gets a lot of airplay through the industry but it is a product of two things. It is a product of how much it costs to run the business of Medicare Private and is also a product of what our revenue base is. We have previously talked about some of the variables that set around the revenue numbers. So it is hard to translate that other than to say that we will continue to try and do what we can to keep the number as low as we can.

Senator CORMANN—But you are not able to put a figure on it?

Mr Sammells—No, it is part of the conversation the business is working through at the moment; that very discussion is one we are having inside our business.

Senator CORMANN—But we have sort of established that you have gone a very long way over the last five to six years. There comes a point when it is very difficult to achieve significant additional efficiencies, does it not?

Mr Sammells—The way I would best describe that challenge is that for every dollar that we receive from the member in terms of contribution revenue, 85c of that dollar gets paid out purchasing health services on behalf of members across the countryside, and another 10c in that dollar gets spent on running the business of Medibank Private, that 10.3 per cent ratio. One of the ways that Medibank Private has improved the business over the past five years is not just by running the business more efficiently but by being a lot smarter with the way we purchase services from providers around the countryside. It is that 85c in the dollar where we have made the biggest impact rather than the cost of running the organisation.

Senator CORMANN—Just picking up on that, and focusing on Medibank Private's 2007-08 results, if you had to summarise the underlying strengths and weaknesses of your 2007-08 results, can you talk us through that?

Mr Sammells—I think last financial year's result from Medibank was a product of membership growth, market share growth and some further operational efficiencies that all translated into a really strong underwriting margin at 5.9c in the dollar, recognising that, as nice as that result is, as you have previously said, health insurance is a reasonably low-margin business.

Senator CORMANN—You mentioned membership growth. You have got membership growth of over 65,000 reported. Is that mostly people under the age of 50 and in particular under the age of 35?

Mr Sammells—There is a reasonable percentage of that growth that is in the younger cohort of people.

Senator CORMANN—Can you give us, perhaps on notice if you must, the exact figures of the number of new members that are in the categories below 50 and below 35?

Mr Sammells—I will have to take that on notice, Senator.

Senator CORMANN—Thank you very much. A long-term bottom-line issue that Medibank Private and other health funds have pursued relates to the contracting of hospitals. Can you comment on the average increase in payments to hospitals per episode has been in 2007-08 compared to the previous year?

Mr Sammells—I am trying to think of the easiest way to answer your question. One of the issues that lives large in our business is obviously the pressure on hospital outflows. Last year I think our benefit outlays grew by about 8 per cent across the business. Partly that is membership growth, partly that is health inflation, partly that is technology. At the end of the day our challenge is to provide great values to members in purchasing services but purchasing them efficiently.

Senator CORMANN—You have not got an average increase percentage figure handy for us: 5, 7, 8, 10 per cent?

Mr Sammells—Typically in any given year we find that health benefit outlays are growing by around eight per cent per year. That has been the experience.

Senator CORMANN—That is health benefit outlays overall, is it?

Mr Sammells—Yes.

Senator CORMANN—Would you mind, perhaps on notice, breaking that down in hospital episodes and perhaps also medical costs and prostheses and devices?

Mr Sammells—I can take that on notice. My caution here is that, as you would know, within the industry there are multiple different ways one can measure that. The industry does a really good job at measuring things a whole bunch of different ways—

Senator CORMANN—But particularly the cost of prostheses has been a significant challenge for the industry overall and I am sure for Medibank in particular in recent times. If you had to put an average figure over the last three or four years in terms of the cost of the average increase per year in prosthesis costs, what would it be?

Mr Sammells—To be precise with those numbers, I would have to take that on notice.

Senator CORMANN—Thank you very much. But overall you are looking at an increase over the past financial year of eight per cent in the cost of health services. What are your projections going forward? Do you expect that to continue at that sort of rate?

Mr Sammells—We do not expect that pressure to move significantly.

Senator CORMANN—That is what I am saying. It was eight per cent over the last financial year. Are you saying in general terms that you expect an increase of about eight per cent?

Mr Sammells—Yes.

Senator CORMANN—Moving forward, do you expect that to change or do you expect that trend in general terms to continue?

Mr Sammells—I think the trend will continue. The question that we ask ourselves is what can we do to shift that. The prize is being able to move that variable a little bit through things like health management and the likes. I think last year we paid out about \$2.9 billion in health services on behalf of our members. So just making a small impact there makes a big difference for our members.

Senator CORMANN—You have these cost pressures in terms of your cost of claims, which have been going for some time across the industry. It is not just Medibank. Younger and healthier members leaving is not going to significantly impact that in any advantageous way for you, is it?

Mr Sammells—No, that is true. If the assumption is that the younger and healthier, and therefore the less frequent users of those services, are leaving, it does not necessarily change the behaviour of that much at all.

Senator CORMANN—Your costs will continue to go up.

Mr Sammells—Yes.

Senator CORMANN—Your more profitable members are expected to be the first to leave. I go back to the original question: how can anybody reasonably argue that a measure like the one passed by the Senate last week is not going to put upward pressure on premiums?

Mr Sammells—I have already agreed that it does put upward pressure on premiums. What I am saying to you is that does not necessarily result in a higher price because there are other variables that we can play with.

Senator CORMANN—We are going to get to the other variables in a minute. Cost of claims is a key variable and 85 per cent is made up of the cost of claims. Cost of claims is increasing by about eight per cent per annum. The more profitable members are leaving. The more expensive members are staying. You have conceded that this is going to put pressure on premiums but you are just not prepared to quantify it because the minister is very keen to maintain that it is commercial in confidence.

Senator Sherry—I think the witness has quite rightly pointed out that there are a range of issues, there is a timing factor and there is the commercial in confidence aspects as well.

Senator CORMANN—Mr Sammells, are you aware of the revised saving the Commonwealth expects from not having to pay the private health insurers rebate to those Australians that it expects to leave private health insurance?

Mr Sammells—I am broadly aware of the original modelling that was done at the time.

Senator CORMANN—The original budget figure was that the government expected to save \$959.7 million. That went down to \$879.3 million under the 75-150 proposal and the final compromise deal figure is now \$740.6 million. I am sure somebody will correct me if I am wrong. The Commonwealth essentially expects to save \$740.6 million by not having to pay the private health insurance rebate to those that the government expects will leave private health insurance.

Senator Sherry—Just to clarify: does that figure include the tax reduction for individuals?

Senator CORMANN—No. Minister, I want to make it very clear that I am focusing very specifically on the private health rebate saving. This is not your broad net fiscal impact. I am talking very specifically on the private health rebate saving.

Senator Sherry—I just wanted to be clear, that is all.

Senator CORMANN—I am talking about the saving from not having to pay the private health insurance rebate to those that the government expects will leave private health insurance.

Senator Sherry—A substantial number of people got a tax cut as a result of this.

Senator CORMANN—The government talks about 250,000—

Senator Sherry—Whatever the number is. I do know. You are better informed than I am.

Senator CORMANN—to balance 10 million Australians who will have a significant increase in premiums, including one million that earn less than \$50,000 and do not have a tax cut. So if you want to talk politics, Minister, I am happy to oblige.

Senator Sherry—No, I just wanted to clarify.

Senator CORMANN—I am happy to engage but I would much rather focus on asking factual questions.

Senator Sherry—I do not want to engage you in a debate and waste the committee's time. I just wanted to understand what the source of your figures and the base was, that is all.

Senator CORMANN—The figure is one provided by Senator Conroy during the committee stages of the debate on the bill. I am sure that you can verify it in *Hansard*. It was \$740.6 million.

Senator Sherry—No, I will take your word for it.

Senator CORMANN—Thank you, Minister. I will get to my point, which is this: if the government expects to save \$740.6 million, if the government tells us that it is the young and healthy who will leave—and they attract the 30 per cent rebate as opposed to the 35 and 40 per cent rebate—then the overall amount of funding for hospital treatment that walks out the door with the people who leave is 30 per cent plus 70 per cent, is it not?

Mr Sammells—To be honest, I have not—

Senator CORMANN—People who have private health insurance only attract a 30 per cent rebate if they pay private contributions. Is that a fair statement?

Mr Sammells—Yes, that is correct.

Senator CORMANN—The government tells us that the 30 per cent rebate they expect to save because people leave private health insurance is \$740 million. To assess the overall impact on the health system, don't we then have to also include the contributions of people like your members who will walk out the door? The government expects them to walk out the door. I put it to you that that is \$2½ billion that is walking out the door, because it is the \$740.6 million plus the contributions made by people like your members. Can you please tell us—

Senator CAMERON—Madam Chair, on a point of order, I am not sure where this question is going. I thought the witness was here to answer questions about his area of expertise and responsibility. This is a far wider political question.

Senator CORMANN—Could you bear with me?

CHAIR—Senator Cameron has the call.

Senator CAMERON—I have listened very quietly. I have heard this for about the 15th time and I think I am entitled to ask a question and seek a point of order here. I think this question is going far too wide for this witness's expertise or the reason this witness is here. I do not think it should be allowed.

Senator CORMANN—On the point of order, Madam Chair: Medibank Private is a government owned health fund with a market share of 28.7 per cent. If the government expects to save \$740.6 million then that is something that is highly relevant to Medibank Private's operations, particularly as 28.7 per cent of that \$740 million, quite arguably, is directly related to Medibank Private and its members. I am asking the Chief Financial Officer of Medibank Private to explain to me the options available to Medibank Private to make up

that funding shortfall in the context of his advice that the cost of health services is increasing at about eight per cent per annum.

CHAIR—I remind senators that officers appearing before us cannot comment on policy. But I am sure Senator Cormann will direct his questions to Mr Sammells and, if he has the capacity to answer, he will. If not, I am sure the minister will help out.

Senator Sherry—Could I request that Senator Cormann perhaps pause for breath occasionally and allow the witness to answer. I am not objecting to the questions so far, although they are getting somewhat repetitive and going around and around. That takes up the senator's time. The witness being able to answer the question would be a help.

CHAIR—I take note of your comment.

Senator CORMANN—Taking note of the minister's comments, have you got an answer to my question?

Mr Sammells—To be honest, I do not feel qualified to answer your question. I have invested energy in the books of Medibank Private not—

Senator CORMANN—Let us turn to your investment income for a moment. Can you confirm that your 2007-08 annual results showed that investment income was about 0.8 per cent lower than the previous year? Could you talk us through your investment income in 2007-08.

Mr Sammells—In 2007-08 we reported a loss in investment income of \$17 million for the year. It represented a loss of about 0.8 per cent on our total investment portfolio.

Senator CORMANN—Your results announcement says:

... the small loss is a testament to the responsible conservative investment strategy adopted by Medibank Private.

Can you outline the key features of that strategy?

Mr Sammells—On average through the 2007-08 year, of the money that we had available for investment, around 25 per cent is held in what I will call growth assets, which is a mixture of domestic and global equities through managed funds, and 75 per cent of that portfolio is held in cash and debt instruments. Clearly, as everybody understands with the financial markets around the world doing what they are doing, the relatively conservative nature of only having about 25 per cent of our portfolio exposed to growth assets held us in reasonably good stead and, whilst the loss is disappointing, it is a risk that we manage quite well. Compared to a superannuation fund or other like type fund that has a large investment holding, we feel that a 0.8 per cent loss, whilst at one level disappointing, was not a bad result in the environment.

Senator CORMANN—The 2007-08 financial year, of course, concluded on 30 June 2008, which was before the worst of it hit the global financial markets. Can you, in the first instance, tell us what the key drivers were of the loss in investment income in 2007-08 and then perhaps give us a bit of an outlook in terms of your expectations for investment income for the 2008-09 financial year?

Mr Sammells—I can tell you about what has happened so far. I would be the last person to predict what might happen in this environment.

Senator CORMANN—Fair enough.

Mr Sammells—I guess our equity portfolios reported a loss of somewhere in the range of 13 to 15 per cent, which was in line with the general indexes in Australia and overseas last year. Those losses were offset by the money we earned on interest in a lot of our debt instruments last year. Clearly that trend has continued, but importantly, beyond just having a presence in what I will loosely call growth assets—those equity markets—we also use a range of protection policies to mitigate our exposure there. So we do a lot of work with our board investment committee and our board over (1) decisions as to what to invest in and (2) protection policies that ultimately pin those exposures to a level that is acceptable to our board. That practice continues into the current financial year.

Senator CORMANN—I am sure you have got an appropriate risk management framework, but can you tell us what your general forecast is for investment income over the 2008-09 financial year. You would be operating within the context of a forecast. How has that been impacted by recent events? Have you revised the forecast? Is there something that you can tell us in terms of how that is impacting on your—

Mr Sammells—Across the whole portfolio, I think we would have assumed that, across the balance of the whole of the 2008-09 year, we would earn somewhere in the range of a seven per cent return, being an average return across the whole portfolio. Clearly in the first quarter that would not have eventuated because, as you correctly say, the markets have had a really poor first three months of the year. So we have exposures there, but those exposures are managed by protection policies. As to where the year finishes up, it would be anyone's guess, other than to say that the work that we do with our board in setting our investment strategy for any given year, with the decision as to where we place our investments—which has just been a holding pattern as it relates to our equity exposures, and every dollar earned in the business for the past year has gone into cash, not into further equity growth—we have protection policies in place around those equity exposures that will ultimately minimise the loss incurred.

Senator CORMANN—What do you use your investment income for?

Mr Sammells—To boost the strength of the funds. There are two parts to our financial affairs, obviously. One is the underwriting business that we talked about. The money we make from investments just boosts the prudential strength of Medibank Private, which makes it a really safe place for members to have their health benefits paid from.

Senator CORMANN—Is it fair to say that, in years where your fund benefits from strong investment income, you are able to boost your reserves, your prudential strength, and you have to rely less on health insurance premiums to achieve that same boost?

Mr Sammells—That is correct, yes.

Senator CORMANN—It is a pretty nasty environment in the context of potential pressure on health insurance premiums moving forward, just in the context of the global situation. Is that right?

Mr Sammells—Yes. I think that assessment is correct.

Senator CORMANN—At the risk of repeating myself—and I know the minister and the government do not like to hear this—essentially you have got the impact of the global financial crisis and the impact of policy changes on top of that. Is that right?

Mr Sammells—That is correct, but what I would have to say in the same breath is the fact that Medibank Private has a very strong balance sheet. So, whilst we have talked a lot about the pressures that exist in being a private health insurance business in this marketplace, we have a really strong balance sheet that stands Medibank Private in really good stead to manage whatever challenge comes our way.

Senator CORMANN—Including, may I say, because the previous government made an \$85 million equity injection. Is that right?

Mr Sammells—They did.

Senator CORMANN—Is that standing you in particularly good stead now in the current context?

Mr Sammells—I think context is important there, as you would understand. Back when Medibank reported a loss of \$175 million, that was around the time window that that capital injection was made into the organisation. Some five years later, for all the reasons that we talked about, Medibank is a materially stronger business today financially than what it was back then.

Senator CORMANN—Who manages investments on Medibank Private's behalf? Do you use external funds or managers, stockbrokers or other advisers?

Mr Sammells—We take expert advice that helps inform our investment strategy and our equity exposures are basically presence in domestic and global managed funds.

Senator CORMANN—Can you identify who the external parties are who are helping you manage your investments? Have you had a long relationship with those partners or is that something that changes on a regular basis?

Mr Sammells—Our relationship changes from time to time. We have had some long-standing advisers. We have recently changed that through a contestable market process to invite a new party to advise. That is just a product of time.

Senator CORMANN—Has PHIAC raised with Medibank any time since 2004 questions about your investment income performance, particularly in relation to prudential monitoring and scrutinising premium applications? If that has been the case, can you give us the circumstances?

Mr Sammells—PHIAC have not asked anything direct of us. From time to time, they seek information from the industry about what sort of investment instruments are used and the like, but they have not asked anything direct in recent times.

Senator CORMANN—On the investment income side of it, can you give us an indication, at least in the broad, about the extent to which, if any, Medibank Private is exposed to subprime debts in the US and/or in any of the collapsed financial institutions in the UK or Europe?

Mr Sammells—We do not have any exposure to subprime; we never have. Our investment policy is typically geared to blue-chip investments—banks and corporates. Through the environment thus far, we have not incurred any capital losses.

Senator CORMANN—Good to hear. In your annual report your chairman makes a statement about the offer that was made to AHM in terms of an intended acquisition. Can you talk us through some of the key features of that? How much are you expected to spend on that acquisition? How are you going to fund it? What is the intended strategy?

Mr Sammells—We have a price of \$367 million that we are paying for the business of AHM. That is public information. AHM is a great company. It is a really good private health insurer. It has about a three per cent market share and has close to 160,000 members. Importantly, it has a health management business, which we are really interested in. For reasons that we talked about of the pressures of being a private health insurer in this environment, one of the key features of the AHM proposal is that basically they are the only private health insurance business in Australia at the moment that has an established health management business. Owning and being able to operate that business not just for the benefit of AHM but for the benefit of Medibank members is a key strategy platform for our future.

Senator CORMANN—Where are you at in the process? Presumably, AHM members will have to vote on the proposal?

Mr Sammells—The information memorandum is in the process of being sent to AHM members. This is a process run by AHM. Through the course of November, AHM members will be asked to vote on the demutualisation of AHM, and then on the assumption that that vote is successful, they will receive their entitlement of the \$367 million, and Medibank would acquire formal ownership of AHM on 15 January next year.

Senator CORMANN—Are you taking any direct role in that process or is that entirely managed by AHM?

Mr Sammells—The business of AHM is managed by AHM. Medibank have a joint oversight committee where we meet monthly with AHM as a business oversight for information. But it is theirs to run.

Senator CORMANN—Do you expect any premium effect from that transaction?

Mr Sammells—No. One of the intents of owning and controlling the health management business is ultimately to dampen future price pressures on both Medibank members and AHM members. AHM will be held as a stand-alone health fund.

Senator CORMANN—So you are saying that no income from private health insurance premiums is being used to finance the purchase of AHM?

Mr Sammells—AHM is being financed from our investment holdings and from our balance sheet.

Senator CORMANN—My final area of questioning is in relation to lobbyist representation of Medibank Private in its relations with government. Can you confirm Hawker Britton's entry on the Department of the Prime Minister and Cabinet's register of lobbyists that shows that Medibank Private is now a client of Hawker Britton?

Mr Sammells—I will have to take that question on notice.

Senator CORMANN—If you take that question on notice, could you please take—

Senator Sherry—Sorry, Senator Cormann; I think it might be difficult for the witness to confirm that. He may be able to confirm that Hawker Britton represents Medibank Private.

Senator CORMANN—Okay. Mr Sammells, can you please take on notice whether Hawker Britton now represents Medibank Private in its relations with government? This seems to be a pretty new approach for Medibank Private. Can you also advise me whether you have previously engaged external lobbyists to help manage your relations with government?

Mr Sammells—To be honest, that is a question I will have to take on notice.

Senator CORMANN—Okay. I will run through a series of questions—if you can answer any of them, please feel free to jump in. I am interested to know when Hawker Britton was engaged; whether it was a decision that was approved by the board; whether they were engaged before the election or after the election; whether, if they were engaged before the election, Hawker Britton assisted Medibank Private to gain access to the then Leader of the Opposition, the shadow minister for health, other senior shadow ministers and their officers; and whether, if it has been since the election, Hawker Britton has assisted you to gain access to the Prime Minister, the minister for health, other senior ministers and their officers. I would also be interested in some details in terms of the terms of the contract: is it a flat retainer, a fee for service or a combination of both; when does the contract expire; and who is Hawker Britton's account manager for Medibank? Shouldn't you be able as a government-owned enterprise—

Senator Sherry—Sorry, Senator Cormann, you asked him to work out whether he could answer any of those questions—

Senator CORMANN—On notice.

Mr Sammells—I am unable to answer any of those here.

Senator Sherry—We should indicate that they are all being taken on notice.

CHAIR—Senator Cormann, you did say that Mr Sammells could jump in if he wanted, but you really did not give him a chance to place an answer.

Senator CORMANN—Well, jump in, Mr Sammells.

Mr Sammells—I cannot answer any of those questions, unfortunately.

Senator CORMANN—Chair, Mr Sammells did not give me any indication that he wanted to jump in; hence, I just—

Senator Sherry—It was a bit hard to jump in, frankly, Senator Cormann. You were going through about 20 questions at a rate of knots and I understand the time pressure.

CHAIR—I understand you were on a roll, Senator Cormann.

Senator Sherry—I just wanted to make sure that, if Mr Sammells did not know the answer to any questions, they are all going on notice. We will take them all on notice.

CHAIR—I think it would be helpful as far as Hansard is concerned to be able to record whether they are taken on notice or not.

Senator Sherry—We will take them on notice.

CHAIR—Thank you, Minister.

Senator CORMANN—Mr Sammells, the reason I am asking is that I am somewhat intrigued that a government-owned health fund would have to engage lobbyists to get access to political office holders. Could you comment on that?

Mr Sammells—I am not informed, so I would rather take that on notice.

Senator CORMANN—No worries. I might put some further questions on notice in writing, in the interests of time.

Senator CAMERON—Mr Sammells, I would like to ask you about the proposed takeover of AHM. There have been reports recently about some of the demutualisations that have taken place in the industry, and evidence was given to the Senate Economics Committee that the chief executive of NIB received a bonus of about \$1.2 million for undertaking the demutualisation of NIB. There was also a report in the press today that John Brogden will receive over a million dollars for a redundancy package from Manchester Unity as a result of the takeover by HCF. Will you be receiving any significant bonus or the directors of AHM be receiving any bonuses or redundancy packages as a result of this takeover of AHM?

Mr Sammells—I certainly will not be receiving a bonus for the acquisition of AHM. I am not aware of directors of AHM receiving bonuses for the transaction or redundancies for the transaction. I think all the arrangements relating to AHM and their executives and the like for the transaction are clearly laid out in the information memorandum, which is now a public document. It started being dispatched to AHM members last Wednesday. But, no, I am not aware of those sorts of bonuses.

Senator CAMERON—You say you are ‘not aware’. Does that mean that these bonuses could be somewhere hidden in the fine print, or are you telling me that there are no bonuses?

Mr Sammells—The arrangements between AHM executives are a property between AHM and their board. Certainly, there are no bonuses being paid by Medibank Private as a result of the acquisition of AHM.

Senator CAMERON—Can you be sure, given that you are financing the acquisition, that none of the funds for that acquisition will be going on bonuses? I am not clear what you are saying—AHM can make their own arrangements, but you are funding it?

Mr Sammells—Of the \$367 million that Medibank is paying for the business of AHM, all of that money gets dispatched to AHM members, without doubt. That is clearly articulated in the information memorandum. Assuming the vote is successful—so that is a threshold assumption—there will be a first distribution of \$362 million made straightaway, and there is a \$5 million sum that is being held back to deal with residual allocations, which will be dispatched by 14 July next year. That whole process is overseen by a registry company, and I can guarantee that every dollar of the \$367 million finds its way to an AHM member.

Senator CAMERON—But AHM could have their own arrangements in terms of a bonus not related to your takeover; is that right?

Mr Sammells—They could, but anything that is related to the transaction at all, relating to a director or an executive, is clearly outlined in public information, in the information memorandum.

Senator CAMERON—I must say that I am very concerned about this American-style bonus system that is starting to come into the health fund system that is 30 per cent funded by the Australian public. It is a really concerning development, and I just think it is unacceptable.

Mr Sammells—Yes. I think you should be comfortable with what is happening between Medibank and AHM.

Senator RYAN—I just have some follow-up questions, based on questions Senator Cormann asked that I was planning to ask. You mentioned that at this point you were looking at a four to eight per cent projection in exiting membership as a result of changes to the MLS, but you mentioned that, while this put upward pressure on premiums, you had other measures to deal with it. I was wondering what those other measures are. Are they simply of a commercial nature in the marketplace?

Mr Sammells—Yes, they are typically of a commercial nature. They can be centred around the efficiency of the business. They can be centred around the efficiency of purchasing health services on behalf of our members. They can be centred around new business strategies for current or future Medibank members. It is really a collection of all of those.

Senator RYAN—So that four to eight per cent, which I roughly calculate is 13,000 to 25 and a bit thousand, does not take into account that some of those other measures do involve measures in which you hope to keep members?

Mr Sammells—Yes. I think, when we work through this, the first question we ask ourselves is, ‘What is the potential membership impact?’ The next question is, ‘So, if we think that’s broadly the impact, what are the business strategies that we can put together that mitigate part of that?’ It is not a given that we just assume all those members leave, because we think there are things we can do to help stop that.

Senator RYAN—So that rough projection you gave us earlier is four to eight per cent not yet including those other measures you mentioned?

Mr Sammells—That is correct, yes.

Senator RYAN—I just want to confirm that I did not mishear this. You did mention earlier that a smaller risk pool—that is, fewer members, and you outlined that there is a higher susceptibility for net contributors, for lack of a better way of putting it, younger and healthier members, to leave—actually would lead to pressure on premiums?

Mr Sammells—It puts pressure on margins, and therefore you can also read pressure on premiums. But, as I have said, the pressure is real and it is there. It does not necessarily mean that we transfer that problem to the members as such.

Senator RYAN—You expect the eight per cent in outlays—which has roughly been double the CPI, I understand, for quite a while—to continue. What are the other drivers of that?

Mr Sammells—I think there are a range of drivers. Certainly I think the health sector does a great job at introducing new technologies to the sector, to treatment plans and the like. That typically comes at a cost. It delivers great outcomes for members. It is typically a higher cost service. If you go and speak to any hospital out there at the moment, they will tell you that they have a range of workforce pressures around doctors, nurses, physios and the like, so there are lots of cost pressures there. Ultimately, to the extent that we are the primary source of revenue for particularly hospitals out there, and it is no different for dentists and ancillary providers and the like, there are a whole range of pressures out there that exist. As well, a better informed consumer is enticed to use their health services perhaps more often than they may well have done five to eight years ago. All those pressures add up, so we find that there is significant pressure on future health costs, which is why we are interested in a business like AHM and its health management service.

Senator RYAN—Would you expect that eight per cent, which is just slightly over double the CPI, to increase if the rate of inflation increased? Would you expect it to be double whatever inflation is, plus a bit, or do you think it is relatively fixed around that sort of ‘eight’ number, in that it has been that way over time for a while?

Mr Sammells—It has been reasonably consistent in that space for the past couple of years. I do not see that changing materially at the moment.

Senator RYAN—If you look at your annual premium rates, what factors do you include when looking at a rate increase application?

Mr Sammells—The primary driver of a rate application is ultimately benefit outlays, so the pressures I have just described to you feature heavily in that application. Then, as we have previously discussed, our membership, their profile and expectations and growth are also other key elements, as well as the efficiency of the business of Medibank Private. All those variables come together in ultimately informing a rate application.

Senator RYAN—But the number and the type of members are one factor?

Mr Sammells—They are indeed.

Senator RYAN—I have one last question. Have you or Medibank at this particular point discussed a coming rate increase application with your shareholder or members of the government that are not part of the normal process that you would go through annually?

Mr Sammells—Not as yet. We are in the process of working with our board in that space. Once we have a view of the world from our board, it is typically, as part of a normal business process, a conversation that we would share with our shareholder.

Senator RYAN—I understand that some of that conversation obviously takes place at a departmental level, but no discussions would normally take place with non-shareholder ministers, such as the Minister for Health and Ageing?

Mr Sammells—No. The rate application is sent to the Department of Health and Ageing—that is the government process—but our discussions are typically centred around the Department of Finance and Deregulation.

Senator RYAN—Thank you, Mr Sammells.

Senator CORMANN—I have a final quick question. Did you have to get approval from your shareholder minister for the AHM acquisition?

Mr Sammells—Yes, we did.

Senator CORMANN—Perhaps I can ask the department: did you provide any sort of guidelines within which Medibank Private as a government business enterprise was to pursue that acquisition, and what were they?

Mr Lewis—We received quite a detailed proposal from Medibank in relation to that, and on that basis we investigated that further with the company. We briefed the minister and we recommended that he support the proposal, and he did. It was in the light of that that Medibank pursued the proposed acquisition.

Senator CORMANN—So, from the government's point of view, what is the strategic consideration there? I note that the previous government was in the process of preparing for the sale of Medibank. This is now an acquisition of another fund. Can you just talk us through that?

Mr Lewis—I would say that that is not that unusual. Australia Post has acquired several businesses that I can recall in recent years. So it is quite similar in that context. It is really a question of corporate strategy and fit and what the acquisition means for the government business enterprise. It was in the light of consideration of those issues that we recommended the support of the minister.

Senator CORMANN—Did the minister seek advice just from your department or did you consult the Department of Health and Ageing on this?

Mr Lewis—I do not know whether we consulted the health department. We were looking at this issue very much from a transaction perspective, a business perspective—

Senator CORMANN—Okay. That is what I am trying to understand.

Mr Lewis—and in the light of that business consideration we were quite persuaded that Medibank had a good case. We thought that that fit was good and there was support for it. Therefore, we recommended in favour of it.

Senator CORMANN—Is there a strategic framework? What I am trying to understand is whether this is a case of Medibank approaching government and saying, 'Hey, we've got an idea. Here is the opportunity; this is what we want to achieve.' You look it and say, 'Yes. It sounds reasonable; let's go ahead with it', or is it a matter of the government having the strategic framework within which it considers these sorts—

Mr Lewis—These kind of acquisitions will usually arise in the context of an annual corporate plan, which will discuss the possibility of such matters in the general before a specific proposition comes forward. If we are not supportive in the general then that will be feedback that we provide to the company. It may be that as part of that planning process we will discuss that proposition with that company even if it has not been raised by them. In this case, my recollection is that there was a proposition in the broad in relation to selective acquisitions and this particular proposition came forward subsequent to that. So we were supportive in that context. But we will look at the issue very much from a shareholder perspective.

CHAIR—Thank you very much for attending. We will now take a short break before going back to general questions.

Proceedings suspended from 4.52 pm to 5.03 pm

CHAIR—Welcome back. Senator Brandis, I understand you have some further general questions.

Senator BRANDIS—I do. Dr Watt—

Mr Lewis—I am sorry, Dr Watt is not here.

Senator BRANDIS—I am sorry; for a moment I mistook you for Dr Watt.

Senator Sherry—He did prearrange and notify the chair he would be absent for some period of time.

Mr Lewis—I will stand in briefly.

Senator Sherry—He will be returning as soon as he has come out of another meeting.

Senator BRANDIS—I want to return to the costings of the stimulus package. Are the officers best able to deal with those questions available?

Dr Grimes—Yes, we have got the officers here. I think in the first instance you wanted to talk about the First Home Owner Grant—or do you want to take them in order?

Senator BRANDIS—Why don't we take them in the order of the Prime Minister and Mr Swan's press release of 14 October, so pension reform, support payments for low- and middle-income families, first home buyers, training places and bringing forward investment in nation-building projects.

Dr Grimes—That final item is an item that does not involve costings.

Senator BRANDIS—But I have got some questions about it, nevertheless.

Dr Grimes—That is fine. We will have other officers here to answer questions on those. The officer on pensions is coming in now.

Senator BRANDIS—What I am interested in knowing in relation to each of the elements of the stimulus package is the process by which the costings were arrived at. I see from the media release of the Prime Minister and Mr Swan of 14 October that the costing of the pension reform element of the package was \$4.8 billion. Are you the officer who was involved, from the point of the view of the finance department, in arriving at that costing?

Mr Rosevear—Yes.

Senator BRANDIS—Were there other officers as well, who worked to you? The \$4.8 billion costing was, I think we have established from previous evidence, an agreed costing as a result of a collaborative process involving Finance, Treasury and the lead department—is that right?

Mr Rosevear—Correct.

Senator BRANDIS—Were those three the only three departments involved, or was PM&C involved as well?

Mr Rosevear—PM&C were involved.

Senator BRANDIS—Were there any other departments or agencies involved?

Mr Rosevear—No.

Senator BRANDIS—So those four departments were involved in the costing of this proposal. Did each of those departments, independently of one another, generate preliminary estimates of the costing?

Mr Rosevear—No.

Senator BRANDIS—Which department or departments generated a preliminary estimate of the costing?

Mr Rosevear—FaHCSIA comes up with a preliminary estimate.

Senator BRANDIS—And that was submitted to you?

Mr Rosevear—Yes.

Senator BRANDIS—On what date was FaHCSIA's preliminary estimate of the costing submitted to you?

Mr Rosevear—Saturday, 11 October.

Senator BRANDIS—When the preliminary costing was given to you on Saturday, 11 October—perhaps this a question to you, Dr Grimes—was that the first occasion that Finance had been advised of the proposal, not the preliminary costing of the proposal but the proposal itself, or had Finance been advised to stand by for a policy initiative or an expenditure initiative in relation to pensions earlier than 11 October?

Dr Grimes—Yes, Finance had been advised earlier than 11 October, in preliminary work leading up to the more detailed work on agreement of costings on the Saturday.

Senator BRANDIS—When was Finance first asked to do some preliminary work on this aspect of the proposal?

Dr Grimes—There had been previous meetings of the government before the weekend, where the central agencies had been commissioned to prepare some preliminary work, and we had been involved on the margins of that, but had nevertheless been involved in that. Our more detailed involvement in terms of costings was, as Mr Rosevear indicated to you, on the Saturday.

Senator BRANDIS—All right. I understood him perfectly well. Dr Grimes, let me go back to the work that you were involved in at the margins. You just told us that you had been alerted by central agencies, I think you said, that there was a proposal being developed in relation to pensions. On what date were you first made aware of the development of this proposal?

Dr Grimes—I would have to take that on notice because I cannot recall the exact date that I was advised, but the work leading up to 11 October occurred for a couple of days before the 11th.

Senator BRANDIS—So it was certainly not earlier than the week prior to the 11th.

Dr Grimes—We were not involved in preparing any options—this was Finance, and I can only speak for Finance—

Senator BRANDIS—I understand that.

Dr Grimes—before that time.

Senator BRANDIS—So you first heard of this perhaps a couple of days before the 11th—is that your best estimate?

Dr Grimes—Yes.

Senator BRANDIS—A couple of days; so, as well as you can do—and I do not want to tie you—

Dr Grimes—It may be more than just two days; earlier in the week preceding the weekend of the 11th.

Senator BRANDIS—Yes, but in the week preceding 11 October?

Dr Grimes—Correct. That is to the best of my memory. I would have to go back and check my records.

Senator BRANDIS—Do you keep a diary?

Dr Grimes—I do keep a diary, but I do not keep a diary necessarily at the level that might indicate precisely what conversations I had when.

Senator BRANDIS—When you were first apprised of this, was it by telephone conversation, or a letter, or an email, or by what other medium?

Dr Grimes—There was work that was preliminary work that was commissioned by the government, by central agencies, to provide policy advice to the government on options for their consideration—and that was before the weekend of the 11th.

Senator BRANDIS—Was it the latter part of the week or the earlier part of the week?

Dr Grimes—From memory, it was around the middle of the week but, as I say, I am going on memory.

Senator BRANDIS—That is fine. Who commissioned you—which department, which agency?

Dr Grimes—We were commissioned by ministers to undertake that work.

Senator BRANDIS—By ministers?

Dr Grimes—By ministers.

Senator BRANDIS—So Mr Tanner asked you to do this work?

Dr Grimes—No. There had been a meeting of the strategic policies and budget committee of the cabinet.

Senator BRANDIS—On what day was that meeting?

Dr Grimes—I cannot recall the date, but I would be able to check that.

Senator BRANDIS—Can you check that for me, please?

Dr Grimes—Yes. Normally questions around dates of cabinet meetings of course are handled by the Department of the Prime Minister and Cabinet rather than Finance, but I am happy to take that on notice.

Senator BRANDIS—I understand that, but I want to know the particular date that you established by reference to which a request came to you from your minister for your department to do some specific work, so I think it is fair enough to ask it in these estimates.

Dr Grimes—I think I have indicated to you that this was work that was being done by central agencies, so it was being done by the three central agencies; it did not mean that we were actually holding the pen throughout that process. We were consulted.

Senator BRANDIS—Dr Grimes, I think you have made it very clear to all of us that the involvement of Finance in the few days prior to 11 October was, shall we say, tangential.

Senator Sherry—I think that is being a bit harsh—tangential.

Senator BRANDIS—I am not meaning to be harsh.

Senator Sherry—I think ‘relevant to their responsibilities’ would be a better description.

Senator BRANDIS—Well, limited. Leaving to one side the costings, which were first requested on Saturday, 11 October, what was the nature of the involvement sought of Finance following the request from your minister in the week prior?

Dr Grimes—It was simply in the nature of providing policy advice of various options.

Senator BRANDIS—About what?

Dr Grimes—Policy advice on various options.

Senator BRANDIS—Was it the consideration of options, or the presentation of options, or the critical scrutiny of other options that had been presented by other agencies, or what?

Dr Grimes—I would prefer to probably just leave it at the point that we had been asked to do preliminary work.

Senator BRANDIS—Finance was asked to do the preliminary work?

Dr Grimes—In consultation—it was not Finance specifically; it was central agencies. Finance participated.

Senator BRANDIS—What do you define as the preliminary work?

Dr Grimes—Just the normal work that departments do of preparing advice for ministers on various options.

Senator BRANDIS—We are talking now about the pension initiative. Were you specifically asked to prepare options in relation to an increase in payments to pensioners, or was the brief to you broader than that?

Dr Grimes—Senator, we are really starting to get into territory that is very much about cabinet processes, what options cabinet had requested at certain times and what options cabinet had considered. Normally we do not answer questions of that nature, as you are aware.

Senator BRANDIS—I know that perfectly well. I think we may assume that one of the options was the initiative which was ultimately announced by the Prime Minister—that is, the significant initiative in relation to pensions.

Dr Grimes—I do not think it is appropriate for me to be getting into a commentary of how the play operated through the cabinet process.

Senator BRANDIS—I am not going to ask you about policy advice to government, Dr Grimes. I am not at liberty to and I will not, but I am entitled to ask you process questions.

Senator Sherry—But you are very definitely edging to the detail, the policy advice, as distinct from the process, the timing, who asked for what. You are edging there, Senator Brandis.

Senator BRANDIS—I will try to stay on the right side of the line, Senator Sherry. Dr Grimes, it was you who said you were asked to—I am sorry, have you been given some information responsive to one of my earlier questions?

Dr Grimes—It was just indicating to me that the meeting of the strategic policy and budget committee I had been referring to and that I had attended was on 7 October in Brisbane.

Senator BRANDIS—That would have been the Tuesday. We have now established that date. Was that your earliest involvement in the development of this policy proposal?

Dr Grimes—Yes.

Senator BRANDIS—Was that the department of finance's first involvement, in the sense that you were the initial point of contact in your department?

Dr Grimes—Both myself and Dr Watt.

Senator BRANDIS—Was Dr Watt present at the strategic policy and budget committee on 7 October?

Dr Grimes—Yes.

Senator BRANDIS—Was your minister there?

Dr Grimes—Yes. But, as I have indicated before, we do not normally answer questions on cabinet processes.

Senator BRANDIS—You do answer questions on process matters, but you do not answer questions on advice or the deliberations of cabinet, and I am not going to ask you questions in the latter category. Was this meeting on 7 October, involving, among others, you, Dr Watt and your minister, the occasion that you were describing a few answers ago when the request came from the minister to develop options?

Dr Grimes—Once again, I think we are going into the issue of what was discussed by a cabinet committee on a particular date. I just do not believe it is appropriate for me to be answering questions of that nature.

Senator BRANDIS—Dr Grimes, you are the one who opened this up. You said freely in response to a question from me, 'The request came directly from my minister.' You have told me that the meeting to which you had earlier referred, without specifying a date, was a meeting on 7 October. You have told me that the participants in that meeting included you, Dr Watt and the minister. I am really just trying to join the dots. I am assuming that that was the occasion that you were referring to earlier.

Senator Sherry—Senator Brandis, the dots are joined as far as we are going, because to go further gets into the detail of policy advice.

Senator BRANDIS—I think it is pretty clear what happened, Senator Sherry, so I will not press on. The committee meets in Brisbane on 7 October. Was it in the morning or the afternoon, or was it a day-long meeting?

Dr Grimes—It was a meeting in the morning. It extended into the afternoon.

Senator BRANDIS—You were asked to come up with options. Was that across the whole range of possible areas of government expenditure?

Senator Sherry—That is crossing the line, Senator Brandis.

Senator BRANDIS—The options that you ultimately came up with—and I will not ask you what they were—on what day were they communicated to government, even in their preliminary form?

Dr Grimes—No, I would not be able to answer that question.

Senator BRANDIS—Why not?

Dr Grimes—Because I think it goes directly to the question of cabinet consideration.

Senator BRANDIS—No, it does not. Even Senator Sherry said a few moments ago that I can ask about sequence. We have established two dates now. We have established the first date as 7 October—that is the Tuesday. And we have established a date at which a proposal had reached a sufficient level of maturity that it could be the subject of a detailed costing—that is, 11 October. So some time between 7 October and 11 October from among an unspecified range of different options, the substance of which I have not asked you about, this particular policy proposal—that is, the pension reform proposal—had reached a sufficiently developed form that it can be the subject of a request for a detailed costing. What I want to know is: on what day between the 7th and the 11th were the options, whatever they were, conveyed to government in the form of a submission?

Dr Grimes—We can take that on notice.

Senator BRANDIS—No, you cannot take it on notice.

Senator Sherry—Yes, we can. We can take on notice what we want to.

Senator BRANDIS—You cannot take something on notice, Dr Grimes, if you know the answer. The chair has not suggested that the questions are out of order. In fact, I frame my questions very carefully, consistent with the observation that the minister at the table made about 15 minutes ago.

Senator Sherry—No. I am sorry, Senator Brandis, you are going to a level of detail—

Senator BRANDIS—I am asking for a date.

Senator Sherry—You are going to a level of detail beyond that which—

Senator BRANDIS—No. I am not. I am asking for a date.

Senator Sherry—You are not going to get the date. We will take it on notice.

Senator BRANDIS—I am entitled to the date.

Senator Sherry—We will take it on notice.

Senator FIFIELD—Is that because the date is not known to officers at the table?

Senator Sherry—It is edging into indicating what I think is a level of intensity about policy discussions, so we are going to take it on notice.

Senator FIFIELD—There is a new intensity test, is there?

Senator Sherry—That is my description of it—

Senator FIFIELD—This is a new development.

Senator Sherry—and we are going to take it on notice. You can describe it as you like, but we are going to take it on notice.

Senator BRANDIS—In any event, it probably does not matter a great deal because we know it happened after the 7th and before the 11th. So we are only talking about three days. By the way, how hard did you work during those three days, Dr Grimes? Were you working 24 hours a day?

Dr Grimes—No, I was not working 24 hours a day.

Senator BRANDIS—Were you and your staff working extended hours to develop these policy options?

Dr Grimes—Yes, some of us were working extended hours.

Senator BRANDIS—Was that in Brisbane or in Canberra?

Dr Grimes—Primarily in Canberra.

Senator BRANDIS—All right.

Senator Sherry—I might say they work very hard all the time, from my contact with Finance officials.

Senator BRANDIS—In any event, what we know from the first witness, Mr Rozenes—

CHAIR—It is Rosevear.

Senator BRANDIS—I am sorry. That is a good old Labor Party name, Senator Sherry.

Senator Sherry—Is it? It does not strike any Tasmanian chord, I have got to say.

CHAIR—Except the town itself of Rosevear.

Senator Sherry—Yes, it is a place in Tasmania. That is my only recollection.

Senator BRANDIS—Mr Rosevear, on the afternoon of Saturday, 11 October, you were asked for a detailed costing of what the Prime Minister subsequently described as the payment on long-term pension reform. From whom did that request come, please?

Dr Grimes—I believe that—

Senator BRANDIS—No, I am asking Mr Rosevear.

Dr Grimes—I think I can assist you in that specific question because I believe it was me who had conveyed initial parameters for the costing to Mr Rosevear.

Senator BRANDIS—So, Dr Grimes, you, on the afternoon of Saturday, 11 October, asked Mr Rosevear to develop a detailed policy costing on the pension policy proposal?

Dr Grimes—As Mr Rosevear has indicated, I think previously this was a costing process that was done collaboratively with FaHCSIA.

Senator BRANDIS—Dr Grimes, I heard what Mr Rosevear said, and I am going to pursue the process with him.

Senator Sherry—Dr Grimes, given that he was the one who passed on the information, is, for the sake of accuracy, outlining what he actually indicated to the officer.

Senator BRANDIS—Senator Sherry, can I just please do this my way. I would rather elicit one piece of information at a time.

Senator Sherry—No. It will be one piece of information at a time, but we will not necessarily subscribe to doing things your way—'my way' as you describe it—when it suits you.

Senator BRANDIS—I am asking the questions as I am entitled to—

Senator Sherry—You are.

Senator BRANDIS—and, unless the questions are ruled out of order, I will ask the questions that I choose to ask.

Senator Sherry—Also, we have a say in the questions that are answered. So just bear that in mind as you attempt to do it 'my way', as you describe it.

Senator BRANDIS—I will ask my own questions in my own way.

Senator Sherry—Yes, and we will respond in our own way.

Senator BRANDIS—You certainly will. Mr Rosevear, this is a question directed to you. You were asked to develop some costings on the afternoon of Saturday 11 October, and we have just heard from Dr Grimes that the request to you to do so came from him. Is that consistent with your recollection?

Mr Rosevear—Yes.

Senator BRANDIS—At the time you were asked to develop those costings, were you given a deadline as to when they were need by?

Mr Rosevear—I cannot recall a specific deadline being issued.

Senator BRANDIS—Were you told that it was an urgent matter, or words to that effect?

Mr Rosevear—I cannot recall whether I was told it was an urgent matter, but I inferred that I should get cracking.

Senator BRANDIS—Were you told when it was the government's wish that the proposal be announced?

Mr Rosevear—No.

Senator BRANDIS—When you were asked to develop these costings—because we have just heard from Dr Grimes, and as we know, this was a collaborative operation—were you provide with the FaHCSIA costings?

Mr Rosevear—Yes. FaHCSIA are the first part of the costing process, so they do the initial attempt at the costing.

Senator BRANDIS—So, by the time this came to you on the afternoon of Saturday, 11 October, FaHCSIA had already generated a document, had it, with its costings?

Mr Rosevear—I cannot speak for FaHCSIA—

Senator BRANDIS—I just want to know what you had.

Mr Rosevear—On the 11th, I saw a spreadsheet with the costings from FaHCSIA.

Senator BRANDIS—Was that a FaHCSIA document in the sense that it was a spreadsheet generated by FaHCSIA or was it some other agency's precis or summary of FaHCSIA material?

Mr Rosevear—FaHCSIA prepared that document.

Senator BRANDIS—On the afternoon of Saturday, 11 October, you were given a spreadsheet prepared by FaHCSIA with their costings?

Mr Rosevear—Yes.

Senator BRANDIS—Did that document have a date?

Mr Rosevear—I do not recall looking at any date.

Senator BRANDIS—Do you recall being aware of the date on which it had been prepared?

Mr Rosevear—No.

Senator BRANDIS—You do not. It was obviously a document of very recent generation.

Senator Sherry—The officer has indicated that he does not know the date. He is not aware of a date. What is 'recent'?

Senator BRANDIS—Senator Sherry, once again, if you would just let me go about this in my own way, I am not unpractised at educing evidence.

Senator Sherry—I am not going to let you put words into the mouth of the witness. You said a 'recent' document. He has already indicated that he does not know the date. He is not aware of the date.

Senator BRANDIS—I heard him say that, Senator Sherry.

Senator Sherry—So your description of date is putting words into his mouth.

Senator BRANDIS—Given that time is limited, would you please just let me ask my questions in my own way. If they are out of order, I am sure the chair will interfere.

Senator Sherry—And we will answer in our own way, Senator Brandis. I have the right to intervene in an answer if I wish, and I am choosing—

Senator BRANDIS—What you do not have the right to do is to abuse the process of the committee.

Senator Sherry—I am not abusing the process of the committee. You are attempting to put words into the mouth of the witness. I have chosen to intervene, as is my right. I will continue to intervene if I believe the question is inappropriate. I have the right to intervene.

Senator BRANDIS—Mr Rosevear, was this FaHCSIA spreadsheet that was provided to you on the afternoon of 11 October provided to you in physical form or electronic form?

Mr Rosevear—I think it was electronic form.

Senator BRANDIS—I am assuming that the document would have identified its author or the person who took responsibility for its preparation?

Mr Rosevear—No, I do not think the document had an author on it.

Senator BRANDIS—I see. In the ordinary course of events, and I assume you apply the ordinary procedures here, you receive this FaHCSIA costing document and you subject it to, to use Dr Watts' words earlier, 'an assessment'. May I assume that that basically means you seek to test and verify the costings to your satisfaction?

Mr Rosevear—Yes.

Senator BRANDIS—That would involve, among other things, testing both the factual assumptions and the quantitative assumptions on which those costings are based?

Mr Rosevear—Yes.

Senator BRANDIS—So you did that?

Mr Rosevear—Yes.

Senator BRANDIS—Was it necessary for you in carrying out that exercise to speak to or meet with the officers at FaHCSIA who had prepared the document?

Mr Rosevear—Yes, I spoke with the officers at FaHCSIA.

Senator BRANDIS—Did you have any meetings face-to-face with them or was this all done over the telephone?

Mr Rosevear—During the period of the costings, we had a lot of discussions over the telephone.

Senator BRANDIS—Were there any face-to-face meetings?

Mr Rosevear—Yes, there was a face-to-face meeting on the Saturday with a FaHCSIA official.

Senator BRANDIS—Was that the only face-to-face meeting?

Mr Rosevear—My recollection is just the Saturday for a face-to-face meeting.

Senator BRANDIS—Given that you had only first seen this document on the Saturday afternoon, that meeting presumably happened quite soon after you first got across the document?

Mr Rosevear—Yes.

Senator BRANDIS—May I assume, I am not putting words in your mouth, the purpose of that meeting was to begin the process of exploring the assumptions upon which the document was based and, to use Dr Watts' words, ' assessing their costings estimate'?

Mr Rosevear—Yes.

Senator BRANDIS—How long did that meeting go for?

Mr Rosevear—I would say we probably spoke for 30 or 45 minutes.

Senator BRANDIS—In this initial FaHCSIA spreadsheet, what was FaHCSIA's costings of this proposal?

Senator Sherry—That is a level of detail about policy analysis that we are not going to, Senator Brandis.

Senator BRANDIS—Did the document give FaHCSIA's costing?

Mr Rosevear—Yes.

Senator BRANDIS—As Dr Watt and Dr Grimes has told us, this was a collaborative process. May we take it that the final costing that was arrived at by you was a figure different from the initial estimate by FaHCSIA?

Senator Sherry—That is a level of detail we are not going to.

Senator BRANDIS—That is not a level of detail that is inappropriate.

Senator Sherry—It is. As you should recall, Senator Brandis, in the many, many years when I had gone to this level of detail from where you sit, I did not receive that information. The fact is that the costings of expenditures and the detail and assumptions et cetera are matters and questions that go to the appropriate department.

Senator BRANDIS—All I want to know, and I would have thought that this is almost so commonplace that it would not raise your hackles, Senator Sherry, what I think we would all assume is that it is unheard of that the line department's initial costing and Finance's view of the costing are ever the same. For completeness, I just want to establish that that was the case on this occasion. In other words, the first figure you saw from FaHCSIA was not the figure you ultimately arrived at, as a result of what we have been told was a collaborative process.

Senator Sherry—We are not going to that level of detail, Senator Brandis. You can explore the underlying assumptions, development of the detail of the costing, with FaHCSIA, but we do not go to the level of detail that you are going to with the Department of Finance. The bottom line is that after the iterative process, exchange, meetings, phone calls et cetera that took place, an agreement was reached and the policy, the \$4.8 billion, was announced.

Senator BRANDIS—All right. If we are at liberty to go to the underlying assumptions—

Senator Sherry—No, I said we are not going to the underlying assumptions. That is FaHCSIA. You can go to FaHCSIA for questions about the underlying assumptions and details of the costings, the age profiles et cetera underlying the \$4.8 billion pension part of the package, but we do not go to those issues of detail with Finance. We never have, and we won't be.

Senator BRANDIS—Mr Rosevear, after your meeting with the FaHCSIA officials in which you had a discussion about their document, what did you then do in relation to the costing exercise?

Mr Rosevear—As in the normal way, I did the normal costing process, which is to make sure you understand the policy, look at the underlying assumptions, make sure the calculations are all in order.

Senator BRANDIS—So this, as I said, is with both the factual and the quantitative assumptions underlying the document. Having satisfied yourself from this initial meeting with the FaHCSIA officials that you understood the policy and you understood what their assumptions were, you then subjected their exercise to your own empirical analysis. Is that right?

Mr Rosevear—Yes.

Senator BRANDIS—How did you do that? Did you run it through a computer? How was it physically done?

Mr Rosevear—This costing involves \$1,400 for a single pensioner and \$2,100 for couples combined. The only other critical issue is customer numbers, so it is the amount times the customer number. It is not a highly complex calculation.

Senator BRANDIS—By when had you completed your costing exercise?

Mr Rosevear—I recall having a second look at the costing—

Senator BRANDIS—What, at FaHCSIA's costing?

Mr Rosevear—Yes. On the Monday.

Senator BRANDIS—Did you work on the Sunday on this?

Mr Rosevear—I really cannot recall. I believe that I did spend a small amount of time in the office.

Senator BRANDIS—On this, though? Do you remember whether it was on this?

Mr Rosevear—Yes.

Senator BRANDIS—You think it was. All right. So you have a meeting on Saturday afternoon and you see the document for the first time on Saturday afternoon. You get yourself across it. You have a meeting with the FaHCSIA people that lasts for about half an hour. Did you work on Saturday evening on this?

Senator Sherry—Just before we go on, I think the officer said 30 to 45 minutes.

Mr Rosevear—That was face-to-face, the time range.

Senator BRANDIS—Did you work on Saturday night on this?

Mr Rosevear—I do not believe I worked on Saturday night on this.

Senator BRANDIS—And you spent a small amount of time in the office on Sunday. Do you want to take a stab at how long?

Mr Rosevear—As I said, I really cannot recall precisely, but I remember doing small amounts of work. I am pretty sure I did something on Monday—

Senator BRANDIS—Okay, so you have said everything you wanted to say about the Sunday.

Mr Rosevear—Yes.

Senator BRANDIS—You then said to me a few moments ago that you had another look at it on the Monday morning. When you say another look, was this your second go at an assessment of it or your first go at an assessment of it?

Mr Rosevear—No, I recall that on the Saturday I had come to a fair degree of satisfaction with the costing. But just because it is—

Senator BRANDIS—Sorry, when you say ‘the costing’: a fair degree of satisfaction with your costing, or a fair degree of satisfaction with FaHCSIA’s costing?

Mr Rosevear—Well, FaHCSIA provided the costing. Because the costing involved a significant amount of money, I just wanted to have another look at it and so that is what I did.

Senator BRANDIS—And how much time did you devote to it on the Monday morning?

Mr Rosevear—I would estimate, perhaps an hour.

Senator BRANDIS—An hour. So, all told, in doing this costing of this particular measure, you spent what: the time it took you to get across it on Saturday afternoon, the 30 to 45 minutes it took you to meet the officials, the work you then did on the Saturday afternoon on your first cut of the costing, a brief period of time on Sunday, and maybe an hour on the Monday morning—what would that be, all told? Three or four hours?

Mr Rosevear—It might be more like five or six hours.

Senator BRANDIS—All right. You then submitted the final costings to whom? To Treasury, or PM&C, or who?

Mr Rosevear—I am just trying to make sure I recall this correctly. I think I agreed the costings with FaHCSIA, and I may have alerted PM&C and Treasury that I had agreed the costing.

Senator BRANDIS—Were you only looking at one option here, or were you doing costings on a variety of different permutations and combinations with—

Senator Sherry—Again, I think we are crossing the line, Senator Brandis.

Senator BRANDIS—I am not asking for the detail of anything, Senator Sherry; I am merely asking whether this particular officer was being asked to look at one or more than one option. I am certainly entitled to ask that. Mr Rosevear?

Senator Sherry—No, I think that you are crossing the line, Senator Brandis.

Senator BRANDIS—Well, you have not been able to articulate why—probably because your proposition is absurd.

Senator Sherry—No.

Senator BRANDIS—I am asking the officer whether he was asked to look at one or more than one option, that is all.

Senator Sherry—No, in fact I base it on precedent. When I explored, to the same level of detail, questions that you are posing, I could not go beyond that which you have received answers to, to date. The costing was verified. You have got the times, approximately; the dates; the times, approximately, that the officers spent—and that is it.

Senator BRANDIS—Mr Rosevear, were you doing other work at the time—that is, between the Saturday afternoon and the Monday afternoon?

Mr Rosevear—I was not doing anything on the Saturday afternoon. Yes, on Monday I was doing my usual duties.

Senator BRANDIS—So the costing of the pension policy proposal was the only costing that you were involved in at these particular times?

Senator JACINTA COLLINS—Point of order, Chair. I think Senator Brandis is leading the witness again. He has not said it was the only costing he was working on.

Senator BRANDIS—Well, rather than waste time, let me put it differently: was the costing of the pension proposal the only costing that you were involved in preparing at this particular time?

Mr Rosevear—I also did the family tax benefit costing.

Senator BRANDIS—All right. Is that the \$3.9 billion support payments for low- and middle-income families?

Mr Rosevear—Yes.

Senator BRANDIS—All right; the second dot point. How many officers were working with you on this task between these days?

Mr Rosevear—Do you mean on the family tax benefit?

Senator BRANDIS—Well, on either, really; perhaps you could tell us in relation to each.

Mr Rosevear—Okay.

Senator JACINTA COLLINS—Are you talking about just this department?

Senator BRANDIS—No, I am talking about the finance officers.

Mr Rosevear—One of the staff in my branch helped me with the pension costing and I did the family tax benefit costing.

Senator BRANDIS—I see. So it was only two of you in aggregate working on the costing of both policy proposals?

Mr Rosevear—Yes.

Senator BRANDIS—Let me turn then to the family tax benefit costings. Were they FaHCSIA generated as well?

Mr Rosevear—Yes.

Senator BRANDIS—Am I right in thinking that you first saw the FaHCSIA costing of the family tax benefit proposals on the Saturday afternoon as well?

Mr Rosevear—Yes.

Senator BRANDIS—You talked about a spreadsheet before. Were both of these policy proposals on the same spreadsheet or were different spreadsheets or different documents generated for each of them?

Mr Rosevear—They were different spreadsheets.

Senator BRANDIS—I think I understood you to say a moment ago that you primarily worked on the family tax benefit costing and the other Finance officer with whom you were working did the pension costing—is that right?

Senator Sherry—I do not think that is an accurate summation.

Senator BRANDIS—That is why I said, ‘Is that right?’ Please do not interrupt, Senator Sherry. I am asking Mr Rosevear. If he wants to rephrase it, he can.

Senator Sherry—If I believe it is an inaccurate summation, I am perfectly at liberty to indicate it is an inaccurate summation.

Senator BRANDIS—No, you are not because you are not the chair of the committee. As a minister at the table, you are answerable to questions and you are in a position to take objections—

Senator Sherry—That is right. If I believe you have made an inaccurate summation, as I did earlier and you did not object on the 30 to 45 minutes, I am perfectly at liberty to come in and respond to a question when I like, Senator Brandis.

Senator BRANDIS—As a matter of fact you are not, Senator Sherry. I am not going to waste my time arguing with you.

Senator Sherry—I have been remarkably—

CHAIR—Can I remind—

Senator Sherry—Chair, can I just finish?

CHAIR—It would be helpful for the Hansard recording of the proceedings to have one voice at a time rather than talking over each other.

Senator Sherry—I agree.

CHAIR—The minister has the call.

Senator Sherry—Thank you. I respect Senator Brandis and I do not interrupt his questions. When he finishes a question, if I believe I want to make a contribution, as is my right as a minister, I will make a contribution. I have been remarkably restrained in terms of the degree to which I have exercised my right. As I say again, I do not believe the description you gave, Senator Brandis, was accurate in terms of the witness’s previous comments and it concerns me because there is an element of leading here and putting words into the mouth of the witness that, in this case and in this question, do not reflect accurately what he said a few minutes ago. I will intervene when I believe it is appropriate, as is my right.

Senator BRANDIS—You have, Senator Sherry, but in fairness to me—

Senator Sherry—I have been very fair to you.

Senator BRANDIS—In fairness to me—

CHAIR—Can I remind you both, yet again, that Hansard is trying to record the proceedings and I have asked people to be courteous to the witnesses and to those asking questions not to speak over the top of one another. Senator Brandis, if you have a question, you have the call.

Senator BRANDIS—Thank you. In fairness to me, I would not have put the question in the manner in which I put it and concluded with the words ‘Is that right?’ unless all I was seeking to do was to clarify my understanding of the witness’s answer, not to put words in his mouth.

Senator Sherry—Senator Brandis has made a point and has not asked a question. I would like to respond to the point.

CHAIR—I think it is fair to say that Senator Brandis was making a point; there was not a question there. If you want the right of reply, Minister, you have the call.

Senator Sherry—I have a right to intervene to respond to any question I choose, and I have exercised that right with considerable restraint so far.

CHAIR—I think Senator Brandis is very experienced and he knows the standing orders. Senator Brandis, do you have further questions?

Senator BRANDIS—Yes, I have many further questions. Mr Rosevear, back to where we were. You described another officer participating in this costing exercise from Finance—right?

Mr Rosevear—Yes.

Senator BRANDIS—I want you to correct me if I am wrong. My recollection of your answer was that you were primarily concerned with the family tax benefit costing and the other officer was primarily concerned with the pension costing? Is that right? If it is not right, would you like to elaborate and qualify it, however you choose? I just want to know who was doing what.

Mr Rosevear—I would not characterise it in the way that you have. I am the branch manager of FaHCSIA AAU and I had one of my staff, who works to me, assisting me with the pension costing.

Senator BRANDIS—You had one staff member assisting you with the pension costing. Is that right?

Mr Rosevear—Yes.

Senator BRANDIS—Did you have anyone assisting you with the family tax benefit costing?

Mr Rosevear—No.

Senator BRANDIS—So there were just the two of you engaged in the costing of both of these proposals. You took responsibility for both, of course, as the senior officer and you were the only officer involved in doing the family tax benefit costing. Is that the picture?

Mr Rosevear—Yes.

Senator BRANDIS—Okay. Now the times you have described in your earlier answers—that is the period on Saturday afternoon, the brief period on Sunday and the period on Monday morning, which you in aggregate suggested was more like five or six hours rather than three or four hours—was that the total time devoted by you in this period to both costings?

Mr Rosevear—That would be broadly correct, yes.

Senator BRANDIS—In relation to the officer who was working with you, are you able to estimate for us please how much time she spent in relation to the costings that she was assisting you with?

Mr Rosevear—I would estimate the officer spent in the order of four hours on the Saturday.

Senator BRANDIS—Any time on the Sunday?

Mr Rosevear—I do not believe there was any on the Sunday.

Senator BRANDIS—Any time on the Monday?

Mr Rosevear—I think there was just a small amount of time on the Monday.

Senator BRANDIS—Just a small amount. So if it was five to six hours for you and four hours plus a little bit for the other officer and you were the only two people concerned, we have—would you agree with me—about 10 person-hours involved in this costing exercise from finance's point of view?

Mr Rosevear—Yes.

Senator BRANDIS—I see. For \$9 billion.

Mr Rosevear—Sorry?

Senator BRANDIS—For \$9 billion worth of expenditure.

Mr Rosevear—Well the pension is \$4.8 billion and the family tax benefit is \$3.9 billion.

Senator BRANDIS—Okay, thank you.

Dr Grimes—Within the programs we have quite a deal of experience of costings in these areas, particularly around pensions and bonus payments. We have done many before and as a result there are quite good systems and processes in place for the costing.

Senator BRANDIS—I am sure there are, Dr Grimes. In fact, I am sure I am familiar with them. You were not involved in the costing of any of the other policy proposals, Mr Rosevear?

Mr Rosevear—No.

Senator BRANDIS—All right. And you signed off on these by the end of Monday afternoon, basically, and they were announced by the Prime Minister and the Treasurer the next day?

Mr Rosevear—Yes.

Senator BRANDIS—Thank you. Can we have to the table, please, the officer from finance concerned with the costing of the first home buyer's policy proposal? Mr Painton,

were you the finance officer principally responsible for the costing of the first home buyer's package?

Mr Painton—Yes.

Senator BRANDIS—Did you have any involvement in the costing of any of the other policy proposals that we are looking at?

Mr Painton—No.

Senator BRANDIS—When did you—

Senator Sherry—Chair, there are a very significant number of witnesses for other programs. If we have the Future Fund, which is at 7.30 pm by agreement, and then after the Future Fund, what are we going to proceed with? We are not going to be able to do the other areas of finance unless we get the timetable clarified.

CHAIR—I want to recap where we are up to. At the moment we are still on general questions. We have dealt with Medibank Private and the rest of the outcomes—from outcome 1 then ComSuper, Australian Reward Investment Alliance and then outcome 2 under Department of Finance and Deregulation and outcome 4—all have to happen before 6.30 because that is when we have the dinner break. Then we come back with Future Fund, which was agreed to, and then we have human services portfolio at 8.30 to 11 o'clock.

Senator Sherry—Is it possible for any of the senators to indicate who is not required so we can let them go?

Senator FIFIELD—We will not have time to get to ComSuper and ARIA, so we can let them go. We do have questions for outcome 2 and outcome 4

CHAIR—What about Australian Reward Investment Alliance?

Senator Sherry—That is ARIA.

Senator FIFIELD—That is with ComSuper. That is with ARIA so we do not need that. We have questions for outcome 2 and outcome 4. We do not have anything for outcome 1

CHAIR—Can outcome 1 go?

Senator FIFIELD—Yes, but we need outcomes 2 and 4.

CHAIR—We have 35 minutes remaining. Sorry, Senator Brandis. Would you like to continue?

Senator BRANDIS—Mr Painton, when did you first receive your instructions to undertake a costing of the first home buyer's policy proposal?

Mr Painton—On the afternoon of the 11th.

Senator BRANDIS—That is the Saturday afternoon. Alright. At what time, please?

Mr Painton—It was some time between two and four. I cannot recall the exact time.

Senator BRANDIS—Between two and four. From whom did that instruction come, please?

Mr Painton—It was one of the officers in budget group. I cannot remember exactly who. However, I think it was on instructions coming from Dr Grimes, as I recall.

Senator BRANDIS—What was the lead department involved in this? It was the department of housing or whatever it is called.

Mr Painton—It was the Department of the Treasury

Senator BRANDIS—Sorry?

Mr Painton—The Department of the Treasury.

Senator BRANDIS—It was Treasury, was it?

Mr Painton—Yes.

Senator BRANDIS—I am sorry. Were you furnished by Treasury with their preliminary costing?

Mr Painton—Yes.

Senator BRANDIS—Did you receive that on the Saturday afternoon?

Mr Painton—It may have been on the Saturday evening.

Senator BRANDIS—How late in the day did you work on the Saturday?

Mr Painton—Quite late.

Senator BRANDIS—Did you get home before midnight?

Mr Painton—I think the exercise was completed before midnight, as I recall.

Senator BRANDIS—Before midnight. So you started between two and four and you completed the exercise before midnight. Did you have a face-to-face meeting with the author of the Treasury costing?

Mr Painton—No.

Senator BRANDIS—At no stage in your conduct of this exercise did you have such a meeting?

Mr Painton—No.

Senator BRANDIS—Alright. What was the cost put by Treasury on this policy proposal in their initial document?

Senator Sherry—We do not go to that level of detail. That is an issue you can raise with Treasury.

Senator BRANDIS—Alright. Thank you. You tested the assumptions—both factual and quantitative assumptions—in that document, did you?

Mr Painton—Yes.

Senator BRANDIS—According to the usual process by which policy proposals are costed in the finance department?

Mr Painton—According to what seemed appropriate for that particular costing.

Senator BRANDIS—Alright. You appreciated that there was some urgency about this exercise you were being asked to undertake?

Mr Painton—We were in there looking at it on a Saturday, so we appreciated there was a need to look at the matter.

Senator BRANDIS—When were you told that the finance department costings needed to be in by?

Mr Painton—As I recall, the objective was to resolve the issue that Saturday to the extent practicable.

Senator BRANDIS—Right. And by the time you finished the exercise on the Saturday night were you satisfied that you had, to the extent practicable, completed the exercise?

Mr Painton—Yes.

Senator BRANDIS—All right. So how many hours do you think that you devoted to the exercise, eight, six or something else?

Mr Painton—The document from Treasury would have been received some time after the initial phone call. I cannot recall the exact number. It might have been two, three, four or something in that order. I cannot remember the exact time.

Senator BRANDIS—That is all right. How many hours do you reckon you devoted to the exercise?

Mr Painton—It may have been in the order of three or four hours.

Senator BRANDIS—Three or four hours?

Mr Painton—It may have been, yes.

Senator BRANDIS—Surely you had some inquiries about some of the assumptions in the document. Did you speak to the author of the document by telephone or email or otherwise seek to engage him on the document that had been produced for you?

Mr Painton—I spoke to the author, yes.

Senator BRANDIS—How many conversations did you have with the author?

Mr Painton—There were several. I cannot recall the exact number.

Senator BRANDIS—Several. And they were all on the Saturday.

Mr Painton—Yes.

Senator BRANDIS—Were you looking at just one way of doing this—one model—or were you looking at a number of different options?

Senator Sherry—We have already indicated a position on that, Senator Brandis.

Senator BRANDIS—I do not know about that, Senator Sherry, because although one might say that the first two exercises were merely questions of multiplication, when one comes to the application of the details of the policy in relation to the first homeowners grant there are, as you would obviously know, potentially more variables. I will ask it in these terms: were there different variables in the model that you were being asked to look at?

Senator Sherry—That is crossing the line, Senator Brandis.

Senator BRANDIS—You are just being stubborn now, Senator Sherry. I am certainly entitled—

Senator Sherry—I am not being stubborn. I am notoriously not stubborn; I am notoriously considerate. But we have crossed the line again.

Senator BRANDIS—Mr Painton, what was the exercise that you were asked to undertake?

Mr Painton—I was asked to undertake a costing.

Senator BRANDIS—Of what?

Mr Painton—In relation to the First Homeowners—

Senator BRANDIS—No, not in relation to what; of what. What was it that you were asked to cost?

Senator Sherry—Again, Senator Brandis.

Senator JACINTA COLLINS—He is persistent.

Senator Sherry—Persistent, yes, by reordering the question and rewording it. But no.

Senator BRANDIS—Senator Sherry, this has been completely commonplace.

Senator Sherry—No, it has not, Senator Brandis. In fact, the level of detail—

Senator BRANDIS—Every question that has been directed at these witnesses, without objection from you—notwithstanding that you have been very free to object—has been directed to this question: what were you asked to cost? We even got down to the level of detail of finding out about the structure of the spreadsheet with the last witness.

Senator Sherry—And, I might say, to a level of detail to which I was never—

Senator BRANDIS—Well we are operating under ‘Operation Sunlight’ now, Senator Sherry.

Senator Sherry—We are. The time, the officers involved, the time they spend, the days that they are doing it and the particular costing.

Senator BRANDIS—Do not go on, because you know as well as I do that time is not—

CHAIR—I remind people that this is a process of question and answer; it is not about dialogue across the table in front of me. I am trying to listen and I am sure that Hansard is trying to record proceedings. I remind people that there are 25 minutes to go and the more we talk over the top of one another, the fewer questions and answers there will be.

Senator BRANDIS—Thank you very much, Madam Chair. That is very wise, if I may say so. Thank you. I am indebted to you. Mr Painton, what was the exercise that you were undertaking?

Mr Painton—I am not sure that I understand the question.

Senator BRANDIS—What was the job that you were given to do?

Mr Painton—I was undertaking a costing of—

Senator BRANDIS—Of?

Mr Painton—a proposal in relation to the first homeowners scheme.

Senator BRANDIS—No—

Mr Painton—You have asked me about the costing of what was announced, and what we are discussing here is the costing of the proposal that was announced on 14 October.

Senator BRANDIS—What was announced on 14 October was a policy proposal which had certain features, including the doubling of the grants and the increase by \$7,000 of grants for newly constructed homes, for example. Was the exercise that you undertook an exercise in relation to the given set of assumptions or propositions that were ultimately announced? In other words, was it merely an arithmetical exercise or were you asked to look at variables?

Senator Sherry—No. This is your third attempt to re-word, or re-jig, the question. The answer is, no.

Senator BRANDIS—You do not know, Senator Sherry, because you did not do the costing. Mr Painton did.

Senator Sherry—Good try, Senator Brandis, but ‘no’ to you getting a response.

Senator BRANDIS—Mr Painton, what did you do when you received the document and you had these telephone conversations with the officer from Treasury. You rang him up and you discussed the document. What did you understand your task to be?

Mr Painton—Well, I had been asked to cost a particular proposal based on particular assumptions. There was a description of a proposal so I attempted to understand the proposal and the assumptions and the way the assumptions had been applied to arrive at a figure, which I then discussed with the Treasury officer to, as far as I could, understand what had been done and the nature of the exercise. In other words I undertook a costing process based on the proposal that was being put forward.

Senator BRANDIS—When you say ‘as far as you could understand what was being done’, was there some obscurity, at least in your mind, about some of the assumptions that you were asked to work on?

Senator Sherry—Again, look—

Senator BRANDIS—I am asking him about his own state of mind.

CHAIR—I just remind you that the witness is not expected to answer questions on policy or have opinions on policy. You know that, Senator Brandis.

Senator BRANDIS—Madam Chair, with respect, to ask whether a particular expert was unable to understand some assumptions in a document is not a question about policy. No sentient being could think that that was a question about policy.

Mr Painton—I am sorry if I misled you, Senator; perhaps it is more accurate to represent that as my own realisation of my own general limitations. Any document I—

Senator BRANDIS—I am sure you are one of the smartest people in your department and I am sure you did a fabulous job given the intrinsic limitations of the exercise that you were asked to undertake. I just want to explore a little further what precisely you did—in your own words.

Mr Painton—I think it is along the lines that I previously mentioned, which is that I examined a document, I looked at what the proposal was to understand it, I looked at the assumptions, I went over the calculations and I made an assessment of whether the assumptions and the calculations appeared reasonable given the nature of the proposal being put forward. In other words I undertook a costing exercise similar to other costing exercises which I have undertaken for the department of finance.

Senator BRANDIS—Did all the assumptions, at least initially, seem reasonable to you.

Senator Sherry—Again, you are crossing the line, Senator Brandis.

Senator BRANDIS—I am asking the man for his expert view; I am not asking him about content. I am not asking you to tell us anything about any of the contents of this obscure document.

Senator Sherry—You are crossing the line into content. You are leading.

Senator BRANDIS—I am sure I am against the ‘Berlin Wall’ of the Australian Labor Party and its hatred of public disclosure. I am sure I will get nowhere. One last question. After you finished on the Saturday night, Mr Painton, did you revisit the exercise or was that it?

Mr Painton—I recall, I think, on the following day there was some work involved in documenting the exercise, but I did not revisit the costing as such in terms of doing it again.

Senator BRANDIS—And when did you submit the document? When did you sign off on it? On Monday morning?

Mr Painton—I think I advised Treasury that I thought the costing was reasonable, before I went home on Saturday evening.

Senator BRANDIS—So you confirmed the costing in the initial document, did you?

Senator Sherry—Again, this is an iterative process. He has been through the process.

Senator BRANDIS—He has not said that this particular approach was an iterative process.

Senator JACINTA COLLINS—This the same question that was asked previously. There is no difference in substance.

Senator BRANDIS—What the witness said in fact, Senator Sherry, was that he advised the Treasury that the costing seemed reasonable, so it may well be that on this occasion all the witness did was to confirm the initial costing.

Senator JACINTA COLLINS—It may be and it may not be.

Senator BRANDIS—Well, let’s find out. Mr Painton?

Senator JACINTA COLLINS—No, we will not find out. This is consistent with the response you got from the earlier witness.

CHAIR—I think the minister has already responded, Senator Brandis.

Senator JACINTA COLLINS—It is beyond your reach, Senator Brandis.

Senator BRANDIS—Certainly the truth is beyond the reach of the Australian people when we have a Labor government which is dedicated to concealing from the public matters which are relevant for them to know.

Senator JACINTA COLLINS—What about the *Tampa*? Let us go back to ‘children overboard’ and your representation on the front page of the *Australian* newspaper. That was atrocious misrepresentation.

Senator BRANDIS—Please, Senator Collins, behave yourself.

CHAIR—Can I remind senators that I am the chair. You can leave me to chair estimates and I will leave you to ask the appropriate questions, Senator Brandis. I remind people that if you want to continue to eat up valuable time having debate across the table and making unsubstantiated claims about transparency and honesty then you are going to invite interjections. Senator Brandis, you are very well versed in estimates proceedings. If you would return to questions, I would appreciate it.

Senator BRANDIS—Madam Chair, thank you very much. I am in your hands completely. Might I remind Senator Collins, through you, that interjections are disorderly. Can we have to the table, please, the officer concerned in the costing of the training places. Mr Forner, you were the Finance officer primarily responsible for the costing of the policy proposal for the new training places, were you?

Mr Forner—Yes.

Senator BRANDIS—When did you first receive your instructions to undertake the costing of this policy proposal?

Mr Forner—On Sunday, at about 2.30.

Senator BRANDIS—Sunday the 12th. Is that right?

Mr Forner—Yes.

Senator BRANDIS—Goodness me. Dear, oh dear. Mr Forner—

Senator Sherry—When you said, ‘Dear, oh dear,’ I took that as a question. We do have very hard-working, committed officials.

Senator BRANDIS—We certainly do.

Senator Sherry—We do. This was an economic stimulus package—

Senator BRANDIS—Senator Sherry, you reminded me of the effluxion of time. Please do not use it up in a way that abuses the processes of the committee.

Senator Sherry—I am not. If you want to make an editorial comment, this was an economic stimulus package put together against the background of a world financial crisis of which I think we are all very well aware, and the officers are to be commended—

Senator BRANDIS—Senator Sherry, would you like to give us the alphabet or perhaps show that you can count from one to a hundred?

CHAIR—Senator Brandis, the minister has the call.

Senator Sherry—Thank you, Chair. The officers are to be commended for the hard work and the intense work they have put into ensuring robust costing of the figures and the programs announced that came from the various departments. They are doing their work of verification in quite extraordinary circumstances of the times we are with this fiscal crisis.

Senator BRANDIS—Have you finished, Senator Sherry?

Senator Sherry—Yes, I have.

Senator BRANDIS—Please don't interrupt me again unless you have an objection to take.

Senator Sherry—I will exercise my right to provide an answer. I will continue to do that, Senator Brandis.

Senator BRANDIS—You will certainly continue to abuse the processes of the committee.

Senator Sherry—You will not be giving me lectures about please don't interrupt me again. If you ask a question and you have finished your question, I will exercise my right to answer.

Senator FIFIELD—Point of order, Madam Chair—

Senator BRANDIS—We will just sit on till 730, Madam Chair.

Senator FIFIELD—There is only 15 minutes to go and there is a bit of creeping Faulknerism on the other side of the table which we could do without.

CHAIR—I appreciate your point of order, but can I say there have been continual interjections from both sides this afternoon. I think it is only fair that if people make statements of an inflammatory type, they are going to be responded to. Senator Brandis, do you have any further questions?

Senator BRANDIS—Thank you. I will assume that I have the call until you tell me that I do not.

CHAIR—You have the call. I think I have been very even handed and consistent.

Senator BRANDIS—You have. You have been exemplary, if I may so. Mr Forner, were you the only officer in Finance involved in making these costings.

Mr Forner—No.

Senator BRANDIS—How many other officers were involved, working with you, in doing the costings?

Mr Forner—My branch manager and I discussed it withy Dr Grimes.

Senator BRANDIS—All right. But Dr Grimes, you were not directly involved in this particular exercise that Mr Forner was undertaking?

Dr Grimes—With all of these costings I am obviously aware that these things were being undertaken, but I do not personally do the costings myself.

Senator BRANDIS—No. I understand that. Mr Forner, there was your branch manager and you, working ultimately to Dr Grimes; is that right?

Mr Forner—Yes.

Senator BRANDIS—What were you furnished with on the Sunday afternoon? The lead agency in this case was DEEWR, wasn't it?

Mr Forner—That is correct.

Senator BRANDIS—What were you furnished with by DEEWR.

Mr Forner—We were given an email with a spread sheet in it.

Senator BRANDIS—Okay. Did you have a meeting with DEEWR?

Mr Forner—No. Not a face-to-face meeting.

Senator BRANDIS—And you discussed with the relevant officer who was responsible for the DEEWR costing, what, over the telephone?

Mr Forner—Yes.

Senator BRANDIS—How long did the exercise take you?

Mr Forner—About 1½ hours.

Senator BRANDIS—And what did you do? In your own words just explain that to us please.

Mr Forner—We looked at the spreadsheet and basically multiplied out.

Senator BRANDIS—So you merely engaged in an exercise in arithmetic?

Mr Forner—That is all this costing requires, yes.

Senator BRANDIS—That is all you did?

Dr Grimes—There is something that I think would assist you in understanding our costing processes, which applies both generally and also to this costing. In many cases we have developed up costing spreadsheets with departments. We understand program estimates and we have done considerable work with departments, often in different settings. So if there is a very well developed model that Finance and the department have worked through in some detail, it can be more straightforward to do costings.

Senator BRANDIS—Sure. I understand that. Now, this was a new proposal; it is not a policy proposal that you had been familiar with before, was it?

Senator Sherry—I think once again you are crossing a line, Senator Brandis.

Mr Forner—I am asking you, Mr Forner, if the policy proposal you were dealing with is one that you had seen before or if it was new to you.

Senator SHERRY—Again—

Senator BRANDIS—I do not think that even Senator Sherry, with a straight face, will pretend that that is asking about policy.

Senator Sherry—I do—with a straight face.

Senator BRANDIS—Madam Chair, I would ask you to rule even-handedly on the question of whether asking a witness whether he has seen a document before is a question about policy.

Senator Sherry—You did not ask that earlier.

CO-CHAIRMAN—My reading of the *Standing Orders* is that that is a decision for the minister, and the minister has responded.

Senator Sherry—But he did not ask that earlier. The two previous times he did not refer to a document. If you are asking whether he had seen the document earlier, proceed, Senator Brandis.

Senator BRANDIS—Mr Forner, was the exercise that you were being asked to do—to cost this training places proposal—an exercise that you had ever undertaken before?

Mr Forner—I have undertaken this type of costing before.

Senator BRANDIS—That ‘type’ of costing; but what I am interested in knowing is whether you had undertaken that exercise in that particular area.

Mr Forner—I do not understand what you are asking.

Senator BRANDIS—Well, you told us before that this was essentially a question of arithmetic—multiplying out, effectively.

Mr Forner—Yes.

Senator BRANDIS—It occurs to me that your level of comfort with the factual assumptions would have been in part a function of your familiarity with the area. So that the more you knew about this particular area the more comfortable you would have been using your own judgment about verifying the factual assumptions rather than going to other officers to test them, you see?

Mr Forner—Yes.

Senator BRANDIS—So you were comfortable about all the factual assumptions?

Mr Forner—Yes.

Senator BRANDIS—You did not test any of them?

Mr Forner—That had been done previously.

Senator BRANDIS—By who?

Mr Forner—Myself.

Senator BRANDIS—That is the whole point of what I asked you earlier. So you had gone through an exercise like this in relation to this area before, so you knew enough about this not to have to go to a third party, as it were, to check the factual assumptions. Is that right?

Mr Forner—Correct.

CHAIR—Can I interrupt for one moment. Senator Humphries has some questions, so I am proposing to give him five minutes at 25 past—just so that you are aware.

Senator BRANDIS—Mr Forner, after the hour and a half that you spent, you signed off on this, did you?

Mr Forner—Yes.

Senator BRANDIS—And you had no more participation in the costing exercise?

Mr Forner—Just the following day, on Monday—I just had another quick look at it.

Senator BRANDIS—And the person with whom you were working—they participated to about the extent that you did?

Mr Forner—Yes.

Senator BRANDIS—Thank you. Could I have to the table, please, the officer involved in the costings of the nation-building funds.

Dr Grimes—If I can clarify: this is a proposal that did not have costing associated with it.

Senator BRANDIS—All right. If there were no costings associated with it, I do not need to ask any questions about it. I have five questions to ask very quickly in relation to MYEFO. Who is the relevant officer for MYEFO?

Dr Grimes—You can try me in the first instance. If we have got a problem, we can look for another officer.

Senator BRANDIS—Can you confirm that the 2007-08 MYEFO was publicly released on 15 October 2007?

Dr Grimes—It was published around that time. I cannot confirm the exact date, but my recollection is that it was around that time.

Senator BRANDIS—Can I tell you it was.

Dr Grimes—I am happy to accept your word on that.

Senator BRANDIS—All right. You can.

Senator Sherry—Do we have the time on that—when it was released on that date? When you said the time, was it a reference to the date and/or the time?

Senator BRANDIS—The question was: can you confirm that the 2007-08 MYEFO was publicly released on 15 October 2007?

Dr Grimes—It is very much a public document, so it is a matter of public record when it was released.

Senator BRANDIS—It is. I am really asking that as a preliminary to give you some context. Can you confirm that the 2007-08 MYEFO was tabled on 2 September 2008?

Dr Grimes—I would not be able to confirm that. I do not know when that document was tabled.

Senator BRANDIS—You can take it on notice to satisfy yourself, but I can tell you that it was in fact tabled on 2 September 2008. Are you aware of the provisions of section 14 of the Charter of Budget Honesty Act?

Dr Grimes—I am aware that the Charter of Budget Honesty Act has certain provisions associated with it, yes.

Senator BRANDIS—Including time provisions—times by which the MYEFO is to be published. Is that correct? I have got it here.

Dr Grimes—I am aware in general terms that the act has times for the publication of key economic and fiscal outlook documents.

Senator BRANDIS—Does the fact that the government did not bother to release the 2007-08 MYEFO until nearly a year after the previous government released it not constitute a breach of section 14 of the Charter of Budget Honesty Act?

Dr Grimes—I would not be able to offer an opinion on that. I would have to take that on notice.

Senator BRANDIS—Given that the time limited by section 14 is six months and given that we know that 10½ months elapsed, I think we may say that—

Senator Sherry—Dr Grimes has indicated he will take the question on notice.

Senator BRANDIS—Thank you. Dr Grimes, given that the government has a record of dithering when it comes to MYEFO and the Charter of Budget Honesty—

Senator JACINTA COLLINS—The former government or the current government?

Senator BRANDIS—The current government, Senator Collins, the government in which you serve on the back bench—how seriously should we take the claims that this year's MYEFO will be released within the next month, as Mr Swan said on 15 October? Perhaps you might answer that question, Senator Sherry. Given your government's flagrant breach of its obligations under section 14 of the Charter of Budget Honesty Act, how can we take seriously Mr Swan's protestations that the MYEFO will be released in a timely fashion?

Senator Sherry—The Treasurer, Mr Swan, has indicated that it will be in the next month. That should not surprise you, Senator Brandis, given the extent to which the government has had to respond to the world financial crisis. We have just gone through in very great detail the elements of the fiscal stimulus package, and that indicates the extraordinary times in which we live, given the economic and fiscal circumstances—

Senator BRANDIS—Given that the government breached by more than 4½ months its obligations under section 14 of the Charter of Budget Honesty Act—

CHAIR—Thank you, Senator Brandis. The minister had not responded—

Senator BRANDIS—before the global financial crisis—

CHAIR—and at the conclusion of his answer we will be going on to Senator Humphries. Thank you.

Senator Sherry—If I could just conclude my answer: I do not accept your criticism and your polemic and your debating point. I do not accept it.

Senator BRANDIS—That is because you are—

Senator Sherry—Can I finish my answer?

Senator BRANDIS—completely blind to your government's obligations under the law, in particular, section 14 of the Charter of Budget Honesty Act.

Senator Sherry—I do not agree with your interpretation. The Treasurer has indicated when—next month—the document will be published. Given the current economic circumstances, I think that is perfectly reasonable, and I do not accept your criticism, nor your legal—

Senator BRANDIS—And you are prepared to give us an assurance—

CHAIR—Have you finished, Minister?

Senator BRANDIS—that the Treasurer's undertaking to the parliament will be honoured, Senator Sherry?

Senator Sherry—I will take that on notice. I will seek—

Senator BRANDIS—You have to take on notice whether or not you will give an undertaking that the Treasurer is lying to the parliament?

CHAIR—Thank you very much, Senator Brandis, for your contribution. Have you finished, because we had already indicated that we were going to Senator Humphries—

Senator Sherry—Thank you, Chair, but we just had a stream of allegations. I do not accept the critique, the legal interpretation, of Senator Brandis or the political commentary. I think he may have used some unparliamentary terms but, in the interests of time, I will not ask that they be withdrawn. I think that the Treasurer has done an outstanding job in the current economic and financial circumstances which this country faces, given the international turmoil. I think he has done an outstanding job.

CHAIR—Senator Humphries, you have three minutes.

Senator HUMPHRIES—Could I ask a question about travel by public servants on the Sydney to Canberra air route, please. Mr Grant, thank you. We had some dialogue in February estimates about the target the government set for 25 per cent of air travel to be on airlines other than Qantas. I was led to believe that there would be a report published on those outcomes. Can you confirm to the committee to what extent the target of 25 per cent has been met?

Mr Grant—For that first reporting period, 12 per cent was the rate achieved across the whole of government.

Senator HUMPHRIES—Given that that is less than half of the target that the government set and we have some departments which are achieving rates of non-Qantas use in the vicinity of six, five and one per cent, what is the government doing to lift the performance of the departments to meet the target the government has set?

Mr Grant—Departments also reported the reasons for not meeting their targets. My recollection is that the vast majority of those related to the best fare of the day. The circular 2008/01, which talks about official air travel on the Canberra to Sydney route, actually advises departments:

In seeking to meet the smaller airlines usage target, agencies must also consider the need to obtain the Best Fare of the Day ...

Obviously, we have spoken to the airlines. We have spoken to agencies, but it is up to the agencies to ensure that they balance their requirements in this area.

Senator HUMPHRIES—So are you saying that the ‘best fare of the day’ qualification to this policy means that you do not expect the government to be able to further improve that performance of 12 per cent on non-Qantas airlines?

Mr Grant—No, I do not. I think that what we have seen happen is that, with the entry of Virgin onto the market, competition has come to the market. I suspect that there will be movement, but I cannot anticipate what that is.

Mr Lewis—If I can just add to that: I do not have the details with me, but I believe that over the quarter there was an increase. There is 12 per cent on average, but month by month there was actually an increase. Obviously, we are tracking that quite closely over the current quarter as well.

Senator HUMPHRIES—The third quarter figures are not available yet, I take it?

Mr Grant—Not yet, no. It will be another month or six weeks before they are available.

Senator HUMPHRIES—Okay. I will watch them with interest.

CHAIR—Sorry, Senator Humphries, but your time allocation is something that you will have to negotiate in the future with your colleagues.

Mr Lewis—Madam Chair, can we just confirm where we are at this point in time against the schedule? At this stage, can we have the officials stand down from all those items leading up to the Future Fund Management Agency?

CHAIR—That is correct, yes. We will come back to the Future Fund Management Agency. Everyone else is free to go.

Mr Lewis—So we will take any questions for outcomes 2 and 4 on notice?

CHAIR—Any questions will go on notice, yes. Thank you very much.

Proceedings suspended from 6.31 pm to 7.31 pm

Future Fund Management Agency

CHAIR—Thank you and welcome back. We are now on the Future Fund Management Agency. Minister, do you have an opening statement?

Senator Sherry—No, I do not, Chair.

CHAIR—Does anyone else have an opening statement or comments?

Dr Watt—No.

CHAIR—That also helps us with time management. We will go to questions.

Senator FIFIELD—Mr Costello, to give you the opportunity as well—do you have an opening statement?

Mr Costello—Only to say, because I cannot sit on the table, that yesterday the minister for finance tabled the annual report for the Future Fund in the House with a quarterly update, so I was assuming that most of you would have had the opportunity to have had a look at that. Perhaps you will take your cue from that.

Senator FIFIELD—Thank you, Mr Costello. Well, interesting times indeed. You have a ringside seat on the events which are swirling around us, in one respect.

Mr Costello—Yes. So—really just for those who perhaps have not had the opportunity to have a look at this document and the quarterly update—we also provided our snapshot of how the fund has been travelling for the first three months of the current financial year. Perhaps I could just take a moment, if that would be all right, Chair, just to bring people up to date?

CHAIR—We would appreciate that, because most of us were here until 11 o'clock last night and I, for one, have not read it.

Mr Costello—Sure. As to the annual report: the results for the full financial year we released about a month ago, and you may have been aware that the return for the 12 months to June was just a little over 1½ per cent. Yesterday, in the update for the quarter, we advised that the first three months of this financial year have been much rougher for us. The return for the

quarter was minus 1.8. So, for the 15 months—the period over which we regard ourselves as having moved from essentially a cashed-up position, of the organisation being established—the return for the Future Fund dipped just below zero, to minus 0.2 per cent. We also, at that time, provided a snapshot of how the fund was positioned as at 30 September, and we were just a little over half in cash at the end of the last quarter.

The report also talks at length about the nature of the portfolio that we are building. It is really the first opportunity we have taken to describe the portfolio and the approach that we have taken to trying to generate the returns that the benchmark requires within what the mandate describes as acceptable and not excessive risk. So we, at some length, talk about how we have interpreted the long-term requirements, how we have interpreted acceptable but not excessive risk and, in particular, the kind of portfolio that we are building which we think will achieve those twin objectives.

Senator FIFIELD—Mr Costello, I note that the *West Australian* on Tuesday took a bit of an interest in your remuneration, which I will not go through in detail, but it puts your remuneration salary and performance related payments in the ballpark of \$1 million or so. It also goes on to observe that six other fund senior executives receive fixed salaries of between \$500,000 and \$170,000 and were paid bonuses of between \$273,000 and \$142,000. It goes on to note that the bonuses were primarily based on success in getting the fund operational and established, so congratulations for that. If you are looking to make a contribution—

Mr Costello—I will wait to see if there is a question in there.

Senator FIFIELD—I for one do not begrudge people being paid what they are worth and being remunerated on the basis of performance. I note that, after this establishment phase, those bonuses will be determined on the basis of the performance of the fund. Pick me up if anything is incorrect there, Mr Costello.

CHAIR—Is there a question there?

Senator FIFIELD—There is, but I am asking Mr Costello at the outset to just pick me up if that summation from the newspaper report is incorrect.

Mr Costello—This is an awkward issue for us but perhaps I should say that, while the *West Australian* assumed my own arrangements, they were not confirmed. That is an assumption on the part of the newspaper as to what my arrangements are as opposed to anything clarified with our organisation.

Senator FIFIELD—That is fine. Is there anything you wish to add to that other than to point out that they have made an assumption?

Mr Costello—No.

Senator FIFIELD—I am not seeking anything from you in relation to your arrangements. I have a question for the minister in relation to this. On Monday the Prime Minister indicated that he had had a ‘gutful of excessive executive salaries’. I hasten to add that I for one do not think that government should be in the business of capping or limiting what people are paid. They should be paid according to their worth and performance. Given that the Prime Minister has indicated he thinks that executive salaries are in many cases excessive, can you indicate what threshold the government has in mind for what constitutes an excessive salary and

would the salaries paid to staff at the Future Fund be what the government considers to be excessive salaries?

Senator Sherry—I will make a couple of points. I believe the Prime Minister's observations, particularly in relation to what we have seen in the recent events of the US, are totally appropriate. I was present at his speech to the Press Club last week when he made some comments about executive remuneration, particularly for financial institutions that have had to be bailed out, propped up and nationalised in the context of the United States. The Australian Prudential Regulatory Authority has been tasked with the work of examining this issue in the context of financial institutions—I make that observation. The second observation I would make, particularly in respect to the Future Fund, is that the Future Fund has a board of guardians—effectively trustees, if I can compare it to a superannuation fund, because they have very similar if not the same characteristics in most respects—who are independent trustees at arm's length. I do not believe any of them have been appointed by this government. They were appointed by the former government. They were tasked with independence and with criteria to make decisions in the best interests of the taxpayer in terms of the asset management of the fund and the various management issues, including salaries. Those guardians have made that decision. They are the two observations I would make.

Senator FIFIELD—I am in no way quibbling with the decisions of the guardians. It is not this side that raised the issue of executive salaries; it was the government that raised the issue of executive salaries. I was endeavouring to get a handle on what the government considered to be excessive executive salaries.

Senator Sherry—As I have indicated, APRA have been tasked because APRA have responsibility for prudential regulation of the financial sector. I can recall, in fact, the former Treasurer, Mr Costello, making critical comments on a number of occasions of some pay levels in the financial sector and not doing anything about it.

Senator FIFIELD—The former Treasurer would always indicate that he thought that that was a matter for shareholders to take up. I do not think he ever advocated government, in effect, setting the prices for executive labour.

Senator Sherry—I know we are pressed for time and we are getting into a debate. The point I would make is I can recall the former Treasurer saying a lot and doing nothing. The current Prime Minister has made a number of appropriate statements on the public record and tasked APRA as the prudential regulator of financial institutions to deal with the issue in detail, and APRA will do so.

Senator FIFIELD—We will wait and see what they do, if the Prime Minister does end up putting a number on what he considers to be excessive pay. Thank you, Minister. Mr Costello, if we could turn to the Future Fund itself. Clearly, you are operating in difficult and challenging circumstances at the moment. The performance of the fund, even though it has lost some value in the circumstances, it looks as though you are doing better than a lot of other funds.

Mr Costello—Thank you.

Senator FIFIELD—Are you able to provide any useful comparison for the committee as to how the Future Fund is performing compared to a similar fund?

Mr Costello—Yes, I am, although if I could preface that by saying that one of the decisions that we made as an organisation was that we would not run this fund with an eye on what might otherwise be regarded as other funds or use that as a benchmark. The key driver there was that we think our mandate is different and as soon as you accept peer risk then you are persuaded to some extent in setting a strategy by what other organisations do. With that caveat, I think the point has been made that the return of the Future Fund over the financial year of plus 1½ compared to an average return of about minus 6½. It is a little early in the quarter for the September quarter. Some of the major surveys have not yet published. One that we have seen suggested that the average balanced fund, perhaps a good proxy for ourselves, lost a little over three per cent for the quarter. As I say, with that caveat in mind, it gives some sense of how we are travelling. Of course, our portfolio is structured quite differently. As the annual report outlines, we are building a portfolio that will perform quite differently to the way that most superannuation funds are structured. That is something, as I say, we have taken quite a lot of care over the way we have explained that in the annual report, but I appreciate that you have not had the opportunity to read and consider that.

Senator FIFIELD—I am sure in some respects people do look to the Future Fund at a time like this and take confidence from how the fund is performing. Given recent global events, has there been any change to the fund's investment strategy or portfolio design?

Mr Costello—Perhaps if I start and David Neal, as the chief investment officer, may take over. One of the comments we have made, and again picked up in the document, is that, increasingly sensing the risk to equities—even though they are about one-third of this fund compared with perhaps closer to one-half or more for many—we slowed the rate at which we were buying equities last year. We still remain underweight at target allocation of around 35 per cent of the portfolio. So, definitely, we have been sensing some of the difficulty that the equity market was facing, and perhaps will continue to face. We are putting a lot of energy into ensuring that this organisation can take great advantage of its true competitive advantage, which is a very long period of time and an ability to stay the distance. We do not have demands on liquidity, as is well understood—there is no withdrawal from the fund for another 12 years. So our program is slanted slightly away from equities and much more to what we call in our annual report 'tangible assets'—areas like property and infrastructure, although we have been very slow in that area; we are going to wait for pricing to improve a little for an investor like us. But the biggest part of our program is what we have termed our 'debt portfolio'. So we have made large commitments to interest-bearing securities across a whole range of areas from the very, very safe through to some areas where there is some distress globally and we have decided that that represents a terrific return for the risk deployed. Is there anything, David, that you feel I have not added there?

Mr Neal—I think you have summed that up. We can talk in more detail if you would like, but I think that was a good summary. I do not have anything to add to that.

Senator FIFIELD—Thank you for that. Is the fund, given the current economic conditions, still on track to meet its target by 2020 to be able to satisfy unfunded superannuation for public servants?

Mr Costello—What I can say is that the organisation is absolutely on track to build a portfolio that will achieve that return, and it is particularly focused about the additional

requirement that we take acceptable but not excessive risk along the way. At this stage it is fair to say we are very focused on that. We think that, right now in this market, managing downside risk is the most important job that any investor has, as well as taking longer-term positions. I would like to say that as an organisation we believe we are on track. As I say, it is obviously 12 years until the day of reckoning. It is difficult to say much more than the fact that we are confident that the approach we are taking, the portfolio we are building and our ability to be flexible around that through time will ensure that this organisation delivers on its objectives.

Senator FIFIELD—Correct me if I am mistaken, but not too long ago you were projected to meet those liabilities ahead of schedule. Is that right?

Mr Costello—That is an issue that we generally leave for people who have more sense of the liabilities—we really just manage the assets. It is certainly true that comments were made based on the Future Fund perhaps continuously generating the target rate of return, so I think it would be a reasonable mathematical conclusion that not having delivered that return in the first year may alter those long-term projections.

Dr Watt—I think we can answer that question, Senator.

Ms Wilson—As at the results in the last budget papers our view is it is still on track to meet the target specified.

Senator FIFIELD—'On track'—but you would not go further and say the fund will get there before 2020?

Ms Wilson—I think it is still a long way to go; it is probably premature to say.

Senator FIFIELD—I appreciate that. I was just looking for a bullish call from you!

Dr Watt—There are not too many bulls around at the moment.

Senator FIFIELD—No. I am always searching. If we just turn to the HEEF, the Higher Education Endowment Fund, which I think is still in existence but not taking any more money: how has that performed since the recent troubles? I think it is primarily in cash or equivalent.

Mr Costello—It is. The HEEF operates under a mandate whereby the only assets that the board is able to invest the HEEF in are fixed interest securities with minimal risk of capital loss. That has obviously been an ideal strategy for any investment program. Money arrived in October and later in the year, so the return for the year was positive and essentially resembled the cash rate over that period, bearing in mind that the fund was not invested for a full 12 months. So it essentially achieved a little more than the official cash rate over that period.

Senator FIFIELD—So happy given the circumstances. It was fortuitous that that was the mandate for that.

Senator Sherry—Just for the record, could we have the figure?

Mr Costello—The report figure for the eight months that the HEEF was invested was 4.99 per cent last year. It is continuing to travel over this first quarter at exactly the same rate of return for cash.

Senator FIFIELD—What is the value of what is in the HEEF at the moment?

Mr Costello—It is \$6.366 billion as at 30 September.

Senator FIFIELD—And that will be rolled over fully into the Education Investment Fund?

Mr Costello—That is our understanding.

Senator FIFIELD—And the Education Investment Fund does not exist at this point in time?

Mr Costello—That is correct.

Senator FIFIELD—Has the investment mandate for that been determined yet?

Mr Costello—No.

Senator FIFIELD—Take me through where that is at. What is the timeframe? Is the Department of Finance and Deregulation doing that rather than the fund?

Dr Watt—It is being done in consultation with the fund.

Ms Wilson—The government is in the process of developing legislation, and it will be tabling it shortly, that goes to all those issues. It will be a separate investment mandate to that the Future Fund currently has.

Senator FIFIELD—And has the Health and Hospitals Fund been established as yet?

Dr Watt—No.

Senator FIFIELD—That is in the same camp—

Ms Wilson—That is right. All those new funds announced in the budget are due to be established from 1 January 2009, pending the passage of legislation.

Senator FIFIELD—And the development of investment mandates.

Ms Wilson—That is right.

Senator FIFIELD—Will each of those funds have their own independent investment mandate or will there be a common mandate for the three funds?

Ms Wilson—That is still subject to government consideration.

Senator FIFIELD—That is still to be determined. The government announced initially that the intention was to put \$20 billion into the Building Australia Fund. Is that correct?

Ms Wilson—That is right—\$20.1 billion.

Senator FIFIELD—And \$11 billion into the Education Investment Fund?

Ms Wilson—That is right.

Senator FIFIELD—That is in addition to the \$6-odd billion from the HEEF or does it include that?

Ms Wilson—It includes the \$6 billion from the HEEF.

Senator FIFIELD—It includes the HEEF. The Health and Hospitals Fund was to be \$10 billion.

Ms Wilson—That is right.

Senator FIFIELD—This is probably a question to finance rather than the Future Fund, but is it still the government's expectation that we will have that amount of funds put into those three?

Ms Wilson—The government indicated in its release of FBO at the end of September that it was investing those moneys in those funds.

Senator FIFIELD—Do you have a date for establishment of these funds?

Ms Wilson—1 January 2009, pending the passage of legislation.

Senator FIFIELD—Can you take me through what the sources of those funds is intended to be?

Ms Wilson—Sorry?

Senator FIFIELD—The source of those funds. Clearly, there is the \$6-odd billion from the HEEF, which is going into the Education Investment Fund. Where are the other amounts from?

Ms Wilson—If we start with the Education Investment Fund, there is \$6 billion from the HEEF and the 2007-08 budget surplus of \$5 billion. For the Health and Hospitals Fund, it is simply the budget surplus of \$5 billion.

Senator FIFIELD—So \$5 billion from 2007-08?

Ms Wilson—That is right. In relation to the Building Australia Fund, it is \$2.4 billion from the Communications Fund, which is closing down also, which was announced, contributions from the T3 sale proceeds of \$2.7 billion, plus the money announced following the 2007-08 FBO of \$7.5 billion.

Senator FIFIELD—\$7.5 billion.

Ms Wilson—In relation to the Education Investment Fund, I might have been talking to you about the full amount. What has been committed to the fund at the moment is \$6 billion from the HEEF and \$2.5 billion from the FBO announcement of the 2007-08 surplus.

Senator FIFIELD—To get those funds to a total of 20—

Ms Wilson—That total is about \$26 billion and then the government announcement at budget was \$41 billion.

Senator FIFIELD—To get the three funds to a balance of \$20 billion for the Building Australia Fund, \$11 billion for the Education Investment Fund and \$10 billion for the Health and Hospitals Fund from the 2007-08 final budget outcome, as you have mentioned, is it the intention that the balance of those funds then comes from the following financial year's surplus?

Ms Wilson—I think the government has indicated it would be looking to surpluses in the future.

Senator FIFIELD—So the 20, 11 and 10 for the three funds are more aspirations than commitments?

Dr Watt—They are two different things, aren't they? The government has already transferred or is in the process of transferring, as Ms Wilson said, some \$26.3 billion into the

funds. So that is there. The government has said that it will consider further transfers from the 2008-09 budget surplus. It has also indicated that that will be dependent upon the size of the surplus.

Senator FIFIELD—So, as I say, the previous announcement was that the Building Australia Fund would have \$20 billion, the Education Investment Fund would have \$11 billion, and the Health and Hospital Fund would have \$10 billion. That was an aspirational statement; it was not a commitment.

Dr Watt—It was dependent on the size of the surplus.

Senator FIFIELD—I just think that is probably something in the public mind of fine print, which was not fully appreciated. Dr Watt, do you have any confidence at all that those balances can get to \$20 billion, \$11 billion and \$10 billion after the next financial year?

Dr Watt—We have not produced revised budget estimates for the financial year 2008-09, so it would be premature. It would be premature for me to speculate about that in the absence of those.

Senator FIFIELD—Given that revised forecast, MYEFO will give us a reasonable indication as to whether it is even vaguely possible.

Dr Watt—MYEFO will follow its normal pattern. And, yes, we will include it in revised budget estimates.

Senator FIFIELD—Dr Watt, I want to follow-up Senator Brandis's question from earlier today. I think you were here when he asked whether MYEFO would be released within the statutory time frame.

Senator Sherry—No, he was not.

Dr Watt—I was not here.

Senator Sherry—Frankly, he can consider himself very fortunate, given the excruciatingly irrelevant detail we got into. I will try and resist the editorial. He was not here.

Senator FIFIELD—Dr Watt's presence is always in this room, though.

Dr Watt—That is very kind of you, Senator—

Senator FIFIELD—We could feel you.

Dr Watt—but entirely unnecessary. The statutory time frame for MYEFO—the one in the legislation—means that it has to be released before the end of January. I think that is the one in legislation. It is statutory. But I think the Treasurer has made a commitment to the timing of release.

Ms Wilson—Last week, with the package announcement, he said within the next month. That is my understanding.

Senator FIFIELD—We will look forward to that with bated breath. But you have to admit, Dr Watt, there is basically Buckley's of those three funds achieving the government's stated intention of 20, 11 and 10. We are among friends. There is Buckley's, isn't there, Dr Watt?

Dr Watt—I defer to the minister, Senator.

Senator Sherry—Your claim that there is Buckley's is just nonsense. You are just wrong. It is a political debating point. It has no—

Senator FIFIELD—We know that the surplus is going to be—

Senator Sherry—It has no basis in fact. If I could just conclude—

CHAIR—Do I have to remind people again not to talk over the top of one another? Senator Fifield, you asked a question. The minister is now responding.

Senator Sherry—The assertion made of Buckley's is just wrong. You cannot come to that conclusion on the basis of evidence before us as of today. It is an assertion and claim by you. It is a political debating point. The government has announced the balances it wants to see in the three funds that we have established. I see no good reason to come to a conclusion that that will not be accomplished.

Senator FIFIELD—That is despite the fact that we know that the budget surplus is certainly going to be half of what it is. There will be lower tax receipts. It is hard to see how the numbers will add up.

Senator Sherry—The forecast will be published in the next month. The updated MYEFO will be available in the next month, as the Treasurer has indicated.

Senator FIFIELD—We will wait and see. But it would be difficult, would it not, Minister—

Senator Sherry—You have gone from 'Buckley's' to 'it would be difficult'.

Senator FIFIELD—I am posing a totally different question.

Senator Sherry—I am sorry. I will let you finish.

Senator FIFIELD—That is okay. It would be difficult, though, Minister, if the budget surplus did not allow sufficient funds for, say, the Building Australia Fund to be a \$20 billion fund. It would be extremely difficult for the government to have an infrastructure program of the extent to which it has been promoting, wouldn't it?

Senator Sherry—You have gone from Buckley's to hypotheticals. We will see what the MYEFO holds next month. The Treasurer can provide appropriate comment when he releases the MYEFO. But let us wait for the updated figures before extravagant claims are made by the Liberal opposition.

Senator FIFIELD—I do not think they are extravagant, but I guess MYEFO will tell us. It will reveal all. Going back to the Future Fund itself, Mr Costello, has there been any capital invested into the fund since the change of government?

Mr Costello—Just before the end of the financial year there was a residual amount from the Telstra sale.

Dr Watt—That is correct.

Ms Wilson—The Telstra 3 sale proceeds on 25 June of \$3.9 billion.

Senator FIFIELD—Mr Costello, you are not aware of any proposals in train from government to access the capital of the fund?

Mr Costello—No.

Senator Sherry—There aren't any proposals. Full stop.

Senator FIFIELD—I am reassured to hear that. I would hate to have thought that there was anything in train, but it is always good to have that reaffirmed because, as we know, if it were accessed, that would have an effect on the future growth of the fund. Good: the government is not contemplating anything of that nature.

Senator Sherry—We are adding to the fund. We are building it to overcome the neglect in areas of infrastructure and education.

Senator FIFIELD—We are talking about the Future Fund here, Minister. We established the Future Fund—

Senator Sherry—We have added to the asset pool.

Senator FIFIELD—There is no Building Australia Fund as yet.

Senator Sherry—We are going to add to it.

Senator FIFIELD—That is right. You are going to add to the Building Australia Fund, which does not yet exist and of which there is Buckley's of achieving \$20 billion.

Senator Sherry—We are adding to the Future Fund and the investment pool. We are not withdrawing from it.

Senator FIFIELD—That is very good. Mr Costello, I am sure we have asked this before, but just to refresh my memory: what is the fund's position on voting at AGMs of companies in which it has investments? My memory is that the fund chooses not to.

Mr Costello—No. It is quite the contrary. The fund would see that as an important part of ownership of stakes. This is a process which, in our own organisation, is continuing to be discussed to settle on perhaps a more permanent arrangement. Certainly at present, all of our managers through whom we purchase securities are given—after our being satisfied that their approach to voting is consistent with the principles that our own board has adopted—that delegation. I think over time we will continue to review this issue and determine where we go with it, but our present approach is that that is delegated through managers. We overview that process through our electronic records maintained by our back office.

Senator FIFIELD—Are there any circumstances that you can envisage where the fund would decide not to exercise its right to vote at an AGM?

Mr Costello—I would have to say that that is not an issue that we presently face, so it would be difficult to hypothesise about what kind of circumstance that would be.

Senator FIFIELD—Okay. But the fund would not always necessarily exercise that right.

Mr Costello—It is fair to say that we would maintain the option not to, but our position is that as a general rule votes should be exercised. Certainly, to date we have not made any decision to expressly instruct that no vote be lodged.

Senator FIFIELD—This is a question to the department. The investment mandate has not been determined for the three funds that are yet to be established and I think I found no joy last time we were together in this format asking about whether the government has yet

established criteria for the drawing down of money from those three funds. Are you able to help at all, Dr Watt?

Dr Watt—I am not quite sure what you mean by ‘criteria’.

Senator FIFIELD—Well, the criteria for determining what those funds will be spent on, which would determine when funds were drawn down.

Dr Watt—Those criteria are still being developed by the various boards of the funds as they are being established. They are setting the investment criteria.

Senator FIFIELD—Yes. They are setting the criteria.

Dr Watt—Sorry, they are setting the decision making criteria for projects. We need to be clear on what investment criteria. We have an investment mandate for looking after the money; we have investment criteria for spending it.

Senator FIFIELD—In terms of what the money is spent on.

Dr Watt—That is right. If my recollection serves me correctly, there is an overarching framework being set by the finance minister and the Treasurer in consultation to set some overarching principles for those criteria, with individual criteria being worked up by the individual boards. In the case of Investment Australia, which is the board for the Building Australia Fund, that is sure to be well advanced. The other are probably not quite as well advanced.

Senator FIFIELD—Let us just take Investment Australia. Investment Australia will make recommendations to government but Investment Australia will not make decisions as to which infrastructure projects go ahead.

Dr Watt—It will make recommendation to the minister, I think is the best way to put it, who in turn will make them to government. It will suggest priorities but it will be up to the government to decide on those final decisions.

Senator FIFIELD—Will the recommendations of Investment Australia’s priorities be made public?

Dr Watt—I do not know the answer to that, Senator.

Ms Wilson—My understanding is that the minister is advised and then the minister will bring them forward for cabinet consideration..

Senator FIFIELD—So the intention is that the Australia public at no stage will ever know what the recommendations of Investment Australia are?

Dr Watt—I am not quite sure that we said that.

Senator FIFIELD—It sounded to me like it would be advice to the minister who would then take a cabinet submission forward, and we all know what ‘advice to the minister’ means—it means that in forums such as this we are told, ‘No, sorry, you can’t know; that is advice to the minister.’

Dr Watt—I do not know what process the advice to the board is going to be handled through. They will provide advice to the minister. Whether the government chooses to make that advice public or not, I do not know.

Senator FIFIELD—We might ask the minister. Minister, can you guarantee that the recommendations and prioritisations of bodies such as Investment Australia will be made public so that there is transparency?

Senator Sherry—The process has not been concluded yet. I am happy to take it on notice and take it up with that minister.

Senator FIFIELD—If you could it would be appreciated because these are significant funds that we are talking about. Fingers crossed—the budget surplus is decent and there is \$20 billion in the Building Australia Fund. \$20 billion is a not insignificant figure, and for there to be no transparency—no public disclosure—as to the priorities as determined by Infrastructure Australia would be disturbing. So if you could take that on notice that would be appreciated.

Senator Sherry—I will take it on notice. \$20 billion is a significant amount of money, but it needs to be, given the neglect of the last 11½ years.

Senator FIFIELD—And given the neglect of state and territory Labor governments around Australia, who I think most Australians assumed had the prime responsibility for infrastructure.

Senator Sherry—And if you believe that, you had an option to do something about it, and you chose not to. We do.

Senator FIFIELD—We are still federalists at heart in our party! Senator Bernardi and Senator Ryan, isn't that right.

Senator Sherry—Did you say centralists or federalists!

Senator FIFIELD—Federalists!

Ms Wilson—Can I just clarify for the record that it is Infrastructure Australia rather than Invest Australia. I think we have all been saying it a few times.

Senator FIFIELD—Thank you for that. Turning to the Education Investment Fund, Dr Watt, will there be a similar body to Infrastructure Australia that will prioritise and determine investment criteria?

Dr Watt—That is correct. Indeed the initial consideration is being done by the existing board. There is already a board in place for the HEEF and that will play the role of an interim board for the new EIF.

Senator FIFIELD—So we know who the people on that are because they are already there?

Dr Watt—I do not know who they are but I believe their names are public.

Senator FIFIELD—And Infrastructure Australia, their membership has been announced?

Dr Watt—The board is established. Yes, I believe that membership has been announced.

Senator FIFIELD—And for the Health and Hospital Fund there will be a similar body?

Dr Watt—There will be a similar body but the board is not established yet.

Senator FIFIELD—For these three funds, the aim is that they will be established on 1 January 2009?

Dr Watt—Subject to legislation.

Senator FIFIELD—I have a recollection from last estimates that there were some constitutional matters raised in relation to the ability to establish those funds?

Mr Greenslade—I believe you might be referring to sections 81 and 94 of the Constitution, which go to surplus revenue.

Senator FIFIELD—Surplus revenue—unappropriated defaults of the states. It was something along those lines.

Mr Greenslade—Yes, I believe that is what you are referring to.

Senator FIFIELD—Has there been a resolution to those matters?

Mr Greenslade—The legislation we have brought forward should, and in developing that legislation we have taken legal advice as appropriate on matters such as that.

Senator FIFIELD—So the funds will be established on 1 January 2009. We still do not have the investment mandates for any of these three funds, we still do not have the investment criteria for any of these three funds and we still do not have a commitment that the prioritisation of projects by the boards overseeing these three funds will be made public. Can the minister or Dr Watt give an indication as to when the investment criteria will be public and when we will actually get to see the legislation? The clock is ticking for 1 January 2009. We are well into October.

Dr Watt—I think you are going to see legislation very shortly for the establishment of the three funds—almost within a few days, I think.

Ms Wilson—This week.

Dr Watt—This week, even better. So that is the legislation.

Senator FIFIELD—It is going to be a very big month. We are going to get the legislation for these three funds, we are going to get the investment mandates, the investment criteria, and we will also get MYEFO so we can find out if there is actually enough cash to give full effect to these.

Dr Watt—I am not sure you are going to get the investment mandates quite as quickly as this month, and nor am I sure that MYEFO comes in this month.

Senator FIFIELD—It is wishful thinking that the Treasurer might beat his own deadline.

Dr Watt—He may.

Senator Sherry—I will just make one point, Senator Fifield. I am not accusing you of plagiarism but I can recall asking almost identical questions when the original Future Fund was created! The point I would make is that your government met its deadlines and our government will be meeting its deadlines.

Senator FIFIELD—That is grand to hear. Although one difference is that, when we set up these funds, such as the Future Fund, we never proposed touching the capital. We are pleased that you are sticking to that, at least with the Future Fund. It will be a big month, and we look

forward to getting the answer to that final question—the investment mandate and the investment criteria; what the funds are actually used to build. When are we likely to have those?

Dr Watt—I think we can give you some advice on the mandate.

Mr Greenslade—The mandate has to be in place by 1 January so that the Future Fund have guidance on how to invest the moneys, and we will be going through a process to achieve that.

Dr Watt—The criteria are not within the keeping of the Department of Finance and Deregulation. I am afraid we are less able to provide guidance on when they will be available.

Senator FIFIELD—I have one last question. Mr Costello, does the fund have any preference for whether there should be a common mandate for the three funds or an individual mandate for each fund?

Mr Costello—We would comfortably manage either. Clearly, the new funds will be managed alongside the Future Fund asset, so either approach would be completely able to be accommodated by our organisation.

Senator FIFIELD—I will prove myself a liar one more time—this really will be my final question, Minister! This does get close to being a hypothetical question, but I am sure you will allow it. Should the budget surplus not be what might be hoped and there not be the capacity to put each of the three funds at the promised levels of 20, 11 and 10 but there be sufficient funds to go a little bit further towards those targets, which fund would be prioritised over which funds, if that were the case—if you had some surplus money to put in but not all that you had hoped?

Senator Sherry—That is a totally hypothetical question, Senator Fifield.

Senator FIFIELD—It is a good one though.

Senator Sherry—I have responded earlier with respect to the commitments the government has given. That has been outlined, and I see no reason at this point in time to come to any conclusion other than the announcements that have been made. There is one point of fact—it is not a particularly political point—given that it is your last question. I am looking at page 29 of the report and the investment costs. Perhaps this is more an observation for the superannuation industry in the wider world. I make the observation with the caveats that the Future Fund obviously does not have a retail administration arm and approximately 50 per cent of its investments are in cash. But the extraordinarily low investment costs of this fund are 0.103 per cent of average assets. I would certainly like to see a few superannuation funds aspire to reaching this level of fees and charges. It is very impressive and, having read that, I want to congratulate the representatives of the Future Fund and their staff for doing such a—

Senator Cameron interjecting—

Senator Sherry—Yes, he did come from an industry fund. I was not going to make that observation, Senator Cameron, but obviously the cost control on investments is fantastic. I will be following this with interest and tracking and comparing it to other funds, albeit the caveats that I mentioned.

Senator FIFIELD—As frugal as the Salvation Army! Well done, Mr Costello.

CHAIR—As there are no other questions, I thank the minister, Dr Watt, Mr Costello and the other staff. Thank you very much for attending today.

Dr Watt—Thank you, Madam Chair.

CHAIR—We will see you next time.

Dr Watt—You will indeed.

Proceedings suspended from 8.19 pm to 8.23 pm

Human Services Portfolio**In Attendance**

Senator Ludwig, Minister for Human Services

Department of Human Services**Core Department—Outcome 1, Output 1**

Ms Helen Williams, Secretary
Ms Kerri Hartland, Deputy Secretary, Technology and Corporate
Mr Jeff Pople, Acting Deputy Secretary, Delivery Policy and Compliance
Mr Chris Dainer, First Assistant Secretary, Chief Finance Officer
Mr Alex Dolan, First Assistant Secretary, Employment and Compliance
Ms Jenny Thomson, Acting First Assistant Secretary, Families and Income Support
Mr David Trabinger, First Assistant Secretary, Health and Customer Access
Ms Marie Johnson, Chief Technology Architect
Dr Joe Smith, First Assistant Secretary, Corporate Operations
Mr Patrick Hadley, First Assistant Secretary, Chief Information Officer
Ms Kathryn Johnson, General Counsel

Child Support Agency—Outcome 1, Output 2

Mr Matt Miller, General Manager
Ms Jennifer Cooke, Deputy General Manager, Service Delivery
Ms Samantha Palmer, Deputy General Manager, External Relations, People and Assurance
Mr Trevor Sutton, Deputy General Manager, Change Program
Mr Bruce Young, Assistant General Manager, Enforcement Service
Ms Mary O'Hanlon, Assistant General Manager, Child Support Scheme Reforms

CRS Australia—Outcome 1, Output 3

Ms Margaret Carmody, General Manager
Mr Carl Princehorn, Deputy General Manager, Service Delivery
Mr Michael Robinson, Deputy General Manager, Corporate

Centrelink—Outcome 1, Output 1.1

Mr Finn Pratt, Chief Executive Officer
Ms Carolyn Hogg, Deputy Chief Executive Officer
Ms Aurora Andruska, Deputy Chief Executive Office, Clients, Capability and Corporate, Centrelink
Mr Grant Tidswell, Acting Deputy Chief Executive Officer, Customer Service, Centrelink
Mr Trevor Burgess, Chief Financial Officer, Centrelink
Ms Karel Havlat, National Manager, Centrelink
Mr Brendan Jacomb, National Manager, Centrelink
Mr Darren Box, General Manager, Centrelink
Mr Hank Jongen, General Manager, Centrelink
Ms Natalie Howson, General Manager, Centrelink
Ms Mandy Ritchie, General Manager, Centrelink
Mr John Dorian, Acting General Manager, Centrelink
Mr Paul Cowan, Acting General Manager, Centrelink

Mr Peter Cornish, National Manager, Centrelink
Ms Vicki Beath, Acting General Manager, Centrelink
Ms Kate Hay, National Manager, Centrelink
Ms Cathie Butz, Acting National Manager, Centrelink
Mr Peter Searston, Acting General Manager, Centrelink
Mr Graham Maloney, National Manager, Centrelink
Mr Brendan Sargeant, General Manager, Centrelink
Ms Catherine Rule, Acting General Manager, Centrelink
Mr Gary Dunn, General Manager, Centrelink
Mr Tuan Dao, Acting Deputy Chief Executive Officer, Centrelink
Ms Helen Skrzeczek, Acting General Manager, Centrelink
Mr Eija Seittenranta, General Manager, Centrelink
Mr Trevor Jones, National Manager, Centrelink
Ms Tracey Thomas, Centrelink

Medicare Australia—Outcome 1, Output 1.1

Ms Catherine Argall, Chief Executive Officer
Ms Philippa Godwin, Deputy Chief Executive Officer
Ms Rona Mellor, Deputy Chief Executive Officer
Mr David Hancock, Acting General Manager, PBS and Aged Care
Ms Jenny Benjamin, Acting General Manager, Medicare and Associate Government Program
Ms Sheila Bird, General Manager, Medicare and Associate Government Program
Mr Colin Bridge, General Manager, Program Review
Ms Ellen Dunne, Executive General Manager, Public and Provider Services
Mr Mark Jackson, Executive General Manager, Business Solutions and Operations
Mr Graham Gathercole, Acting General Manager, Information Technology Services
Ms Lynne O'Brien, Chief Finance Officer

Australian Hearing

Mr Steven Grundy, Acting Managing Director
Ms Margaret Dewberry, Executive Manager, Indigenous and Multicultural Services

Health Services Australia

Mr Stan Macionis, Managing Director
Mr Peter O'Keeffe, Chief Corporate Services

Department of Human Services

CHAIR—I welcome the Minister for Human Services, Ms Williams and other officers of the department. Minister, do you have an opening statement?

Senator Ludwig—No, I do not have an opening statement, although I do want to say briefly that we have a new CEO for Centrelink, Mr Finn Pratt. I just want to congratulate him and indicate to the committee that he is an excellent appointment as the CEO of Centrelink.

CHAIR—Thank you, Minister. Ms Williams, do you have any comments?

Ms Williams—No, thank you, Chair.

CHAIR—We will move to general questions.

Senator RYAN—I have a couple of general questions to start, Minister. Has anyone in the department received any media or presentation training or coaching this year from an external source or trainer?

Ms Williams—No, they have not.

Senator RYAN—And that would include no training with respect to preparation for Senate estimates committees?

Ms Williams—Sorry, I will just check.

Senator Ludwig—When you say ‘the department’, that is the—

Senator RYAN—The Department of Human Services.

Ms Williams—The managing director of the Child Support Agency, which is part of the department, has had one hour of coaching.

Senator RYAN—And that is not with respect to Senate estimates; that is just general media or presentation coaching?

Ms Williams—Yes.

Senator RYAN—Would it be possible to provide the committee either now or, most likely, on notice with a list of the top five program overspends within the portfolio since the election and the quantum of the overspend for each of those programs?

Mr Dainer—We have the Job Capacity Assessment program in the department. That is not overspent. And we have run a surplus on our departmental account. So the answer is that we do not have any overspends.

Senator RYAN—Would it also be possible to provide the committee with a breakdown of all the reviews, inquiries and such that have been conducted in the portfolio area that have been announced since the end of last year?

Senator Ludwig—There is the Job Capacity Assessment. The submissions are on the web that have been released. So there is one.

Senator RYAN—What is the reporting date? Is it still underway?

Senator Ludwig—It is still being considered by government.

Senator RYAN—I only have questions now for the Child Support Agency.

CHAIR—As there are no further general questions, we will move to output 1, Core department.

[8.27 pm]

CHAIR—As there are no questions on output 1, we will go to output 2, Child Support Agency.

[8.27 pm]

Child Support Agency

Senator BOYCE—I want to particularly ask about the changes with the way that child support has been paid. We have 1.4 million parents involved in what is a fairly massive

change. Could you just run me through, from the agency's perspective, how that has gone, what met expectations and what did not.

Mr Miller—I think on any analysis the implementation of the new Child Support Scheme has gone relatively well, as reflected by the number of complaints from parents; the numbers of objections to decisions; and the market research, which indicates relatively strong support by both paying and receiving parents for the new scheme and the way it is being implemented. So, from a customer perspective, I think the scheme implementation has been successful. The CSA staff have been afforded an enormous amount of training. Whilst in implementing a massive change of this size there will be some hiccups along the way, it was a relatively seamless transition on 1 July this year.

Senator BOYCE—Can you talk me through some of this enormous amount of training? What has that involved?

Mr Miller—The training has been undertaken most intensively, really, over the period in the latter half of last year and the first six months of this year but is ongoing, with an investment of half a day per month per employee currently.

Senator BOYCE—For all employees or just those who are taking—

Mr Miller—For all employees, on average.

Senator BOYCE—All employees?

Mr Miller—Yes. That is a commitment that has been made not just in respect of the implementation—

Senator BOYCE—So that is, what, 3½ thousand you have, isn't it?

Mr Miller—Yes. We will average 3½ thousand staff this year, so there are many thousands of hours of training that have been done in the lead-up to the implementation, and certainly that has been one of the factors that have contributed to a smooth implementation.

Senator BOYCE—And who is conducting this training?

Mr Miller—It is being conducted by staff within the agency who are dedicated to conducting this training.

Senator BOYCE—And it is in-house training?

Mr Miller—It is in-house training.

Senator BOYCE—I had been going to ask you how you coped with what is a fairly massive change at the same time that you had a drop of, I think, around 400 in your staff, and whether that had stuck. So, given that you are now telling me that we have half a day a month out for training of staff, what are your current staff numbers? Have you maintained the budget estimates expectations?

Mr Miller—Are you referring to the current financial year or the previous financial year?

Senator BOYCE—Well, the budget said that your staff would go from 3,930 to 3,520. Where is your staff at, at the present time—say, as at 30 September?

Mr Miller—I will just try and find the exact numbers for you, but the approach has been one of reducing staffing by 400 this year through a process of natural attrition, and we are currently slightly ahead of our forecast position in respect of that.

Senator BOYCE—So, when you say ‘slightly ahead’, you mean you have got slightly lower numbers than you anticipated?

Mr Miller—Correct. So the rate of attrition is marginally ahead of where we needed to be to achieve an average staffing level of 3,520.

Senator BOYCE—So are you able to give me the numbers?

Mr Miller—At the start of July we started with 3,769 FTE, and at the end of August we were at 3,575, and we have an ASL for the year of 3,520.

Senator BOYCE—Yes, that is what I have got here. Well, I continue to be amazed at the ability of the departments and agencies to undertake massive amounts of work within the sorts of capacity restraints that they have, but congratulations on that one! I would just like to go back to the complaints and objections that you have had around the changes. Could you tell me a bit about those, please.

Mr Miller—Certainly. In the financial year 2007-08, we had 10,347 complaints compared to 9,151 in the previous financial year. That reflects, obviously, an increase of 13 per cent in complaint levels. But I would point out that that reflects the fact that we have written to virtually all of the approximately 1.5 million separated parents out there, so there has been a lot of customer interaction in a very compressed time frame and we believe that the level of complaints being experienced—albeit only 13 per cent above the previous financial year—reflects that much greater customer interaction.

Senator BOYCE—And you have used the same definition of a complaint or objection as in the past? Is there a difference? You talked before about complaints and objections—is there a distinction?

Mr Miller—Yes, there is. Objections for the financial year totalled 19,108. But of greater significance, I think, is the fact that there are two sorts of objections: what we call ‘change of assessment objections’, which really are just specialised child support assessments, so I do not believe they are valid; they are a process—

Senator BOYCE—So they are an administrative sort of thing—a legalistic process?

Mr Miller—Yes. The other part of it is general objections, which numbered 14,224, compared to 12,822 the previous year. So on both fronts you can see a small increase in both the number of complaints and the level of general objections. Again, we would contend that that is quite understandable, given the level of change and the customer interactions that there have been over a relatively compressed time frame of six months.

Senator BOYCE—There have been a number of media reports about sole parents, particularly single mothers, who have received less through family support than they did in under the old system. I would have thought that they would have been the ones most vociferously objecting or complaining. Is that the case?

Mr Miller—I do not have a breakdown as to whether those complaints were from receiving or paying parents.

Senator BOYCE—You must break them down into some sort of subsets for analysis purposes—is that correct?

Mr Miller—I would need to take on notice whether we do break them down.

Mr Sutton—Yes, we do break them down into receiving and paying parents.

Senator BOYCE—Can you give me any information about the level of complaints that came from each group?

Mr Sutton—Not at this moment.

Senator BOYCE—If you could take that on notice that would be good. Also, if you could categorise the complaints and objections by type, I would find that useful.

Mr Sutton—Yes.

Mr Miller—If I could add to my answer previously and note that the level of complaints and objections are more directed at the way the services have been delivered and the impacts of the new scheme. There are clearly very low numbers of complaints about the fairness of the new system.

Senator BOYCE—The substance of the new system?

Mr Miller—Yes.

Senator BOYCE—I would have thought that there would be some people who receive information from Child Support Agency saying, ‘You’re going to get paid less,’ and would pick up the phone and ring you, or have you got Centrelink’s number on the letter instead?

Mr Miller—No. We actually did get a very large number of calls but, interestingly, as I have provided with those statistics, the number of complaints and the number of general objections is only marginally above, on a year-to-year basis, what we experienced in the financial year previously

Senator BOYCE—The number of complaints you gave me include the people who rang and said, ‘This isn’t fair; you’re not giving me enough money.’

Mr Miller—It is total complaints received.

Senator BOYCE—I note some research from Child Support produced on 5 October says that people had more positive attitudes about separation and life after separation, and then more research produced on 16 October says that people had more business-like dealings with their separated spouse or partner than they had had in the past. Are we looking at numerous research reports or one research report?

Mr Miller—My understanding of the questions you are alluding to really relate to some market research that has been undertaken longitudinally over 18 months, probably closer to two years, and that research covers a lot of questions, some of which I believe you have referred to. I might ask, if I may, the deputy general manager for external relations to provide more details to your question.

Senator BOYCE—Longitudinally, over the past two years?

Ms Palmer—We have been undertaking tracking research with 300 paying parents and 300 receiving parents. We have done four waves of tracking research. We started in May 2007 and our most recent wave was done in August 2008, after the first transfers of the new scheme had occurred.

Senator BOYCE—Were the four waves conducted in that period?

Ms Palmer—Yes.

Senator BOYCE—300 of each sort of parent, for want of a better term, each time or the same 300 each time?

Ms Palmer—Yes. That is a very good question. It is 300 paying parents and 300 receiving parents, randomly selected, each time we do the survey, so they are not the same parents recontacted each time; they are separate parents taken from our database each time.

Senator BOYCE—Who has conducted that research?

Ms Palmer—That research was conducted for us by the Open Mind Research Group, which won the tender to do that work at the commencement of the campaign.

Senator BOYCE—Is that research publicly available?

Ms Palmer—That research is being released component by component as we go through the year.

Senator BOYCE—We are up to component 2 at the moment, are we?

Ms Palmer—We have released a number of components at the moment. The minister released some research about attitudes around the Child Support Scheme and also our compliance program at the Child Support National Stakeholder Engagement Group meeting on 9 October. We have had a number of other components released to the media since then.

Senator BOYCE—Was the initial purpose of this research to ascertain attitudes around the child support payments change?

Ms Palmer—Basically, the research did a number of things. The first thing we wanted to do was to benchmark back in May 2007, before we had commenced communicating with our customers, around the range of activities around the scheme, so we were looking for their level of awareness and their level of attitude to particular statements. We were also measuring their knowledge of components of the scheme so we could track over time whether their knowledge was increasing. We also measured customer contact activity—for instance, whether they would be contacting us if we asked them to. We asked them a number of other questions along the way about their demographics so that we could assess those against the other questions as we went along.

Senator BOYCE—One of my initial concerns about that had been wondering how statistically sound a sample of 600 out of 1.4 million was. How constrained to that figure were you by a budget?

Ms Palmer—That figure gives us a 95 per cent confidence interval, which is a reasonably high confidence interval and is the standard for doing large population surveys.

Senator BOYCE—I want to move on. We had a media release from the minister in June saying that there was \$1 billion owed in child support and that the government was going to get tough about that. Could someone tell me a bit about what that campaign involved?

Senator Ludwig—I can start. Most parents, of course, do the right thing; I think that needs to be said at the outset.

Senator BOYCE—\$1 billion suggests that quite a few people have not done the right thing, though, doesn't it?

Senator Ludwig—As I was saying, there are parents who try to unfairly advantage themselves through inaccurate income reporting or nonpayment. There are those who do that, and we do pursue those. The new Child Support Scheme, which was finalised on 1 July, is fair, and parents should meet their obligations—in fact, they must meet their obligations. As part of our compliance strategy, we are targeting those who avoid paying for their children's support. The Child Support Agency compliance program has reviewed something of the order of 354,634 customers with outstanding child support payments since July 2006, including lodgement, enforcement and referral to the Australian Taxation Office. It generated something in the order of \$119.21 million to be provided to support Australian children and resulted in the lodgement of 184,000 tax returns. We need the tax return, clearly, to be able to provide that assessment. 115,156 customers generated \$38.97 million in collections.

Senator BOYCE—From when are the figures that we are talking about at the present time?

Senator Ludwig—They are the ones that we have been working within.

Senator BOYCE—Yes, but we had \$1 billion outstanding in June. I think the figures that you are telling me about now are probably more related to the 20 October statement talking about a special program to collect \$28 million.

Senator Ludwig—You said there was \$1 billion outstanding and you asked what we were doing about it. I have been going through some of the things we have been doing. Every child support case is unique and some have proved more difficult than others to resolve. We are also undertaking optical surveillance of suspected income minimisers, who are working but not declaring their income. That is one initiative we are piloting. There are those who do seek to avoid their financial obligations. The CSA has the power to issue departure prohibition orders, which affect overseas travel. We can use that as a compliance—

Senator BOYCE—That was a case study that you mentioned.

Senator Ludwig—Yes. There was \$28.1 million in intensive debt collection in the last financial year as well. We also use data-matching technology provided by the Department of Immigration and Citizenship to target non-paying parents. We also have an understanding with ITSA, the Insolvency and Trustee Service Australia, to assist in compliance activity. If people have not paid their debts then ITSA can institute proceedings on our behalf. That is a broad overview. I might get the general manager to provide a more detailed account.

Mr Miller—As at 31 August this year, the outstanding child support payments amount to \$1.004 billion. That is comprised of \$768 million in domestic debt and \$236 million in outstanding child support relating to international cases. The growth area in that debt is

principally attributable to a very significant growth since 2004 of \$140 million in international child support debt, reflecting the greater degree of difficulty in actually collecting international child support debt rather than domestic debt. Domestic debt has only increased by something like two per cent in 2004.

Senator BOYCE—The total amount has increased?

Mr Miller—Yes, of domestic debt. Apart from the responses referred to by the minister which included a range of new compliance and enforcement strategies, which have been very successful, we have had more than 400,000 customer actions involving the collection since 1 June 2006 of \$140 million extra in child support as a result of the compliance and enforcement program that was convinced them. In addition to that, we are looking at strategies that will enable us to make a bigger impact on that growing international child support debt.

Senator BOYCE—I would imagine there are a certain number of recruits ready to volunteer to take on the task?

Mr Miller—If you are alluding to overseas travel, that was not one of the strategies that we had in mind! We have done some internal workshopping and developed, and are considering currently, responses around short-, medium- and long-term responses to how we might tackle international debt. As you are probably aware, we already undertake fee-for-service work with New Zealand.

Senator BOYCE—New Zealand presumably would be one of the largest depositories, for want of a better word?

Mr Miller—The case load with New Zealand both ways is the greatest of all the countries. We have worked very closely with New Zealand Inland Revenue, where we also have a fee-for-service arrangement because of the number of New Zealand paying parents in Australia for whom we are undertaking compliance and enforcement work to remit money back to New Zealand.

Senator BOYCE—Are you able to tell us about some of those other strategies that you are employing elsewhere?

Mr Miller—They relate to how we can better trace in the international environment—particularly to try and find some of the paying parents who are overseas when the receiving parent remains in Australia. We have, obviously, the long-term strategies around the Hague convention; something like 80 signatory countries over the next two years will sign, we expect, this international convention, which should improve the cooperation on and the operation of child support transfers internationally. But there are a range of other things for which I do not have the details with me—although I might be able to quickly find them—where we are looking to, for example, increase the number of cases that we are able to transmit overseas for registration by those overseas countries.

Senator BOYCE—For collection?

Mr Miller—For collection. We are, nevertheless, to some degree at the mercy of our international counterparts, in terms of the priority that they afford Australian cases relative to their domestic cases.

Senator BOYCE—You make me feel, Mr Miller, that I should enquire about that—about what constraints there are.

Mr Miller—The constraints go—

Senator BOYCE—Are they cultural or budgetary?

Mr Miller—In many cases, for example in the US, they have very much a court based system, and it is very much driven by state and county government over there. So it is a very diffuse system. You do not have a central clearing house, a central authority, in the US. So you can imagine some of the complexity in dealing with this at county level within the US, with the size of that economy, and trying to get child support. And, I reiterate, it is a court based system rather than an administrative system.

In the UK, the recovery of international child support debt is not part of the remit of the child support agency. There is a quite separate agency involved in the UK, and I guess managing some of these relationships from afar is more problematic obviously than being able to deal with local child support recovery.

Senator BOYCE—So what is your target? Have you set yourself goals in terms of how much you are going to claw back this year or next year?

Mr Miller—I might just add, before I answer that question: we have just finished, and the recommendations I was alluding to, which are still being worked on, flowed from an international debt summit that we held in Hobart probably six weeks ago. In terms of targets for debt reduction, we have yet to set some targets for the reduction in the international levels of outstanding child support payments.

Senator BOYCE—What about domestically?

Mr Miller—Domestically, we have been working to bring the levels back down below the levels that there were. In the short term, our immediate targets are to reduce them down to the sorts of levels that we had at the start of the previous financial year.

Senator BOYCE—So you are trying to get back to where you were in July 2007—is that right?

Mr Miller—Yes, and I will talk to one of the issues that we have had in respect of the implementation of compliance and enforcement. The minister referred to the success, for example, of tax lodgement enforcement and income minimiser investigations. One of the impacts of that work and the success in that space has been to raise the level of child-support liability. So we have a situation where, by getting more people, for example, to lodge their tax returns, we get much higher child-support liabilities due and payable. You then have the issue of how much of that you can recover. So, in part, the level of outstanding child support is being driven by getting greater certainty about what child support is owed, because, for example, we are forcing people to lodge tax returns that have been outstanding for many years. And, as the minister alluded to, we have had 363,000 customers referred for lodgement over the last two years.

Senator Ludwig—What we can also indicate is that, as at 30 September 2008, the compliance program has resulted in an additional \$130.7 million being returned to Australian children, compared with an expected \$109 million.

Senator Ludwig—What we can also indicate is that, as at 30 September 2008, the compliance program has resulted in an additional \$130.7 million being returned to Australian children, compared with an expected \$109 million. For the project, if we look at tax return lodged, the expected return as at 30 September 2008 was \$8.46 million and the actual return was \$44.23 million. For the departure prohibition orders, or DPOs, the expected return was \$13.78 million and the actual return was \$7.41 million.

Senator BOYCE—So that return was less than we expected?

Senator Ludwig—For the litigation, the expected return was \$18.89 million and the actual was \$20.09 million.

Senator BOYCE—Is it possible to table that document?

Senator Ludwig—I might take that on notice; we might just check first.

Senator BOYCE—What is the document?

Senator Ludwig—We will call it a CSA compliance program performance report as at 30 September 2008.

Senator BOYCE—It would be very useful, I would think, to have that. We have \$1.004 billion outstanding and we have gone through \$130 million or so so far this year. I did some crude maths before and thought, 'It's going to take 22 years at that rate of collection.'

Mr Miller—To collect the—

Senator BOYCE—I think I had slightly less than \$1.004 billion, but—

Mr Miller—We will call it a billion.

Senator BOYCE—Yes.

Mr Miller—The thing to bear in mind in respect of the collection of the billion dollars is that it reflects all the outstanding child support liabilities since the scheme's inception in 1988, and a very significant part of that is probably uncollectible.

Senator BOYCE—Why don't we just write it off, then?

Mr Miller—My understanding is that we are prevented from writing that off.

Senator BOYCE—So those figures are always going to be somewhat inflated by debts that are almost certainly uncollectible.

Mr Miller—They remain on the books, so to speak, because there may be changes in circumstances or estates post the death of a paying parent that may be able to actually contribute to some of that outcome. You can well imagine that, with some of the cases going back to 1989, for example, you would have a very small probability of collecting some of the outstanding debt.

Senator BOYCE—The estate would have been disbursed some considerable time ago, you would imagine, in some cases.

Mr Miller—They may not be dead, of course, and they might win gold lotto next week.

Senator BOYCE—I am not suggesting they are all dead. They probably all hope we think they are dead!

Mr Sutton—Just to put the billion dollars of debt into context, as the general manager was saying, that billion dollars has accumulated over the life of the scheme, and it needs to be seen in the context of the \$11.2 billion that child support has actually collected in child support over that period. We cannot technically write off that debt, as the gentleman was saying, as people's circumstances change. Because we have child support paying and receiving parents for quite a considerable amount of time, it is not unusual for their circumstances to change over that period. So we take every opportunity during that period—and it can be up to 18 years—to collect the child support—

Senator BOYCE—They would presumably think they are fairly safe by then.

Senator Ludwig—One of the difficulties is always that the life of the Child Support Agency dealing with both the receiving parent and the paying parent could be at least 18 years, and of course the obligation should and does continue past that.

Senator BOYCE—And should not be extinguished.

Senator Ludwig—That is right.

Senator BOYCE—I accept that.

Senator Ludwig—What you would not want is a system which extinguished after a particular time, because that might encourage those people to continue to avoid their child support obligation until such time as the extinguishment date, in which case they would escape their obligation. We want to ensure that the Child Support Agency continues to focus on those cases, both short-term and long-term, to recover outstanding amounts that should have been paid for the benefit of the child at that time. They were not paid at that time but the obligation continues and at some point if we can recover it, we will. That is why this year I also announced—I think I might have mentioned it—a tougher compliance program to pursue those. That is why we had an international debt summit to work through that because that is also growing at a rate that is unacceptable. We are seeing what we can do about trying to bring that down as well. I think it is fair to say that the Child Support Agency works very hard on both short-term and long-term debt collection. They have got intensive debt collectors who work long hours to try to recover on behalf of the receiving parent and their children.

Senator BOYCE—Nevertheless, Minister, in July I think it was you did say that you were 'alarmed' at the amount being \$1 billion. Are you less alarmed having analysed the reasons for it being \$1 billion.

Senator Ludwig—No, because I continue to be alarmed. In any way you would examine it, \$1 billion it is a large amount.

Senator BOYCE—It certainly is.

Senator Ludwig—And it is not made smaller by simply saying that part of it relates to overseas debt and part of it relates to domestic debt. They are still significant components but they are still also people who have not received child support and who continue not to receive child support. There are cases that exist where, if they are offshore, there has not been one payment made.

Senator BOYCE—The situation with the new child support system, as I understand it, is that some of the carers with the least funds of their own—no income of their own or on

pensions—were already receiving the maximum family tax benefit. When the new system was brought into play they now receive less child support but there was no way that their family tax benefit could increase to compensate for that fall in income.

Senator Ludwig—It is probably worth while going through the formula because it takes into account both incomes and it takes into account both the care and obviously the way the formula works—that is, from 1 July—takes that into account.

Senator BOYCE—But if you were receiving maximum family tax benefit and then received less child support, there was no way you could be compensated for that.

Mr Miller—I think that is true in that cohort that you are referring to.

Senator BOYCE—What size is this cohort.

Mr Miller—That is a question that would be best directed to the Department of Families, Housing, Community Services and Indigenous Affairs as the policy agency that has the distributional analysis on that work.

Senator BOYCE—I am trying to understand why you would not know, in that you are the ones administering the child support for them?

Mr Miller—We administer the child support scheme but the questions that you are raising are really policy issues relating to the distributional impact across both family tax benefit and child support and obviously—

Senator BOYCE—But the family tax benefit has not changed; it is the child support that has changed.

Senator Ludwig—The Child Support Agency does not administer the family tax benefit so the distribution—

Senator BOYCE—So you have no idea whether or not people are on family tax benefit?

Senator Ludwig—The distribution analysis that you are seeking is best sought from the Department of Families, Housing, Community Services and Indigenous Affairs as the responsible policy department for family tax benefit. The Child Support Agency is effectively the transfer agency—it transfers about \$2.7 billion.

Senator BOYCE—Okay, I will endeavour to ask that question tomorrow.

Mr Sutton—It is probably worth mentioning that in the example you have raised it still is possible for the receiving parent to get additional family tax benefit in the case where the care arrangements with the receiving parent are 34 per cent or less.

Senator BOYCE—But that is not all of them either, is it?

Mr Sutton—No, it would not be, but this is why it is quite complex and why you need to be able to look at that interaction between the family tax benefit and, I guess, the Child Support Scheme.

Senator Ludwig—What we normally suggest is that individual circumstances need to be examined in each case to find what the impact of the new scheme is and how the formula affects their particular circumstance, because with a group or cohort it is very hard to say,

'This is how a particular cohort or group has been affected,' because there will be various circumstances.

Senator BOYCE—Nevertheless, if sufficient individuals are disadvantaged by this then I would have thought we would analyse that in an aggregated way and look at changes that might be needed.

Senator Ludwig—What we have said is that we will continue to monitor the Child Support Scheme implementation and, in fact, examine those matters that might be brought forward, such as whether there are distributional effects.

Senator BOYCE—How would you monitor that, then? What monitoring of that is going on now?

Senator Ludwig—That is what Minister Macklin has said, and that is why we are effectively referring you to families for, perhaps, the distributional analysis.

Senator BOYCE—Thank you, Minister. I only have a few other questions, which relate to media reports we have had about the Perth Child Support Agency office, where apparently the staff numbers have been chopped in half because the agency could not afford to rent a place big enough for all the staff they wanted.

Mr Miller—One of the decisions that have been taken in respect of the downsizing by 400 staff this year is to consolidate the delivery of our customer services service offer, our most low-level intervention, into four sites across Australia. With that service offer we are currently located in seven sites. We have done a lot of piloting and testing to establish that we can deliver the same level of service not just in a more cost-effective way but, importantly, in a more nationally consistent way across four sites rather than seven. The consolidation strategy is part of an overall response to being able to do more with less. Obviously, with 400 fewer staff this year and with workloads related to the implementation of the new scheme, we need to find ways to do more with less, and the consolidation strategy is part of that.

The Perth site was one of the sites that delivered customer services, the base-level service offer that we provide, and it was determined that that could be better delivered in a nationally delivered workload sense through four sites on the eastern seaboard, those being Brisbane, Sydney, Melbourne and Adelaide. On that basis, we had to look at what optimum size of staff we could retain, cognisant of accommodation costs that were quite extreme in the Perth CBD. We looked beyond the Perth CBD as well, but through a rent review we faced rental increases of about 300 per cent in round figures. I determined that we would do better to spend the \$2.9 million in round figures on extra staff on the eastern seaboard than on sustaining the level of accommodation and staffing in the Perth office. The attrition in the Perth office sees that office being reduced from about 250 to about 150 staff. Importantly—and I can speak from personal experience; I have spent four days over there with the staff in the last six weeks—we are working very closely with the team there, and there has been no absolute date set when that natural attrition has to occur by.

Senator BOYCE—So they are all still there at the moment—is that what you are saying?

Mr Miller—They are all still there at the moment. We have lost, I think, around 15 to 20 staff over the last three months. In our business the attrition, on average, is about 15 per cent

across the board nationally. That is why we are confident that attrition with no forced redundancies is the appropriate way to go, and it also sends a very strong signal to our staff that we value them.

Senator BOYCE—It possibly puts them under a bit of pressure to decide which side of Christmas to go, doesn't it?

Mr Miller—No, we are not saying they have to go.

Senator BOYCE—But you are saying, 'Some of you have to go.'

Mr Miller—No. We are saying that if and when you choose to take other career options, which on average 15 per cent of CSA staff do in any year, we will not replace those jobs and we would shift the work, in a national workload sense, to the eastern seaboard. We have also, I must point out, worked closely with our sister agencies within the human services portfolio to provide opportunities for APS3 customer service officers who might wish to continue to work in that frontline customer service role. Centrelink and Medicare were advertising for staff and we have been able to negotiate some more truncated pathways for consideration of transfer at level into some of those jobs as well.

Senator BOYCE—So some people are in the process of transferring or thinking about it.

Mr Miller—Thinking about it. We have had 38 staff, from memory, indicate that they might like to work in the Perth office of Medicare. There are a range of options, but I stress that nobody is being told that they have to leave by a particular date.

Senator BOYCE—Is the Perth office a shopfront office? Could I walk in off the street to the Child Support Agency?

Senator Ludwig—What I was going to add was that there is no reduction in face-to-face services available in Perth. The majority of the CSA's customers are serviced through telephony services. That is why we can service them through a telephony Australia-wide. So it is wherever you phone in. The face-to-face service continues; it is being provided. It is not a walk in service as such, although they can deal with that. It is also worthwhile saying that there is no impact on the services provided from the regional service centres in Bunbury and Kalgoorlie.

Senator BOYCE—I do not quite understand: I could not have walked into the—

Mr Miller—Yes, you can—in all 42 sites.

Senator BOYCE—I could, and I will be able to?

Mr Miller—Yes.

Senator BOYCE—How can that be when there will be a lot fewer staff?

Mr Miller—Because the business model, as the minister has just indicated, is to redirect the telephony based business to the eastern seaboard, in a nationally workload managed environment

Senator BOYCE—So it will work as a national call centre?

Mr Miller—National call routing. We need to retain, as we do at 41 other sites, an ability to deliver face-to-face services to CSA customers.

Senator BOYCE—You were talking before about going from seven sites to four, with Perth being one of those. Could you explain what you mean there?

Mr Miller—Perth is one of the seven sites, not one of the four. Perth currently delivers our definition of our most low level service offer. As of 27 October it will no longer deliver that service; it will be delivered from Brisbane, Sydney, Melbourne and Adelaide. But they will continue to deliver higher intervention services—in our language, specialised services and personalised services that include face-to-face as well as telephony services.

Senator BOYCE—Okay. So there are no other call centres that have been closed?

Mr Miller—We do not run call centres, but—

Senator BOYCE—What are we going to call them then? I am talking about centres where I cannot walk in but where I can receive services.

Mr Miller—There are no centres where you cannot walk in. Of the 42 sites, you can walk in and get face-to-face service. We run a case management system that is supported through telephony. As the minister has indicated, we are a predominantly a phone-first business because we know that that is what parents value most. Clearly for some parents, because of the complexity of their circumstances, face-to-face delivery is a desirable option and it is certainly an area that we have pushed into in the last 18 months, particularly with the introduction of our personalised service offer.

Senator BOYCE—That was my last question, but I am still not sure I entirely understand what happened in Perth. You stopped offering telephony services for Perth.

Mr Miller—No, we will continue to offer telephony services for some of our customers, but the most generic service offer we provide will not be offered from Perth; it will be offered from the four eastern seaboard sites.

Senator BOYCE—And the most generic service you offer is?

Mr Miller—They are generally short-term interactions, not complex interactions.

Senator BOYCE—Face-to-face interactions or phone interactions?

Mr Miller—Phone interactions.

Senator Ludwig—The business is predominantly telephone calls from customers.

Senator BOYCE—So it is a category of call that you are talking about that will no longer be handled from Perth?

Mr Miller—Yes.

Senator BOYCE—Okay, now I understand. Thank you.

CHAIR—Senator Barnett, you were seeking a clarification?

Senator BARNETT—Thank you very much for the indulgence, Chair. I have a question of clarification. I am not sure whether this question is better put to the Department of Human Services or Medicare. I suspect Medicare, but I thought I had better ask while you are here. It is with respect to Medicare item No. 16525, payments for late-term and second-trimester abortions. What evidence is required to make the payment? Is that a matter for Medicare or for the department?

Senator Ludwig—It is a matter for Medicare.

Senator BARNETT—Thank you very much, and thanks for the opportunity to seek that clarification.

Senator RYAN—Chair, I have once short question for the Child Support Agency.

CHAIR—We will finish up on this so we can have a break and those officers can go home.

Senator RYAN—Thank you. Minister, I think it may be appropriate to start with you. I refer to an article in the *Australian* on 26 June that referred to an ‘army of private investigators’ to be employed as part of a crackdown on parents, which Senator Boyce was referring to, I assume as part of the intensive crackdown program. How many private investigators, to use the terminology of the article, have been employed and how many is it intended to employ? How much money is intended to be spent on this?

Senator BERNARDI—An army’s worth.

Senator Ludwig—Do you have a copy of the article there?

Senator RYAN—Yes, I do.

Senator BERNARDI—Is it a carers army, a private investigators army or—

Senator Ludwig—I did not write the article.

Senator BERNARDI—It came out of central casting.

Senator Ludwig—It is about 100.

Senator RYAN—About 100 private investigators.

Senator BERNARDI—Is that a brigade?

Mr Miller—No, they are not private investigators.

Senator RYAN—How much is that likely to cost?

Senator BARNETT—It is a company of carers.

Senator Ludwig—They are not private investigators. I might get the general manager to go through the way we deal with this area.

Mr Miller—Senator, I think you are alluding to a new enforcement capacity that has been created as a result of the initiatives that we were talking about earlier. We are particularly looking to try and catch people who are deliberately minimising their incomes, and we have employed about 100 additional financial investigators—as opposed to private investigators—so that we can get to understand some of the quite clever accounting and corporate structures that enable people to under-declare their true incomes and thereby avoid their child support liabilities. We have been able to see a return to date of the sorts of levels that were referred to by the minister earlier. We have done 6,000 investigations and we have collected around \$15.1 million extra in child support using that increased and new capacity of financial investigators.

Senator RYAN—Are there any plans to recoup any proportion of this from the extra moneys raised, or is it just extra resourcing to the CSA?

Mr Miller—If I understand your question, you want to establish—

Senator RYAN—How are they being paid for? Is this an extra resource?

Mr Miller—The government, through its appropriations to the agency, is paying for that increased compliance and enforcement capacity.

Senator RYAN—I will ask you to take one last question on notice, given our time. It also struck me in the same article that there were references to the widely varying amounts outstanding in payments and the variations between states. I was wondering whether you could take on notice whether you had any knowledge or reasoning as to why it varied so strongly between New South Wales, the ACT and with Victoria and Tasmania being at opposite ends of the scale.

Mr Miller—I would like to take that on notice.

Senator Ludwig—Chair, I want to qualify something that may be inadvertently taken from the transcript that Senator Boyce raised. The customers in Perth will not in fact notice a change in their customer service. The telephony services will be nationally queue-routed so there will not be a reduction in services. Those people who want to access the Perth office face to face will continue to receive the same high standard of service they have always received. So, from the customers' standpoint, there will be no reduction in service.

Senator BOYCE—I will accept your word on that, Minister, and I will be checking next estimates. I think the situation arose because I inadvertently missed Mr Miller pointing out that this was a particular category of telephone service, not 'the' telephone service.

Senator Ludwig—No, and that is why I thought I should mention that.

CHAIR—Thank you, Minister. To clarify, there are no further questions in output 3—CRS Australia. We will go to a break and resume with Centrelink.

Proceedings suspended from 9.21 pm to 9.35 pm

Centrelink

CHAIR—Thank you everyone. The committee will now resume. I have some good news for Health Services Australia and Hearing Australia. We do apologise but it does appear that you will not be needed this evening, so you are able to leave. I apologise that we could not let you know earlier but you had been requested.

Senator Ludwig—Hearing Australia and HSA are not required?

CHAIR—Yes. We need only Centrelink and Medicare to remain.

Senator Ludwig—It is not a criticism, but some people from those two agencies travel from Sydney. If the information can be conveyed earlier it would be helpful to avoid that cost.

CHAIR—Minister, we have been endeavouring to do that.

Senator Ludwig—I appreciate that, Chair. It is more for the whole committee to consider when they next look at the estimates program.

CHAIR—We certainly will.

Senator BERNARDI—I have a few questions on a couple of different topics. One concerns the valuations used by Centrelink. Would it be best to address that to you, Mr Pratt?

Mr Pratt—Conceivably, Senator.

Senator BERNARDI—Congratulations on your appointment.

Mr Pratt—Thank you.

Senator BERNARDI—I trust you are enjoying it.

Mr Pratt—So far.

Senator BERNARDI—We will see what we can do to accommodate that. In that last estimates, I asked the Australian Valuation Office about their role in providing valuations to Centrelink. Centrelink is their biggest client. Historically, what percentage of valuations of assets like homes and things have been done via either desktop valuations or physical inspections?

Mr Pratt—I will invite Mr Cowan to help us with that.

Mr Cowan—The Australian Valuation Office uses a profiling approach to determine how best to do their valuations on properties of Centrelink customers. I do not have any figures at all with me on the break-up of the various methods they use. I can provide them for you, but I do not have them here today.

Senator BERNARDI—If you could take that on notice. I am specifically interested in whether there has been any significant change or any change at all in the percentage of physical inspections versus desktop valuations. The valuation office, through Mr D'Ascenzo, who is the head of the ATO, said that they respond to Centrelink requests. I hope I am right in that. I will stand corrected if I am not. They respond to your requests for the number of valuations and how they should be conducted; they do not determine that themselves.

Mr Cowan—We would talk about an appropriate approach but we would not specify a specific type of valuation for a specific type of property—and take into account they do valuations of properties for us right across Australia and overseas of Centrelink customers. They use a mixed bag of approaches, and we discuss with them regularly the approaches they use to do valuations.

Senator BERNARDI—I appreciate that. On my limited knowledge of valuations—I am sure you know a great deal more than I do—a physical inspection would be more accurate than a desktop valuation.

Mr Cowan—It depends on the market, frankly. If it is a suburban area that has had a lot of recent sales, desktop valuations are quite accurate. If it is a rural area where there have been very few sales, they are less so; there is less recent sales data on which to work from. With respect to customers who may not be happy with the valuation, they have the opportunity to appeal and seek a revaluation. If the valuer had done a desktop valuation, they may find that, when they go out and physically value the property, it has improvements on it that were not obvious initially, and then a revaluation can be done. There are opportunities to reconsider the original outcome.

Senator BERNARDI—What happens in such cases is essentially the nub of my question. If someone has an asset incorrectly valued it could have significant implications for their entitlements.

Mr Cowan—Yes. There is an opportunity for an appeal. We can ask for a drive-by. There is a hierarchy: a desktop; a drive-by; or visit the property.

Senator BERNARDI—What is the process for getting an appeal? Do you just contact your Centrelink office and say, ‘I’m not happy with this’?

Mr Cowan—Yes, that is right. They can go to the original decision maker on the determination of the outcome of their application or valuation of assets. Again, there is a hierarchy of appeals processes within the administration of the Social Security Act, and that is made public to customers. They can exercise their rights there.

Senator BERNARDI—Thank you, Mr Cowan. Just to clarify: I am interested in the number of desktop, drive-by and physical inspections and how those numbers relate historically to where we are today. I would also be interested in the number of appeals—

Senator Ludwig—I am not sure what you mean by ‘how it historically relates to today’. It is just to have clarity around the question so that we can be sure that we provide you with the appropriate answer.

Senator BERNARDI—‘Historically’ refers to, say, over the last three or four years. That percentage may have changed from where it is today. I just want to know whether there is a movement towards more drive-by valuations, desktop valuations or physical inspections. Could you provide that to me?

Mr Cowan—Certainly.

Senator BERNARDI—I would also be interested in the number of appeals that have been requested.

Senator Ludwig—Is that absent growth or increased number? There will also be a couple of other factors which may bear on it. There may have been an increase in focus or an increase in the number of valuations undertaken, or there could be generated requests for valuations as well. There could be customers who would also request a revaluation because it might impact downwards.

Senator BERNARDI—That is right. That is the appeal that I am referring to.

Senator Ludwig—They are not appeals; they are simply requests. The person can request.

Mr Cowan—We will have to give you some explanations of the data, because this time last year there was a significant increase in applicants for the age pension as a result of changes to the taper rate. That would distort any sort of time line of activity. We can give you some clarification on that.

Senator BERNARDI—The easiest way to do this is to be full and fearless in providing the information to us, which I am sure that the minister would support.

Senator Ludwig—Absolutely.

Senator BERNARDI—Thank you for that. I have some other questions, which I will again address to Mr Pratt. They are in regard to family tax benefit A. Would you be the person I should be referring them to?

Mr Pratt—We will attempt to answer the question.

Senator BERNARDI—I am asking these questions on behalf of Senator Abetz, who cannot be with us tonight. How many families currently get family tax benefit A?

Mr Cowan—I will endeavour to help you, but I am not sure I have that information with me at the moment.

Senator Ludwig—It should be around 1.9 million clients.

Mr Cowan—That is right. That is the figure; it is around 1.9 million.

Senator BERNARDI—In very brief terms, how does family tax benefit A work?

Mr Cowan—I am going to have to ask for an expert to come forward on this one.

Senator BERNARDI—What is a very simple explanation of how family tax benefit A works, just for the record. I will wait for the expert, shall I minister?

Senator Ludwig—I could tell you, but I would defer to the experts.

Senator BERNARDI—I am sure you could!

Ms Thomas—I am the acting national manager of Family and Child Care Services Branch within Centrelink. Family tax benefit A is designed to assist families with the cost of raising children. Essentially, the amount of family tax benefit A payable to a family is worked out according to the family's income, the number of children that they have custody or care of and the ages of the children.

Senator BERNARDI—Is it a flat rate?

Senator Ludwig—What you might want to do, Ms Thomas, is to just give the total amount and the taper rate.

Ms Thomas—Yes.

Senator BERNARDI—So there is a sliding scale, then.

Senator Ludwig—There are two taper rates.

Ms Thomas—There is a sliding scale. If your income is above \$42,559—generally speaking, depending on the number of children—your payment will reduce by 20c. Below that, the family would be entitled to the maximum rate of family tax benefit A.

Senator BERNARDI—Is there an upper limit?

Ms Thomas—There is. It reduces by 30c for every dollar over approximately \$94,316, once again depending on the number of children and the age of the children.

Senator BERNARDI—Where would it cut out?

Ms Thomas—For three children who are 18—

Senator Ludwig—It depends on whether you are talking about one, two, three or more children.

Ms Thomas—Yes, and the ages.

Senator Ludwig—And their ages. It will cut out depending on the number of children and the circumstances—that is, their age. I am just asking you to qualify it. If you mean the upper limit, that is probably best, not the maximum number of children at the top scale.

Senator BERNARDI—What is the upper limit? Where does someone not get any more no matter how many children they have?

Ms Thomas—The upper income limit for the family tax benefit is \$146,426.

Senator BERNARDI—So anyone earning over that amount of money is not entitled to family tax benefit A under any circumstances?

Ms Thomas—No. In addition, there is an income limit at which family tax benefit A, including the supplement which is paid at reconciliation, cannot be paid, and that is \$160,150.

Senator BERNARDI—With the recent bonuses—I will call them that—as part of the so-called Economic Security Strategy payment of \$1,000 per child for people in receipt of family tax benefit A, can you confirm for me that those who receive the most of family tax benefit A will receive precisely the same bonus as those who receive the least of family tax benefit A?

Mr Cowan—Perhaps I can answer the question on that Economic Security Strategy payment. It is a flat rate of \$1,000 for someone who is on FTB A.

Senator BERNARDI—So, just to confirm, someone with three children who earns \$40,000 a year would get \$3,000 and someone with three children who earns \$145,000 a year would get \$3,000.

Mr Cowan—That is correct.

Senator BERNARDI—You can get family tax benefit A fortnightly, can't you?

Ms Thomas—You can, yes.

Senator BERNARDI—You can also choose to get it annually with your tax return—is that right?

Ms Thomas—For the 2007-08 financial year, yes, you can get it annually through the tax office. For the 2008-09 financial year it can only be accessed annually through Centrelink or Medicare Australia.

Senator BERNARDI—Okay, but you can get an annual payment?

Ms Thomas—You can get it annually, yes.

Senator BERNARDI—That might be interesting. What percentage of family tax benefit A recipients get their payment as a lump sum with their tax return at the end of the year?

Ms Thomas—That is probably not a figure I am in receipt of at this point.

Senator BERNARDI—Are you able to take it on notice and supply it to us?

Ms Thomas—I could take it on notice. It could be something that you could refer to the Department of Families, Housing, Community Services and Indigenous Affairs.

Senator BERNARDI—I will tomorrow, but I am happy for you to take it on notice too in case they try and say I should be referring it to Centrelink, which sometimes happens in estimates.

Ms Thomas—I can take it on notice and I can certainly talk with them about getting you the information.

Senator BERNARDI—The reason I asked this on behalf of Senator Abetz is that the government has made quite a pronouncement about how this bonus is going to be paid from 8 December.

Ms Thomas—Yes.

Senator Ludwig—No, I will correct that. What has been said is that it will be paid between 8 December and 19 December—if that is the fortnight that I am thinking about—and it would then be paid as close to their payment cycle as possible. I just did not want the people to expect the payment to arrive on 8 December and it does not—it will arrive in the fortnight between 8 December and 19 December—otherwise we will generate more calls.

Senator BERNARDI—I would hate to mislead the Australian public.

Senator Ludwig—The difficulty is that we will generate many more calls for Centrelink that they do not need.

Senator BERNARDI—No, we do not need any undue calls. I appreciate your concern. So it is between 8 December and 19 December. What happens, though, to those people who actually do not get family tax benefit A on a fortnightly basis, or a regular payment, and they actually claim it through their tax return? Will they get it?

Mr Cowan—That issue is for me, Senator. If they wish to reconcile at the end of the year they will get the payment at the end of the financial year.

Senator BERNARDI—Okay. But it will not be a Christmas bonus; it will be an end-of-financial-year bonus.

Mr Cowan—A new-financial-year bonus.

Senator BERNARDI—Thank you. Minister, you are spending \$20 million advertising this \$10.4 billion injection. How do you justify that given that your government made promises that you would not be using taxpayer funds for political propaganda, which clearly this is?

Senator Ludwig—It is important for people to understand that decisive action was taken in relation to this package. It is a \$10.4 billion package. Two of its components will be delivered through Centrelink and, of course, Medicare, through its FAO. But what is important to understand is that the ability for the government to advise people of this is necessary and it is important to get the message out about what it is actually designed for and who will receive it. Already, one of the earlier requirements I had to provide was that when the package was originally announced there was a range of people ringing in to Centrelink immediately for that. And of course what we need to do is explain to them what the payment is and when the payment will be made. A whole range of such information needs to be in the public's and the consumers' mind.

Senator BERNARDI—And you think spending \$20 million on advertising is better than informing them via a letter or a note or some other form of communication that they receive regularly from Centrelink?

Senator Ludwig—There is a range of communication strategies to ensure that you actually have the greatest reach to all of those people who are going to be in receipt of the package and are then going to benefit from it. What we do not want is to find that people who could have

otherwise accessed it have inadvertently not been able to access it. We would not want anyone to miss out on receiving it.

Senator BERNARDI—Who would not be able to access this payment from Centrelink, given that it is administered through Centrelink with their payment, or that they are going to claim it back at the end of the year. Surely it is not very hard, is it?

Senator Ludwig—Part of the economic security package also includes the first home savers grant and that is not administered through Centrelink. People would, I am sure, want to understand that, if they were purchasing a new home and needed to make an investment decision about whether it is a new home or an existing home, they would have the information available to them so that they could choose whether to access the \$14,000 for an existing dwelling or the \$21,000 for a new dwelling. I would expect that if you were a young married couple, you would want that information available to you so that you could make those types of decisions. I am sure you would agree with me.

Senator BERNARDI—No, I do not, actually. I think that you are going to spend \$20 million on political propaganda that is designed to inform people that there is a grant for first home buyers—because this is how you are justifying it—which has existed for many years; people know about that already. And you are saying that you are going to inform them that they can have a choice. Surely when they fill out the form they would see that.

Senator Ludwig—Notwithstanding that I disagree with you in the way you characterise it—

Senator BERNARDI—Surprise, surprise!

Senator Ludwig—If you look at the history of the previous government, it spent over \$1 billion on advertising which did not actually go to programs and did not actually provide information to people on many issues as ours is doing. You then characterise it as ‘filling out a form’. Well, they have to know where the form is. They have to understand that the form is available, to be able to access the information. I think it is important to put that information into the public domain so that they can access it. We also receive many phone calls within Centrelink. People will always be phoning in to see what their eligibility is, what their requirements are and what the conditions of the payments are. I think it is important to provide that information to the public as a public information service. Not only does it assist Centrelink in reducing the number of calls—of which we take about 32 million a year—but also it provides that level of information to the public so that they do get it.

Senator BOYCE—But, Minister, your media release of 15 October says:

“I’d like to remind customers they don’t have to contact Centrelink to receive these one-off payments.”

“Centrelink will be assessing people’s eligibility automatically, based on the information on customer records.”

Now you are telling us that you have got to tell them that they do not need to do anything.

Senator Ludwig—That is obviously for Centrelink’s existing customers.

Senator BOYCE—Yes—who else would you be making the bonus payments to?

Senator Ludwig—The economic security package is a lot broader than that, as I have indicated.

Senator BOYCE—But there is \$8.7 billion that you are sending out in the fortnight of 8-19 December, according to the figures which you have presented here. The whole package is \$10 billion. That leaves \$20 million to spend on advertising \$2 billion. That is even worse.

Senator Ludwig—That is your summation. I have said that it is important to inform the public about the economic security package.

Senator BERNARDI—Will you be appearing in the ads, Minister—or will Kevin Rudd?

Senator Ludwig—I do not think I will be appearing in the ads, no.

Senator BERNARDI—It seems extraordinary, though—I understand your shot at us, for advertising, in the previous government. But we did not promise only 12 months ago not to indulge in this and then actually do so. I mean, this is on top of your \$14 million propaganda about climate change—the great problems. How do you justify it? Senator Boyce has stated it very clearly: there is \$8.4 billion or thereabouts going out automatically.

Senator Ludwig—I said this in the beginning and I will say it again, just in case you missed it: what we are responding to is a global financial crisis of proportions that Australia has not seen. What we have done is to respond decisively to that with a package, and a quite modest advertising budget to go with it in comparison to the size of the package.

What we also want to ensure is that people who do receive the payments—even those from Centrelink—know what they represent, so that when the payment does appear in their account they do understand that it is a payment from Centrelink for those specific purposes. The media alert I was putting out was about ensuring that those existing customers—who do ring in when they receive the type of news that has been splashed across the newspapers—do not need to ring in. We need to ensure that cogent and direct information is provided to them so that they understand what the payments are for, how they are going to be paid and that they are going to be paid between 8 and 19 December. I think that is important information. I am sorry you do not agree with me.

Senator BERNARDI—It smells like propaganda.

Senator BOYCE—I am certainly not disputing the fact that Centrelink customers should be told that. But I would have thought you could do it in a form letter, rather than in a \$20 million advertising campaign. I think Centrelink customers are very used to responding to information that they receive that way from Centrelink.

Senator CAMERON—Minister, there has been some comment made about a campaign of advertising. The figures I have before me are that the Howard government spent \$1 billion in campaign advertising, including \$44 million on the ‘Unchain My Heart’ campaign and \$116 million on the Work Choices campaign. The Howard government’s advertising bill topped \$280 million in 2006-07. The Labor government is not contemplating spending \$1 billion of taxpayers’ money on advertising like the Howard government did, are they?

Senator FIFIELD—It is only year 1 of this government.

CHAIR—The minister has the call. Thank you, Senator Fifield, for your commentary, but the minister has the call.

Senator Ludwig—'No' is the short answer. But I think it also needs to be said that the advertising package is not Centrelink's or the human services portfolio's responsibility. The majority of the questions relating to the advertising itself should in fact be referred to the relevant departments.

Senator BERNARDI—I accept that. And I think it is also worth noting that the previous government, in promoting—

CHAIR—The minister had the call. Where you finished, Minister?

Senator BERNARDI—their policies, were actually advocating major changes. This is not major change; this is just handing out cash.

Senator Ludwig—I accept that you do not recognise that there is a global financial crisis going on, if that is the position you are putting. There is a significant global financial crisis.

Senator BERNARDI—I did not say that, Minister. And if anyone has not recognised it, it is your government, for far too long. Let us get that very clear.

Senator Ludwig—Is that a question?

Senator BERNARDI—No, it is a statement. It is a retort to your verballing me.

CHAIR—Senator Bernardi, you have the call for questions.

Senator BERNARDI—I will move on to another comment—or question; I will save my comments for later! My question is in regard to the baby bonus. Mr Pratt, who should I refer that to?

Senator Ludwig—Perhaps you could ask the question and then we can work it out from there, in case I can answer it.

Senator BERNARDI—Earlier this year, I raised concerns, based on advice I had received, that the baby bonus was available to people who had had an abortion, under certain circumstances. The minister, or the minister's representative, initially denied that this was the case and then, the following day, acknowledged that there were circumstances where this could happen. The basis of this was on the weight of the aborted foetus or the gestation period. There was an assurance given through the press that this would be amended. My question to you is: has it been amended yet?

Mr Cowan—My understanding of the policy—admittedly, this is a policy question that really should be put to the Department of Families—

Senator Ludwig—I just want to clarify something: where was the assurance from?

Senator BERNARDI—There was a quote in one of the newspapers—I think it was in a story in the *Herald Sun*—that said the government would amend the claim form to provide greater clarity to health professionals about baby bonus eligibility.

Senator Ludwig—And that was attributed to—

Senator BERNARDI—Minister Macklin.

Senator Ludwig—It might be advisable, then, for you to refer the question to the families portfolio.

Senator BERNARDI—It will be referred there, but the question goes to the form. Has the form been amended?

Senator Ludwig—If the question is: has there been a policy change in respect of this issue—

Senator BERNARDI—No, there was an assurance that the form would be amended. The form is available through the Centrelink website and, as at the date when we last downloaded it—

Senator Ludwig—So the question may then be characterised as: has Centrelink changed the form or been advised—

Senator BERNARDI—That is the next question, because I have downloaded the form and I cannot detect where there has been any change.

Mr Pratt—We will take that on notice. If we can get an answer for you in the next 55 minutes, we will bring it back to you.

Senator BERNARDI—Thank you. And if you are unable to, I would appreciate a prompt answer to a question on notice.

Mr Pratt—We will take it on notice, irrespective of whether or not analysis of the transcript suggests that it is more appropriate to ask it of the families portfolio as per your previous question.

Senator BERNARDI—Thank you.

Senator FIFIELD—Just in relation to that: although policy matters might not come within the human services portfolio, the administration of policy does. So, if there has been a policy change, it stands to reason that you would be responsible for administering the change.

Mr Pratt—I cannot fault your logic there.

Senator BERNARDI—But then it comes to the form—has the form been changed?

Senator BARNETT—I have the form with me—

Senator BERNARDI—So do I.

Senator BARNETT—as does Senator Bernardi. I have read as carefully as possible. The form, which I have downloaded from the internet, says:

Baby Bonus helps with the cost of a new baby, including a stillbirth or neo-natal death.

At question 42 it repeats that and then says:

Time limits apply to claims for Baby Bonus.

At the back of the form—and I am sure your officers would have this—you need to provide proof of birth, the doctor's or midwife's details, the mother's full name and the day she gave birth. It then says 'to a' and you can choose either 'stillborn child' or 'living child who died'. Then you have to provide how much the child weighed. This is all on the form. It requires the signature of a doctor or a midwife, the date and their qualification. It is very simple. This

concern has been raised previously by Senator Bernardi, other coalition senators and members of the public. We were under the impression that the government would act on and address the concerns. The form that we have here tonight, right in front of us, makes it very clear that the bonus can be claimed for a late-term abortion, specifically in cases where the baby is born and then left to die. We would like to know if that is accurate—whether you confirm or deny that. If you are going to confirm it, we would like your assurance as soon as possible, hopefully tonight, that it will be fixed. It would be appreciated if that could be attended to, because it has been raised before in the Senate and in the public arena. This is a great concern and it would be appreciated if this matter could be clarified for everybody.

Senator Ludwig—We have indicated that we will take it on notice and endeavour in the available time to provide an answer to you. At this point we are unable to say whether it requires, for instance—and I am only really answering in a hypothetical way—legislative change. That may already be in train, in which case it is being dealt with. I could not surmise. We will check on the comments that have been attributed to Minister Macklin and then also see if we can confirm—

Senator BARNETT—Can we ask the department: are there any legislative changes currently being considered? You must know that.

Senator Ludwig—The comments were attributed to Minister Macklin, so I assume it is a matter for the families department.

Senator BARNETT—So your department is not aware of any legislation coming from elsewhere—can we just get that on the record?

Ms Williams—No.

Senator BERNARDI—And you have received no instructions to amend the form?

Senator Ludwig—That is what we are going to confirm.

Senator BERNARDI—Surely if you had received instructions to amend the form it would reflect those instructions.

Mr Pratt—As I indicated before, I would like the opportunity to find out the exact circumstances behind the form. This is something I am not familiar with. We will get back to you as soon as we can.

Senator BARNETT—I have one other comment on this point. Unless the form makes it clear that you are ruling out the possibility of claiming a baby bonus following the termination of a pregnancy then the door remains open. That is the way I read the form at the moment—the door is open. It almost beggars belief. It has not just been weeks—

Senator BERNARDI—It has been months.

Senator BARNETT—it has been months since this matter first came to the public's, indeed the Senate's, attention.

Senator Ludwig—As I have said, we will take it on notice and get back to you.

Senator BERNARDI—Would you be able to take some other questions on notice? I presume you will have to; they go to this matter. I would be interested in knowing how many

women have actually received the baby bonus since 28 August this year and how many of those have been for late-term abortions.

Mr Pratt—We will take that on notice.

Senator BERNARDI—Thank you. I am also interested in the figures indicating how many terminations where the foetus was 20 weeks or older have occurred in the last year. I do not know whether your department would be responsible for that information.

Mr Pratt—We will take that on notice.

Senator BARNETT—And, in that instance, where the baby bonus was paid.

Mr Pratt—Yes, Senator.

Senator BARNETT—Applied for and/or paid.

Mr Pratt—I am glad we will have the benefit of the transcript on this.

Senator BERNARDI—Along the same lines, my question is in regard to the immunisation allowance.

Senator BOYCE—I have a question on the baby bonus. The income test that was introduced for the baby bonus did not give people nine months notice before implementation. I know that, given where the income test is set, there is quite a small but nevertheless significant number of about 700 women, as I understand it, who have therefore missed out on the baby bonus because there was not nine months notice. If it had been introduced in March, for example, they would have all known before conception about it. Have you had complaints from people in that category?

Mr Cowan—None that I am aware of. I am not aware of any complaints on that particular issue of people not getting nine months notice.

Senator BOYCE—So that is a categorical no—no complaints?

Mr Cowan—Not that I am aware of.

Senator BOYCE—If you could take that on notice, that would be good.

Mr Cowan—I can take that on notice, again, but it is not an issue that I am aware of that is outstanding.

Senator BERNARDI—Just in regard to the immunisation allowance, too, my understanding is that the immunisation allowance is also paid for stillbirths and terminations after a certain period, in line with the baby bonus. Can someone confirm that to me? I will go to the expert, Ms Thomas.

Ms Thomas—Essentially, maternity immunisation allowance is paid in two instalments. It is paid at 18 to 24 months, after the immunisation has been done, and it is also paid between four and five years, once the immunisation has been done for that schedule as well.

Senator BERNARDI—So there is no payment received in the event of stillbirth?

Ms Thomas—I am not aware that there is, but we may need to take that one on notice.

Senator BERNARDI—Thank you. If you could undertake to get that back to us, I would appreciate it.

Senator RYAN—I will try and be as quick as I can, given the time. It was alluded to earlier that Centrelink administers many programs and gets a lot of phone calls soon after announcements of government programs, and this can often last for days. I was wondering: what involvement do the department have, if any, in coordinating policy announcements that they will administer?

Mr Pratt—Can I clarify: is that a question for the Department of Human Services or for Centrelink?

Senator RYAN—For Centrelink—my apologies.

Mr Pratt—And the question is what role—

Senator RYAN—How is Centrelink involved, if it is, in coordinating policy announcements that it will administer, given that Centrelink presumably gets the phone calls?

Mr Pratt—In general, we would be consulted on the nature of the announcement. We might be given warning of it so that we can prepare our call centres. Typically, we have quite a bit of interaction with policy departments in relation to future announcements.

Senator RYAN—Were you involved prior to the announcement of the government's package last week?

Mr Pratt—Yes.

Senator RYAN—How long were you involved? How much notice were you given?

Mr Pratt—We were first consulted on 7 October.

Senator RYAN—Was that consultation of a general or specific nature, in the sense of a heads-up or, 'Start being prepared to answer more specific questions'?

Ms Howson—Would you mind repeating your question?

Senator RYAN—Mr Pratt referred to Centrelink being consulted on 7 October about the government's package last week. My question was: was that consultation of a general, 'heads up, something's coming' nature, or was it of a 'be prepared to answer specific questions on this front' nature? What degree of consultation was the consultation in that case?

Ms Howson—On 7 October, I received a call asking quite a specific question about a time frame around implementation.

Senator RYAN—How long after the announcement last week was Centrelink in a position to answer detailed questions from members of the public once they hit the phones?

Mr Pratt—We were able to answer questions on the day of the announcement.

Senator RYAN—I have a couple of other questions, which you might have to take on notice, with respect to staff security. I have noticed that recent media reports have at least covered or they are detailing an increasing number of issues or assaults upon Centrelink staff by clients. Does the department keep records of all such incidents relating to conflict with staff members from clients or members of the public?

Mr Pratt—Yes, we do.

Senator RYAN—Is the number of incidents actually increasing?

Mr Pratt—No. Since the beginning of this year, the number of reports has in fact decreased.

Senator RYAN—Does the department provide a regular report on that, and is it available to the committee? Is it an annual or a quarterly report that the department would regularly compile?

Mr Dunn—Generally we do a report quarterly. That is usually for internal purposes.

Senator RYAN—If that could be made available to the committee, that would be appreciated.

Mr Pratt—We will take that on notice.

Senator RYAN—Thank you. I just have a last series of questions about jobseeker arrangements.

CHAIR—Senator Bernardi wants to just clarify a previous question.

Senator BERNARDI—Ms Thomas undertook to get some information about what I described as the ‘immunisation allowance’, and she suggested that it was payable in two instalments, at 18 months and, I think, at five years. We may be referring to different things. What I am referring to specifically is—and my advice says—that the maternity immunisation allowance is a flat-rate payment, and from 20 March 2008 the rate is \$236 70. It says that it is encouraged ‘to fully immunise children in their care’. I am also advised that an applicant may be eligible for the maternity immunisation allowance for a child over 18 months who has satisfied the immunisation requirements, a child who died before reaching two years of age and a stillborn baby. If this is correct, the question is: why are we paying a maternity immunisation allowance for children—

Mr Pratt—If that is your question, that is a question you have to ask the policy department.

Senator BERNARDI—Well, perhaps you can advise me how many people have been in receipt of this maternity immunisation allowance for stillbirths?

Mr Pratt—If those facts are correct—

Senator BERNARDI—They are.

Mr Pratt—and we have any data on that, we will provide that to you.

Senator BERNARDI—Thank you.

Senator RYAN—I understand that in May 2008, Minister, you branded the face-to-face interviews between Centrelink officers and job seekers as ‘an inefficient use of money’. I was wondering whether the program of face-to-face interviews with job seekers is still indeed practised.

Senator Ludwig—Which?

Senator RYAN—The program of face-to-face interviews with jobseekers—those at risk of breaches.

Senator Ludwig—I am sure someone will correct me if I am wrong about this. Centrelink continues to conduct the face-to-face interviews for jobseekers.

Ms Hogg—We see jobseekers at the completion of the claim process where they need to sign an activity agreement and provide identity. We will also usually see the majority of jobseekers once a fortnight in our office.

CHAIR—Are there any further questions on Centrelink. Senator Boyce.

Senator BOYCE—Congratulations, Mr Pratt, on your appointment.

Mr Pratt—Thank you.

Senator BOYCE—I noticed that you missed the eleventh better party for Centrelink, though. Never mind. I want to go back to last estimates where obviously things were in something of a state of flux in Centrelink. There were a number of questions put by Senator Coonan around bringing the staffing levels down by 200 and how this was to be achieved given the sorts of program workloads that you had. Could you tell me where you are at with that?

Mr Pratt—Yes, Our Chief Financial Officer, Mr Burgess, will help us here.

Mr Burgess—My recollection of the question in the May estimates was that it was around our average staffing levels that we reported in our Portfolio Budget Statement. The average staffing level over the full year that was reported in that PBS was 24,900.

Senator BOYCE—And you were expecting that to come down to 24,700.

Mr Burgess—That was expected to come down. Our actual number as at the starting point entering into this current financial year—

Senator BOYCE—So 1 July.

Mr Burgess—was 23,872. Through a process of natural attrition over the last, say, eight to nine months, our numbers have reduced. We are now in a position, dependant on workloads and implementation of new budget measures, to actually increase that number as our workloads require. In essence, to answer your questions directly, we do not have a need to reduce our staffing numbers by the 200 that was mentioned earlier.

Senator BOYCE—Are you anticipating increasing your staff numbers in the lead up to the great Christmas bonus season.

Mr Pratt—Our workload is cyclical. There will be ups and downs across the course of the financial year. I would not like to speculate about overall levels of business. Towards the end of the financial year there will be fluctuations and we will be able to manage that.

Senator BOYCE—So you are not planning any increases at all for that period?

Mr Burgess—No significant increases.

Senator BOYCE—What is an insignificant increase?

Mr Burgess—Well, in regard to the announcement of additional payments around early December, we would anticipate that we would have an increased workload in our call centres and, dependant on how we balance ongoing staff vis-a-vis non-ongoing staff, we could have some fluctuation or increase, particularly around non-ongoing staff to deal with that increased load—but again, not significant. It will probably be around 200 to 300.

Senator BOYCE—Are you basically saying 200 to 300 casuals or part-timers coming in?

Mr Burgess—Essentially, non-ongoing, or casuals, if you like.

Mr Pratt—It is actually difficult to anticipate these things to any great level of specificity—

Senator BOYCE—I am not expecting that, but I would have thought that you would plan for it.

Mr Pratt—simply because we cannot anticipate what programs some policy departments may wish to cease during a period or what new initiatives might arise for us that will require us to take on staff in the latter instance and reduce staff in the former. I would be more comfortable with us sticking to the position that there will be fluctuations across the period and we anticipate being able to manage that.

Senator BOYCE—I am still quite surprised that you would not actually have some planning in place for six million extra activities in a two week period.

Mr Pratt—We do have extensive planning capability in this area, but it is not easy to give you an answer.

Senator BOYCE—But it can be achieved with the current staffing levels. Is that what you are saying?

Mr Pratt—No, I am saying we can achieve it within our current budget.

Senator BOYCE—So you will be putting on some extra staff for that period or to achieve that outcome. Is that what you are telling me?

Mr Pratt—Potentially. I will go back to my original answer: our workload will peak and trough during the course of the financial year.

Senator BOYCE—And you would have some planning in place for that.

Mr Pratt—Yes, that is right. At different times we will take on extra staff; at other times we will reduce staff slightly. But, as Mr Burgess has pointed out, we have no plans for significant changes in staff across this financial year.

Senator BOYCE—Okay. I am still not entirely sure that I understand what you are saying in terms of that period. Do you have another program that will be disappearing at that time or something?

Mr Pratt—Conceivably. I think Mr Burgess has said we are likely to take on extra staff for our call centres to cope with the peak workload in that period.

Senator BOYCE—We are talking about 200 or so casuals for the call centres. But isn't the processing itself going to require more people? These are not extra pieces of material?

Ms Hogg—No, Senator. If we are talking about the package of payments, by and large that is done by our IT staff. It is just a matter of programming the changes.

Senator BOYCE—But aren't the clients also getting a letter or something saying, 'We're sending you this' or 'We just put this in your bank account' or something?

Senator Ludwig—In a broad sense this is work that Centrelink does. This is what it is designed to do. It is designed to act quickly, to then be responsive to policy departments and to provide the service the policy departments require in a timely way. Centrelink is geared—

Senator BOYCE—But this would also require peaks and troughs in employment.

Senator Ludwig—Centrelink is geared to be able to provide that service very quickly.

Senator BOYCE—Exactly.

Senator Ludwig—For argument sake, when Cyclone Larry occurred, it was a natural disaster. Centrelink is in a position to respond immediately to that type of—

Senator BOYCE—And I imagine they called in some extra staff to help them do that.

Senator Ludwig—Centrelink has a range of people it can call on, but it also manages its staff exceptionally well in these circumstances. In the short time I have got to see it in operation I can say that it can provide additional support where needed. As in the Northern Territory emergency response, it can provide significant additional staff when and where required. It has done that in a very well orchestrated way in response to the community. As well as this type of work in terms of payments, it is a large organisation that can provide transfer payments very quickly. It has been given a lead time of the fortnight between 8 and 19 December to undertake that work to gear up for its ICT specialist to make the necessary changes to the system. So, conceptually, it does not require people shuffling paper because it is a large payment system—that is what it is designed to do.

Senator BOYCE—Can I move on to the \$138 million—I think it was—that Centrelink got in the last budget for detecting and investigating suspicious claims. This was going to produce savings of \$728 million over four years, I think. That was the claim. Is that correct? Where are we at with that?

Ms Rule—Are you referring to the measure associated with electronic data exchange with financial institutions?

Senator BOYCE—I honestly do not know, because I have taken these notes out of the budget papers and have not brought the budget papers with me.

Senator Ludwig—No, the \$138 million would be for the Commonwealth Bank and a few other bits. I think that is right.

Ms Rule—I think the measure you are referring to is about data exchange with a range of financial institutions, which builds on a pilot from the previous financial year with the Commonwealth Bank. Can you just restate your question for me please.

Senator BOYCE—The budget put \$138 million into Centrelink for detecting and investigating suspicious claims. This was going to produce savings of \$728 million over the next four years, according to material I have been given. I think that comment would have come from the minister. Can you tell me how we are going?

Ms Rule—Yes, I can. The project that you are referring to commenced on 1 July 2008. We started reviews of customer entitlement from that date. As at 30 September, we had completed 877 reviews. We had aimed to achieve \$2.3 million in savings to that point, and we had achieved \$2.2 million. So we are running pretty close to the target in terms of savings.

Senator BOYCE—What had you aimed for?

Ms Rule—It was \$2.3 million, and we had achieved \$2.2 million to 30 September. Based on the data that we have looked at so far, we would expect to meet the savings targets for that measure over the course of the year.

Senator BOYCE—The 877 people are being paid less because of it?

Ms Rule—It could be a number of things.

Senator BOYCE—Did all those reviews lead to action?

Ms Rule—Not all of them. But the savings are a sort of aggregate measure of reductions in payments, cancellations to payments, and the raising of debts.

Senator BOYCE—Where are your figures on tip-offs within Centrelink? What is happening with that?

Ms Rule—Would you like to know how many tip-offs?

Senator BOYCE—Yes. How many tip-offs? How much do you save?

CHAIR—Senator Boyce, how much longer do you need?

Senator BOYCE—I have about three more questions.

CHAIR—Could we put a couple of those on notice and move on to Medicare so that your colleagues have an opportunity to ask some questions?

Senator BOYCE—Could I perhaps ask two more.

Ms Rule—I have in front of me the figures to 31 August 2008. For this financial year we had received just over 14,000 tip-offs from members of the public. As a result of those tip-offs, we did 8,879 reviews and identified \$24.3 million in savings.

Senator BOYCE—What was the time frame on that?

Ms Rule—That was from 1 July 2008 to 31 August 2008.

Senator BOYCE—There has been an Australian National Audit Office review of Centrelink and its tip-off system. Are you responsible for that? Do you handle that?

Ms Rule—Yes.

Senator BOYCE—The ANAO said in their view:

Centrelink is not adequately capturing funding information, particularly at the additional funding level ...

It continues—

Centrelink was unable to provide a robust cost estimate for managing the tip off process in 2006–07, nor the cost of conducting the 52 597 reviews and investigations ...

Further—

The ANAO has previously reported similar findings about Centrelink's inability to cost particular activities ...

And I think probably most significantly they said—

Given the inherent limitations with the savings methodologies—

this is under the savings area; so we have funding costs and savings—

savings estimates calculated using either method have the potential to be misleading. Various publications such as annual reports, media statements and press articles report savings estimates achieved through compliance activities. These publications use savings estimates without appropriate caveats such as that the savings estimates may not reflect savings actually realised.

Could you tell us what you have done since this report came out in October and whether the figures that you have given us, using Centrelink's current systems, are valid?

Ms Rule—Can I take your question in two parts. One being about the funding of our work and the second being about the savings that we report as a result of our work. As to the first part of your question in relation to funding, the ANAO was correct in their findings, obviously. We agreed with all of the findings of the audit report. The thing about the way that we fund our work or attribute the costs of our work is not based on inputs. So a tip-off is just a trigger for a review. The way that we fund our work is based on a number of reviews by payment type. We do not structure our funding in a way that allows us to easily say to the ANAO, 'We spent this many dollars on tip-offs.' But what we could tell them was, 'We spent this many dollars on reviews of Newstart customers or on age pensioner customers.' That is the way that our funding is organised. Having said that, we have agreed with their audit finding and we will look at ways so as to be able to attribute our funding both in terms of the payments that we are reviewing and in terms of those sorts of inputs, because there is an issue there about how effectively we can look at the cost benefit, if you like, of the sort of work that we are doing.

The savings methodology is complex. It is hard to estimate how much we would save to future outlays. The methodology that we use is one that is agreed between Centrelink policy departments and the department of finance. But there is currently some work underway to review that methodology to look at ways that we could make it more robust.

Senator BOYCE—Thank you. Minister, could I just ask you—

CHAIR—Senator Boyce, your colleagues are going to run out of time, including you, on Medicare.

Senator BOYCE—It is just one very brief question. It will only take a few seconds. Minister, given that report from the ANAO and the fact that you have put out media releases saying that the anti-fraud program is saving \$107 million a fortnight in the 2007-08 financial year, are you intending to put caveats in your media releases in the future saying, 'We haven't quite sorted out whether these figures are valid'?

Senator Ludwig—I have every confidence in the figures. What we have indicated in respect of the ANAO report is that Centrelink has agreed to all the recommendations. I think a slightly different issue is being alluded to here where the ANAO audit is about—and please correct me if I am wrong—ascribing that the actual number of tip-offs go to a particular incident. What we are talking about more broadly is that, if it is another requirement to examine the payment across X-number and that leads to X-amount of recovery, then that figure is quantifiable and dealt with by Centrelink.

Senator BOYCE—I suggest that you have a look at page 22 of the ANAO report, which says that the savings estimates are published in various publications, including media

statements, and that they should have an appropriate caveat on them. That is according to the ANAO. I will stop there.

Senator Ludwig—As I have said, I will look at all of the recommendations that I indicated we had accepted and agreed to.

Senator BOYCE—Thank you.

Senator Ludwig—Before we depart Centrelink, in respect of a question from Senator Barnett, I have been alluded to a brief in my office that we received on 20 October. It goes to the issue of both the baby bonus and the immunisation scheme. I have not read that as yet—it is estimates week—but I will be able to provide an early response.

Senator BARNETT—When will you get to that?

Senator Ludwig—It depends on when I get to read the brief. I will endeavour to read that—I do not want to say tomorrow—as soon as practicable.

Senator BARNETT—Thank you.

CHAIR—Just to clarify, all questions on notice have to be in at the end of the estimates week.

[10.40 pm]

Medicare Australia

Senator RYAN—Minister, I should start by addressing this question through you to Medicare Australia. My attention was drawn to an article in the *Age* today that mentioned a study by the Association for the Promotion of Oral Health that came out at the University of Sydney. It was a study of the chronic dental disease aspect of Medicare. Can Medicare Australia provide the committee with a state-by-state breakdown of utilisation of those Medicare item numbers in that program?

Senator Ludwig—I am informed we can provide it. The only caveat I was considering was whether it is the Minister for Health's program. Subject to that—

Senator RYAN—I understand the data would go through Medicare Australia because you would process the payments.

Ms Mellor—Yes, we can provide a breakdown of payments made and we can provide it on a state basis.

Senator RYAN—You are aware through your own monitoring schemes of higher usage in particular states than others?

Ms Mellor—Without the state figures in front of me, I could not say. But we could address that in an answer.

Senator RYAN—Okay. This article refers to the head of the Association for the Promotion of Oral Health outlining that the government's lack of promotion of the scheme, because of its hostility to it and attempt to abolish it presumably, Minister, has seen the uptake in New South Wales much higher only because of an independent campaign that has actually driven people to that. Do you have a comment on that?

Senator Ludwig—I am not familiar with that research. It is a little difficult.

Senator RYAN—Given that your previous comments about an advertising campaign for the Centrelink aspects of the payments, where \$20 million was being spent on advertising for payments that people will mainly automatically receive, as in the quote that Senator Boyce read out earlier, isn't this somewhat inconsistent, that there is a program that directly relates to utilisation of services provided by your department where people need to proactively go out and seek access to these which have a dramatic impact on their personal health and there is no advertising campaign. This research shows that usage is driven only by an independent advertising campaign and promotion campaign, yet you are running a \$20 million advertising campaign on something that people do not need to primarily access because it comes automatically.

Senator Ludwig—Notwithstanding the long bow you wish to draw, I have not seen research, I have not got the figures as to what is actually happening in respect of Medicare figures within these areas. I think it would be inappropriate for me to provide any comment in respect of that. On the political point you take, let me reject that.

Senator RYAN—So you see no inconsistency between an advertising campaign—

Senator Ludwig—That is not what I said. You know what I said. I have not seen the research. If you have got it there, I might be able to take it on notice and provide you with a comment about the research or I can ask when the figures are available to also provide those to you and you can draw your own conclusions from those. I do not know what the research might suggest as to what is driving the particular outcome and I do not know what it is. What I can say is that I think it is reasonable for the government to use advertising in appropriate forums to provide information about the economic security package.

Senator RYAN—But not accessing Medicare. I will move on and address that to the minister for health. I have a technical question: I notice the news regarding the Medicare rebate being indexed for general practitioner standard item numbers. What is that indexed to?

Ms Mellor—Are you talking about the AMA's release?

Senator RYAN—Yes. That made me wonder, what is the Medicare rebate or the MBS indexed to when it is annually adjusted?

Ms Mellor—We do not set the MBS. That is a matter for the Department of Health and Ageing in consultation with Minister Roxon.

Senator RYAN—I have a couple of questions I can give you quickly that you might be able to take on notice, and they are about the total numbers in Medicare Australia—how many Medicare claims offices there are around the country now, how many there were as at 1 January 2008, the total staff members in those claims offices, whether those numbers have increased or decreased since January this year and, finally, the total staff in the Canberra head office, presumably of Medicare Australia, and whether those numbers have increased or decreased since 1 January 2008. I am happy for those to be taken on notice.

Senator Ludwig—Thank you. We will take those on notice.

Senator BARNETT—I have a question for Medicare and, Ms Mellor, you probably know what I am about to ask because I indicated the question earlier to the Department of Human Services. Firstly, in terms of Medicare payments for second trimester and late term abortions

and specifically Medicare item number 16525—part 3 of schedule 1 of the Health Insurance (General Medical Services) Table Regulations 2007, which I am sure you are fully aware of—can you provide the statistics on the total amount that has been paid since 1994? Secondly, can that be broken down on a state and territory basis? Do you have those figures with you?

Ms Mellor—I do not have them with me now. I heard the question put during earlier discussion by the committee. The question I heard is: what evidence is required to make a payment?

Senator BARNETT—I am about to ask that question.

Ms Mellor—I do not have those detailed statistics with me, but I am happy to take that on notice.

Senator BARNETT—If you could take that one on notice and, since 1994, what were the total payments made and how many payments, broken and down on a state territory basis. Secondly, since the payment first began, does anybody at Medicare know the exact date when the payment first commenced of Medicare item 16525?

Ms Mellor—We will take that on notice as well.

Senator Ludwig—It may go back to the Health Insurance Commission days.

Senator BARNETT—It may do. If you could assist us in answering that and track it back to when it first commenced? If you could also do a breakdown for the first trimester—I do not have the item number with me.

Ms Mellor—There are two different item numbers for management of labour in trimesters.

Senator BARNETT—Yes. If you could do it for that item number as well, that would be appreciated. Now to the question regarding what evidence is required by Medicare to make those payments.

Ms Mellor—As with all MBS items, the evidence we require is that an eligible service under the MBS has been provided by an eligible medical provider to an eligible patient. That is evidenced by invoicing by the medical provider. We obviously check to see that the patient is eligible for medical services as well.

Senator BARNETT—Can you just walk us through it and how it actually works.

Ms Mellor—A clinical judgement will be made by a medical provider as to what service has been provided to any patient right through the MBS items and they will record that in their invoice. If they choose to bulk-bill the patient, they then send the details of that arrangement with the consent of the patient through an assignment of benefit to Medicare Australia.

Senator BARNETT—Who would have signed that document, both the GP—or the medical practitioner—and the patient?

Ms Mellor—For the Health Insurance Commission, a patient will assign their benefit to the medical provider at the scheduled rate. That evidence will come to Medicare in a number of forms and will be assessed by checking the eligibility of the provider and the patient and that the appropriate Medicare number has been applied—a real Medicare number, if you like. If the patient is billed, the medical provider will use their judgement about what is the

appropriate item and bill the patient. The patient can either take the account unpaid and we will rebate to them for the medical provider and they will pay the difference between the fee that is charged and the scheduled fee, or they will pay the account in full and claim a rebate from Medicare through a number of means.

Senator BARNETT—It is up to the practitioner to complete the form and if they do complete the form and the form looks adequate to you to meet those requirements then the amount is paid. What amount of checking or rigour is given to ensuring that the practitioner is completing it in accordance with the Medicare item number as in accordance with the law?

Ms Mellor—There is a range of compliance checks. Obviously we are always looking for eligibility of providers and patients. The schedule is broken up into different sets of item numbers for different providers. For example, optometrists have their own range of item numbers, so we do that level of check. Then we have a more detailed risk assessment process in Medicare Australia across the range of programs that we administer, including Medicare, and a national compliance plan that is based on risk assessment.

Senator BARNETT—Do you do random audits from time to time?

Ms Godwin—Yes, we do random audits from time to time.

Senator BARNETT—The Medicare item number is based on what is written in it, in terms of the terms and conditions upon which the termination is granted. At the end of the day it is obviously very hard for you to make any assessment about that. If the medical practitioner signs the form, how do you check the veracity or otherwise of it?

Ms Godwin—As Ms Mellor said, the core components of an accurate claim are that it was an eligible provider, an eligible service and an eligible patient so that is the core of what we are checking.

Senator BARNETT—I draw your attention to previous questions I have asked of the Department of Health and Ageing, which basically say, in answers to the questions I have put to them, that it is up to the practitioner. When I have asked further what is the definition of a gross foetal abnormality and can it include a cleft palate or some matters that are easily rectifiable by minor surgery, they say that it is possible for that to also be included. They do not deny that they would be ruled out. So you can see that we are caught between a rock and a hard place where you have to make the assessment, the doctor signs the form and it is ticked off. And then when I ask the Department of Health and Ageing questions, they say: 'Well, it is up to the doctor to decide whether the terms and conditions are met'. So you can see it is a difficult situation.

Ms Godwin—Senator, essentially we rely on the clinical judgement of the medical practitioner to identify the correct item when they provide a service and bill or claim.

Senator BARNETT—Thank you for that. Thank you very much for the opportunity to ask those questions. You are aware of the committee of inquiry next week. So can we assume that we would have that information that I asked for in those first few questions in advance of that? Can you give us an indication in terms of timing of response?

Senator Ludwig—We will do our best to try to get that back to you prior to the committee inquiry. We will let you know if there is a problem and if it will take longer, because we can

always provide part of the information that we have. If it is going to take longer we can provide an indication of how much time it will take.

Ms Godwin—Senator, there is quite a bit of information on the website. What I do not know is whether it goes into the level of detail that you are asking. There will certainly be some information, because it is already publicly available.

Senator BARNETT—That is an excellent response. I appreciate that, because I have assessed the website and I have done my own calculations and made careful assessments which are now in a briefing paper which are on my website, www.guybarnett.com—there is a little flyer there. I have asked a few further questions, and you might need to do a little bit of further digging in advance of the hearing next week.

Ms Godwin—Sure. As the minister says we will certainly do our best to get the information to you.

Senator BARNETT—I do appreciate your willingness to address those matters prior to next week and I thank you for it.

CHAIR—Are there any further questions? If not, I thank the minister and the departmental personnel for appearing before us. Can I also place on record our thanks to the secretariat, Hansard and also I do appreciate the support of my colleagues on the committee.

Senator Ludwig—May I thank the chair and the committee.

CHAIR—Travel safely everyone.

Committee adjourned at 10.54 pm