



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

STANDING COMMITTEE ON FINANCE AND PUBLIC  
ADMINISTRATION

ESTIMATES

**(Additional Budget Estimates)**

TUESDAY, 24 FEBRUARY 2009

CANBERRA

BY AUTHORITY OF THE SENATE



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

**Tuesday, 24 February 2009**

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

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

**Senators in attendance:** Senators Abetz, Bartlett, Brandis, Collins, Cameron, Coonan, Cormann, Ferguson, Fielding, Fifield, Forshaw, Hanson-Young, Humphries, Hurley, Marshall, Moore, Parry, Payne, Polley, Ronaldson, Ryan and Scullion

**Committee met at 9.01 am**

**FINANCE AND DEREGULATION PORTFOLIO**

**In Attendance**

Senator the Hon. Nick Sherry, Minister for Superannuation and Corporate Law

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

Mr Andrew Harvey, Branch Manager, CFO Unit

Mr Brett Quester, Branch Manager, IT Services Branch

Mr Geoff Painton, Branch Manager

**Outcome 1**

Dr Paul Grimes, General Manager, Budget Group

Mr Lembit Suur, Head of Taskforce, Expenditure Review Taskforce

Mr David Weiss, Division Manager, Industry, Education and Infrastructure Division

Mr John Ignatius, Division Manager, Social Welfare Division

Mr Brendan Sargeant, Division Manager, Government and Defence Division

Mr Peter Saunders, Division Manager, Budget Review Division

Mr David Nicol, Division Manager, Budget Policy and Coordination Division

Ms Kathryn Campbell, General Manager, Financial Management Group

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Dr Tom Ioannou, Acting Division Manager, Financial Framework Division  
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  
Ms Lisa La Rance, Acting Branch Manager, Funds 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  
Ms Su McCluskey, Executive Director, Office of Best Practice Regulation

**Outcome 2**

Mr Simon Lewis, General Manager, Asset Management Group  
Mr Robert Butterworth, Acting General Manager, Asset Management Group  
Mr Rick Scott-Murphy, Division Manager, Property and Construction Division  
Mr John Grant, Division Manager, Procurement Division  
Dr Guy Verney, Acting Division Manager, Shareholder and Asset Sales Division  
Mr Philip Smith, Branch Manager, Insurance and Risk Management

**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 Stephen Taylor, Branch Manager, Legal Services  
Mr Brett Quester, Acting Branch Manager, IT Services Branch

**Outcome 4**

Ms Ann Steward, General Manager, Australian Government Information Management Office  
Mr John Sheridan, Division Manager, Business Improvement Division  
Mr Trevor Smallwood, Acting Division Manager, Agency Services Division  
Mr Scott Wallace, Branch Manager, Operations Review Branch

**Australian Electoral Commission**

Mr Ed Killesteyn, Electoral Commissioner  
Mr Paul Dacey, Deputy Electoral Commissioner  
Mr Tim Pickering, First Assistant Electoral Commissioner  
Mr Tom Rogers, Acting First Assistant Commissioner  
Ms Barbara Davis, First Assistant Commissioner  
Mr Paul Pirani, Chief Legal Officer  
Dr Chris Drury, Acting Assistant Commissioner, Communications and Information Strategy  
Mr Pablo Carpay, Assistant Commissioner, Roll Management  
Mr Doug Orr, Assistant Commissioner, Elections

**ComSuper**

Mr Leo Bator, Chief Executive Officer  
Mr Neal Mason, Chief Operating Officer  
Mr Marcus Markovic, Deputy Chief Executive Officer  
Ms Cindy Briscoe, Deputy Chief Executive 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**

Michael Sammells, Chief Financial Officer, Medibank Private  
George Savvides, Managing Director, Medibank Private

**CHAIR (Senator Polley)**—Good morning everyone. I declare open this hearing of the Senate Standing Committee on Finance and Public Administration. The Senate has referred to the committee the particulars of proposed additional expenditure for 2008-09 for the parliamentary departments and the portfolios of Prime Minister and Cabinet, Finance and Deregulation, and Human Services. The committee may also examine the annual reports of the departments and agencies appearing before it. The committee has fixed 9 April 2009 as the date for the return of answers to questions taken on notice.

The committee proceedings today will begin with its examination of the Finance and Deregulation portfolio and the Human Services portfolio. I propose to proceed by opening with general questions of the Department of Finance and Deregulation and then calling on the outcomes and outputs in the order listed in the program.

Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice. I remind all witnesses that, in giving evidence to the committee, they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee and such action may be treated by the Senate as contempt. It is also regarded as contempt to give false or misleading evidence to a committee. The Senate by resolution in 1999 endorsed the following tests for relevance of questions at estimates hearings: any questions going to the operations or financial positions of the departments and agencies which are seeking funds in the estimates are relevant questions for the purpose of estimates hearings.

I remind officers that the Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has the discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise. The Senate has resolved also that an officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or

to a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted.

If a witness objects to answering a question, the witness shall state the grounds upon which the objection is taken and the committee will determine whether it will insist on answer, having regard to the grounds which are claimed. Any claim that it would be contrary to the public interest to answer a question must be made by the minister and shall be accompanied by a statement setting out the basis for the claim. An officer called to answer a question for the first time shall state their full name and the capacity in which they appear. Witnesses should speak clearly into the microphone to assist Hansard to record proceedings. Mobile phones should be switched off.

[9.04 am]

### **Department of Finance and Deregulation**

**CHAIR**—I welcome the Minister representing the Minister for Finance and Deregulation, Senator the Hon. Nick Sherry, and officers from the Department of Finance and Deregulation. Senator Sherry, do you have an opening statement?

**Senator Sherry**—No, I do not. Thank you, Chair.

**CHAIR**—Dr Watt?

**Dr Watt**—No, thank you, Madam Chair.

**Senator PAYNE**—Thank you, Chair, and I thank the committee for their assistance in letting me seek some responses to these questions. I also seek the committee's advice as to whether this is an appropriate point in the general questions area to ask questions relating to the audit of Commonwealth government land. Is that possible to ask now, Dr Watt?

**Dr Watt**—I am sure that is possible. We will get the right people in for you.

**Senator PAYNE**—Thank you, very much.

**Senator Sherry**—Chair, can I just clarify: this is property management and we are bringing it forward?

**Senator PAYNE**—I am sorry, Senator Sherry. I was seeking the committee's guidance. If I am at the wrong time, I am happy to come back.

**Senator Sherry**—No, we are happy to oblige. I just wondered: if there were any other senators who have any other questions on property management, we could deal with it now—although we don't have to.

**Senator FIFIELD**—I think Senator Payne is probably the only senator who does. We do tend—I guess it is tradition, Chair—to cover most things in general questions.

**Dr Watt**—We have noticed, Senator!

**Senator Sherry**—We are happy to oblige.

**Senator PAYNE**—There was a question placed on noticed in September last year in which Minister Plibersek responded saying that the Commonwealth had released a number of lots of land for sale: West Wattle Grove, in Sydney; Cannon Hill in Brisbane; and Schofields in



Sydney as well. Is the department are able to provide any update on the sale processes for those three areas?

**Dr Verney**—In relation to Cannon Hill, that sale process has been finalised. It is the responsibility of CSIRO. Schofields was put on the market and then withdrawn. It is being put back on the market again by Defence. West Wattle Grove has been withdrawn from the market.

**Senator PAYNE**—Is it proposed that West Wattle Grove be put back on the market?

**Dr Verney**—That is being considered at the moment.

**Senator PAYNE**—Is there any time frame for that consideration?

**Dr Verney**—That is a Defence responsibility. I suggest that you ask them when they will be doing that.

**Mr Lewis**—The Finance role was to conduct the audit, which involved in a sense a trawl across all the Commonwealth agencies that own and are potentially disposing of land, in order to identify potential land for release for housing purposes and then to report back to the government in relation to that. So most of the properties we are talking about are not properties that are actually owned or managed by the Department of Finance and Deregulation—

**Senator PAYNE**—I understand that.

**Mr Lewis**—although we do have a property portfolio of our own.

**Senator PAYNE**—Thanks, Mr Lewis. Just on the Cannon Hill property, can you advise the committee what price was achieved for that?

**Dr Verney**—I suggest you ask CSIRO for that information.

**Senator PAYNE**—So there is no coordination amongst departments by your department, Dr Watt, of, broadly speaking, the arrangements for sale processes and things like that where you keep some sort of central information about what is achieved, what happens to sites when they are not sold and so on? It is a department by department arrangement and there is no centralised approach to this from the government?

**Dr Watt**—‘No centralised approach’ would be a touch too strong. As Mr Lewis said, we did the land audit on a centralised basis. That was done by group chaired by Mr Lewis and involved people from a number of property-owning departments as well as I think Treasury and perhaps PM&C, but I would need to check that. By and large, the major property-owning agencies are responsible for their own property holdings. They purchase property as they consider appropriate for their business operations; they sell property as they consider appropriate to their business operations and/or as a result of discussions with government. In the case of Defence, for example, they have bought and sold their own property I suspect ever since 1901, but I would need to check that. Because of the particular nature of their properties, we are quite happy for that to happen—they have particular problems to deal with. Do we coordinate sale processes? No. Do we keep records of sale outcomes? No, not particularly—partly because they are the agencies and people that have the most interest in

this, including securing the best price. In the case of Defence, for example, they keep the proceeds—or most of the proceeds.

**Senator PAYNE**—Dr Watt, could you advise whether your department, as part of the audit process or in any other capacity, has been consulted in relation to the use any of the Commonwealth land that we are talking about, and more broadly, as part of the Nation Building and Jobs Plan, particularly the social housing proposals in that plan.

**Mr Butterworth**—In part of the coordination process which Finance chairs in helping departments and agencies manage the disposal of land, we engage with the Department of Families, Housing, Community Services and Indigenous Affairs. In several of the recent sales, tenderers have been invited to indicate how they would address social housing and community issues in the development process, and that has been taken into account in evaluating the tenders.

**Senator PAYNE**—Thank you.

**Dr Watt**—I think that what Rob is saying is that there was no specific link between that more broad policy issue and the social housing components of the Nation Building and Jobs Plan.

**Senator PAYNE**—There is not a formal part of that process in relation to the social housing aspects of the plan?

**Dr Watt**—That is not to say that some existing Commonwealth land might not become a formal part of that process, but at the moment it is not.

**Senator PAYNE**—Is that under consideration, Dr Watt?

**Dr Watt**—I could not say it is under active consideration. The answer to that is that you would probably have to you ask, in the first instance, the department of families and community services.

**Senator PAYNE**—I am racking up the other departments to go to as we proceed.

**Dr Watt**—It is a complex world.

**Senator PAYNE**—So they tell me. May I just clarify one matter in relation to West Wattle Grove? Was it your advice to me that West Wattle Grove is still in the ownership of the Department of Defence?

**Dr Verney**—That is correct.

**Senator PAYNE**—I think I have conflicting advice on that matter from supplementary budget estimates in October last year. If I can put that together—I do not have the second piece of paper I need—I may come back with a question on notice in relation to that.

**Dr Watt**—Senator, why don't we undertake to do the following, because it sounds like you might not have the best advice: we will confirm—

**Senator PAYNE**—It may have been provided by the Department of Defence, Dr Watt.

**Dr Watt**—Sometimes people get it wrong, Senator. Indeed, people often think that the department of finance is responsible for many things it has nothing to do with.

**Senator ABETZ**—That is not right.

**Dr Watt**—That is true, Senator.

**Senator PAYNE**—I will leave before that conversation starts!

**Dr Watt**—We will confirm for the committee. We will confirm with Defence this morning that we are not the owners of that and will just make sure it is not something that has been lost in translation between us.

**Senator Sherry**—Senator Payne—and we have encountered this issue before, including when I was questioning from opposition—Finance has a very good overall and detailed knowledge of various department activities—

**Senator PAYNE**—I would hope.

**Senator Sherry**—but, in terms of the responsibility for questioning, it is the appropriate department, not Finance.

**Senator PAYNE**—That is why I am making a list. I have one final question. In relation to a CSIRO site in Indooroopilly in Brisbane, there are many reports about the sale of that site, which is about seven hectares, when the CSIRO vacates the site in 2011. Is that site being considered as part of the audit of Commonwealth land?

**Dr Watt**—It has been included in the audit of Commonwealth land previously—yes.

**Senator PAYNE**—Thank you very much. I will come back with any further questions on notice. I thank the committee as well.

**Senator COONAN**—Could the committee be told: how much is the government estimated to spend on consultants over the forward estimates period?

**Dr Watt**—We will get the right people for you, Senator.

**Senator COONAN**—Thank you.

**Mr Lewis**—I am arranging to get one of my colleagues from next door, but I can advise you that I do not believe we have any estimate as to what is expected to be spent on consultants over the forward estimates period.

**Senator COONAN**—Okay. Could you tell the committee: how does the government cost the use of consultants? What is the methodology? How do you go about it?

**Dr Watt**—We might get Dr Grimes from Budget Group to talk a little bit about this. Essentially, the use of consultants is a decision for agencies. Finance would come into contact with a costing issue on the use of consultants if agencies were seeking additional funding—not necessary to employing consultants—but to do an activity which involved a use of a consultant. In which case, we would be involved in an assessment of the costs as part of that new policy bid. But it is also true—as in almost every case of those new policy bids they are ex ante bids, in other words, before the event—that it would be no more than a very broad assessment, because the real test would be when you go to market and what exactly you go to market for. You would be unlikely to have done that before a new policy proposal came before government. I think Dr Grimes can confirm that for me.

**Dr Grimes**—Yes, I am happy to confirm that. I do not have anything specific to add to the secretary's response.

**Senator COONAN**—Are there any benchmarks for the use of consultants then—if you become involved in a new policy proposal that involves use of a consultant?

**Dr Grimes**—If we have a new policy proposal that involves the use of a consultant, we would examine that on a case-by-case basis. We would not have specific benchmarks that we would be able to refer to; although, depending on the individual case, we might look back at similar consultancies that have been conducted in the past to get a sense of whether the bid that is being submitted is a reasonable one or not.

**Senator COONAN**—Is the costing process standardised?

**Dr Grimes**—Elements of the costing process are standardised. They are those things that can easily be done in a very standard way, such as the costs of an individual employee at a particular level. We can standardise those sorts of costs. It is not possible to standardise things like consultancies, because consultancies can vary quite considerably in their scope and range.

**Senator COONAN**—Do you have a benchmark that is used for, say, recurring or often used consultants, like legal or accounting or ITC? Do you have some sort of ballpark?

**Dr Grimes**—To the best of my knowledge, I am not aware of any single benchmark that we would use.

**Dr Watt**—No, we would not—not with ‘single benchmark’ being a per-hour rate or something like that. Agencies may have that in putting their bid together and they may discuss it with us, but I do not know that we have one.

**Dr Grimes**—No, not that I am aware of.

**Senator COONAN**—So you rely entirely on agencies to give you some kind of ballpark as to what might be reasonable; do you?

**Dr Watt**—The way the costing process works is that an agency will put something forward. They will say, ‘Here is what my minister wants to take to government,’ or ‘Here is what we want to take to government,’ and Budget Group and Finance will scrutinise the cost. I will not say it is a completely adversarial process, but it is a pretty tough process. Some of the things our people always look at are: firstly, whether there is a good case for using a consultant rather than public servants; secondly, whether there is a case for a consultant at all; and, thirdly, whether the consultancy looks reasonable in terms of the amount of work being done, the expertise sought and so forth. So that would be tested backwards and forwards; but to say that we are experts on the cost of consultants would be incorrect.

**Senator COONAN**—In what areas is the use of consultants most prevalent, and which are the portfolios that resort to them most?

**Dr Watt**—I might ask Mr Grant, who is responsible for our AusTender, to initially respond to that. Dr Grimes might be able to help too.

**Mr Grant**—In terms of the departments who are the largest users of consultancies, it changes over years. For example, in calendar year 2008 the Department of Families, Housing, Community Services and Indigenous Affairs had the largest consultancy. The Department of Finance and Deregulation also had a large consultancy. The figure was about \$34 million for FaHCSIA and \$11 million for the Department of Finance and Deregulation. It does vary over

time. We have very limited information on consultancies, because agencies have only been required to tick a consultancy box for about the last year, so historical data is very difficult to find.

**Senator COONAN**—Where did Defence sit in the 2008 calendar year?

**Mr Grant**—I think Defence is one of the larger users of consultancies. If you give me one moment, I think I have some figures here.

**Senator COONAN**—Sure.

**Mr Lewis**—While Mr Grant is digging out that information I might give you a little bit of background in relation to AusTender. Historically, one of the biggest problems with AusTender was the quality of the data being put in. We have improved the system reasonably recently, which has both helped us to edit some of the data coming in and also improved the search facilities for anybody who wished to examine government consultancy operations.

**Senator COONAN**—Was that the reason for the recent reported flurry of cleaning up the—

**Mr Lewis**—I could not comment on the reason, Senator, but that reporter certainly would have been able to do that simply by running the routines available via AusTender. The point I was going to make was that obviously the quality of the data is dependent upon agencies inputting that data, because we simply maintain the system and agencies are inputting and maintaining the data.

**Senator COONAN**—Is there any systematic or centralised tracking of actual spending on consultancies across the federal sphere, or do we just have to wait for individual agencies?

**Mr Lewis**—There is an obligation on agencies to make sure that they input their data to AusTender within a limited period after entering into the contract—four weeks or thereabouts. I cannot give you the exact date, but it is a very short period of time. That obligation resides with agencies, and we remind them of their obligation periodically. We do remind them via various forums that are conducted by Finance, including the CFO forum, that they have this obligation and that they need to keep their data current.

**Senator COONAN**—But it is true to say that, apart from agencies doing the right thing, if I can put it colloquially, and you reminding them, there is no other centralised way employed to track federal consultancies?

**Mr Lewis**—To put it slightly differently, we do not have resources available in my group going out there trying to second-guess whether there should be contracts appearing on AusTender from different departments for particular roles. So the obligation—

**Senator COONAN**—Is it a resources issue or is it a technical issue?

**Mr Lewis**—It certainly would require resources for people to be aware of what programs should be leading to contracts and that those contracts should be leading to entries onto AusTender

**Senator COONAN**—What records are kept during the decision making process? Would that not be an avenue for some better centralised tracking of federal consultancies?

**Dr Watt**—Consultancy decisions are made by agencies. As part of the evaluations process for appointing a consultant, every agency has certain requirements it has to go through in terms of the appointing process and the reporting process. Those records are internal to agencies. They are all commercial-in-confidence because they involve commercial information. Each agency is responsible for tracking and maintaining those records. As you would be aware, Senator, the agencies publish in an attachment to their annual report the previous financial year's full list of consultancies, and of course that is tabled in parliament. We do not seek to track that, either during the year from agencies, nor do we seek to aggregate annual reports.

**Mr Grant**—Perhaps I can add a little bit here. AusTender tracks contracts awarded, and agencies are required to put that information in within 42 days of entering into the contract. In terms of what you are seeing on AusTender at present, as the secretary and Mr Lewis said, it is not uncommon for agencies not necessarily to get the correct information about the nature of a contract. Two things happen. During the year we meet with agencies regularly and encourage them to check their data. The second thing is that in around about August each year we do a cleansing exercise with agencies. My people pick out particular areas, and agencies do as well, to cleanse them. Last, quite often if an article like the one in a newspaper last week comes up agencies will go back and check their records, so they do change.

In terms of the larger users of consultancies, the Department of Defence on my records in terms of expenditure in 2007-08 was the largest user of consultancies. The Department of Health and Ageing was also a major user of consultancies. The other leading ones were the Department of Immigration and Citizenship and the Department of Education, Employment and Workplace Relations.

**Senator COONAN**—I appreciate what you just said but I am still not clear how the government keeps track of the overall spend.

**Mr Grant**—Perhaps I can again respond. In their annual reports, agencies are required to report expenditure on consultancies.

**Mr Lewis**—And AusTender of course is tracking contracts and contract amounts, not expenditure. So you may find that there is actually limited expenditure against a contract but all we are tracking via AusTender is the contracted amount.

**Senator COONAN**—I am not sure, but perhaps this might be a question for the minister: how is cabinet made aware of the use of consultants and how is cabinet able to judge the finance minister's promise to cut consultants being implemented?

**Mr Lewis**—I think we would have to take that one on notice.

**Senator COONAN**—Minister?

**Senator Sherry**—We will take it on notice.

**Senator COONAN**—Does the Department of Finance and Deregulation keep a tally of the amount of money spent on consultants when it undertakes costings?

**Dr Grimes**—I am not sure that I understand the thrust of your question.

**Senator COONAN**—I will rephrase it. When you are undertaking costings for budget purposes, for new policy proposals or if something is lapsing does it take account of the cost of consultants in the costing?

**Dr Grimes**—If consultants are relevant to the costing we would take into account a consultancy element and we would consider that on a case-by-case basis. As the secretary was outlining before, that would tend to be an iterative process with the agency concerned.

**Senator CONROY**—Are ministers for example made aware across government of the amount of money that is spent on consultants or do they just make an individual decision in their own portfolios?

**Dr Grimes**—As has been indicated, there is reporting in a number of ways, including the reporting through AusTender and reporting in annual reports, and ministers would be advised of the use of consultants in their departments.

**Senator COONAN**—What are the most common reasons for engaging consultants? Is it mainly legal, accounting or policy?

**Dr Watt**—I might ask Mr Grant on that one.

**Mr Grant**—I do not really have a breakdown of how consultants are used.

**Dr Watt**—What are the most common reasons?

**Mr Grant**—I think the most common reasons are expertise, such as legal and accounting, and also expertise in areas where the government may need additional support; for example, in areas such as ICT or perhaps in some cases asset sales.

**Dr Watt**—I will give you an illustration. From time to time Finance has been a heavy user of consultants. Most of that has been directed towards our asset sales function, as you may be aware. The model of asset sales that we used was a devolved one where Finance project managed a sale but we drew extensively on external legal business advisory investment bank consultants because they had expertise that we just simply did not have inside government. That was of course expensive but not compared with the sale proceeds, but it was nevertheless expensive in absolute terms.

That is why we sometimes feature as a very heavy user of consultants. In fact, often in the last four or five years we would have looked like a substantial user of consultants. The rest of the department has a much, much lower use. It is usually things like legal expertise, because most of our legal work is done outside the department—including by AGS; they appear as consultants. Some specialist accounting work is done by consultants. Beyond that I would have to ask my CFO, but they would be two of the major areas we would use consultants for. I do not know that we would use much else at the moment, would we?

**Mr Lewis**—There would be a bit on probity advice, because we run a number of tenders in the department. You may see that as a branch of legal, but they are not always lawyers that provide the probity advice. You would find that there would be a large number of relatively small contracts across the Finance Department in a usual year.

**Dr Watt**—And there would be some IT advice.

**Senator COONAN**—Yes, but there is quite a lot of policy and research.

**Dr Watt**—There is not really policy advice. We do not outsource our policy advice.

**Senator COONAN**—I am not talking about Finance necessarily. I am talking more generally.

**Dr Watt**—I could not comment much on others. We outsource specialist aspects of the advice. Sure, some of the legal advice we get could go into policy development but it would be an input rather than having the external lawyers telling us what policy to adopt.

**Senator COONAN**—You have confused me, Dr Watt, by your earlier answer. Is it correct—I did not think it was my experience, but I could be wrong about this—that ERC does not consider the cost of consultants when it puts the budget together?

**Dr Watt**—I am sorry if I have confused you. ERC would have before it an agreed cost, which would identify major components.

**Dr Grimes**—Our costing sheets would break down the costs into major components if there are significant components.

**Senator COONAN**—Is there anywhere where, during the decision making process—either for budgetary purposes, for new policy proposal or for any reason—there is a total estimate of costs of all consultants?

**Dr Grimes**—Through the budget process, as you are aware, the focus is on new policy proposals, looking at individual components and individual new spending proposals rather than aggregate examination.

**Senator COONAN**—So am I correct? I am pressing you on this. Is it correct that there is nowhere a total estimate of costs of all consultants?

**Dr Grimes**—There are estimates in annual reports and on AusTender but we do not maintain a separate accounting line in our budget financial statements, for example.

**Senator COONAN**—So there is no standard costs for consultants—that is, there is no benchmarking—and cabinet does not have information as to the total costs of consultants.

**Dr Grimes**—As I think I indicated before, consultancies can come in a whole range of sizes and forms. That makes it very difficult to have a single benchmark, as you would appreciate.

**Senator COONAN**—I appreciate the difficulty. I am correct, am I, in saying that with no standard cost for consultants and no running aggregate of what the consultants' costs are at any one time, there is no way that government can form a view as to what consultancies are costing, until all the agencies report.

**Dr Grimes**—Certainly, as we have indicated already, the government is able—and does—look very closely through our costings exercise at costings for new policy proposals. Overall expenditure by agencies is managed within the relevant agency. That is apart from the new policy proposal process.

**Senator COONAN**—I am puzzled as to how the finance minister says that he is cutting costs on consultancies if there is no way of tracking the aggregate as you go.



**Dr Grimes**—I think the focus is very much on considering new policy proposals and making sure that there is a rigorous and robust assessment of those new policy proposals that are presented to the government.

**Senator COONAN**—Documents that were released by the finance department under a freedom of information request indicate that \$100,000 was allocated to the ACCC to engage an external consultancy service to assist the ACCC to develop Fuelwatch branding, naming and logo designs. Is it common practice for agencies or departments to engage consultants to perform this type of work?

**Dr Grimes**—I do not have direct personal knowledge of that. I would have to take a question like that on notice.

**Dr Watt**—If you are asking whether it is common practice for agencies to do it, I think it would be difficult for us to speculate on the question because it is really a matter for agencies. You might be able to get that answer out of, for example, the ACCC when they are on later in the week. But it would be difficult for us to make a judgement about that sort of thing from our perspective. Clearly they have done it at least once.

**Senator COONAN**—Certainly they consulted Finance, as they have to, in relation to a proposal—and I have it here—for consultancies that were in the order of \$1,764,325. I wanted to ask you about Finance's assessment in relation to that proposal. Can somebody help me with Fuelwatch and GroceryWatch?

**Dr Grimes**—We would probably have to get the officer involved with that, but we could get the officer involved and bring them up, maybe in the next 15 or 20 minutes or so.

**Senator COONAN**—All right then. Could you remind me again of the figure that Finance spent on consultants in 2007-08 and what services were provided?

**Dr Watt**—I will just get our CFO. I should also add one thing. You were asking about what we spent on consultancies. We have also had a small number of consultancies for Finance's strategic review function. These are people who tend to look at a large area of government expenditure and make recommendations to government, and Finance then picks them up as part of its policy advice to government. That is something that is new. That is not a large amount of money.

**Senator COONAN**—I just missed the last sentence, sorry.

**Dr Watt**—They make recommendations to government after reviewing a number of areas of expenditure. For example, we had the Wilkins review on climate change programs recently, which got a bit of public press. These are then inputted into our policy advice to government. We do those as well.

**Senator COONAN**—What criteria does Finance use to determine the need for consultants when it is undertaking the costing process for a proposal?

**Dr Watt**—I would like to get Dr Grimes back for that. He is not far away.

**Senator COONAN**—That is okay. I will come back to it anyway when you get your Fuelwatch and GroceryWatch people. At what rate has the cost of employing contractors grown? Has it been in line with CPI, for example?

**Dr Grimes**—Sorry, Senator. I had just left the room for a moment, organising that witness to come up sooner to speak about the Fuelwatch matters that you were alluding to, so I did not catch the thrust of your question. Are you talking about an aggregate amount of expenditure across government?

**Senator COONAN**—Well, yes, that would be a good start.

**Dr Watt**—Or the rate per unit of input.

**Dr Grimes**—Sorry, I am confused by the reference to ‘rate per unit’.

**Senator COONAN**—If you could tell us how much Finance spent on consultants in 2007-08 and what services were provided. Then I wanted to go on to where you consider it the most appropriate to use consultants. What are the criteria that Finance use to determine the need for consultants when undertaking a costing process for a proposal? I think that was the question you missed.

**Dr Watt**—I would ask our CFO to answer the first question.

**Senator COONAN**—And then we will come to the rate.

**Mr Burton**—In terms of the 2007-08 financial year, our expenditure on consultants was \$12.2 million.

**Senator COONAN**—And what were those services for?

**Mr Burton**—It is across a whole range of services. A lot of it is legal advice and the use of specialist accounting skills. There are some consultancies in relation to occupational health and safety. But I do not have a breakdown by the type of service provided.

**Senator COONAN**—Could you get that for me?

**Mr Burton**—Sure.

**Senator COONAN**—At what rate has the cost of employing grown?

**Dr Watt**—I do not think that we would have an answer to that.

**Senator COONAN**—Could you take that on notice.

**Dr Watt**—We can take it on notice, but I do not think that we can get an answer for you. We simply do not have the data.

**Senator COONAN**—I am obviously interested to know if there has been a consistent growth rate across all sectors or a higher growth rate for, for example, IT contractors than for accountants.

**Dr Watt**—We would not have that data, because we do not have it broken up by type of skill or type of profession sought through the consultancy.

**Mr Lewis**—The other thing is that we will frequently seek to contract on a fixed price. If we know that a job is going to take three days, we will try and cut a fixed rate. If there is a benefit for us because of a little bit more work arising from that, we have locked in a price which proves to be a better outcome for taxpayers. The per diems tend to be a mechanism for pricing which lead to the risk of additional follow-on work, whereas the more we can get a fixed price in a contract—particularly for some of our smaller consultancies and contracts—

the better off we are. If you extend that across multiple consultancies or contracts, it is not easy to track price change.

**Senator COONAN**—What growth is factored into your costings? Perhaps I could put it that way.

**Dr Grimes**—As we were explaining before, our costings are on a new policy proposal basis, so it is where there is additional funding being sought by an agency. As you are aware, the overwhelming majority of activities of departments and agencies are conducted through their regular budgets, so they are not subject to the new policy proposal process. When we consider a consultancy as part of a new policy proposal, we would be looking at the specific circumstances of the proposal that is under consideration and the requirements of the consultancy at that time. So it is not so much a matter of forecasting rates of growth in consultancies or increases over time but rather looking at the specific needs of that proposal at that time.

**Senator COONAN**—Do we have someone here who can help with grocery watch and Fuelwatch?

**Dr Grimes**—Not yet. As soon as they are, we will make sure that we let you know.

**Senator COONAN**—I want to come back to a number of questions in relation to this particular topic, but I am happy for Senator Ronaldson to ask questions for the time being.

**Senator RONALDSON**—In relation to these questions, Dr Watt, I would like to establish some principles, if we can. I presume that as a matter of principle, Finance prefers competitive tendering for external contracts.

**Dr Watt**—I do not think that it is a matter of just principle. First of all, the FMA Act requires agency heads to make judgments about efficient, effective and ethical use of resources. That is really about securing the best value for money for every resource that you spend, subject to the broad policy environment that the government sets for you. That should require any FMA agency head to seek the best possible deal in considering a consultancy or anything else. If that—

**Senator RONALDSON**—I assume that in relation to external contracts that governance is a key issue for you as a matter of principle?

**Dr Watt**—Let me go on. If that means that the best way to secure a best outcome for spending—in this case, on a consultancy—is a competitive tender, we should do that.

**Senator RONALDSON**—So you are agreeing me that as a matter of principle you prefer competitive tendering and in relation to external contracts—

**Dr Watt**—I think that I said it was a matter of legislation.

**Senator RONALDSON**—you believe that governance is a key issue.

**Dr Watt**—I think that I said that it was a matter of legislation as well.

**Senator RONALDSON**—It is not a trick question, Dr Watt. I thought that that would be the sort of goals that Finance would have.

**Dr Watt**—I think the point is even stronger. There is something further as well in that the FTA arrangements that the government has entered into for procurement more generally, which of course covers the procurement of consultants, sets certain requirements about how you approach the market, designed to ensure that there is a reasonably level playing field in bidding for consultancies.

**Senator RONALDSON**—Given the response to the more macro question from my colleague Senator Coonan in relation to consultancies, where you were unable to identify the actual cost of consultancies, could I get down to a micro level. Do you have any idea what the spend across departments is for media and communications advisory services?

**Mr Lewis**—We have some information in relation to media and communications spend arising from a function which was recently assumed by the finance department. The work of the committee involved is an IDC on government communications that I chair. We have information in relation to agency spend on major campaigns. I am not sure whether your question—

**Senator RONALDSON**—Mine is across the media and communications advisory services. Do you have a breakdown of the spend across the departments on that?

**Mr Lewis**—No. There would be a number of elements that would be beyond the scope of that committee. If it is a major campaign, we would certainly be aware of that as it emerges.

**Senator RONALDSON**—I take it that the answer is that you do not have that information in relation to media and communications advisory services. Could I now take you to ANAO report No. 19 in relation to the CMAX Communications affair. Who is across the details of that report?

**Mr Lewis**—We are across that.

**Senator RONALDSON**—A gentleman is arriving at the table. Mr Grant, are you the man?

**Mr Grant**—Senator, that depends on your question.

**Senator RONALDSON**—I have not had an invitation like that for some time at estimates. I am happy to oblige. You will be aware, no doubt, that Finance were approached in relation to the ANAO inquiries in relation to the CMAX affair and, in a general sense, the procurement of media and communications external advisory services.

**Mr Grant**—We were consulted by ANAO in relation to the development of their report.

**Senator RONALDSON**—Do you remember Finance's response to a question from the ANAO in relation to the merits of implementing coordinated procurement arrangements—

**Mr Grant**—I do.

**Senator RONALDSON**—such as a panel on multiuse lists?

**Mr Grant**—Yes, Senator.

**Senator RONALDSON**—Do you remember what Finance's response was to that?

**Mr Grant**—We did not think that the level of expenditure related to PR merited the cost of establishing a whole-of-government panel.

**Senator RONALDSON**—Okay. But you have just told us that you do not know what that level of expenditure is.

**Mr Grant**—Sorry, I have misused words. In terms of contracts awarded, reported on AusTender, our view was that it did not merit the establishment of a panel.

**Senator RONALDSON**—Mr Grant, you have just told me that you do not know what the across-department spent on media and communications is. Mr Watt, there is no point in shaking your head, because I asked that question three times to make absolutely sure before I asked this question so that people like Mr Grant would not in any way be put in a difficult position. I asked you whether you knew what the media and communications advisory services spend across the departments was and the response was no. Mr Grant has agreed with me, and he has clearly read this report and was involved. I put it to you again that, if you do not know what the cost of that media and communications advisory services spend was across departments, how can you then make the valued judgment that it is at a level that would not warrant the cost and complexity of centralising the procurement of these services?

**Mr Grant**—First, the criteria we looked at was not media and communications; it was public relations. Public relations is one of the subsets of the industry classification on AusTender, and that is the basis of our consideration.

**Senator RONALDSON**—Can I just read from page 18 of the report:

Finance is not convinced that the amount of expenditure on media and communications advice consultancies across government is at a level that would warrant the cost and complexity of centralising the procurement of these services.

It is quite specific: media and communications advisory services.

**Dr Watt**—No, media and communications advisory consultancies I think is what it says.

**Senator RONALDSON**—Advisory services and consultancies—come on, Dr Watt, they are one and the same. They are advisory services that are retained externally. Let's not muck around with a play on words.

**Dr Watt**—Senator, as you and I both know, many agencies have, for good reason, internal public relations functions that do various things—everyone from Centrelink to the Department of Defence. We do not have a sense of the spend on those functions.

**Senator RONALDSON**—Exactly, so how can you then make the judgment—

**Dr Watt**—But we do have a very good sense on what is published on AusTender in relation to, as Mr Grant says—

**Mr Grant**—Public relations.

**Dr Watt**—Public relations. That is what was the basis for our response to ANAO because this was about a public relations consultancy—a consultancy sought externally, not a public servant—and we do have a sense of what they cost, as shown on AusTender.

**Senator RONALDSON**—What is the expression you use?

**Mr Grant**—Public relations consultancy.

**Senator RONALDSON**—There is no mention of ‘public relations’ in relation to your response to this ANAO inquiry, so you now have this catch-all for public relations when you quite specifically refer to media and communication advice consultancies. It is there, Dr Watt.

**Dr Watt**—I would just like to refresh my memory.

**Senator RONALDSON**—Page 18.

**Dr Watt**—Yes, I am on page 18.

**Mr Grant**—Perhaps I can just again put context—

**Senator RONALDSON**—Sorry, Mr Grant, you can go back to page 17 as well and to page 16, No. 23.

**Dr Watt**—To take your point, on page 19 the ANAO’s recommendation was in relation to:  
... decisions to spend public money on consultants ...

That is what we were picking up when we talked about expenditure on media and communications advice consultancies—

**Senator RONALDSON**—With the greatest respect, you have gone to the overall recommendation to PM&C. I am taking you back to page 18, where there are four lines at the top, to page 16, No. 23, and to page 17, under ‘Department of Finance and Deregulation’. I will just read it again:

Finance does not believe that there is a compelling case to justify the establishment of a mechanism for the coordinated procurement of media and communications advisers.

I am asking you: how can you make that judgment when you cannot tell me today what the spend across departments is on media and communication advisory services?

**Dr Watt**—What we can tell you, and are happy to tell you, is expenditure on media and communications advice consultancies, which are the words used on page 18. Remember, we are talking about a coordinated procurement of media and communications advisers, not public servants but procurement.

**Senator RONALDSON**—Exactly.

**Dr Watt**—We can tell you those numbers.

**Senator RONALDSON**—So would you be concerned, Dr Watt, that, in light of your agreement that as a matter of principle and good corporate governance the preference would be for competitive tendering, to quote from page 33 of this report:

The 2007-08 Annual Reports prepared by 17 Departments of State reported that a significant proportion of media advice and similar consultancy contracts as having not resulted from a competitive selection process.

**Dr Watt**—A lot would depend on the size and the nature of the consultancies. If, for example, the consultancies were relatively small—I don’t know whether they were big or small—then there may be good grounds for thinking that a competitive selection process, particularly one that involved a full tender process, may not yield you value for money, because of the cost of doing it and the time involved. On the other hand, if they were major consultancies, normally, unless there was good reason—the government’s procurement

arrangements allow for that good reason—to not go to a competitive process and to use, for example, a sole source or a limited source tender from an existing panel—and there are perfectly good reasons for those—then I would be quite happy with that. Again, the judgement about value for money is one that the agency head is best positioned to make.

**Senator RONALDSON**—When you say that, I presume that you are satisfied with an arrangement that occurred in the CMAX affair.

**Dr Watt**—No, Senator.

**Senator RONALDSON**—I take it from your answer that you are satisfied that good corporate governance can involve a senior adviser in the Prime Minister's office recommending a company owned by a senior adviser in the defence minister's office.

**Dr Watt**—I have not said that. What I have said is that the agency head is best placed to make general decisions about which process is most appropriate to secure consultancy services.

**Senator RONALDSON**—Given the events of the CMAX affair, given the commentary of the ANAO, given that you are not actually able to establish the rationale for refusing to implement a coordinated procurement arrangement, what is Finance's objection to what I would have thought was very good corporate governance—an action that would make sure that the vagaries of a non-open tendering process, a direct tendering process, and all the issues that may arise from that—to jumping on board with ANAO and saying, 'This is a great idea and we believe that we should have a coordinated procurement process.' You get rid of all those other issues, don't you, if there is a central body doing that?

**Dr Watt**—As we understand it, procurement of external consultants for communication and public relations—in what year, John?

**Mr Grant**—2007-08.

**Dr Watt**—spent a total of \$3.54 million on this. That does not make a coordinated procurement worthwhile on official tendering—

**Senator RONALDSON**—On media and communications?

**Dr Watt**—On consultants—external procurement. This is not total spend. It is not a spend on their own internal communications departments or areas that we do not know about, but it is the external procurement. For \$3.54 million—if that is the only criteria you go on—it is not cost effective.

**Senator RONALDSON**—That is your criteria, not mine.

**Dr Watt**—That is what I said. If that is the only criteria you go on it is not cost effective. That is what Finance had in mind when it made those comments. Secondly, agency heads are responsible for ensuring value for money, proper probity and proper governance arrangements around their procurements. That requirement comes from the FMA Act and the general requirements on an agency head.

**Senator RONALDSON**—So you abrogate any responsibility for good corporate governance with these departments in relation to external contracts.

**Dr Watt**—No, Senator.

**Senator RONALDSON**—That is what you are saying.

**Dr Watt**—No.

**Senator RONALDSON**—You say that it is their responsibility, not yours.

**Dr Watt**—What I am saying is that I cannot take that responsibility away from agency heads.

**Senator RONALDSON**—Yes, you can.

**Dr Watt**—No, I cannot.

**Senator RONALDSON**—Yes, you can, because you can agree to have a coordinated procurement arrangement where you dispense with all the vagaries of this tendering. You have been invited to by the ANAO. We have agreed that good corporate governance is required in this area, and this is something that could very well deliver that, but you are not prepared to accept it.

**Dr Watt**—My point to you is that agency heads are responsible for the management of their own organisations. That responsibility resides with them. That responsibility is best left with them. Why is it best left with them? Because as soon as we are seen to do it for them then no-one will be responsible. Secondly, on a cost-effectiveness basis, what we find for centralised procurements is that there needs to be a large amount of money involved—not \$3½ million. It would not be cost effective.

**Senator RONALDSON**—Do departments run their own tendering process for department vehicles?

**Dr Watt**—No, they do not.

**Senator RONALDSON**—They do not, do they?

**Dr Watt**—The difference is—

**Dr Watt**—The difference is that the cost of the five-year contract is—

**Mr Grant**—It is about \$750 million over five years, in broad terms.

**Dr Watt**—Very different and cost-effective, Senator.

**Senator RONALDSON**—So corporate governance is determined by expenditure, is it, as opposed to the principles of good corporate governance?

**Dr Watt**—No, that is incorrect. Again, that is not what I have said. What I have said is that on cost-effectiveness grounds there is no basis for running a centralised procurement for public communications advisors. It is just not cost-effective for us to do that; it is best left to the corporate governance arrangements put in place by the agency heads, the agency head's requirement to secure value for money and the fact that the agency heads should be and are responsible for the running of their own organisations. Incidentally, even though we have a centralised procurement process for vehicles, insofar as agencies make individual decisions about vehicles to acquire through that process, they are responsible—you do not take the responsibility away from them completely.



**Senator RONALDSON**—So you do not see any inconsistencies with the principles enunciated by Gershon in relation to the conduct of these matters and the corporate governance requirements?

**Dr Watt**—I think you would have to give me a bit more information before I could answer that question.

**Senator RONALDSON**—I think you probably know exactly what I am talking about. I will move on to something else.

**Dr Watt**—No, I must admit I do not.

**Senator RONALDSON**—Can I ask you please to detail the across-department spend on media and communications services in 2007-08 to date. There are some other things I will put on notice. I think my colleague Senator Coonan has other matters. I will wait until she is finished.

*Senator Coonan*—

**Dr Watt**—We will go and see where he is.

**Senator COONAN**—Don't worry, Senator Abetz can—

**Senator ABETZ**—The chances are that person has retired, I would have thought. They would no longer be required in the department!

**Senator RONALDSON**—Or out shopping.

**Dr Watt**—Sorry, does Senator Ronaldson want an answer to his question? Or have you put it on notice?

**Senator RONALDSON**—I have put it on notice.

**Mr Lewis**—Can I just clarify one thing, Senator: was that in relation to campaign advertising? Just so I am clear about the scope.

**Senator RONALDSON**—No, it is the across-the-department media and communications external spend.

**Mr Lewis**—External spend, okay—from AusTender.

**Dr Watt**—We can give you the AusTender numbers. We cannot give you any more than that, Senator.

**Mr Lewis**—That is our source.

**Dr Watt**—We can give you the external consultants. We cannot give you any more than that.

**Senator RONALDSON**—Does AusTender have all direct and indirect procurement contracts?

**Dr Watt**—I am not sure what an indirect procurement is.

**Senator RONALDSON**—Direct tenders. Do all those appear on AusTender?

**Mr Grant**—AusTender reports all contracts entered into above the value of \$10,000.

**Senator RONALDSON**—You must be able to ascertain for me what the spend is for the contracts less than \$10,000.

**Mr Grant**—No, we do not have that information.

**Senator RONALDSON**—But you can obtain that from the department, surely.

**Mr Grant**—It would be a big job.

**Dr Watt**—We could try, but I am sure that—

**Senator Sherry**—Look, we have been through this discussion before. In terms of the role of Finance at estimates, it is from the department responsible that you gather the information and to which you should pose the questions. It is the same approach for you as it was for us.

**Senator RONALDSON**—Minister, Finance obviously has responsibility across the whole of government for these spends, presumably in relation to the formulation of budgets and expenditure et cetera. All I am asking is could we please get that information from the department. It does not need the secret service to go in to get this, I wouldn't have thought.

**Senator Sherry**—Finance have indicated that, for contracts with a dollar value above \$10,000, yes, it has the data; below \$10,000 it is department by department.

**Senator RONALDSON**—So you are refusing to allow the department to ascertain that information—

**Senator Sherry**—No, I am just pointing out to you that there are responsibilities that lie with departments. We have had this discussion. It may be a transition issue for the opposition. We have had this discussion at every estimates. The same approach is being taken by us in government as was taken by you in government. Where a department clearly has responsibility for an expenditure, in this case less than \$10,000, and Finance does not have the information centrally available, which it does not—

**Senator RONALDSON**—I take it from what you have said that the then opposition asked for the details of contracts under \$10,000 but the previous government refused to provide them. Can you indicate to me when that occurred?

**Senator Sherry**—You have not asked in the appropriate estimates. That is the issue, Senator Ronaldson. It is not for me to advise you about how to ask the question.

**Senator RONALDSON**—It is totally gratuitous.

**Senator Sherry**—This is not a gratuitous discussion. It is a matter of where it is appropriate to ask and receive information about a department. In this case, with expenditures less than \$10,000, I would suggest that the best approach is that you individually either ask a question at each estimates or put the same question on notice before the estimates to each department—which is what we had to do in opposition.

**Senator RONALDSON**—I am terribly sorry. Clearly, my asking about the financial expenditure of departments is what is suddenly not within the purview of the Department of Finance and Deregulation. It is an interesting concept, I would have thought.

**Senator Sherry**—It depends on the issue, Senator Ronaldson. This is a debate which we have had at every Finance estimates over the last 14 months.

**Senator RONALDSON**—You are refusing, Minister, to get the department to provide that. I will then go through the process of putting 18 or 20 questions on notice, wherever it might be, to those individual departments. What an extraordinary waste of public resources.

**Senator Sherry**—That is the approach that was taken, depending on the type of information, and in this case the department has the information. That was the approach that we needed to take in opposition and that you need to take in opposition—where Finance does not have the information centrally available and it is not the department responsible for making the actual decision.

**Senator RONALDSON**—But isn't outcome 1 sustainable government finances? But is that concept a bit difficult as well in relation to this matter?

**Senator Sherry**—We have traversed the issue time and time again at these estimates, and I really do not have anything further to add.

**Senator RONALDSON**—It is all right. I will go out and waste a lot of public servants' time by writing to each of them—putting a question on notice for each department—when the Department of Finance and Deregulation has got the resources to obtain this information very quickly. If that is the way the government wants to play the game, then that is okay, we will go through those processes.

**Senator Sherry**—It is not the role of any senator at estimates, as we found in opposition time and time again when we attempted this approach, to come to Finance estimates and use Finance as the conduit for any and every piece of information you want from another department when that department is responsible for the expenditure. You go to the department and you go to the particular estimates hearing responsible for that expenditure.

**Senator RONALDSON**—So anything over \$10,000 you say is this whole-of-government, global response from Finance but under \$10,000 is not. What an extraordinary—

**Senator Sherry**—No, that is not what I said. I said in respect of the figure on advertising that above \$10,000 is information held by the department—they have indicated that—and below \$10,000 is information held by each individual department. The department of finance do not hold that information. Therefore, it is not reasonable to conduit that request through the department of finance.

**Senator RONALDSON**—What you are saying to me, Minister, is that over \$10,000 good corporate governance applies and under \$10,000 it does not matter. I think a lot of people would think that \$10,000 is a lot of money. It might not be of concern to you and Finance, but I actually think there might be a lot of people out there who think that contracts under \$10,000 should have the same requirement for good corporate governance as contracts over \$10,000. But, if that is not your view, that is fine, I will go back to Senator Coonan.

**Senator Sherry**—I am not going to allow this. It is the individual department that is responsible for the oversighting of good corporate governance. You made an assertion. At best, I would describe it as an interpretation. The view and the issue has been made very clear by the departmental officials and me of where it is appropriate to gather information.

**Senator HUMPHRIES**—I want to ask Mr Grant about air travel between Sydney and Canberra. I am referring to the department's target of 25 per cent of airfares by public servants

between Canberra and Sydney being on airlines other than Qantas. At the last estimates, you indicated that the departments and the agencies concerned had achieved a 12 per cent non-Qantas hit rate. I asked whether you expected that further improvements in that performance could be achieved, and you said that you thought that they could and that with the entry of Virgin into the market, competition has come to the market. I have seen the figures for the September quarter. What do they indicate about this—

**Mr Grant**—The September quarter indicates 10 per cent. I might add that the December quarter indicates 12 per cent.

**Senator HUMPHRIES**—So they December quarter figures have not been published yet?

**Mr Grant**—I thought they had been published. I will—

**Senator HUMPHRIES**—It was not on the web site as of yesterday.

**Mr Grant**—Obviously, it has not been; it should have been.

**Senator ABETZ**—We might have it.

**Mr Grant**—You may, Senator.

**Senator HUMPHRIES**—Okay. So it was 12 per cent in the second quarter of last year, it went down to 10 per cent in the third quarter and is back up to 12 per cent this quarter. That would suggest to me that, as in the case of previous attempts to lift that figure above about 10 to 13 per cent, this attempt is stalling. Would I be right in thinking that there is not a lot of grunt left in the Public Service to lift that figure above 10 or 12 per cent—thereabouts?

**Mr Grant**—I do not think that you can come to that conclusion on that basis. What we have seen is that with Virgin entering the market Qantas has responded. The ‘best fare of the day’ policy still applies. What we have seen, effectively, is a competitive market. I might also add that this represents only the Canberra to Sydney route. It does not represent all of Australia. But what we have seen is competition.

**Senator HUMPHRIES**—But the rest of Australia would not be any better, would it? It would probably be worse, because there is no target for the other routes, is there?

**Mr Grant**—I do not have data for the rest of Australia.

**Senator HUMPHRIES**—Nonetheless, you would agree with me that, on the anecdotal evidence, very few public servants fly on other airlines out of Canberra or between other locations.

**Mr Grant**—Anecdotally—and it is anecdotally, because I do not have data—I am told that it is better than the 12 per cent. But I do not have the data.

**Senator HUMPHRIES**—The directive from the department says, ‘This Finance circular requires agencies to set a minimum 25 per cent usage target for smaller airlines.’ If you were bubbling along between 10 and 12 per cent for all of last year, what is the department going to do to enforce what is apparently the policy of this government—a lift in the number of airfares on airlines other than Qantas?

**Mr Grant**—First, it is a target. Second, we have regular meetings with departments and agencies. We do it through chief finance officer meetings. We do it with procurement groups.

We have also had a number of meetings with agencies about air travel. We continue to promote the 25 per cent target. However, the best fare of the day policy is a key decision factor in who you travel with. As I said, there has been a lot of competition in price on the Canberra to Sydney route.

**Mr Lewis**—Air travel is one of the key areas that we are examining in relation to coordinated procurement. We at the Commonwealth level spend a lot of money on air travel, as distinct from other areas of expenditure. We are working closely with key agencies in particular to identify the ability for better leveraging of the Commonwealth's purchasing power in relation to air travel. That could lead to changes downstream in relation to both the way in which air travel is procured by the Commonwealth and to procurement decisions. We will need to wait for our processes to play out and for decisions to be made on that, but it is certainly under current examination by a senior group inside the Commonwealth now.

Historically this has very much been done on an agency-specific basis and key agencies have tended to have other agencies cluster around them and we have ended up with half a dozen different clusters. We are looking at the potential to do something more integrated across the whole of the Commonwealth in relation to air travel and particularly domestic air travel.

**Senator HUMPHRIES**—I commend you for those efforts but, with respect, we have not seen the efforts to date achieve anything. Let's be frank, we all know that the fares available on airlines like Virgin are lower than those of Qantas, and quite substantially lower. There are other reasons that public servants choose to fly on Qantas and, with great respect, I think you will find that you need a great deal more effort to achieve a target of that kind. If as Mr Grant says you actually are getting better usage of non-Qantas flights in routes other than Sydney-Canberra, why not broaden the target to other destinations and give some real benefit for those other airlines providing competition in this particular marketplace.

**Dr Watt**—I do not think we should accept the basic proposition that we all know that one airline's flight prices are cheaper than the other. There are a couple of things that need to be taken into account. One is the contract that individual agencies have with different providers. Some agencies have got a very good deal over the years out of one of the carriers. They keep telling us that those fares are extremely competitive. Other agencies are a bit less competitive.

Secondly, we say that the best fare of the day should apply in all decisions—what is the best fare of the day, subject to the business need. If you have two companies providing a different frequency of flights, for example, between Canberra-Sydney and Sydney-Canberra, you have got to trade off a slightly cheaper fare or a cheaper fare against the fact that one flies less often than others. If you are spending an additional half an hour in the airport waiting for a flight, that has a cost too. Third, you have got to look at the terms and conditions—

**Senator HUMPHRIES**—What is the cost of that?

**Dr Watt**—The cost is that you have got an officer who would probably be better off not in an airport lounge but back in Canberra or in Sydney doing some work.

**Senator ABETZ**—But we know when the planes leave don't we?

**Dr Watt**—But you travel for a specific purpose. You go to Sydney or Canberra for a meeting. When the meeting is over—

**Senator ABETZ**—Now I am with you.

**Dr Watt**—If you have got a flight in half an hour, that is more attractive than a flight in an hour and a half. And the two airlines do have different frequencies of service.

**Senator Sherry**—And as I am sure we all know, there are also connecting flights beyond Sydney.

**Senator ABETZ**—As we Tasmanians know, Senator Sherry.

**Senator Sherry**—Or not, as we know!

**Senator ABETZ**—Yes.

**Dr Watt**—The final point is the terms and conditions around the fare; how much flexibility should you be willing to pay a price for. Some fares are more flexible than others. I cannot get into the details of individual fares but I do know that some fares are more flexible than others.

**Senator HUMPHRIES**—So the lounges and the other amenities provided to officers in departments by Qantas, which are clearly superior to other airlines, have nothing to do with the fact that Qantas gets that extra patronage?

**Dr Watt**—Personally I use both airlines. Personally I use both lounges. My own view would be that there is probably not a lot in it now that Virgin has moved up to different lounges. I suspect that others might see it differently, but that is my own view. I do not think there is a lot in that. I do think, however, that I would rather have an officer of the Department of Finance and Deregulation in his or her office rather than in an airport lounge somewhere in terms of getting work out of them. Sorry, that might be an unpleasant attitude.

**Senator Sherry**—I can only say that, if any of our experiences are to go by, it is a matter of spending the least time in airport lounges and aeroplanes, and every public servant who I have talked to shares the same view. Get there as fast as you can and get the job done. But we all know the time that effectively can be wasted in planes and sitting in airport lounges waiting for planes. And the department's secretary has made a very valid point about the productivity issues that arise from that.

**Senator HUMPHRIES**—Thank you.

**Dr Watt**—We will keep pursuing best fare of the day.

**Senator HANSON-YOUNG**—Senator Sherry, I note the Attorney-General's press release at the end of last year referred to the passing—finally—of the same-sex legislation, in particular the superannuation elements. Throughout that discussion in the chamber I was quite concerned—and voiced these opinions—about the fact that this legislation did not mandate private superannuation funds to adopt the same changes as the public superannuation institutions. I was assured in the chamber that the minister and the department would be looking at ways in which they could encourage those private funds to adopt the new terms and ensure that same-sex couples across the board are incorporated into the definition of de facto. Can you give me some understanding of the number of superannuation funds who have and

who have not indicated their intention to amend their rules to recognise same-sex couples in the private sector?

**Senator Sherry**—I frankly do not think this is the appropriate place to discuss this issue, and I will explain why, but I am more than happy to discuss it in what I think is probably the appropriate area. The department of finance does not have a role in private sector superannuation. Public sector superannuation policy and funds are to come before the committee shortly, and I take it from your question and the debate that has occurred there is no ongoing issue with public sector superannuation funds and the treatment of same-sex couples.

**Senator HANSON-YOUNG**—No, the concerns were about private superannuation.

**Senator Sherry**—Private superannuation fund policy, regulation and supervision arises in two areas. It would come up in the retirement incomes group of the Treasury, and the Australian Prudential Regulatory Authority, APRA, would have a related interest because of the prudential issues that would arise in respect of extending the recognition of same-sex couples to effectively defined benefit funds. So both those areas, I would suggest, would be the appropriate areas for discussion about this. I did not handle this matter in the Senate chamber. It is the responsibility of Attorney-General's. It does not come within my direct portfolio responsibilities.

**Senator HANSON-YOUNG**—My understanding was that that responsibility was to be delegated to the Department of Finance and Deregulation.

**Senator Sherry**—There may be some confusion and misunderstanding. I think we can resolve that, but I can say very confidently that I do not believe that it is the Department of Finance and Deregulation that would have any sort of responsibility to follow through the application of same-sex to private DBs.

**Senator HANSON-YOUNG**—If you are correct in saying that it is still under the management of the Attorney-General, that is fine, I am happy to address those questions to him. The issue is that we cannot mandate, so there was going to be the publication of a list of private funds that did adopt the new terms and those that did not. That is what I am chasing up. There was a commitment made in the chamber.

**Senator Sherry**—I think I can commit to ensuring that we obtain that information, but it is not the responsibility of the department of finance. Nor is it Attorney-General's, quite frankly.

**Senator HANSON-YOUNG**—So where should it rest? There is a little bit of buck-passing.

**Senator Sherry**—I will follow this up some time today when we have a break here. It would be APRA, within Treasury, which is responsible. It is APRA which is responsible for the prudential regulation of all private sector funds, including DBs. It would be the retirement incomes group in Treasury which would have a policy coordination role in private sector DB funds—and direct contribution, or DC, funds, for that matter. They would be the two areas. I am more than happy to go back to my office and ensure that both areas are able to provide whatever information they have to date in respect of private DBs. I am not sure what that

would be. Treasury estimates are tomorrow. I am more than happy to ask them, if they have not done so already, to prepare the appropriate information.

**Senator HANSON-YOUNG**—That would be great.

**Senator Sherry**—But it is not the Attorney-General's responsibility. I am happy to do that for you.

**Senator HANSON-YOUNG**—All right. We accept that. Could you find out who is taking carriage of it and where the list is up to. It is the list that I want.

**Senator Sherry**—Okay.

**Senator HANSON-YOUNG**—Thank you. That is all, Chair.

**Senator ABETZ**—Dr Watt, you are in charge of a department called Finance and Deregulation, which used to be called finance and public administration, under the Howard government.

**Dr Watt**—Finance and Administration.

**Senator ABETZ**—Sorry—thank you for that correction. So there was a name change with the change of government. I am wondering: how is the deregulation agenda going?

**Dr Watt**—I would say that we are making a little bit of progress, but I will get the general manager of our deregulation area to talk about that a bit more.

**Senator ABETZ**—Excellent. Thank you for that. Ms Page, you used to be in the area of roads and transport or something?

**Ms Page**—I was, Senator.

**Senator ABETZ**—Good to see you here. I will not be plaguing you about the Brooker Highway, the Eastern Outlet and other things; I will be plaguing you about the deregulation agenda of the government this morning. Welcome. Good to see you in this role, which I assume it is a promotion as the result of—

**Dr Watt**—A transfer, Senator. Ms Page used to be in Finance before she went to transport.

**Senator ABETZ**—Dr Watt, I would have thought that anybody coming to Finance must have had a promotion, by definition, but there we go.

**Dr Watt**—You flatter us, Senator!

**Senator ABETZ**—Ms Page, can you tell us about the government's deregulation activities since 27 November, including the date of any particular action. You may need to take that on notice.

**Ms Page**—I can give you a broad overview. There has been a range of activities associated with the government's deregulation agenda. For a start, the government has asked the OECD to undertake a year-long regulatory reform review of Australia's regulatory management against the OECD's best practice regulation principles. That is a review which started about a month ago. The OECD has made the first of two missions to Australia. It is investigating a range of things such as the quality of our regulatory management framework, issues such as the regulatory frameworks in relation to competition policy and market access, and also Commonwealth-state regulation. That report will be finalised in December this year. The



OECD has done a number of these reviews. There are really only a small number of countries, including Australia, which are yet to have a review of this nature.

**Senator ABETZ**—So the deregulation action agenda has started off with a report.

**Ms Page**—There is more, Senator.

**Senator ABETZ**—But there is more—good. Where are the steak knives? I want to see where the steak knives are, so can you tell us?

**Senator Sherry**—Including in my own areas. I will allow the officer to finish, but I can inform you about two significant changes in financial services that would fall under the category of deregulation, perhaps better regulation. I will allow the officer to finish first and then I can give you an update of significant progress in at least two areas.

**Senator ABETZ**—Good. I am happy to hear it.

**Senator Sherry**—I am more than happy to.

**Senator ABETZ**—Good. Thank you.

**Ms Page**—The government has instituted a one-in, one-out principle that requires agencies or ministers to identify opportunities for regulatory offsets when proposing new regulation, either by removing or modifying existing regulation. My group has a function now to challenge the merit and policy content of regulations that are coming for the regulatory proposals that are being brought forward for cabinet consideration. This is in addition to the existing gatekeeping function of the Office of Best Practice Regulation, which operates within our group.

The COAG Business Regulation and Competition Working Group is progressing 27 regulation priorities across the Commonwealth, and there was an announcement of a \$550 million package in November last year, which represents the Commonwealth-state agreement to pursue those.

Finance is also coordinating a clean-up of redundant and potentially redundant regulations. There are around about 200 regulations caught up in that. It is a result of an initial stocktake, and we will probably continue to pursue that more regularly as a means of getting rid of regulation.

As the minister indicated, the Minister for Finance and Deregulation has a number of Better Regulation Ministerial Partnerships, which are partnerships with ministers to reform particular areas of Commonwealth regulation. The one he has with the Minister for Superannuation and Corporate Law is conducted by a group called the Financial Services Working Group, on which we, Treasury and ASIC are represented. It has developed a template for straightforward and simple financial services disclosure documents for the First Home Saver Accounts product disclosure. It has recently commenced work in relation to margin lending disclosure and it is also starting work on simple disclosure for other more complex forms of financial products.

A health technology assessment review has commenced with the Minister for Health and Ageing and that is looking at ways of improving access by patients to beneficial technologies by considering processes for the regulation of therapeutic goods, the approval of medical

benefits scheduling funding and listing of prostheses and devices for private health insurance coverage.

The government has announced its response to the Productivity Commission's annual review of regulatory burdens on business and the primary sector and it is about to consider its response to the PC's manufacturing and distributive trades review and the government is more generally considering initiatives to use online technology such as blogging for broader industry and community consultation on regulatory matters.

**Senator ABETZ**—Are you sure that is all!

**Senator Sherry**—I have not started yet.

**Senator ABETZ**—Thank you for that very exhaustive list. I understand the minister has particular responsibility but I am not sure that that is necessarily in this portfolio area. I think that might be more in his other portfolio area.

**Senator Sherry**—I am fortunately able to add significantly, but I am wondering how much time we have.

**Senator ABETZ**—That is my concern; that we do not wind down the clock.

**Senator Sherry**—There are two issues I would highlight that are being coordinated. One is the matter that in this country we have a disclosure regime in financial services that has resulted in very lengthy and complex documents—50 to 100 pages is not uncommon. There is a significant cost as well as difficulty for consumers to understand that. The Financial Services Working Group that has been referred to is going through each area of financial services disclosure to simplify and standardise as much as possible. I have to say that the financial services industry is broadly very supportive of that approach. A number of specific projects have been completed; it is a huge job. The Minister for Finance and Deregulation, to his credit, has taken a very keen interest in that project.

**Senator ABETZ**—Clearly there is a lot of buzz in the beehive, if I might put it that way—

**Senator Sherry**—There is lots of action. There is not buzzing in the beehive, the bees are out there gathering honey and getting on with their work.

**Senator ABETZ**—What I want to know is how many regulations have actually been struck out—got rid of?

**Ms Page**—That is the subject of the removal of redundant regulation omnibus bill that I spoke of. It will probably be somewhere in the order of 180 to 200 regulations that we hope to get rid of this year. I should have also indicated that in the UEFO update the government also committed to a comprehensive review of all pre-2008 subordinate regulation across the Commonwealth to review, particularly, costs on business. So after the initial cull we will be starting a systematic portfolio by portfolio examination of regulation.

**Senator ABETZ**—How many regulations have been made—

**Senator Sherry**—I just want to add to that answer. In the area of financial services regulation, there are still significant areas that have been regulated to various levels by the states and territories. Some examples are margin lending, mortgage broking, trustee companies and credit. The states and territories have what I describe as a mishmash, a

complex web, of different regulation and supervision in each of those areas. The states and territories have agreed to the Commonwealth assuming and introducing a single, standard set of regulations in this area. That will occur in two phases, one by 1 July this year and a second tranche a year later. The introduction of single, standard, national regulation in financial services—where it does not happen at the moment—will result in the removal of literally hundreds, if not thousands, of differing regulatory and supervisory requirements at state and territory level. I am more than happy, when we have completed the final details of single, standard, national regulation, to provide an estimate of the total number of often conflicting and different regulations and supervisory requirements at state and territory level. I am more than happy to inform you of the net number of regulations that are replaced as a consequence of that process.

**Senator ABETZ**—Thank you; that would be very helpful. There was a speech by Minister Tanner on 17 February 2008—but I will not be held to the date—basically saying that, for every regulation that will be made, we will be knocking one out, or words to that effect, so that the totality of the regulatory regime does not grow. Methinks that that is not being abided by, but I hope that it is. So, if you can give us that information on notice or in due course, that would be very helpful.

**Senator Sherry**—Certainly in my area—and this will be passed to Minister Tanner—in the case of national, single, standard regulation in financial services, for every national regulation there will be eight removed from the state and territory statute books.

**Senator ABETZ**—That is in your area?

**Senator Sherry**—Yes.

**Senator ABETZ**—We would expect you to have some knowledge of that, and it is great to hear that you are across it. I think Senator Cameron's mind has been thrown into activity as a result of my questions or your answers.

**Senator CAMERON**—Yes, it has. I do not think my mind needs to be exercised by your questions, but thanks, Senator Abetz! I am interested in this question of deregulation, and it is good to hear that there is this deregulation of unnecessary red tape. What I am interested in is, in a global situation, where deregulation has led to some of the problems for the global economic crisis—

**Senator ABETZ**—This is not supplementary to—

**Senator CAMERON**—It certainly is. Just let me finish and do not interrupt me.

**CHAIR**—I think, Senator Abetz, you have had a fair run this morning. It is Senator Cameron's first question.

**Senator CAMERON**—The issue of deregulation is: who is regulating the deregulator? How do we know that the deregulation that has taken place is in the national interest? How do we know that we are not going to end up with deregulation that allows the market to rip and leads us to the same problems that we are experiencing through the global financial crisis?

**Senator Sherry**—My area of responsibility as a minister, financial services, and the interplay with the Department of Finance and Deregulation and in this case Minister Tanner probably well illustrates. I have gone through a set of issues where we can effectively

improve regulation, by deregulation, consolidation and simplification—better regulation, if you like. But there are clearly some areas in financial services where if you look closely there is a lack of oversight—and I can think of one in particular: credit rating agencies. The assessment of credit rating and research agencies in this country, based on the appalling performance of credit ratings agencies in the US in the financial crisis, has resulted in a new requirement that credit rating agencies and research houses will need to be licensed by our regulator for the first time. Credit rating agencies have had no regulation or supervision whatsoever. In addition to that, the licensing requirements would include reporting on conflicts of interest, explaining their methodologies et cetera. That is to go to the regulator.

I do not think that we could claim that that is a reduction in regulation; I do not think that anyone would claim that. But is it a necessary response to the sorts of issues that we face in financial services? Yes, it is. There are significant examples in my area of better regulation and a reduction in overall regulation. But we do not lose sight of the fact that in some areas there is, as a consequence of what we have seen with the US subprime crisis, the need for strengthened supervision. Frankly, it is horses for courses in the current environment.

**Dr Watt**—The tag ‘deregulation’ has been put into the department’s title, as Senator Abetz said. Sometimes, the department will be looking at areas in which the amount of regulation can be reduced or in some cases removed. In many cases, however, we will be looking at ways of improving the effectiveness of regulation rather than removing or reducing regulation. It will be, as the minister said, a horses for courses approach.

**Senator ABETZ**—The government emphasised, didn’t it, Minister, during the campaign and shortly after coming to government that it was a government committed to deregulation?

**Senator Sherry**—That is broadly correct. That is reflected in the—

**Senator ABETZ**—Broadly correct. I am wondering, Dr Watt, whether you have been tortured by being required to read the 7,700 word essay of the Prime Minister in the *Monthly* magazine.

**Dr Watt**—I do not think that you really want me to comment on that, Senator.

**Senator ABETZ**—Have you read it? I will withdraw the word ‘tortured’; that might be pejorative—I accept that.

**Dr Watt**—Yes. I have skimmed through it.

**Senator ABETZ**—Have you been asked by the Prime Minister to take the sorts of principles that were enunciated in that article into account when preparing policies and when looking at the issue of regulation? Has there been a government directive from Prime Minister and Cabinet that this neo-liberal view of the world of deregulation has to stop and we are now going to turn back to regulation?

**Senator Sherry**—I do not believe that that is appropriate. We will take it on notice. I will make this point, Senator Abetz—and this was highlighted by some of the earlier response: when you look at regulation, supervision, removing regulations et cetera, you do not just like at financial services; there are a whole range of other areas—

**Senator ABETZ**—That is right.

**Senator Sherry**—beyond financial services.

**Senator ABETZ**—Ms Page took us through that very well, I thought.

**Senator Sherry**—That is right. She did go to other areas. The Prime Minister's essay particular focused on what are now the demonstrable failings of a range of activities in the financial services sector in particular. Therefore, I do not see anything that is inconsistent in the government's approach at all. As I have said, horses for courses.

**Dr Watt**—The then Leader of the Opposition outlined a deregulation agenda in 2007 with the key objective of increasing Australia's productive capacity. That has not changed as a government objective. You might have noticed that the Updated Economic and Fiscal Outlook reaffirmed the importance of both microeconomic reform and regulatory reform and said the government would pursue additional reforms in a number of areas. They were specified: major city planning, infrastructure, export related infrastructure and, as Ms Page just talked about, the review of subordinate legislation.

**Senator ABETZ**—All with a view to deregulation?

**Dr Watt**—All with a view to deregulating in some cases, or reducing regulation in some cases, but importantly all with a view of finishing up with a better set of regulations as a result.

**Senator ABETZ**—In this area, Dr Watt, as I understand it, every minister has been asked to seek to identify inefficient regulations as well in their areas as well. Have they been identified in all of their various portfolios and submitted to you, Ms Page?

**Ms Page**—There has not been anything quite as systematic as that yet. Ministers are certainly required when they bring forward submissions—and this is only a relatively recent requirement—to identify scope for an offset, which is effectively the one-in-one-out principle. Some ministers have already done that, in effect, through the clean-up of redundant regulation, which I spoke about. Ministers have certainly been asked to scrutinise portfolio regulatory stock to see whether there is regulation that can be gotten rid off—which is the first step. In addition to that, though, the minister for finance has started to identify a number of better regulation partnerships, as the minister indicated, in relation to financial services—but not solely in relation to financial services.

**Senator ABETZ**—The real challenge here is not so much getting rid of the redundant regulations which, chances are, have no actual play, although that is an important element, but more the inefficient regulations.

**Ms Page**—It is both, I think. One of the things that we have discovered with redundant regulation is that it is very hard for agencies and ministers to identify the full suite of regulation that they are responsible for, and we have got a job to do in doing that. I think there is probably a bit more room to go in identifying redundant regulation, and there are some costs to business in that because they need to maintain oversight of regulation that is spent.

**Senator ABETZ**—Are you at liberty to provide to us, on notice, a list of those ministries that have already undertaken their inefficiency review, if I can call it that?

**Ms Page**—We have not asked for an inefficiency review. We have done a stocktake of redundant regulation, which will come forward probably during the winter session as a bill.

**Senator ABETZ**—But you did indicate that some ministers were working on identifying inefficient regulations. I do not want to verbal you, but I understood you to say that. If that is the case, you can take that on notice.

**Senator Sherry**—We will take that on notice.

**Senator COONAN**—Have we found anyone willing to step up and take responsibility for Fuelwatch yet?

**Senator ABETZ**—Everybody is ducking for cover on that one, I think.

**Dr Watt**—I think we have. I would like to just close on a question that Senator Payne asked about the ownership of a particular piece of land. It is certainly still with the defence department and has never, ever left.

**Senator ABETZ**—And which ones, just so that we can pass it on? Was there only the one?

**Dr Watt**—There was only the one she asked about the ownership of—it is definitely with the defence department.

#### **Proceedings suspended from 10.48 am to 11.05 am**

**Senator COONAN**—I was asking about the \$100,000 spent on consultancies for the failed Fuelwatch, if somebody can help me.

**Dr Grimes**—I have Mr Painton here, who is the relevant branch manager. We will see if we can help you out with understanding the processes that we go through on costings.

**Senator COONAN**—Thank you. Mr Painton, could you then tell me what involvement Finance had in relation to developing the Fuelwatch branding consultancy, an external consultancy service for about \$100,000?

**Mr Painton**—Finance was involved in the costing of this particular activity, and in the nature of these costings we would have received a costing covering in broad terms the various components for which expenditure was proposed. Expenditure on consultants, including of that nature, would have been covered in the costing, so we would have assessed that. In broad terms, it is part of the costings, but we would not have any detailed involvement in terms of the exact details of the contract or the specifics. It was more at the overall costing level. We would have had an interest in it when the costing was being developed.

**Dr Watt**—I think, Senator, your question was about selecting the consultancy, was it not?

**Senator COONAN**—I asked whether it was common practice for agencies to seek a consultancy for these sorts of activities, such as logos or branding.

**Mr Painton**—In terms of new programs being established, it is certainly not unknown for agencies to seek funding for those sorts of things if it is seen as integral to the program that they are seeking to implement.

**Senator COONAN**—Can you think of another, besides GroceryChoice?

**Mr Painton**—Off the top of my head, I cannot, but I do recall—actually, I have a feeling, for instance, when there was the APEC meeting in Australia a couple of years back there may have been expenditure on branding and that sort of thing. That was my recollection—

**Senator COONAN**—That was a whole-of-government activity.

**Mr Painton**—I am just giving you an example of another exercise I would have been involved in costing where that issue came up. I am not sure what actually happened in the end, but certainly at the costing stage it was one of the issues that was considered.

**Dr Watt**—Mr Painton's focus is on central agencies, so he would not be expected to know and would not know whether, for example, particular line agencies outside the central agencies had done the same thing. That is why I think he has chosen that one—the last central agency is one that he remembers.

**Senator COONAN**—I would think you would remember Fuelwatch pretty well. What was involved in Finance looking at the various components in costing? Well, before I come to the components, you do not have any view or veto and say: 'That's a ridiculous thing. That's so trivial we're not going to do it.' You basically, as I understand it, will agree to the request of an agency, and it is a matter of what it costs. Is that right, or have I got it wrong?

**Mr Painton**—The costing process is simply a matter of trying to establish what a reasonable cost is so ministers can be informed of the financial implications of proceeding with particular proposals. In terms of the costing process, it is an issue of looking at the different components—normally at a reasonably broad level—and assessing whether the level of resources and the costs associated with those could be judged as being reasonable, having regard to similar activities or past experience. In something of this nature you would look at the level of resources, the level of staffing, the level of consultancies and whether it seems reasonable for the work that is being proposed. There is a separate issue about policy terms: whether the department has a policy view on a particular proposal—but that is a separate matter.

**Senator COONAN**—Sticking with the components, what were the components that the department considered in costing the Fuelwatch branding exercise for \$100,000?

**Mr Painton**—As I said, we were looking at the overall costing which had quite a large number of components. We would have looked at it at a fairly broad level. In the case of that particular activity, there is an assessment about whether a program has any requirement for some sort of branding. Normally if an agency has an argument or puts forward that part of a program is for branding, as long as that is clearly identified, that could be considered as part of the costing. Then it is really an assessment about whether a certain amount of money appears reasonable, having regard to other consultancies of a similar nature or other costs for similar things that have been undertaken.

**Senator COONAN**—Did you have reference to some other branding exercise of an agency when you were looking at the relative reasonableness, if you like, of the cost of \$100,000 for branding for Fuelwatch?

**Mr Painton**—It was just a question of a feel for similar consultancies. For instance, when we looked at the APEC exercise, the sort of money that was being asked for for something there, just to—

**Senator COONAN**—How much did APEC spend?

**Mr Painton**—I do not have that information. I suspect it was something in a similar order of magnitude, but I cannot recall.

**Senator COONAN**—So for \$100,000, I assume that Finance would take a reasonably close interest in what the components of this fairly unusual request would be. Could you take us through what the components were to make up \$100,000.

**Mr Painton**—As I said, when we are looking at a costing like this, we have to look at it at a reasonably broad level because it has a large number of components. Really, it is just a matter of working through the different components and saying—

**Senator COONAN**—What are they?

**Mr Painton**—When I say that, I am talking about the different components of the overall costing. When you get to individual components like that, such as the cost of a particular consultancy—this is in the context of it being only one of a number of things we might be doing at a particular time—we would look through the different items that would be there, including that, and we would probably make a judgment about whether that level, given the relative cost of similar exercises, seemed a reasonable amount of money, or not an unreasonable amount of money, given what the costs might actually be of undertaking these activities and whether the actual activities seemed sufficiently closely related to the actual proposal to constitute part of the costing. In broad terms, those are the sorts of things that we would look at.

**Senator COONAN**—What were the components for the \$100,000?

**Mr Painton**—In a costing of this nature we would not normally spend a great deal of time looking at individual components. It would be put forward as a particular consultancy. The consultancy has not been issued and has not been developed. There is no great detail at that stage of the process other than an intention for some sort of activity of that nature to be done. At this sort of costing stage no-one is going to say, ‘Here is the draft work plan of what this consultant would do’ and no-one is going to say, ‘This is exactly what we are trying to get,’ because at that level, where people are simply trying to establish a cost prior to going to ministers to establish whether a policy should be implemented, the detail normally simply would not be developed and therefore is not available. Hence the need for us to make a judgment at a fairly high level in terms of a broad indicative feel of whether those components are reasonable, having regard to the overall proposal.

**Senator COONAN**—So you costed this on some broad indicative feel. How would you then, in the context of the whole proposal you were costing, know whether \$100,000 or \$250,000 or somewhere in between was reasonable?

**Mr Painton**—It is really just a matter of judgment and having a feel for the overall activity, particularly if you have some activity which was proposed to encompass the whole of Australia and would be accessed by a wide range of people. That obviously has some implications. If it were something that was much more narrowly focused, say a grant scheme for which there were only a very small number of possible recipients, that might be a separate issue. There is also a feel about the costs relative to the overall costs of the proposal. It is just factors like that. A lot of these things come down to judgment. There is no hard and fast numerical rule that you can really apply to these things.

**Senator COONAN**—So it is really just a bit of a feel—is that right?—and some sort of guesstimate as to how it might fit within one’s experience of other consultancies. Is that as



precise as you can get? I really wanted to know with a bit more precision how you would be prepared to tick off on a \$100,000 consultancy for something like a branding exercise for Fuelwatch?

**Senator RONALDSON**—It sounds a bit hit and miss to me.

**Mr Painton**—It is really just a matter of trying to apply a judgment to something that at that stage is at a fairly early stage of development and get a feel—

**Dr Grimes**—I think it is important to recognise that we are not ticking off on the actual expenditure. It is obviously a costing. It is an estimate. Then it would be a matter for the agency to further develop it and go to tender and so forth. Through that process, there may be opportunities to reduce costs.

**Senator COONAN**—That is very interesting, because we know what happened to Fuelwatch—it did not proceed. Did the money approved for, or attributed to, this activity for the ACCC go somewhere else? Did it go to GROCERYchoice? Where did it end up?

**Mr Painton**—The unspent money, including all the proposed funding in the out years, is being returned to the budget, and that will be factored into the budget estimates. There is a formal process by which the current year's appropriations are actually returned to the budget. Any money that is not actually spent in the time is handed back.

**Senator ABETZ**—How often does Finance undertake an exercise in determining whether a branding is going to be value for money? I would have thought it would be a pretty rare exercise for the department. Would it be done once a year?

**Dr Grimes**—I am not sure we can give you a completely accurate figure here. We would probably have to take that on notice to give you even a broad sense. I could not give you an accurate figure right now of how many times a year on average we would do such an exercise.

**Senator ABETZ**—We were struggling to think of one other than Fuelwatch. We had to go back a couple of years to think of APEC.

**Senator CAMERON**—Or Work Choices?

**Senator ABETZ**—No, that was not a branding or a logo that, as I understand it, went through this process.

**Senator Sherry**—We are happy to take on notice your question, Senator Abetz. We will go back through. I can think of a few other examples besides Work Choices, but we will go back through.

**Senator ABETZ**—It just seems to me that the chances are that Finance—and this is no criticism; it is just as a result of a lack of opportunity to deal with the issue of branding or logos—would not be a hotbed of expertise in being able to cost these propositions. It is hard to become an expert if it only comes across your desk once a year or once every two years. That is, I suppose, the observation I make in casting the question, and the minister has kindly taken it on notice. The irregularity of the exercise would suggest that there would not be any little niche of expertise in the department to tell us whether it was value for money or not. But one thing I really want to know is whether we are ever going to see the logo. We bought it.

We spent the money on it. Are we ever going to see the logo? I had my own, which was a visage of Mr Rudd with a dunce's hat on it, but I understand that was not the winner.

**Senator Sherry**—I was not aware of your logo.

**Senator ABETZ**—I understand that was not developed, and I would have done that for free.

**Senator Sherry**—That is a matter for the ACCC.

**Senator ABETZ**—I will be asking Treasury tomorrow or the next day.

**Senator COONAN**—I have a few more questions on this matter. How much was allocated for consultancies for development of a logo or branding for the failed GROCERYchoice website?

**Mr Panton**—My recollection is that there was an element in the costing we received for branding and related activities. I think it was in the order of \$250,000, but I would have to confirm whether in fact that subsequently got reduced as part of the costing process.

**Senator ABETZ**—Crikey, it comes at a high price!

**Senator COONAN**—Just before I move on, did the ACCC actually return the Fuelwatch money after the legislation was defeated?

**Mr Panton**—The estimates are in the process of being adjusted to reflect that. My recollection is that it actually requires correspondence between ministers for the money to be formally returned for this year's appropriations.

**Dr Watt**—It will be returned this year.

**Mr Panton**—Yes, it will be returned. I do not think the actual formal correspondence has been processed, but it will be done.

**Senator COONAN**—Could you please take on notice for me—because I know I am probably testing your recollection, Mr Panton—the right figure for GROCERYchoice. And to pick up on Dr Watt's assurance that the ACCC will be returning the moneys, by that I mean all the moneys.

**Mr Panton**—Sorry, Minister, I might have confused you. When I quoted the \$250,000 figure, I think that was in relation to Fuelwatch. I do not have a figure for GROCERYchoice, but we can check on that as well.

**Senator ABETZ**—Wait a minute, can I clarify this. I thought it was \$100,000. You are now saying it was \$250,000.

**Mr Panton**—I think the distinction here is that with the \$100,000 figure you are probably talking about what was actually spent, but a figure of \$250,000—

**Senator ABETZ**—Was allocated?

**Mr Panton**—may have been quoted in the costing documentation at one stage.

**Senator COONAN**—It certainly was at one stage, because I have a document here—

**Senator ABETZ**—Could you clarify that for us on notice.

**Mr Painton**—I will try and clarify what the final figure in the costing is, but I imagine that the figure you have is what was actually spent.

**Senator Sherry**—This is one of the difficulties of attempting indirectly to go to costing issues that should be raised with the ACCC. I am more than happy to communicate with the ACCC today, for Treasury estimates tomorrow—

**Dr Watt**—I am sure they will be watching, Minister!

**Senator Sherry**—Yes, that is probably right.

**Senator COONAN**—Thank you, Minister, very much. And perhaps it might assist the ACCC and assist this committee if I were to place on record that the documents that were produced under FOI have a communication between Finance and the ACCC, under the issue of ‘communications’, and the issue is that \$250,000 for branding is very high and what is the basis of this cost? So it seems that Finance was already alerted to the fact that this was an inordinately high figure for branding and sought some clarification. The answer that was given, at least in writing—and no doubt we can find out a bit more about it—from somebody, no doubt from the ACCC, was that ‘consumer awareness of the program is critical to the success’, that ‘a short but intensive consumer awareness campaign is expected to be necessary’, that the ‘FuelWatch website and its operations are likely to involve purchase of promotional advertising space in newspapers, possibly TV and radio in urban and regional’ and ‘final cost will be dependent on the scope and coverage of the government’s promotion strategy’.

**Senator ABETZ**—This isn’t suggesting government advertising, is it?

**Senator COONAN**—We will be very interested to know what is going to be returned to the budget following Finance having quite properly questioned what seemed to be an inordinately high bid for a branding exercise.

**Senator ABETZ**—It costs a lot of money to sell a dud.

**Senator COONAN**—It does indeed.

**Senator Sherry**—I can remember the branding of the GST and the branding of the co-contribution. I think that piggybank ad that had to be reshot cost at least \$100,000.

**Senator ABETZ**—That is right, because it was misleading. I sat on that committee and I am very proud of the fact that we did redo it so that it would not mislead.

**Senator COONAN**—There was nothing wrong with it except the pig was too big.

**Senator Sherry**—At a significant cost to taxpayers. But on the issues you raise, Senator Coonan—I am not sure whether the ACCC would be looking at Finance estimates, but anyway—we will remind the ACCC—

**Senator COONAN**—That is why I put it on the record for them.

**Senator Sherry**—Coincidentally, I happen to be the minister. They will be here Thursday morning. We will ask them to have some detailed breakdown for each area of moneys budgeted, moneys expended, moneys returned and the time frame.

**Senator COONAN**—Thank you very much, and could Dr Watt please take on notice also how much exactly will be returned.

**Dr Watt**—We can do that.

**Senator COONAN**—Thank you. I have just a couple more questions, on GroceryChoice. We seem to have got a bit mixed up between GroceryChoice and Fuelwatch. I am just interested to know what involvement Finance had in the costing of the GroceryChoice branding and website.

**Mr Painton**—It would have been a similar level of involvement in that we would have looked at the overall costing in broad terms and assessed it for reasonableness, including the components, but not in the sense of going into very great detail on particular components or having any detailed plans set out of exactly how particular amounts of money were being spent.

**Senator COONAN**—So it would be just a bit of a feel for how it might sit with the general proposal.

**Mr Painton**—Yes, a reasonableness test in terms of the overall proposal.

**Senator COONAN**—Can you take on notice then how much was included in the costing for consultants for GroceryChoice, please?

**Mr Painton**—Yes.

**Senator COONAN**—And can you confirm how much money will be paid to Choice to run the GroceryChoice website?

**Mr Painton**—I am not sure whether that was part of the original proposal at the time. I think perhaps it was not, so it may not be part of the costing. But we can confirm what information we have on that.

**Senator Sherry**—I really do think that again is something that is appropriate for the ACCC.

**Senator COONAN**—It may be, but there is an interaction with Finance. With respect, Minister, you are perfectly right that it is not appropriate to ask Finance about departmental matters they cannot necessarily have under their purview for the purposes of this committee, but this has been relatively recent and it does have, from the FOI documents, some involvement of Finance in costing the proposal. So that is what I am asking.

**Senator Sherry**—Sure, but the officer does not recollect precise details.

**Senator COONAN**—That is why I am asking if he would please take it on notice.

**Senator Sherry**—Frankly, if you want the precise detail, the ACCC should have it.

**Senator COONAN**—I think, with respect, Minister, I am entitled to ask Finance, because they had an involvement in the costing of it.

**Senator Sherry**—You are entitled to ask but, as we discussed before, there are practical limitations on the ability of Finance to respond in that level of detail when there is another agency—in this case, the ACCC—responsible for the expenditures and the development of the details thereof.

**Senator COONAN**—Finance is involved in the costing of a new policy proposal. We heard earlier on that, particularly in relation to the involvement of consultants, in that regard Finance is directly involved. This is an estimates process where I am entitled to ask the officers, and if they cannot provide it—I am not expecting them to have the information at their fingertips—I am perfectly happy for them to take it on notice. I wanted to know, please, how much was included in the costing for consultants that Finance saw and was aware of. Could you confirm how much money will be paid to Choice to run the GroceryChoice website, and does the department give any scrutiny to this?

**Dr Watt**—We will see what we can do.

**Senator COONAN**—Thank you. I should rephrase that question so it is perfectly clear. What scrutiny is given to this payment by the department? And could I please be advised which department or agency will make the payment to Choice?

**Dr Grimes**—I think the level of questions here probably is more appropriately directed to the ACCC.

**Senator COONAN**—You cannot answer it? You can answer this one, perhaps: under what appropriation authority will the payment be made?

**Dr Watt**—That really is one for the ACCC as well. The ACCC will better know its appropriations than us.

**Mr Painton**—The funding for grocery watch has been transferred to Treasury. But we will be able to confirm that.

**Senator COONAN**—Would you mind taking that on notice. I will also ask the ACCC.

**Dr Watt**—Are we still in general questions?

**CHAIR**—We are going to deal with all of it in general questions, rather than going through output by output.

**Senator ABETZ**—I have a huge brief here. I have about 15 minutes, so I will have to try and pick and choose. I will try and be brief. I must say that this portfolio is known for its briefness, succinctness and relevance, which is appreciated. Is Finance intimately involved in the development of the budget with the expenditure review committee or is that all in the Treasury portfolio?

**Dr Watt**—No. Finance serves the expenditure review committee in a central way by providing advice on each and every expenditure proposal both to our minister and to the committee as a whole.

**Senator ABETZ**—Thank you for that. These questions are relevant, then. What rules does the government have in place regarding the operation of the budget? For example, is every minister required to bring forward offsets or cost savings for every new policy proposal that they bring forward?

**Dr Watt**—The rule has not changed for a very long period of time. Ministers are required to bring forward offsetting savings unless there is a specific decision taken not to.

**Senator ABETZ**—I thought that was the practice in the past. Given the current circumstances, will the rule be now waived, given the need to stimulate the economy, or will

the rule be more strongly enforced, given the large budget deficit that we are facing over forward estimates? That may well be a policy issue, which should go to the policy.

**Dr Watt**—That one should go to the minister.

**Senator Sherry**—I was not personally involved in the development of the stimulus package, but the economic and financial times require that stimulus. It has been well discussed.

**Senator ABETZ**—I am not asking about the stimulus package. I am asking about the upcoming budget, given the circumstances that we find ourselves in. Do you want to take that on notice?

**Senator Sherry**—I would have to take that on notice, Senator Abetz.

**Senator ABETZ**—Is the department satisfied that it has enough analytical resources at its disposal? In particular, I am concerned about the cuts that the Australian Bureau of Statistics has had to endure. Has that in any way reduced the amount or quality of information that is available to Finance in its deliberations in budget matters?

**Dr Grimes**—Not that I am aware of.

**Senator ABETZ**—So we did not need that funding for the ABS in the first place? I am not asserting that—I think that they deserve extra funding. But that is interesting. I want to move to an issue to do with the stimulus package. Was Finance consulted about the cost of interest payments for the additional debt that the government will have in the future?

**Dr Grimes**—In updating the estimates in the updated economic and fiscal outlook, Finance works very closely with Treasury on preparing estimates, including estimates of PDI. They are factored into the budget bottom line figures that are published in the UEFO.

**Senator ABETZ**—By Finance or by Treasury or in collaboration?

**Dr Grimes**—They are done in collaboration. That is probably the best way of describing it. I will elaborate slightly. The Treasury produces PDI estimates, because they relate to their specific debt management expenses. Those estimates are then in turn entered into the Finance system, which produces the overall consolidated results for the whole budget, bringing all of the expenditures and revenues together.

**Senator ABETZ**—Thanks. Are you able to tell us why the government needs the capacity to borrow up to \$200 billion and how that is actually made up?

**Dr Watt**—I think that is a question that is better for Treasury.

**Senator ABETZ**—All right; thank you for that. Does Finance conduct regular analysis of the total expenses for the government compared to its revenue?

**Dr Grimes**—Finance obviously maintains forward estimates of expenditure, including forward estimates of major program expenditures, and that is something that we are continuously updating and monitoring.

**Senator ABETZ**—Tell me if this one ought to go to Treasury: if the government were to increase its expenses by two per cent real a year until the budget returned to surplus, would revenue need to increase by more than two per cent to return the budget to a surplus?

**Dr Watt**—Treasury.

**Senator ABETZ**—I thought you might say that. They will not be thanking you, by the way, Dr Watt!

**Dr Watt**—I think they would thank us if we tried to answer those questions!

**Senator Sherry**—Exactly; I think they would be thanking you!

**Senator ABETZ**—I look forward to seeing Doctor Henry again and having a meaningful discourse with him. Can I ask about depreciation funding—is that in your bailiwick?

**Dr Watt**—Yes.

**Senator ABETZ**—Can you inform us of how much depreciation funding is available for each government department and agency for the replacement of assets? I assume that would not be in a back-pocket brief and you would need to take that on notice.

**Dr Watt**—We would have to take that on notice. We also probably have to say to you that that is the sort of information we do not hold centrally; we would have to talk to individual agencies. If you want that information, we would probably try to do it on a selective basis with only the material agencies to cut down the workload for them and us, because the material agencies, the top 20, are 99 per cent of the budget, or something like that.

**Senator ABETZ**—All right. I do not to increase your workload—

**Dr Watt**—We do not want to either.

**Senator ABETZ**—unnecessarily so I will rely on your judgment to give us a good sample.

**Dr Watt**—Thank you.

**Senator ABETZ**—That would be very helpful. Can you also inform the committee whether—and, if so, how—the department tracks the amount of depreciation funding that is available to each department, and does the department allow agencies to spend depreciation funding on recurrent expenditure? Do you want to take that on notice?

**Dr Watt**—No, I think we can answer that.

**Senator ABETZ**—Could you repeat the question for Ms Campbell?

**Senator ABETZ**—Yes, I can, because it has all been typed out for me. Can you inform us how the department tracks the amount of depreciation funding that is available to each department? Then there is a follow-up if you want to answer the two together: does the department allow agencies to spend depreciation funding on recurrent expenditure?

**Dr Grimes**—We are toing and froing here because this falls between two groups within the department. So between us we will see if we can adequately answer your question. On the first question, on tracking of depreciation, that is a matter of updating estimates periodically with the depreciation expenses that agencies expect to incur. Those estimates are reviewed and updated as required. With my group—that is, the Budget Group in the Department of Finance and Deregulation—funding is provided for agencies for depreciation. We do not tag a dollar that is appropriated to an agency to track it through and see how that specific dollar is ultimately spent. We do not maintain tracking of that sort. They are appropriated funds, but we do not track it at that level.

**Ms Campbell**—Senator, agencies do in their financial statements identify their depreciation expense.

**Senator ABETZ**—Do you allow them to spend depreciation funding on recurrent expenditure? Did I get an answer to that in either answer? I am not sure I did.

**Ms Campbell**—The department of finance does not control the expenditure and, as Dr Grimes said, we do not tag each dollar. Agencies spend their funding as necessary.

**Senator ABETZ**—Yes, but do you have an overview role. If you sighted anything which suggested that that which ought be for depreciation was being used for current expenditure, you would undoubtedly have a view on that and express that view and provide what counselling—

**Dr Grimes**—Perhaps the most useful way I could answer that is by saying that one of our key controls is the capacity of agencies to budget for losses and, indeed, to incur losses. The framework does not allow an agency to budget for a loss without seeking the approval of the Minister for Finance and Deregulation. Those requests would come through Finance and go to the minister. Through that process we have an opportunity to have a look at what is generating the situation an agency may be facing. For example, it may be incurring a loss in a particular year due to a perfectly reasonable timing event. Some extra expenditure this year may mean less expenditure next year. Occasionally agencies will be budgeting for losses simply because of accounting valuation changes. So we will analyse those and have a—

**Senator ABETZ**—So do you have that oversight?

**Dr Grimes**—Yes. So if your question is, ‘Are there any controls to ensure agencies are not overspending the amount of recurrent funding that they have received?’ the answer is yes, through the losses process.

**Senator ABETZ**—Thank you very much of that. In the UEFO, Dr Watt, you were the winner of an extra \$20.5 million, I understand, to strengthen the capacity of central agencies to support the government’s strategic policy agenda. Is that correct?

**Dr Watt**—I am sure it is correct, Senator.

**Senator ABETZ**—All right. Are you wanting to share with us briefly, please, how this money will be allocated within Finance; which areas in Finance will receive the extra money; will it mean extra staff; in which categories, et cetera? Would you like to take that on notice and disaggregate that figure for us?

**Dr Watt**—I will have to take some of that on notice. I can say broadly that the resourcing will go to Budget Group and, to some small extent, to Financial Management Group. They are for the expenditure functions of the department which those two areas are responsible for—Budget Group in the case of providing advice on whole-of-government expenditure policy; Financial Management Group for actually doing the detailed budget numbering work. This is a reflection of the fact that the global financial crisis and the government’s response to it have added to Finance’s workload. The government have acknowledged that, just as they have acknowledged that the same thing has added to Treasury’s and PM&C’s workload.

**Senator ABETZ**—So the two per cent efficiency dividend cut a bit too deep, given the circumstances in which we find ourselves, and this \$20.5 million is back-filling?



**Dr Watt**—The answer is no, Senator.

**Senator ABETZ**—Why do you need this extra money if you could afford the two per cent efficiency dividend?

**Dr Watt**—There are two points. Firstly, the efficiency dividend applies to the department as a whole. We are talking about a subset of the department, which is not a huge subset of the department. Secondly, the level of workload that Finance has been facing for a very long period of time has been rising. Our resourcing to handle budgetary matters was last reviewed by government in 2002. We were given some additional resourcing then because it was felt that the level of budget activity that Finance was resourced for was insufficient to deal with the level of budget activity that the then government was looking to Finance to deliver. Over the next six or seven years the level of budget activity grew quite significantly. The simplest measure of activity is a budget expense measures table, and if you look at how many expense measures there were in each financial year period—the budget and the MYEFO—you would see that between 2002 and 2008 they grew very substantially. We have managed that, more or less, within our existing resources. We have had to make some difficult choices. We have managed it with the additional work, as a result of the global financial crisis. I think everyone would acknowledge that a number of areas of the bureaucracy are busy as a result. It is not something that is not a major policy challenge for government. It is, and that requires major efforts of the bureaucracy. We felt we could no longer manage that in addition to everything else, and the government agreed with us.

**Senator ABETZ**—You are telling us that from 2002 there was an ongoing extra burden basically each year.

**Dr Watt**—An ongoing and increasing burden every year.

**Senator ABETZ**—The government would have been aware of that when it applied its two per cent efficiency dividend. In the face of stretched resources that had been developing over a number of years, the two per cent efficiency dividend is implemented, and that would have stretched your resources even further, to the extent that it was seen necessary to provide you with \$20.5 million.

**Dr Watt**—That would be a reasonable comment if the increase in the efficiency dividend had been equally applied to budget group and to the rest of the department. It was not. In other words, each year we sit down and do our budget, we look at priorities for government and where they matter, and we tailor our budget accordingly. If I was fair to you, I would say that disproportionately the efficiency dividend has not fallen on budget group—and they are the ones that have got the money.

**Senator ABETZ**—I dare say we will never know the full amount of the disaggregation. Unfortunately, my time period is slipping by, so can I just ask on notice whether there was any benchmarking between the cost estimates of the Fuelwatch logo and the GROCERYchoice—

**Dr Watt**—I do not have an answer. We will see if we can get one for you.

**Senator ABETZ**—Perhaps you can take that on notice, and I may well have some other questions. Is the \$200 billion debt Treasury or—

**Dr Watt**—Treasury.

**Senator ABETZ**—As to where it is sourced from?

**Dr Watt**—Treasury has the Australian Office of Financial Management. They are the experts.

**Senator RONALDSON**—Dr Watt, did you fly with the Minister for Finance and Deregulation to Peru for APEC in November last year?

**Dr Watt**—No, and nor did the minister for finance.

**Senator RONALDSON**—The minister did not go to APEC?

**Dr Watt**—The APEC Finance Ministers meeting would be handled by the Australian Treasurer, not the Australian minister for finance. Those are just different portfolio responsibilities. I have no knowledge of whether the Treasurer attended APEC in Peru or not. I just simply do not know.

**Senator RONALDSON**—You do not know whether your minister—

**Dr Watt**—Our minister did not. I can assure you of that.

**Senator RONALDSON**—Do you know if Minister Tanner went to Peru with the Prime Minister last year?

**Senator Sherry**—The secretary has just indicated that.

**Dr Watt**—I do not believe the finance minister has an APEC involvement—full stop.

**Senator RONALDSON**—I actually was not asking that question. Did the minister for finance travel with the Prime Minister to Peru last year, while the Prime Minister was en route to APEC?

**Dr Watt**—Not as far as I am aware.

**Senator RONALDSON**—So he was not on a flight with the Prime Minister on the way to Peru?

**Dr Watt**—I can confirm that over lunch, if you like. I think you will find that the confirmation is in the negative.

**Senator RONALDSON**—So, as far as you are concerned, Mr Tanner would not have attended any APEC meetings?

**Dr Watt**—As finance minister in the last 15 months, as far as I am aware, no.

**Senator RONALDSON**—Can you get back to me after lunch, please. So that we are quite clear, did Mr Tanner fly with the Prime Minister on a VIP aircraft to Peru? Did he have any involvement at all in relation to APEC meetings? If he did travel with the Prime Minister, can you give me full details of when Mr Tanner returned from that flight—if he did indeed take it?

**Dr Watt**—As far as I am aware, the answer is no, but I will confirm it.

**Senator RONALDSON**—Thank you. Minister, you are obviously aware of Labor Holdings in Queensland, which is the ALP vehicle for investment?

**Senator Sherry**—Other than that it exists, yes. I know there is an investment entity owned by the Labor Party—Labor Holdings—but beyond that I do not know.

**Senator RONALDSON**—So you are aware of Labor Holdings Pty Ltd?

**Senator Sherry**—I have seen Labor Holdings referred to. In fact, I think I saw it referred to in the clips today, if my memory is correct. I have seen reference to it in the media from time to time.

**Senator RONALDSON**—I did not see it today, but I will be very keen to go back and have another look. Are you aware that in 2007-2008 Labor Holdings donated \$7 million to the Australian Labor Party?

**Senator Sherry**—No, I am not.

**Senator RONALDSON**—Are you denying that or you just do not know?

**Senator Sherry**—I just do not know.

**Senator RONALDSON**—I can tell you, on the public record, that they did. In that same period of time, are you aware that they also received nearly \$11 million income from various Australian banks?

**Senator Sherry**—I have no knowledge of that at all. I just do not know.

**Senator RONALDSON**—Are you aware that that was mostly in the form of dividends on stock held in those institutions?

**Senator Sherry**—As I have said, I have no knowledge. I do not know.

**Senator RONALDSON**—Are you aware that Labor Holdings has estimated assets of approximately \$100 million, much of which is dependent on the continued liquidity and success of the Australian banking system because of the level of investments?

**Senator Sherry**—No.

**Senator HURLEY**—We can't have that, can we—continued liquidity of the banking system! ALP Holdings would be the only people who would want that, wouldn't they!

**Senator RONALDSON**—Senator Hurley, it is great to see you here and I am very pleased for your intervention, which brings me to my next question. If you would like to come in and answer this as well with an interjection, I would be very pleased for you to do so. But, in the meantime, I will ask the minister: do you see any conflict of interest in the government announcing a bank deposit guarantee which will materially benefit the share price of banks while at the same time the Australian Labor Party, through Labor Holdings Pty Ltd, holds millions upon millions of dollars of bank shares?

**Senator Sherry**—No, I do not. I have a bank account, and I am glad there is a guarantee. To that extent, you can argue there is a conflict. I have a superannuation fund—

**Senator RONALDSON**—Have you got shares in banks?

**Senator Sherry**—No.

**Senator RONALDSON**—So what is the analogy?

**Senator Sherry**—I just do not accept your claim. I do not agree with your critique.

**Senator RONALDSON**—You would acknowledge that your defence of this was that you have got a bank account. Do you acknowledge that you have not got shares in banks and that the dynamics of the two are entirely different?

**Senator Sherry**—I do not accept your conclusion.

**Senator RONALDSON**—Are you aware—and please jump in, Senator Hurley, if you want to contribute to this—that the Treasurer has been a very active participant in the running of Labor Holdings?

**Senator Sherry**—Sorry, who?

**Senator RONALDSON**—The Treasurer—your colleague.

**Senator Sherry**—I have no knowledge of the operation, investments or governance of the entity.

**Senator RONALDSON**—Are you aware that—

**Senator Sherry**—And I might say that we are in Finance estimates. To the extent you want to pursue this, it is actually a Treasury issue.

**Senator HURLEY**—If ALP holdings is an issue for estimates at all, of course.

**Senator Sherry**—Yes.

**Senator RONALDSON**—I am sorry, Minister. Are you aware that the Treasurer was a former director and secretary of Labor Holdings?

**Senator Sherry**—No, I am not. But I do think that it is time to seek the chair's guidance. I just do not see the relevance of this at Finance estimates. It may have some relevance at Treasury, I do not know—that would be up to the chair of Treasury estimates. But this is Finance estimates.

*Senator Cameron interjecting—*

**Senator RONALDSON**—I am very pleased, Senator Cameron, that you think this matter is so serious that it will be run on the front page of the *Sydney Morning Herald*—

**CHAIR**—Senator Ronaldson, you have the call from the chair. Can you put your questions to witnesses rather than take on interjections; otherwise, we are wasting time and lunch is approaching.

**Senator RONALDSON**—Thank you, Madam Chair, and I am grateful to Senator Cameron for that interjection. It is such a serious matter that it should well be on the front page of the papers. I am glad that he agrees with that. Minister, are you also aware that the chairman of Labor Holdings said 'You can attribute some of the investment success to Wayne Swan' in relation to the bank shares?

**Senator Sherry**—I have indicated I have no knowledge at all of these particular details and issues.

**Senator RONALDSON**—And you do not believe there is a conflict of interest in relation to—

**Senator Sherry**—No, I do not.

**Senator RONALDSON**—a vehicle with \$100 million in assets with very significant exposure to Australian banks that is providing \$7 million to the Australian Labor Party? You do not see any conflict of interest in an announcement from the Treasurer of this country—who was a former director and secretary of Labor Holdings and who has been instrumental, I suspect, in its operation—in the bank deposit guarantee which protects the assets of Labor Holdings?

**Senator Sherry**—The bank guarantee actually protects the Australian economy. The strength of our financial system is its purpose. I am very confident that that is the underlying set of reasons as to why the government acted decisively at a time of significant financial crisis in respect to the bank guarantee.

**Senator RONALDSON**—I just want it on the public record: do you or do you not think that there is a serious conflict of interest?

**Senator Sherry**—As I have indicated, they are the reasons—

**Senator RONALDSON**—Do you or do you not think that there is a serious conflict of interest in relation to this matter? If you do not think there is, say so.

**Senator Sherry**—I have said it. I do not believe there is a conflict. I believe the decisions taken are as has been outlined by the Treasurer and the Prime Minister. The reasons for the bank guarantee were provided; it was in the national interest.

**Senator RONALDSON**—Do you think it would have been appropriate for the Treasurer to have made quite clear his previous involvement in Labor Holdings and the large assets that it has got.

**Senator HURLEY**—Why don't you ask the Treasurer?

**Senator RONALDSON**—I am asking the minister. Under ministerial guidelines should the Treasurer have actually made it quite clear of his involvement in Labor Holdings when he was bringing in the bank guarantee? Under the ministerial guidelines would he be required to do that?

**Senator Sherry**—I have already indicated that this is not a matter for Finance estimates.

**Senator RONALDSON**—Minister, if you were in that situation, would you feel a sense of obligation to make it quite clear that you were involved in a large Labor Party fund raising vehicle when you were bringing in legislation that would protect the assets of that vehicle?

**Senator Sherry**—It is entirely hypothetical and it is not a matter for Finance estimates.

**Senator RONALDSON**—I will tell you what is not hypothetical: does it or does it not come within the ministerial code of conduct guidelines on openness and transparency concerning relationships of government ministers with bodies such as Labor Holdings?

**Senator Sherry**—If you have an issue with respect to the Minister for Finance and Deregulation—this is Finance estimates, not Treasury estimates.

**Senator RONALDSON**—In relation to the advertising and the media associated with the economic stimulus package, is this a matter, Dr Watt, on which you are comfortable to answer questions?

**Dr Watt**—Yes, we can have a look at that issue.

**Senator RONALDSON**—I presume you are aware of this, Minister?

**Senator Sherry**—Of what?

**Senator RONALDSON**—An article in the Launceston *Examiner* last year.

**Senator Sherry**—I am not actually.

**Senator RONALDSON**—You should be because yesterday I gave your colleague a copy of the press release to give to you.

**Senator BRANDIS**—That is assuming they speak to each other. That is a very unrealistic assumption!

**Senator Sherry**—I do not know how often opposition shadows speak to each other. If they can keep up with the revolving door of who has got what! Sorry, I do not know what you are referring to, Senator Ronaldson.

**Senator RONALDSON**—I would have thought that Finance were listening yesterday, Dr Watt. Perhaps only Treasury listens to Finance.

**Dr Watt**—Could you share the article with us, Senator.

**Senator Sherry**—Yes, we would like to see it.

**Senator RONALDSON**—I have already given it to the minister via one of his colleagues and I thought it was incredibly generous of me to do so.

**Senator Sherry**—I do not have a copy of the article. It has not been sent to me. If a senator wants to ask a question about an article they should pass a copy of it up.

**Senator RONALDSON**—I gave it to one of your colleagues yesterday. Greater love has no man for an opposition senator to be giving someone a copy of the article.

**Senator Sherry**—If you want to ask questions about it, you pass it over.

**CHAIR**—Normal protocol would be that if you are referring to a media release it would be good practice to circulate it. It is not the responsibility of a minister who appeared before us yesterday to circulate those sorts of pieces of correspondence or things that are entered in.

**Senator RONALDSON**—Madam Chair, I take your admonishment but, just for the record, I was asked by the minister for a copy of the article. I gave the minister a copy of the article. It was photocopied by the staff and it was returned. So if it has not been passed on—

**Senator Sherry**—No, it hasn't.

**Senator RONALDSON**—Good. Well, on that basis—

**CHAIR**—Have you got a copy of the *Examiner*?

**Senator RONALDSON**—I am happy to again give it to you.

**Senator Sherry**—You are not giving to me again. I never received it in the first place.

**Senator RONALDSON**—I do not know why you are not talking over there in that ministerial wing. Somebody is not talking.

**Senator Sherry**—You should have asked the secretary of the committee to pass an article on to me if you want to ask questions.

**Senator RONALDSON**—I am very disappointed.

**CHAIR**—Senator Ronaldson, can I just remind you that we are breaking at 12.30 for lunch. I know other colleagues of yours have some further questions.

**Senator BRANDIS**—I am perfectly happy to ask my questions after lunch if that assists.

**CHAIR**—Excellent. We will break at 12.30.

**Senator RONALDSON**—I am just waiting for the minister to have a look at the press release that has been given a second time.

**Senator Sherry**—It is the first time it has been given to me.

**Senator RONALDSON**—This is the role that I like to play in these estimates—where I am being as helpful as possible, by giving the minister's colleagues a copy of a matter I was going to raise today. I am a bit surprised, because I raised this with Minister Faulkner and he said, 'No, that's better for Finance in the morning.' The minister said, 'Would you be good enough to give me a copy of that press release.' I of course said, 'I'm very, very happy to, to facilitate the process.' I am a bit surprised that it has not been given to him.

I go to the economic security strategy report. I think, from that press report, that there was some \$5.12 million for advertising on the economic stimulus package. Is that right?

**Dr Watt**—We are still trying to interpret the article, Senator. We will not be long.

**Senator RONALDSON**—I think the article said that it was going to cost some \$17 million to administer the payment. Perhaps we will start that first. I assume these were people that were probably on the system already who received the first part of the stimulus package last year. If there are others outside then I am more than happy to accept that, obviously. The great bulk of the people who received payments under the stimulus package last year I presume were in the Centrelink system or someone's system.

**Dr Watt**—I think that is a question that is better for the Department of Human Services tonight. We can answer some advertising questions for you but I think the other one is really better for the human services department.

**Mr Lewis**—The administration elements you would need to address to FAHCSIA or human services.

**Senator Sherry**—It will go to another minister. I am very happy; I can absolutely assure you that I will personally deliver the copy of the *Examiner* press article of 8 December to Senator Ludwig personally when I go back to lunch.

**Senator RONALDSON**—I think I need to take it around to him personally to make absolutely sure that he gets it, after what happened over the last 24 hours. Can I ask you, please, about these advertising costs? Can you give the committee a breakdown of the costs in terms of media buy as in radio placements, newspaper and magazine placements, internet advertising and mail-outs?

**Mr Lewis**—We would need to take that on notice and provide the breakdown. We could provide you with the aggregate but the breakdown by media type we would need to take on notice.

**Senator RONALDSON**—What was the total cost of market research commissioned in preparation for this campaign?

**Mr Grant**—You will have to ask the department who undertook that. We do not have that data at this time.

**Senator RONALDSON**—You can give me the media buy but you cannot give me the details in relation to the market research?

**Mr Grant**—That is correct. We operate the whole-of-government contracts for the placement of media. So we do know what the media buy is. Agencies are responsible for undertaking campaigns and they enter into contracts. They go through the tender process in terms of all the other elements of the campaign. So they have that data.

**Senator Sherry**—Which, by fortunate coincidence, I think is going to be Senator Ludwig tonight.

**Senator RONALDSON**—Wouldn't the media research be part of that figure. I am not saying it was necessarily the figure that was reported. Surely the market research was part of the \$5.2 million. I am just a bit bewildered that you know something about one part of the \$5.2 million but you know nothing about the other part.

**Mr Grant**—The media buy is informed by the research, so the research will have a look at things like the messages going across and the mix of media—whether it is print media, TV, radio, online and so on. We do know what the media placement is, as I said, because we run the central advertising contract. We do not run a central advertising contract for research and other things like that.

**Senator RONALDSON**—Can you provide the committee with the names of the advertising agency or agencies, research agency or agencies or public relations agency or agencies whose services have been engaged in this campaign?

**Mr Grant**—Again, that is really one for the department that undertook the process, and that department is FaHCSIA.

**Senator RONALDSON**—So you are going to come back to me with the cost of the media buy, but you will have no details about what the breakdown of that cost was?

**Mr Grant**—We will have a breakdown of the cost between the various—

**Mr Lewis**—Electronic, TV, radio, print, online—the media buy.

**Senator RONALDSON**—I hope you will excuse me for saying it, but there seems to be a bit of left hand and right hand here. You seem to have this micro—

**Mr Lewis**—Would it help if I gave a little bit of background?

**Senator RONALDSON**—Sure. It might be very useful.

**Mr Lewis**—We have assumed responsibility for the campaign advertising and non-campaign advertising contracts that formerly were managed by the Department of the Prime



Minister and Cabinet. We have also set up an interdepartmental committee whose role it is to provide advice to agencies in relation to campaign advertising, but agencies retain responsibility in relation to the preparations for and the conduct of campaigns, including the procurements in relation to that and the selection of individual agencies. When they make decisions in relation to the media buy and they are working through the campaign advertising contracts, those contracts are managed by the Department of Finance and Deregulation. As a consequence, we are able to extract details by virtue of the fact that we are managing that contract. We are not managing the contract, for example, with a research firm, a non-English-speaking background adviser or an online media adviser.

**Senator RONALDSON**—So what exact contract are you managing?

**Mr Lewis**—Two contracts: the campaign advertising contract for media placement, currently with Universal McCann but subject to retender, and the non-campaign advertising contract, currently managed by HMA Blaze. The non-campaign advertising relates to job advertisements, tenders that are placed, public notices and the like.

**Senator RONALDSON**—So they are both advertising agencies, are they?

**Mr Lewis**—Placement agencies. They place advertisements with television stations, with radio networks, with—

**Senator RONALDSON**—And you will have details of what their costs are in relation to the placements?

**Mr Lewis**—We can provide details of that spread of media.

**Senator RONALDSON**—I have a question here that I was going to put on notice. Have any of my colleagues from the Labor Party got any questions in relation to this?

**Senator Sherry**—We are still in a general discussion.

**CHAIR**—We are dealing with everything in general rather than going through output by output.

**Dr Watt**—It is a problem for me, because I have a lot of the department sitting next door.

**Senator Sherry**—Could we indicate whether we have finished with general questions? It is normal at estimates to follow the program, because we have all of the public servants waiting here.

**CHAIR**—This committee, Minister, has had the practice at least since I have been here in the last 3½ years of tending to deal with everything in general questions, and then I go through output by output and you find that no-one actually has any questions in those because they have all been dealt with. That was the agreement that was undertaken at the beginning of estimates yesterday and we have carried on with it today. I can ask people to give us some indication about the relevance of the rest of the departmental officers that are required, but we are proposing to—

**Dr Watt**—It would be helpful, Madam Chair. I suspect you will not cover the whole department with general questions—we never do. If I could let two or three parts of it go it would be quite useful.

**Senator RONALDSON**—Through you, Madam Chair, that, of course, has been why we have adopted this approach. With colleagues coming and going it is sometimes difficult with other commitments—

**Senator Sherry**—We had the same problem in opposition for 12 years. Frankly, if you guys cannot your act together—I know it is hard—

**Senator RONALDSON**—With the greatest respect, I think the chair just said that this has been the practice for 3½ years.

**Senator Sherry**—No, I do not believe it has been. We have general questions that might go for an hour or two, and then we proceed to go through the program.

**CHAIR**—We plan to break at 12.30, so prior to that we will try to finish with outcomes 1 and 2. Then we will seek clarification from the opposition about any officers who are not required. We are proposing to come back to Medibank Private after lunch and then go back to outcome 4.

**Dr Watt**—So outcomes 1 and 2 between now and lunch. That is good.

**CHAIR**—That is what was agreed to.

**Senator RONALDSON**—In relation to the government advertising campaigns on a whole-of-government approach, when did you actually take responsibility for both the campaign and the non-campaign contracts under the new agreement you mentioned earlier?

**Mr Lewis**—I would need to consult the records for the exact date. It was about 3 December 2007.

**Mr Lewis**—So that was strictly responsibility for the two contracts that I described before—the campaign advertising contract and the non-campaign advertising contract.

**Senator RONALDSON**—Are you able to advise me how many communication campaigns were conducted by the government in the calendar year 2008 or do you need to take that on notice?

**Mr Lewis**—We would need to take that on notice, but we certainly have that information.

**Senator RONALDSON**—For each of these campaigns can you indicate the name of the campaign, which department had responsibly for it, the total cost of the campaigns, which agencies were short-listed and which were finally selected for advertising-creative—

**Mr Lewis**—There you are going to the procurement decision, as I explained before. We are certainly able to help you with the previous matters. On the procurement method, you would have to go to the agency that had responsibility for the particular campaign. But we will be able to advise you on agency responsibilities for each campaign.

**Senator RONALDSON**—In relation to my question about which agencies were short-listed and which were finally selected for, one, advertising-creative, two, public relations and, three, market research, is that an agency responsibility?

**Mr Lewis**—Yes.

**Senator RONALDSON**—Are you able to indicate the relevant ministers or ministers' personal staff taking part in the decisions to select the successful agency or agencies?

**Mr Lewis**—It would be a subset of the question you just mentioned, so you would need again to address that to the relevant agency.

**Dr Watt**—I do not think that is a question for an official, frankly.

**Senator RONALDSON**—I disagree with you. I think if it is unable to be answered that is right, but in light of recent events I would have thought that the involvement of ministers' or the Prime Minister's personal staff in relation to these issues is very relevant.

**Dr Watt**—I think it is a question—

**Senator RONALDSON**—I do not have my ANAO report with me, but, as you have said, the ANAO made it quite clear in its recommendation that it needed to be—

**Senator Sherry**—It is a direct question for a minister, because the personal staff are responsible to the minister. I am happy to take it on notice.

**Senator RONALDSON**—Normally in this situation, if the minister at the table says it is not an appropriate question for the officer, they will take it themselves. Now that you have stepped in—

**Senator Sherry**—I will take it on notice and provide a response.

**Senator RONALDSON**—Can you give me an itemised breakdown of each campaign in terms of creative agency cost; TV placement cost; print placement cost; radio placement cost; mail-outs, brochures and booklet costs, internet costs; public relations agency costs, including additional costs from the activities undertaken by those agencies or their agents; and, finally, market research agency costs?

**Mr Grant**—We cannot give you costs on market research, public relations and creative. Whether we can give you mail-out costs is a question as well. What we can give you is the media buy—that is, print media, radio, TV, online et cetera.

**Senator RONALDSON**—Are you able to give me information on the start and end dates of the airing of the electronic advertising component of each campaign?

**Mr Grant**—Yes, we can do that.

**Senator RONALDSON**—I think, in fairness, I will also put this as a question on notice so that you can take it, rather than trying to go through *Hansard* to work out what the exact questions were. I am mindful of the time, and I am mindful that no-one else has any questions, but can I ask a general question, Dr Watt, on the outcome of the ANAO investigations into CMAX? I just want to get a feel for whether you accepted the criticism that there was the opportunity for real or perceived conflict of interest in relation to the behaviour of some people in that affair and whether the department has actually put in place any mechanism to review the outcome of that report. I thought it was balanced and I thought it was constructive in maintaining that perception of openness and transparency. I would be interested in your feedback as to whether you have a group that has gone through that report, whether they are going to report back to you with any potential changes in light of that report and your view overall of the commentary.

**Dr Watt**—I do not think I can comment very much on your question because it is better directed to the Department of the Prime Minister and Cabinet, not to the Department of

Finance and Deregulation. We were aware of the report. All audit reports go to our Chief Audit Executive—he is the one who actually handles the processing of them—whether we are directly involved or not. We try and learn lessons from the ANAO reports. We have not done anything specific as a result of that report beyond being aware that there is a need to make sure that you do run an open and transparent process on all procurements. We are not perfect—I would never say we are—but we do pay particular attention to procurements because we are responsible for the whole-of-government procurement policy and we are the department of finance. That does not mean that we get it right every time, but we do pay particular attention to that.

**Senator RONALDSON**—You did quote this morning, quite rightly, from the No. 1 recommendation from the ANAO. I take it that the fact that you quoted that back to me indicates that you viewed that that was as relevant to Finance as it was to PM&C.

**Dr Watt**—I think it is relevant. We were involved in the audit because the ANAO did speak to us. Incidentally, they often talk to us even though we are not auditees, because auditors usually impact somewhere or other on the financial framework. So they will come and talk to us about many audits that we are not involved in. Sometimes the conversation is formal and sometimes the conversation is informal. We were also aware of the recommendation and we had a chance to respond to it, of course. So I was aware of it.

Finance's role in these matters is to try and get agencies to look at their own internal processes generally. That is what we do with the work we do on governance; that is what we do with the work we do on the FMA Act. We keep doing that work because it is important, but at the end of the day the problem, frankly, that you and I have is that we are both outsiders. We can advise agencies and put out best practice guides. The ANAO puts out best practice guides, and we have put out some together. But at the end of the day the key judgments in all these processes are made by members of departments under their own CEO. In one sense that is a difficulty and in another sense it is a strength, because the CEO is responsible. It is not the CEO saying: 'This is what the department of finance tells me to do. This is what the department of finance makes me do. This is the department of finance's problem.' It is the CEO's problem. That is the strength of our system.

It has some frustrations. We have heard some of them here this morning and we often have them, because agencies are responsible for their own operations. That is the frustration of the system. You suffer it, I think Senator Sherry suffered it 18 months ago and we suffer it sometimes. But in the end it is the strongest part of our system. If you do not make agencies responsible for their actions, who will be?

**Senator RONALDSON**—I would agree with that if there was some chain of compliance with this. To be quite honest with you, when you do not know about, for example, procurement contracts under \$10,000, that is a breakdown. And there is no ability for those CEOs to be accountable. This is not a reflection on the CEOs; it is a reflection on the system. Thank you for that. We will have that answer to the Peru trip after lunch?

**Dr Watt**—I am sure you will, yes.

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

**Senator COONAN**—In relation to an earlier answer, I have something you could clear up for me. FaHCSIA was appropriated \$260 million for the housing measure in UEFO—this is in relation to something Senator Abetz was asking—however, we now understand that under the Federal Financial Relations Bill that is currently before parliament the money will be appropriated to Treasury to be passed to the states. The question is: will the money that was appropriated to FaHCSIA be returned to budget?

**Dr Grimes**—We may have someone here who can answer this a little bit more satisfactorily than I will be able to right now, but this matter was discussed in some detail and dealt with at the hearings around the UEFO package a couple of weeks ago. I can recall that the Secretary to the Treasury went through the sequence of events around that measure. From my recollection, there will be no uncertainty over the final amount that is appropriated.

**Dr Watt**—We will get an expert.

**Dr Grimes**—We may have to get an expert after lunch unless Mr Ignatius can help us now. I can recall that the question you are asking now was very specifically asked and dealt with by Treasury at the last hearing.

**Senator COONAN**—This is certainly not meant to be a trick question. By all means check what the position is. Are there any other examples of appropriations across government that will need to be reduced as a result of the Federal Financial Relations Bill?

**Dr Grimes**—I would not be able to answer that question at the moment but we will make sure that we have someone available after lunch.

**Senator COONAN**—The finance minister has said on a number of occasions—one occasion that caught my eye was on ABC News Breakfast on 4 February—that new policy proposals will have to be offset or matched by savings. This is in the context of the long march hopefully back to a budget surplus. What was the offset or saving for the policy announced by Ms Gillard on 19 February regarding \$145 million to secure jobs and apprenticeships?

**Dr Watt**—I am not aware of any specific offset. I think that what the finance minister was saying was that this is a generic prescription. There are two things. First of all, fiscal stimulus measures would not be offset—at least the government indicated it would consider those separately. Secondly, the point is a generic one. It does not mean that the government will take an offset decision at that time. It was saying that over the budget process there would be offsets.

**Senator COONAN**—Would that also apply to the announcement, at 12.07 pm, that there will be another \$298.5 million for job services for retrenched workers—new money?

**Dr Watt**—Again, Senator, all I can say is that it is a generic thing the government considered in the budget process. It is consistent with its overall fiscal commitments and the commitments made in the UEFO.

**Senator Sherry**—Are you talking about today?

**Senator COONAN**—Yes.

**Dr Watt**—I am not aware of the announcement either. You have an advantage over us.

**Senator COONAN**—I am very glad to—

**Senator Sherry**—We have been here.

**Senator COONAN**—It is \$298.5 million in new money for cutting waiting periods of up to three months for intensive Job Search assistance. That was the announcement. Thank you for that. It was not what I understood Mr Tanner to be saying, but I will obviously go back and read more carefully what he did say against your answer. Thank you, Dr Watt.

**Dr Watt**—I might be putting words in his mouth.

**Senator COONAN**—I am sure your answers are always very sound ones, Dr Watt. This may sound like a facile question, and I do not mean it to be, but given significant stimulus packages have been put together very quickly—I think that is a fair summation—can you outline what the budget process will be this year? I just mean the process; I do not mean decisions—the time frame for senior ministers and—

**Dr Watt**—The process has not changed all that significantly from previous years, with what you would be familiar with. We have had a preliminary assessment of ministers' proposals in the previous calendar year, as we always have had. Following that assessment, ministers have been invited to lodge portfolio budget statements with new policies and savings measures. Those statements are traditionally lodged around now, in February—some a bit earlier, some a bit later. The ERC will, as it always has, do its work in March and early April and then there will be a budget cabinet meeting around the middle of April and final settling, balancing and documentation at the end of April and early May. The broad process has not changed for the budget per se.

**Senator COONAN**—So it would not be fair to describe the current budget process, given the stimulatory packages and how they have been put together, is a bit ad hoc? It is still following exactly the same budget process?

**Dr Watt**—I would not have used that word.

**Senator COONAN**—Could you outline for the committee the costing process. How is each costing initiated?

**Dr Watt**—Normally by the agencies. Agencies will seek to bring forward new policy proposals at the request of their minister. They will contact Finance, usually with details of the proposed measures. There will be discussions between agencies. We have some standing costing elements which they will already take into account. There will be some specific issues around the costing which will be germane to each individual cost, which have to be discussed more, like our discussion about Fuelwatch branding. That process—depending on the complexity of the cost, depending on the size of the agency asking and depending on what our officers think of the reasonableness of the agency ask—can go on for a very short period of time or a very long period of time. At the end we get an agreed cost.

**Senator COONAN**—Mostly we do.

**Dr Watt**—Madam Chair, for the *Hansard* record, the block of land Senator Payne referred to was West Wattle Grove.

**CHAIR**—We have finished with outcomes 1 and 2.

**Proceedings suspended from 12.30 pm to 1.33 pm**

**Medibank Private**

**CHAIR**—Welcome back. My understanding is that Dr Watt is not available after 6.30, so members of the committee should bear that in mind. We were notified about that earlier, so I just remind everyone. We are now moving on to Medibank Private.

**Senator RONALDSON**—I am waiting for a response.

**Dr Watt**—You were, Senator Ronaldson, and it was about a possible trip the Minister for Finance and Deregulation might have made to Peru. He had no involvement in that meeting and nor did he travel to Peru.

**Senator RONALDSON**—So he was not involved in APEC?

**Dr Watt**—He has some peripheral involvement—

**Senator RONALDSON**—No, was he in Peru?

**Dr Watt**—No.

**Senator RONALDSON**—And he did not fly with the Prime Minister to Peru?

**Dr Watt**—No, he did not. The finance ministers meeting of APEC is attended by the Australian Treasurer or his representative.

**Senator RONALDSON**—Thank you.

**Senator CORMANN**—Welcome back, Mr Savvides. How are things going?

**Mr Savvides**—As far as the business is concerned, we continue to work hard at growing our membership in a cooling economy and with market forces changing somewhat as a result of industry consolidation.

**Senator CORMANN**—When we last met, in May at the budget estimates, I asked you whether you were one of the funds that had been sent back to the drawing board to look at the rate change application by the minister last year. Your answer was, no, you were not. Have you been sent back to the drawing board this time?

**Mr Savvides**—The process around which we do our rate change is active right now. It is a confidential process because it is still a process of engagement with the department of health, and the minister has not determined her view yet on the submissions that have been made. Therefore, I cannot really go into the detail of that because of the confidentiality of the process, which is yet to be concluded.

**Senator CORMANN**—I can ask you questions in relation to the performance of your agency as it relates to what was said in the budget, surely? I guess the question I am asking is: have you been sent back to the drawing board, or is the minister satisfied with the application you have put in? I am not asking you any specifics; I am just asking you to confirm whether or not those events have occurred which go to the performance of your organisation.

**Mr Savvides**—I am precluded from being able to talk about a process that is so commercially sensitive—that is, health funds setting prices, bidding a promotion of price to the department of health—and which is a work in progress right now. It is live, and I do not think it would be appropriate for me to talk about things that are meant to be kept in confidence because of the commercial sensitivities and the competitive issues associated with them.

**Senator CORMANN**—Can you tell us what date the Medibank Private board signed off on its rate change proposals?

**Mr Savvides**—All of the health funds in the industry were required to submit their rate change proposals for the 2009 year just prior to Christmas. I do not know exactly what the date was, but it was a December date somewhere towards the end of December. And we complied with that submission date, as we always do.

**Senator CORMANN**—So you complied with the submission date, but perhaps you could give us, on notice, the date when the Medibank Private board signed off on it.

**Mr Savvides**—I would be happy to.

**Senator CORMANN**—Also the date that you did submit your rate change application to the minister.

**Mr Savvides**—Yes.

**Senator CORMANN**—Has there been, during any stage of the rate change process that is underway, any approach from either the minister for health or the finance minister in relation to that application? I am not going to the substance of it, I am just asking about process.

**Mr Savvides**—The department communicates with the funds in the process of developing the outcome of the rate change process and there is nothing unusual in that. There is nothing that we have not seen in previous years in terms of the guidance we get and the protocols that we have to meet in terms of the information that is required.

**Senator CORMANN**—Nothing unusual in that, so essentially the process that was followed this year was the same as the process that was followed last year—

**Mr Savvides**—Yes.

**Senator CORMANN**—and, indeed, the same as the process that was followed for as long as you have been there. Is there anything that is different in the rate change application process—you are shaking your head.

**Mr Savvides**—No, there is not. It seems to be a very business as usual process of funds engaged with the regulator of price, in this case the department of health, in getting the rate round established and approved and then off to communicate with our members later in the period of the quarter and then making that rate change realisable.

**Senator CORMANN**—When we met in May, one of the other things you told the committee is that when you do your rate application, you project the claims experience that you believe will happen in the out years and you set a rate not only conscious of the immediate year ahead, but also the out years.

**Mr Savvides**—Correct.



**Senator CORMANN**—Can you describe for us what some of the features are? Without going to the specifics of the applications, what are some of the things that you have considered as you have put your rate change application together?

**Mr Savvides**—One of the unique features of this particular cycle that we are in, which is different to the last three or four years, is that the economy has changed both globally and locally. When you are on a growing curve, and we had been for several years—annual growth in membership in Medibank has been very strong in the last few years, and the sector has enjoyed the same; the whole participation rate of the population in private health insurance has had healthy growth—that kind of dynamic means that your revenue growth is ahead of your cost growth. You have got more people coming in, with a year's waiting period, providing cash flows into the health fund before the outflows start to occur. Normally, that means that you have got a margin that is ahead of the cost of goods sold. As you know—because of your background I know you understand the sector—87 per cent of the contribution income that comes into a health fund is paid out in claims. That cost curve that is chasing the contribution income is a big one—87 per cent of the money you get in goes out to members—and then you have got to run your overhead.

If in the economic changes that we are incurring right now the economy slows down the growth rate in income because the membership growth slows, that cost curve does not change. It is chasing you at the same size—it has not diminished. But the membership curve starts to diminish because contribution income slows as the growth in membership slows. You get margin squeeze in a cooling economy. That is normal. It is not anybody's fault—it is just the nature of the economic cycle. Health funds have to be careful when that occurs that they have a good understanding of their outyear projections on costs, because those projections will be against a revenue projection that is slowing in its growth rate; hence, you have margin squeeze. We have to be very careful that we submit a rate that is right for next year, but also right for the year after and the year after that, and we do not end up inducing volatility in rate change inadvertently by thinking too short term.

**Senator CORMANN**—You mentioned the economic cycle and the impact that that will have on membership trends moving forward. When we last met in May you might recall that we also discussed a budget measure which related to the then proposed increase in the Medicare levy surcharge thresholds from \$50,000 to \$100,000 for singles and from \$100,000 to \$150,000 for couples. You advised us that your initial assessment was that you could be looking at a negative membership impact of about seven to 10 per cent. I know that since then it has been watered down and it took a couple of months for the government to be able to get it through the parliament—and so it would not have been quite as extreme—but this, I assume, is still expected to put additional pressure on membership trends moving forward. Have you taken that into account as part of your rate change application?

**Mr Savvides**—Definitely, and I am sure that every health fund has. There will be an assumption within the rate application about the size of the impact of the Medicare levy surcharge. We should not overstate it. The context here is that not only do you have an MLS impact but also you have a much larger impact, which I call the cooling economy, and the pressure on home budgets to be able to afford private health insurance in their home economy.

**Senator CORMANN**—Would it not also have an impact on your investment income?

**Mr Savvides**—That is right. That is a third piece—which is the slowing down of investment income growth or, in some cases, negative growth as we have seen in our own fund. We had a small loss last year in our audited results.

**Senator CORMANN**—So you have got economic conditions, you have got the Medicare levy surcharge and you have got reduced investment income. One of the things you mentioned in your evidence in May was that in recent years your premium increases have been quite low and you have kept them consistent over a number of years. It sounds to me as if, whenever the announcement is going to be made, we are looking at somewhat higher premium increases. Is that a fair assessment of the market conditions—again, without asking you to put a specific on it?

**Mr Savvides**—I would not want to signal to my competitors what I think the outcome will be for rates. Maybe I could just talk about the industry.

**Senator CORMANN**—Yes.

**Mr Savvides**—The profit result for the industry two years ago was \$1.2 billion and last year it was \$600 million. Will it be lower for the financial year 2009? I think so. That said, it would still be a positive surplus for the industry. It would be a very low return, but it is obviously moving towards the bottom of a cycle. So we are where we are, and we are not alone. There are a lot of other Australian businesses reflecting the same cycle.

**Senator CORMANN**—Can you explain how putting your rate change application together interrelates with your capital adequacy requirements?

**Mr Savvides**—They are not directly related. Rate changes are, if you like, a P and L adjustment for prudential margin to protect the fund. The balance sheet is the reservoir of accumulated surpluses over the years and of investment returns—and there have been some good years, thankfully. If you look at our 2008 accounts in our annual report, you will see that Medibank's balance sheet is ungeared and is worth around \$2 billion, and it probably has an excess capital requirement there above its prudential requirement of about \$800 million. So it is in good shape.

**Senator CORMANN**—You say that you have a capital adequacy reserve, or a capital reserve, in excess of prudential requirements of \$800 million. That is essentially what is described in your annual report, is it not?

**Mr Savvides**—Yes.

**Senator CORMANN**—It says:

The Board of Medibank Private has established a capital adequacy target in excess of the prudential capital adequacy requirements to cover both investment and non-investment risks.

As we enter these economically uncertain times, and as we do not exactly know how the impact of the Medicare levy surcharge will continue to play out, will you be looking at maintaining a similar ratio in terms of your capital reserves in excess of minimum prudential requirements?

**Mr Savvides**—We do not set a standard. There is a board for that.

**Senator CORMANN**—Your annual report says the board has set a target.

**Mr Savvides**—Yes, but we were in excess of the target, so when I talked about the \$800 million that is well in excess of the target.

**Senator CORMANN**—Let me quote again:

The Board of Medibank Private has established a capital adequacy target in excess of the prudential capital adequacy requirements ...

What I want to know is whether you will continue to pursue a capital adequacy target in excess of the prudential requirement.

**Mr Savvides**—Yes, we will.

**Senator CORMANN**—Will that be at approximately the same level? Will it be in the same proportions?

**Mr Savvides**—I am not aware of any decision or intention to change it. The target, which is above the minimum, is still well below our current reserves position.

**Senator CORMANN**—I will outline the reason I am asking you this question. I know we have discussed this before and you might know what I am getting at. The section on private health in the 2008-09 Health and Ageing portfolio budget statements says:

The Department will, together with the Private Health Insurance Administration Council (PHIAC) support the Government's assessment of private health insurance premium applications—

and here is the important part—

to ensure that increases are the minimum needed to maintain insurer solvency requirements and that the insurers can meet their claim obligations to members.

I understand why you are doing what you are doing, but there seems to be an inconsistency between what is written in the budget papers and what you are doing, quite prudently, in practice. Can you please comment on that?

**Dr Watt**—I do not think Mr Savvides can speculate on that. I think you have to ask the department of health.

**Senator CORMANN**—We as an opposition have previously accommodated the request that we only hear Medibank in one committee rather than in both the Finance and Deregulation and Health and Ageing portfolio committees. So I think you have to work with us and let us ask health related questions; otherwise, we will go back to past practice and ask Medibank to come back.

**Senator Sherry**—But this witness is not appearing on behalf of the department. It is a separate commercial entity.

**Senator CORMANN**—Let me rephrase the question.

**Senator Sherry**—Hang on! Let me just finish responding. That comment that you have read out is from the department, not the commercial entity.

**Senator CORMANN**—Let me rephrase the question. Given that your annual report says that the board of Medibank Private has essentially set its own target in excess of the minimum prudential requirements—and I understand why it has—and that that appears to be

inconsistent with what is said in the health portfolio budget statements, has the Department of Health and Ageing ever raised that with Medibank Private?

**Mr Savvides**—I am not sure what it is that you are asking.

**Senator CORMANN**—I will refer to a press release. Again, we have spoken about this in the past. It is a press release of 28 February 2008. It is a year less four days ago when the minister announced the result of rate change applications. She said:

...I am determined that premium increases should be the minimum necessary to maintain capital adequacy and solvency requirements.

She essentially described, in political terms, that the Rudd Labor government will not take the tick-and-flick approach of the previous government. You have already told us that the process is exactly the same as what it used to be. You are also telling us—and again, I say, I understand why—that your board has set a target that is in excess of the minimum necessary to maintain capital adequacy and solvency requirements. There is an inconsistency between what the minister says, what the department has got as a performance statement in the budget papers and what Medibank does in practice. Has anybody in government raised that with Medibank Private? That is my question.

**Mr Savvides**—The statements that you referred to have certainly been promoted by the Department of Health and Ageing to the industry as one of the components of the guidelines that the industry has been given to consider its rate application.

**Senator CORMANN**—Does what you have just said mean that there is an expectation by government that you will reduce the excess target to get closer to the minimum prudential requirement?

**Mr Savvides**—I do not know.

**Senator CORMANN**—You are in the process.

**Mr Savvides**—All I know is that what you have read out of the annual report is guiding our decision-making as a board.

**Senator CORMANN**—So what you are saying is that essentially the rate change application that eventually will come out of the process will be higher than the minimum necessary to maintain capital adequacy and solvency requirements, because you have a buffer in and maintain a buffer?

**Mr Savvides**—Correct, we do maintain our buffer.

**Senator CORMANN**—Can you talk us through how Medibank Private has been impacted by the global financial crisis?

**Mr Savvides**—As has been seen in our 2008 annual report and audited results, our investment income, which in the prior year was in excess of \$100 million, went to negative \$16 million on an investment pool of close to \$2 billion worth of investments. So we have lost the advantage of having investment income as a positive number in this last year. That trend obviously is continuing, because it reflects where the investment markets are both locally and overseas. The previous change that I have mentioned earlier was the cooling of the economy.

The slowdown in the growth rate of membership is the new scenario, a new variable, that has obviously become evident in our trading. It is still growing but it is growing at a slower rate.

**Senator CORMANN**—Can you broadly recap the make-up of your investment portfolio—again, not in terms of specifics?

**Mr Savvides**—Is not greatly different to what was disclosed in the annual accounts last year. It is trending to become even more conservative. As we generate surpluses and they move into our investment pool, they move in as cash and stay as cash. So we are reducing the size of the non-cash component of our investment pool. Probably around 20 per cent of our total pool is in growth assets. The rest of it is basically a cash based investment—a very safe, interest based investment. Even our growth assets we protect as well with a protection floor underneath. We pay for the privilege of that, but we are very conservative overall in the way that we manage that pool.

The **Senator CORMANN**—So you do not have any exposure to so-called toxic assets?

**Mr Savvides**—No, we do not, thankfully—no CDOs or any of that kind of exposure, no we do not.

**Senator CORMANN**—Going back to the Medicare levy surcharge changes, since they have come into effect, can you describe to us how Medibank has been going in terms of proactively managing that additional risk and also what the early indications are?

**Mr Savvides**—We have not seen any material trend in the MLS in our trading. But, then again, it is not a perfect laboratory that we are talking about here, because knowing that the MLS was coming—there was plenty of notification, given the time it took to realise the legislation—

**Senator CORMANN**—They are the democratic processes.

**Mr Savvides**—We are just observers of that. We intensified our marketing and selling efforts and put together some very strong tactical strategies about growing membership in a difficult context with MLS coming through and we have reaped the benefit of that. We have actually improved some of the growth rate in our plans for this year. So with our membership, whilst we budgeted to be lower than the prior year as it is cooling, we are actually doing better than planned. We are in a good space, Senator.

**Senator CORMANN**—Given that the measure, I think, was passed by the parliament on 16 October so we have not had a full quarter of it being effective, what are going to be the risks or if I could describe it as risky times? What are going to be the times when you think that a change like that could have the most impact?

**Mr Savvides**—Obviously the MLS is a tax decision for the consumer and as they seek tax advice towards the end of the financial year and into the first quarter of the new financial year as people put in their returns, their advisers may point out that if they are on certain income thresholds that there could be a saving for them going forward. In that particular time the MLS potential impact could be realised and nobody knows exactly what that will be given that there are economic pressures now changing the laboratory. It will be towards the end of the financial year and the first quarter of the new financial year that we will see what that impact will be.

**Senator CORMANN**—Were you concerned to read about plans in Treasury to scrap the private health insurance rebate?

**Mr Savvides**—I saw some newspaper reports about something that might have been proposed to government. I do not know anything about what is behind that, Senator. Am I surprised? No. I think we are part of an industry that has lobbied hard for the preservation of the rebate. The only reason we do that is there are plenty of suggestions around the place from various viewpoints and also constituencies that sometimes want to challenge the existence of the rebate.

**Senator CORMANN**—As the CEO of a membership organisation with a certain responsibility to your members and responsibility to your board, would you be concerned about the impact on your members if the government were to accept a recommendation to scrap?

**Dr Watt**—Senator, it is a bit hard. You are asking Mr Savvides to comment on what seems to be as far as I am aware an unsubstantiated rumour.

**Senator CORMANN**—Well actually let me correct that. You would not be surprised, Dr Watt, that I have asked questions about this at recent estimates and I have shown quite an interest in what the government's plans may be with the 30 per cent rebate and with lifetime health cover. Indeed I asked a series of questions of both Treasury and Health officials and, suffice to say, the officials were very coy but there clearly was something. There is a journalist at the *Age* who happens to have submitted an FOI request which essentially revealed a whole series of government documentation, so I think we are well and truly beyond the spheres of rumour. It is very clear—

**CHAIR**—Is there a question, Senator?

**Senator CORMANN**—I was challenged on my question so I am putting my question into context. The context is that very clearly within government work was being done to scrap the private health insurance rebate. I suspect that there is other work being done within government and I am asking Mr Savvides, who has a very clear interest—

**Dr Watt**—Senator, that is a hypothesis on your part rather than a fact.

**Senator CORMANN**—Are you saying this is a hypothesis on my part?

**Senator Sherry**—It is speculation.

**Senator CORMANN**—Are you disputing the documents that have been officially released by government?

**Dr Watt**—Senator, I have not seen those documents. I do know that—

**Senator CORMANN**—So how can you dispute what I am saying?

**Dr Watt**—I am quite happy to have a look at those documents if you would like me to. Senator, I do know that there has been no confirmation that the government is working on anything like what you are talking about.

**CHAIR**—You have a question before the witnesses. Can we at least have them answer the question and then you can continue.

**Senator Sherry**—The point I would make is—and I have not seen the document either if it came from Treasury—this is Finance estimates, not Treasury estimates. If you want to pursue the validity or otherwise—

**Senator CORMANN**—You are being very cute.

**Senator Sherry**—It is not being cute. You should learn as an opposition to ask the questions at the right estimates. If you want to pursue the document it is Treasury, apparently, who produced such a document. I have not read it. I do not know whether it is true or not.

**Senator CORMANN**—Minister, with all due respect, the opposition is very accommodating in essentially agreeing to ask questions of Medibank Private in these estimates only. I asked a question of Mr Savvides, which is entirely in the public interest, and I was challenged.

**Senator FORSHAW**—Point of order, Chair.

**CHAIR**—Senator Forshaw.

**Senator FORSHAW**—I remind Senator Cormann that it was a decision of the previous government as to where Medibank would be dealt with. There are those of us who have been here a long time who remember that it used to be dealt with in the Senate Standing Committee on Community Affairs estimates hearings, prior to the establishment of the Department of Human Services.

**Senator CORMANN**—On the point of order, I asked—

**CHAIR**—Can you wait a moment? Senator Forshaw had the call. He had not finished his point of order. When he has finished putting his point of order—

**Senator FORSHAW**—I have just realised that it is probably not a point of order—it is a point of clarification.

**CHAIR**—There was a point of clarification. Do you want to raise a point of order?

**Senator CORMANN**—On that point, I want to remind senators that in May at the budget estimates we heard from Medibank in both this committee and in the community affairs committee. The request was put to the opposition and we agreed—

**CHAIR**—That is not a point of order. If you have a question, put it to the witnesses.

**Senator CORMANN**—I was challenged on my question by the secretary of the department. After putting it into context, I was then referred to a different committee. If we are being accommodating by asking it in this committee only, then I want a bit of accommodation of us.

**CHAIR**—I do not think that it is a matter of—

**Senator FORSHAW**—Point of order, Chair. The point of order is this: my recollection is that what has been said by the secretary and also by the minister is that the issues that Senator Cormann is raising are allegations about work being done within Treasury. Dr Watt has indicated that his department is not aware of any of that. If that is the line of questioning that Senator Cormann wants to pursue, that should be pursued in the Treasury estimates, not here.

It is an issue relating to Treasury and budget preparations and whatever else. I do not know that it is a direct issue relating to the operation of Medibank Private.

**Senator CORMANN**—I was not asking Dr Watt—

**CHAIR**—On the point of order, I remind senators that this is estimates dealing with Finance. As the secretary has advised the committee that this question is not relevant to this issue, then the senator should obviously take his questions to Treasury estimates.

**Senator CORMANN**—I will put on record that if that is the way that we are going to do it then the opposition will be asking for Medibank to appear at both the Senate Standing Committee on Finance and Public Administration and the Senate Standing Committee on Community Affairs.

**CHAIR**—Senator Cormann, you are entitled to request whatever witnesses you like. But you have the opportunity now to put a question to the witnesses. I suggest that you do so before we have to move on. There are other people who have questions in this area as well.

**Senator CORMANN**—Mr Savvides, how important have the 30 per cent rebate, lifetime health cover and the Medicare levy surcharge been in reversing the trend of declining membership before they were introduced? How important have they been for Medibank Private? Can you quantify that for us?

**Mr Savvides**—I joined the industry when the rebate was already in place, but I know from the historical reports that the sector grew with the incentive of the rebate and the lifetime health cover penalties that come with it—the carrot and the stick. That is a historical fact. The sector—the product—now has a participation rate of about 46 per cent of Australians. That was well below 40 per cent prior to the introduction of the incentives.

**Senator CORMANN**—While you have been the CEO of Medibank Private, have you ever commissioned any research into the effectiveness or otherwise of the private health insurance rebate that may have been publicly released?

**Mr Savvides**—Commissioned research? No, I do not think we have done that. We obviously do our own internal modelling, but we do not make that public. The industry association from time to time releases information about the rebate sensitivity.

**Senator CORMANN**—In the lead-up to the 2004 federal election, you did not release a report into the effectiveness of the private health insurance rebate that was commissioned by Medibank Private?

**Mr Savvides**—I am not aware of that. I will take that on notice and inquire.

**Senator CORMANN**—The Harper report: wasn't that something that was commissioned by Medibank Private? Do you remember the Harper report?

**Mr Savvides**—Yes. The Harper report was a report that endeavoured to explain to the reader the value of the rebate in the total health system, which is a mixed healthcare system. Its principle proposition was that everyone was better off as a result of the incentive, because it took pressure off the public system as well. He was trying to make the case about the mixed health care system as a whole.



**Senator CORMANN**—That was at the time a view that was being promoted and which Medibank Private supported. Have you changed your view on that?

**Mr Savvides**—No. You remind me that Professor Harper did some presentations across the country to various audiences about the findings. But the principle theme of it was the value of the rebate in the system. I think that there were some sensitivity analyses done within the report about what would happen if you varied the percentage et cetera. You are taking me back in time. I would have to take your question on notice to give you a more detailed response.

**Senator CORMANN**—Going onto another issue, the acquisition of AHM and Health Services Australia—where is that currently at? What is the state of play?

**Mr Savvides**—AHM is the health fund based in Wollongong. That acquisition took place in January. The various clearances from regulatory authorities were received—the principal one being the ACCC. We took possession of the business in January and appointed our own lead manager in that business. Recently the board met there to meet the staff and the local community leaders at the various functions. It is going very smoothly. Staff morale is positive. We have invested in some staff growth since then to help our health management work, and made a few management changes. We are very pleased with the progress of that. Health Services Australia was announced by the finance minister in December—I think it was in the first week—and we received notice today from the ACCC of a clearance from their perspective to proceed, from a regulatory competition point of view. We are preparing ourselves for that integration a little later in the year.

**Senator CORMANN**—Have the agreed payments gone out to AHM members?

**Mr Savvides**—Yes, the proceeds of the purchase have been distributed through the mail. There is a residual amount, as has been pointed out in the prospectus, that has been set aside for adjustments. If that is not exhausted then a second distribution will take place a little later in the year.

**Senator CORMANN**—Have there been any problems in relation to that?

**Mr Savvides**—No. I guess there is always a bit of correspondence from members who were expecting something different but that has been very small in quantity, and it has been very smooth. I think members have been happy to receive a cheque in the mail.

**Senator CORMANN**—What has been happening with IHM senior management?

**Mr Savvides**—Medibank has put its own senior management in place. There is a significant proportion of new management that we put in. Our finance function is also going to integrate the financial reporting into our Melbourne financial function, but the operational leadership will remain in Wollongong, and the brand will be led out of our Wollongong team.

**Senator CORMANN**—How many staff will be made redundant or be redeployed as a result of the acquisition?

**Mr Savvides**—Overall, our commitment to our people in Wollongong is that we are going to grow the employment base. We have made a few redundancies just recently in the management ranks. I will take it on notice but it was probably eight or nine—maybe a few more—but that is really just to reset the management leadership team. The rest of the future of

the organisation is to start to grow its health management contribution to the Medibank membership.

**Senator CORMANN**—The most challenging thing with mergers of this nature often is the merger of IT and support systems. How is that going in terms of costs?

**Mr Savvides**—The AHM IT platform is not broken. It works well. It is designed to service a smaller health fund. We are not in a rush to buy ourselves into more complex IT projects. We have got plenty of our own at Medibank. That is probably business as usual, other than the SAP finance function, which we will integrate to consolidate our financial reporting.

**Senator CORMANN**—Finally, on the merger specifics, what is happening with the boards? Are they being integrated? Are AHM directors being paid out?

**Mr Savvides**—They are being retired. The directors had their own arrangement in AHM, which they determined, through their own means. That was reflected in the prospectus document that went to their policy holders. Medibank now owns AHM as a wholly owned subsidiary and therefore does not need non-executive directors on that board.

**Senator CORMANN**—What is the impact on the Medibank Private balance sheet, in terms of the acquisitions of AHM and Health Services Australia? How does that impact on your balance sheet?

**Mr Savvides**—If you buy a fund for \$367 million you also acquire its capital adequacy balance sheet. So we also acquired the cash and the capital that came with it. Overall, we do not have any material change to our cap ad profile.

**Senator CORMANN**—Are there any features of AHM's portfolio, including overall performance and returns, that cause you any concern?

**Mr Savvides**—I think those concerns will be remedied by the synergies that come from bringing the organisations together. There will be some savings, and they will have some more procurement power as a result of our purchasing size. Mind you, we need to say that they have some really good things that they are going to contribute to Medibank as well. So it is quite a mutually beneficial merger, bringing AHM on board. We are looking forward to their contribution.

**Senator CORMANN**—I have a final question on this. Will AHM continue to be a separate member of the Australian Health Insurance Association?

**Mr Savvides**—No.

**Senator CAMERON**—I want to come back to the Medicare levy surcharge threshold. That was probably the biggest debate in the industry last year. A number of propositions and conclusions were drawn from that increase. One of the conclusions that people were arguing was that the increase would damage the private health sector and inflict significant damage on our public health system as a consequence of increased demand causing longer waiting lists and more overcrowding. Is there any evidence of that arising from the increase?

**Mr Savvides**—I am not in a position where I could find that evidence. It is not in my radar. I am certainly not aware of it at this stage and we are not seeing any MLS impact to our membership numbers either.

**Senator CAMERON**—The other conclusion was that it would impose massive costs on the public hospital systems of the states and territories. You are not aware of that? You do not watch these things?

**Mr Savvides**—No.

**Senator CAMERON**—The third point was that it would rip away at the fibre of the principle of community rating which has ensured fairness and equity for all Australians seeking private health cover. Has the fibre of the principle of community rating been ripped away?

**Mr Savvides**—No.

**Senator CAMERON**—It said it would force private health insurance premiums up, hurting those people who most need this cover—working families, low- and fixed-income earners, pensioners and the elderly—and in many cases it would force these people, many who have paid premiums for their entire working lives and into retirement, to abandon their cover. That doom and gloom scenario has not eventuated, has it?

**Mr Savvides**—No. That would only happen if there were a membership change and we have not seen that.

**Senator CAMERON**—The other proposition was that it would dramatically reduce the amount of private investment in both capital infrastructure and new health technologies in Australia. From your perspective, is there any evidence of that?

**Mr Savvides**—Not from my perspective.

**Senator CAMERON**—The other proposition was that it would threaten the viability of private health services in rural and regional Australia and the public health services' social welfare and outreach services that they cross-subsidise. Is there any evidence of that from your perspective?

**Mr Savvides**—Again, Senator, I do not have the radar to be able to determine whether the evidence exists or not.

**Senator CAMERON**—So, overall, the doom and gloom scenario that was being put out about the Medicare levy surcharge increase, from your perspective, has really not surfaced?

**Senator CORMANN**—Yet.

**Mr Savvides**—Not at this point in time—no, it has not surfaced.

**Senator CAMERON**—That was a good report! The source of the quote is the coalition report.

**Senator Sherry**—It was not the Launceston *Examiner*?

**Senator CAMERON**—No, it was not the Launceston *Examiner*; it was the coalition.

**Senator CORMANN**—It is clear that Senator Cameron has missed all of the insightful evidence of Mr Savvides from 1.30 to two o'clock. I have only one question left. Given that the premium increase last year was announced on 28 February, which is four days from now, when do you expect this year's premium increase to be announced?

**Mr Savvides**—We have not been given a date for when it will be announced. As you have outlined, there is a kind of time window, because, once it is announced, the health funds have to produce the letters that go to the members and there is a deadline to get those out by the first week of April. The members will be properly informed by the first week of April. We are hoping to get a determination in the next few days.

**Senator CORMANN**—In the next few days?

**Mr Savvides**—But I do not know when. I have not been told.

**Dr Watt**—To be fair to Mr Savvides, he is not in charge of the timetable.

**Mr Savvides**—No, I am not, unfortunately.

**Senator CORMANN**—I understand that very well. I have been on the receiving end of that timetable myself in the past. I also understand the challenge Mr Savvides faces in terms of making sure his members are properly informed of the impact of the government's decision—hence my question. As you sought to intervene again to protect Mr Savvides, Secretary, I am still intrigued about the 30 per cent rebate and I will ask you this question. You have ruled out any questions in relation to the 30 per cent rebate as far as they relate to Treasury. However, has Finance provided any advice to government about scrapping the private health insurance rebate? I am not asking you about what you have said; I am asking you whether or not you have provided advice.

**Dr Watt**—What I said was that it was difficult for Mr Savvides to comment on the basis of speculation about what government might or might not have been doing. That is what I said. It is a hypothetical issue. As you know, we do not go to the nature of our advice to government. That does not mean we may or may not have provided advice; we just do not go to the nature of our advice.

**Senator CORMANN**—So you cannot rule it out.

**Dr Watt**—I am saying I cannot respond.

**Senator CORMANN**—Quoting from memory the advice of the Clerk of the Senate—

**Senator Sherry**—Just hang on. Dr Watt has answered the question. You and others, and I in opposition over many years, have posed questions in very similar ways and Dr Watt has been entirely consistent in his answer for as long as I can recollect.

**Senator CORMANN**—With all due respect, Dr Watt has not answered the question. I make the point that the existence of advice is what I am asking about—whether or not advice exists, not what it says. If you look at consistent advice from the Clerk of the Senate, it will tell you that, unless you are claiming some sort of public interest immunity, which can only be claimed by the minister, you are not in a position to refuse to answer the question just because I am asking you about advice to government. I am asking about the existence of advice, not—

**Senator Sherry**—You have made your point; you have got your answer; it is consistent with the approach taken over many years.

**Senator CORMANN**—I have not got an answer. The question is whether there has been any advice by the department of finance to government about scrapping the private health insurance rebate.

**Dr Watt**—And I said, Senator, that I do not think it is appropriate for me to comment on advice to government.

**Senator CORMANN**—So you are not prepared to rule it out?

**Dr Watt**—I am not prepared to respond—there is a difference.

**Senator FORSHAW**—Do not try and verbal witnesses like that.

**Senator CORMANN**—I have not verballled him.

**Senator FORSHAW**—Yes, you have.

**CHAIR**—I understand Senator Moore has questions on Medibank.

**Senator MOORE**—Mr Savvides, I want to ask you about the issue of reducing payroll deductions. Both Senator Forshaw and I have just been told that we cannot have payroll deduction any longer for our Medibank Private contributions. What is the cut-off in your process to determine what is economically viable and what is not?

**Mr Savvides**—It is all new to me. I am going to have to take that on notice and investigate it. It does not sound good for business, so—

**Dr Watt**—This might be a question for ministerial and parliamentary services later in the day.

**Senator MOORE**—I was told when I contacted the place handling the payroll that the decision was made by the provider and not by them.

**Dr Watt**—I stand corrected.

**Senator MOORE**—I do try to get to the right place. Mr Savvides, I just want to know about the economic determinant. This is the second time it has happened to me. In a previous employment the same thing occurred, so I am balancing that up and putting it on notice. The other issue was that I had heard a lot about your complaint line, because we have asked those questions in the past. I ensured that my concern was issued as a complaint when I called them up, so I would like to find out, and I will put this on notice, whether there were many complaints about this issue and about the alternatives—not just generally with this; it is possibly a number of payroll decisions that are being made about whether that is a viable thing for the business. The other minor issue was that I received the letter about the decision being made after the decision had been taken, which is an administrative issue. I will hand over to Senator Forshaw.

**Senator Sherry**—We will take the questions on notice.

**Senator FORSHAW**—Following on from that, can I ask—you may be able to answer this now and if you cannot you can include it in the answer to Senator Moore's question—is there a minimum number of contributors that you need in a workplace to have an arrangement for payroll deductions?

**Mr Savvides**—Yes, there is. That has also to link the pricing as well, so we are able to offer some—

**Senator FORSHAW**—What is the minimum number?

**Mr Savvides**—I will take that on notice, but there is a hierarchical structure and also links with the pricing that we offer in terms of discounting, within the constraints of discounting that we are available to us.

**Senator FORSHAW**—I would like to know, from a general perspective—

**Mr Savvides**—I am more than happy to brief you. I will take that on notice.

**Senator FORSHAW**—It is already on the record in past evidence that that is my fund—but it is handy to know. Certainly the impression we have been given is that because there were fewer than 20 or something contributors in this parliament, where the payroll is looked after by Human Resources, that was integral to the decision.

**CHAIR**—We are coming back to outcome 1 for Senator Brandis, who has some questions, even though we had finished with that area prior to lunch. We will then deal with outcome 4 and conclude that be 3 pm.

**Senator BRANDIS**—Dr Watt, it is still called the Department of Finance and Deregulation, isn't it?

**Dr Watt**—The last time I looked, Senator.

**Senator BRANDIS**—What are you deregulating at the moment?

**Dr Watt**—We had a long discussion about it this morning.

**Senator BRANDIS**—I followed it on the monitor. I thought I would ask the question again to give you an opportunity to answer it this time.

**Dr Watt**—I think I avoided answering it this morning and asked Ms Page to answer it. I thought I would get her back but she is not here at the moment. She has gone back to the department as we have done deregulation.

**Senator BRANDIS**—Perhaps this is to you, Senator Sherry: is deregulation still the policy of the Rudd government?

**Dr Watt**—As we discussed this morning, there are some areas where there will be reduced regulation, there are some areas where there will be better regulation and, as Senator Sherry said this morning, there will be some areas where there may even be more regulation. But the idea is to deregulate—to reduce regulation or improve regulation wherever possible.

**Senator BRANDIS**—Where is the emphasis going to be placed? Is the emphasis going to be on less or more regulation?

**Dr Watt**—I am not sure that it is quite as simple as that. I think the emphasis is on better regulatory outcomes. Sometimes that will mean less regulation and occasionally it may mean no regulation. The minister talked this morning about the change on financial intermediaries from Commonwealth to state. That will mean the end, or largely the end, of state legislation in that area. In other areas there will be better regulation and in some areas there will be new regulation.

**Senator BRANDIS**—Has there been any change of emphasis on a continuum between more or less regulation since the election of the government? In other words, has there been a change of emphasis from the policies of the Howard government?

**Dr Watt**—One important change of emphasis is that under the previous government—and the Minister for Finance and Deregulation certainly put this point on the public record—there was not a situation where the government attempted to institutionalise, into the day-to-day business of government, regular looks at regulation. It is not to say that the government did not have any initiatives. The Banks review was a major initiative that the previous government launched. But what this government has tried to do and we in response have tried to help them to do is to make sure there is an institutionalised approach to reviewing regulation regularly and as it is made and developed and so forth. So you have got the COAG process where 27 regulatory hotspots have been identified and steps made to remove some of those regulations. You have got the regulatory partnerships between, for example, the minister and the Minister for Finance and Deregulation. You have got an ongoing commitment from the government—this was done as part of UEFO—to continue the emphasis on competition and better regulation or reducing regulation.

**Senator BRANDIS**—I am loath to cut you off, Dr Watt, because it is very helpful, but it is a little oblique to the point I was trying to get at. I am confused, because when the Rudd government was elected it made a great song and dance about its belief in deregulation—and so much of a song and dance did it make about its belief in deregulation that it actually renamed your department the Department of Finance and Deregulation—

**Dr Watt**—It was better than the old name.

**Senator BRANDIS**—The first occasion, I feel sure, that any department of any Australian public service has been called the ‘department of deregulation’, and yet we read in this flimsy polemic that Mr Rudd contributed to and had published over his name in the *Monthly* a few weeks ago his vehement criticism of deregulation as a policy objective. I am sure you have read it, so I will not read the passages to you—I am sure it is mother’s milk to the Public Service these days. So we have gone in 15 months from being so committed to deregulation that we rename a Public Service department in its honour to being the most vehement critics of deregulation of any Australian government anyone can remember. Has that change in the Prime Minister’s mind been reflected in a change in the approach or emphasis within the department of deregulation?

**Dr Watt**—I thought the minister answered that question this morning—

**Senator BRANDIS**—I am asking you, Dr Watt.

**Senator Sherry**—We had a lengthy discussion—

**Senator BRANDIS**—I know, I watched it, but I am not satisfied with the outcomes, so I am asking you, Dr Watt.

**Senator Sherry**—We have answered the questions. Just because you are not satisfied! I actually thought we gave a pretty reasoned and detailed presentation in this area.

**Dr Watt**—In light of the comments made this morning, including by the ministers, let me put it this way: the issue the Prime Minister is primarily focused on, as I understand that article, is the issue of financial sector regulation. Even within the financial sector, there will be areas of reduced regulation and areas of increased regulation. The minister commented on

financial intermediaries—for example, where we will place Commonwealth and state regulation.

**Senator BRANDIS**—Dr Watt, that is not really where I want to take you. The Prime Minister attempts to put this into what he would be pleased to regard as a philosophical framework. The philosophical framework is a very savage critique of deregulation, not of a particular sector but in general, as a policy approach. He calls it ‘One of the vices of neoliberalism’. Is this government committed, as a public policy value, to deregulation or is it no longer committed to that? It certainly was when it was elected.

**Dr Watt**—I am sorry—‘it certainly’—

**Senator BRANDIS**—Is this government committed to deregulation as a public policy value or is it not—because the Prime Minister no longer is?

**Dr Watt**—It is very difficult for me to speak on behalf of the government, as I think you know. But I think—

**Senator BRANDIS**—You are the public servant in charge of the department of deregulation, so you would be the best person to know what your department is being tasked to do.

**Dr Watt**—If the question is, ‘Has the department’s tasking changed in the last number of months?’ the answer is no. It is still to deregulate, to improve regulation and to ensure there is better regulation.

**Senator BRANDIS**—Still to deregulate—that is interesting.

**Dr Watt**—And to remove regulation.

**Senator BRANDIS**—Has the department’s tasking changed since the election of the government?

**Dr Watt**—It changed following the election of the government—

**Senator BRANDIS**—I understand that. You have made that very clear.

**Dr Watt**—Has it changed since? No.

**Senator BRANDIS**—So from the time you were renamed the department of deregulation your policy task has been consistent?

**Dr Watt**—That is right.

**Senator BRANDIS**—That brings me to what I suppose might be regarded as an aspect of deregulation—Operation Sunlight. Dr Watt, can I put a document before you—or can I ask the secretariat to put a document before you. Although that document does not actually bear any political identification, I am sure the minister will recognise it—it was downloaded from the ALP’s website. It is a document dated 16 April 2006.

**Senator CORMANN**—That is a very dubious source.

**Senator BRANDIS**—And it was the revised version, and at the time of the election the most mature version, of the ALP’s Operation Sunlight, which had initially been announced by Mr Tanner in October 2005. Have you seen that document before?



**Senator Sherry**—Sorry, 2005 or 2006?

**Senator BRANDIS**—This document is dated April 2006. If I might remind you, Minister, there were two versions of Operation Sunlight—there was the October 2005 version and then there was the enhanced version in April 2006. Are you familiar with that document, Dr Watt?

**Dr Watt**—I have seen that document.

**Senator BRANDIS**—Has your department, as one of the principal administrative departments of the government, been given responsibility for seeing that the policy objectives stated in that document are implemented across government?

**Dr Watt**—Yes.

**Senator BRANDIS**—I want to take you through the document, Dr Watt, and I would like you to please tell the Senate what steps have been taken to fulfil particular commitments made in the document. In the nature of these documents, it is a bit of a mish-mash of commentary, rhetoric and undertaking, but the first specific set of commitments that I can find in the document appears on the fourth page of the text, beginning with the words 'Basic information on inputs'.

**Dr Watt**—I defer to Ms Campbell, because she is better equipped than me to do this.

**Senator BRANDIS**—On that page, Ms Campbell, there are four dot points. The first dot point says that Labor will:

- Require the Department of Finance and Administration—

now known as the Department of Finance and Deregulation—

to actively vet outcomes and outputs to ensure cross-government consistency. Results will be described by target for the current year and forward estimates, the expected outcome for the previous year and the actual result for the previous year. Quantity, timeliness, and cost measures will be developed and tracked over time. Outcomes will be as detailed and meaningful as possible.

Leaving aside the aspirational sentiment in the last sentence, what specific policy measures are being given effect to to achieve that commitment?

**Ms Campbell**—Throughout 2008 all of the outcome statements have been reviewed and will be included in the budget papers for 2009-10. These outcome statements have been reviewed by a team within the Department of Finance and Deregulation and approved by the Minister for Finance and Deregulation.

**Senator BRANDIS**—Go on.

**Dr Watt**—Should we just work our way down?

**Senator BRANDIS**—Yes, I am interested to know. So we will see this in this year's budget, will we?

**Ms Campbell**—That is correct.

**Senator BRANDIS**—And that will take the form of a greater degree of uniformity in the presentation of the statements?

**Ms Campbell**—Guidance will be provided to agencies on the development of the portfolio budget statements. They will also include targets for each of the programs within the

outcomes, where feasible, and then the following year in the annual report agencies will report against those targets on achievement.

**Senator BRANDIS**—We will wait then, if this is promised for the budget papers or the budget estimates, to test that at the next round of estimates. The next dot point is ‘a systematic program of evaluation of results against targets’.

**Ms Campbell**—The targets will be identified in the 2009-10 portfolio budget statements and then agencies will report against those in their annual reports for the following year.

**Senator BRANDIS**—When you say ‘targets will be identified’, Dr Watt, what is the difference between saying that and providing forward estimates?

**Dr Watt**—They are different things. A forward estimate is an estimate of expenditure in relation to, let us say, Centrelink’s benefits paid. In the case of an entity like Centrelink, the targets would be the number of benefits paid per hour, the accuracy of benefit payments, that sort of thing. It is not an estimate of total expenditure, which is, after all, what you budget for and what you report against. It is an estimate of how you perform your task.

**Senator BRANDIS**—So it is a qualitative.

**Dr Watt**—It could be. Some things lend themselves more readily to quantitative targets than other things.

**Senator BRANDIS**—But isn’t that what we do already, Dr Watt, by configuring these portfolios budget statements according to outcomes and outputs?

**Dr Watt**—Not at the program level, Senator, that is the key issue. And not as often as we would like.

**Ms Campbell**—This year each outcome will list the programs that contribute to that outcome, and there will be key performance indicators identified for each program.

**Senator BRANDIS**—And they will appear in each portfolio budget statement?

**Ms Campbell**—They will.

**Senator BRANDIS**—And will they be described with particularity?

**Ms Campbell**—When you say ‘particularity’, in greater detail than currently described?

**Senator BRANDIS**—Will each program be described with particularity?

**Mr Youngberry**—The guidance that we will provide to agencies will require them to identify the relevant performance measures for their programs. So we cannot sit centrally and define what the performance measure needs to be, the relevant agencies will use the guidance that we issue to them to develop those performance measures.

**Senator BRANDIS**—Has this guidance been issued yet?

**Mr Youngberry**—Not yet.

**Senator BRANDIS**—When is it proposed to issue it?

**Mr Youngberry**—Early in each calendar year we issue what we call the portfolio budget statements constructors’ kit, which contains the guidance that agencies will use.

**Senator BRANDIS**—And when will that, in this calendar year, issue?

**Mr Youngberry**—We are in the process of finalising that document now.

**Senator BRANDIS**—That is not what I asked you. I did not ask you whether you were finalising it; I asked when it would issue.

**Mr Youngberry**—Certainly we would hope to issue it during March.

**Senator BRANDIS**—Thank you. Dr Watt, I am struggling to see how this is very different from what happens at the moment, but rather than having an abstract discussion, perhaps it is best to wait until after we see the documents themselves at the next estimates round.

**Senator Sherry**—Senator Brandis, if you look back to the position and the level of detail for programs that exist, I think 1995-96 when accrual accounting—

**Dr Watt**—No, 1999-2000.

**Senator SHERRY**—Sorry, in 1999-2000, it was particularly difficult for senators to identify specific programs in outcomes and outputs. When you compare the information that will become available with what is currently available, you will see a significant additional level of detail.

**Senator BRANDIS**—I think we will just wait and see when we have the documents before us, rather than engage in an abstract discussion. I will pass on the fourth dot point until the next estimates. Can you go on to page 5 please. What about the fourth dot point on page 5, 'Counting the GST as a Commonwealth tax'. Has that been done yet, or will that be done?

**Ms Campbell**—Yes. That was done in December 2007.

**Senator BRANDIS**—Okay. On page 6, under the item 'Improving the transparency of estimates'. At the foot of the page it says Labor:

- Require the Treasury and Finance to publish material changes in revenue or expenses on their web sites. Consolidated and updated fiscal and cash balances will be produced and published on both the Treasury and Finance web sites every three months.

Has that happened?

**Ms Campbell**—It has not happened.

**Senator BRANDIS**—Why not?

**Ms Campbell**—I am just looking for the information on the government's response, particularly to former Senator Murray's—

**Senator BRANDIS**—Let us just pause there. The first sentence of that dot point states the aspiration and the second sentence indicates how that is going to be fulfilled—that is, by publishing consolidated and updated fiscal and cash balances every three months for both Treasury and Finance. You are telling me that has not been done. We are still with the previous government's system of the budget and MYEFO, are we?

**Ms Campbell**—In responding to the Murray review on this item—

**Senator BRANDIS**—I am not asking about the Murray review; I am interested in knowing a fact and the fact is whether this commitment has been fulfilled. You have told me that that has not been done. Is it going to be done in the future? Is this merely a question of there being

a lag in the fulfilment of this commitment? Or has there been a decision made to breach this commitment?

**Ms Campbell**—The government considers that the updates that are provided at budget time, MYEFO and with the consolidated financial statements represents an appropriate level of disclosure and they do not intend to alter those current arrangements.

**Senator BRANDIS**—That is what happened under the previous government, isn't it? All you have done is redescribe the previous government's financial reporting system, as ordained by the Charter of Budget Honesty Act.

**Senator ABETZ**—Which Labor opposed.

**Senator BRANDIS**—Which Labor opposed, as my learned friend Senator Abetz reminds me. So this commitment to enhance budget transparency by moving from a biannual to a quarterly system has been abandoned?

**Ms Campbell**—The government considers that those three updates provide adequate disclosure of the updates.

**Senator BRANDIS**—I am sure the government abandoned it for a reason, but the fact is that this commitment was made and has now been abandoned. That is right, isn't it, Senator Sherry? I see you nodding there.

**Senator Sherry**—I was not nodding.

**Senator BRANDIS**—Aren't you? I am sorry.

**Senator Sherry**—Nods are not recorded in *Hansard*, so do not attempt to verbal me.

**Senator BRANDIS**—'Mandate regular publication dates for key economic documents, such as the monthly financial statement'. Dr Watt, first of all, could you explain to me a little more fully what that commitment, as you understand it, entails and whether that is being done?

**Dr Watt**—I will continue to defer to Ms Campbell.

**Senator BRANDIS**—All right, Ms Campbell, if you are the one who knows the answer.

**Ms Campbell**—The regular publication date would be to establish a date by which the monthly financial statements would be, in this case, released. The government still has this matter under consideration.

**Senator BRANDIS**—That is not right, is it? Former Senator Murray examined the mode of implementation of that promise in his report, which he addressed in recommendation 22. In the government's response, they rejected Senator Murray's recommendation on this matter. So it is not under consideration at all. It is another broken promise, isn't it?

**Ms Campbell**—Senator, I was talking about the monthly financial statements details. If we go to recommendation 22 of the Murray review, it talks about amending the Charter of Budget Honesty Act to require the release of MYEFO in November. The government said that it did not agree to amend the Charter of Budget Honesty on that one.

**Senator BRANDIS**—Yes, so what the government is doing in rejecting recommendation 22 of former Senator Murray's paper is making a decision not to publish that particular

statement of the economic outcomes on a given date—as undertaken here and as recommended by Senator Murray.

**Dr Watt**—No, they are not the monthly financial statements is the point Ms Campbell is trying to make.

**Ms Campbell**—The monthly financial statements of the actual monthly statements which are released regularly.

**Senator BRANDIS**—All right, so coming back to your earlier answer then. The release of the monthly financial statements on a regular publication date is a commitment that was made in this document but which has not been given effect to so far?

**Ms Campbell**—The government has this matter under consideration.

**Senator BRANDIS**—When you say ‘the government has this matter under consideration’, what stage has the consideration reached?

**Ms Campbell**—The government is looking at the options for implementing a regular date. This can be somewhat difficult with monthly financial statements, particularly in the early months of the year—July.

**Senator BRANDIS**—They come out every month, don’t they? They are monthly financial statements because they are put together on a monthly basis. What is so hard about publishing them on a monthly basis?

**Ms Campbell**—There are workload issues, particularly in July and August as we close the books for the consolidated financial statements, having agencies preparing those in a timely manner to allow an early release, particularly in July and August.

**Dr Watt**—There are also workload issues around documents like the MYEFO and, if it were to be further updated, the economic and financial outlooks.

**Senator BRANDIS**—I am sure, Dr Watt, that MYEFO and the budget would each of them represent the satisfaction of that month’s monthly financial reporting.

**Dr Watt**—Actually they do not.

**Senator BRANDIS**—Don’t they?

**Ms Campbell**—No.

**Dr Watt**—No.

**Senator BRANDIS**—It is worse than I thought then. We have a commitment to release on a certain date monthly financial statements, the government is now in its second budget cycle and this still has not happened. All you are able to tell me is that this is under consideration by government.

**Ms Campbell**—Yes, Senator.

**Senator BRANDIS**—When was your department given the task to develop an implementation strategy for this commitment, Dr Watt?

**Dr Watt**—I am not quite sure that that is the right way to put it, Senator.

**Senator BRANDIS**—Were you not tasked to implement this commitment?

**Dr Watt**—No, no. The minister for finance has tasked us, from the time of the incoming new government, with—I emphasise—reviewing and implementing Operation Sunlight commitments and with providing support for Senator Murray’s review. Some of the Operation Sunlight commitments have already been implemented and were implemented very early on. Others are coming back to government later this calendar year.

**Senator BRANDIS**—Just to pause you there, Dr Watt. Which are they that are coming back later this calendar year?

**Dr Watt**—I would have to take that on notice.

**Senator BRANDIS**—Ms Campbell must know. Ms Campbell, which are the ones that are coming back later this calendar year, meaning in the second half of the life of this parliamentary term, of course?

**Ms Campbell**—Senator, the items that still remain under consideration are the Charter of Budget Honesty Act in relation to access to the opposition for costing in the lead up to an election, the timing of the monthly reporting—

**Senator BRANDIS**—That is what we have just been discussing, is it?

**Ms Campbell**—Indeed. I am just checking some other ones.

**Senator BRANDIS**—I would like them all, please.

**Ms Campbell**—There are some items in Operation Sunlight, Senator, that are not the responsibility of the Department of Finance and Deregulation and are the responsibility of Treasury.

**Senator BRANDIS**—I am only interested in the answer to my question to the extent to which you know the answer. If you do know the answer, please tell me. Do not hide behind the fact that it is another department’s jurisdiction.

**Ms Campbell**—And, Senator, the Compact of which items are put in which appropriation bill.

**Senator BRANDIS**—Which is another of Senator Murray’s recommendations which was rejected, wasn’t it?

**Ms Campbell**—I do not think so.

**Senator BRANDIS**—Recommendation 5. The government did not support recommendations 5, 11, 17, 22 and 37.

**Mr Youngberry**—Recommendation 5 dealt with doubtful situations being referred to the Senate Appropriations and Staffing Committee that was not agreed by government, but it did flag in the response that it would consider proposals to put to the Senate regarding the Compact.

**Senator BRANDIS**—That is the recommendation that bears on this issue though, isn’t it?

**Ms Campbell**—Recommendation 4 of the Murray review bears on it.

**Senator BRANDIS**—It bears most directly on it, does it?

**Ms Campbell**—It does.

**Senator BRANDIS**—Is that something that is still outstanding?

**Ms Campbell**—It is, Senator.

**Senator BRANDIS**—You have told me three matters. What else is still outstanding from the Charter of Budget Honesty commitment?

**Dr Watt**—It is Operation Sunlight, Senator.

**Senator ABETZ**—Do you seriously use that term in the department?

**Dr Watt**—That is the generic name for the commitments.

**CHAIR**—Can I remind committee members that we are due to finish at three o'clock and it would be appropriate if senators could pay the courtesy of listening to the chair when I am trying to let people know the timetable. We have about 11 minutes left. Senator Abetz has some questions, so Senator Brandis could you wind up?

**Senator BRANDIS**—I will be about half an hour. I might be a little less; I might be a little more.

**CHAIR**—We have to deal with other things. We paid you the courtesy of allowing you to come back and address your concerns.

**Senator BRANDIS**—It is not a courtesy, Madam Chair. These people are answerable to the Senate.

**CHAIR**—We still have to deal with outcome 4 and then we are moving on at three o'clock.

**Senator Sherry**—Senator Brandis may not be aware that before lunch we had actually concluded consideration of these matters so I think the latitude that the chair allowed is a courtesy.

**Senator CAMERON**—I know these questions are the same questions but, so what.

**CHAIR**—Senator Brandis still has the call.

**Senator BRANDIS**—Ms Campbell, can you tell me what other Charter of Budget Honesty commitments are still under consideration by government?

**Ms Campbell**—Operation Sunlight?

**Senator BRANDIS**—Under Operation Sunlight, I am sorry.

**Ms Campbell**—Those are the three major ones that remain under consideration with the Department of Finance and Deregulation responsibility.

**Senator BRANDIS**—Because they are within the jurisdictions of other departments I will not ask you the same detail, but given, as Dr Watt has said, your department has overall oversight of this, can you tell us how many other Charter of Budget Honesty commitments are still under consideration?

**Dr Watt**—Operation Sunlight.

**Senator BRANDIS**—Oh.

**Dr Watt**—Sorry Senator, but they are two very different things.

**Ms Campbell**—Details on tax expenditures, which is a Treasury matter—

**Senator BRANDIS**—This is the tax expenditure statement?

**Ms Campbell**—Yes. We do still have the harmonisation of the agency financial statements between GFS and GAAP. The budget papers were harmonised to the accounting standard in the last budget but the Australian Accounting Standards Board continues to work on the accounting standards for agencies.

**Senator BRANDIS**—Is that it?

**Ms Campbell**—They are the main items.

**Senator BRANDIS**—These are all outstanding, are they?

**Ms Campbell**—These ones remain. Work is in train and they will be considered by the government later this year.

**Senator BRANDIS**—They remain under government consideration. That is in addition to the one that you have identified, that has been abandoned by the government. To finish on this, are there other Charter of Budget Honesty commitments that have been abandoned by the government, other than those we know from the government's response to the Murray review?

**Dr Watt**—Again, Operation Sunlight.

**Ms Campbell**—The response to the Murray review indicated those original statements that were made in Operation Sunlight that the government will not continue or that Senator Murray provided in addition. So the response to the Murray review indicated those.

**Senator BRANDIS**—In addition to the abandonment of the quarterly financial statements commitments, what other commitments have been abandoned as opposed to being under consideration? That is, a decision has been made not to give effect to them.

**Ms Campbell**—In response to the Murray review the government indicated that there would not be any changes to the contingency reserve.

**Senator BRANDIS**—In any event, Ms Campbell, I can see from the government's response what other ones there are. But are you telling me that beyond what is said in the response to the Murray review and beyond what you have told us at this hearing today there are no other recommendations in Operation Sunlight which the government has decided not to proceed with?

**Ms Campbell**—The paper that we have before us is the 2006 version—the most recent. The government did say that once the Murray review was completed they would refresh and publish Operation Sunlight again—an updated version. That version has been published in December of last year, and that is the government's Operation Sunlight agenda.

**Senator BRANDIS**—That is not the version the government took to the elections. That is not the version that contains the election commitments. It is post the election.

**Ms Campbell**—It is post the election, taking into consideration—

**Senator BRANDIS**—Thank you.



[2.54 pm]

**Australian Government Information Management Office**

**CHAIR**—We will now move to Outcome 4.

**Senator ABETZ**—Thank you. It is good to see you again, Ms Steward. I was joking with my colleagues that I might get some answers now that I never got as a minister—but that would be very unfair to both you and Dr Watt, who were always most cooperative and supportive. I want to ask about AGMO. How is it placed within government now, following the Gershon review? Has that changed anything and if so how?

**Ms Steward**—Following the Rudd government coming into operation there has been a review of ICT across government. The government has considered the recommendations of Sir Peter Gershon and we have commenced a range of activities with agencies on their business as usual expenditure on ICT to identify savings back to government. So we have taken on some additional work with agencies. We have also extended some of the work that we were doing on areas around green ICT and on the development of a data centre strategy for government.

**Senator ABETZ**—How do you get involved in this process? Simply in an advisory capacity or are you able to dictate to departments as to how they must go about their acquisitions?

**Ms Steward**—For the business as usual activity we are working in conjunction with agencies in the identification of areas where they will be able to identify savings. So we are leading project teams with individual agencies.

**Senator ABETZ**—Yes, but what happens if the agency says: ‘Look, Ms Steward, thanks but no thanks—thanks for your advice but we do not want to follow it.’ That is what I am asking. Is yours simply an advisory role or are you able to require them to follow your sound advice?

**Ms Steward**—That varies according to the particular work. For example, in the work that we have taken forward on the volume sourcing arrangements for coordinated procurement, the decision has been made by government that those agencies using Microsoft products will comply with the arrangements that we are putting in place. That is an example of where it is mandatory for them if they are users of that particular product.

**Senator ABETZ**—Undoubtedly, this move has been designed to save the taxpayer money, so there is better value for money. I think that was an issue that was around even back in my time. Have we identified what type of savings might be reaped, given your stronger role now? Would it be fair to describe it as ‘stronger’?

**Ms Steward**—Yes, it is a stronger coordinating role and again through the—

**Senator ABETZ**—It was something I was trying desperately to do but failed to achieve. It is nice to know that it is happening. What sort of savings now do you think will be achieved with your stronger role?

**Ms Steward**—As the minister had indicated following the government's acceptance of the independent review and as published in the updated economic and fiscal outlook, the government is looking to realise \$387 million per annum in a full year from 2010-11.

**Senator ABETZ**—Is that split between departments?

**Ms Steward**—That is across a range of departments and agencies.

**Senator ABETZ**—Are you able to disaggregate that figure for us?

**Ms Steward**—That is work that we are progressing now, work that is currently underway with individual departments and agencies, and it reflects the agencies that were identified as the larger spending organisations with ICT expenditure from \$20 million and above. They have a benchmark or a target level of savings to achieve—15 per cent. Agencies that have expenditure from \$2 million to \$20 million have a 7.5 per cent target to achieve. That is the work we are progressing with the agencies now.

**Senator ABETZ**—And tell me: is Defence exempt?

**Ms Steward**—Defence is applying the same recommendations and that is being progressed within their own governance arrangements.

**Dr Watt**—Remember, Defence has an overall budget and the government decided not to have that money returned to the budget. But defence is expected to do the same thing.

**Senator ABETZ**—I thought Defence would somehow keep out of this arrangement. My next question, which I think you may have answered just then, was: will the departments be subjected to reduced appropriations as a result of the projected savings?

**Dr Watt**—Yes, they will.

**Senator ABETZ**—Thank you. Good to see you again and all the best.

[3.00 pm]

**CHAIR**—We are now going to move on to outcome 3.

**Senator PARRY**—Has the department considered, in the light of the financial crisis that we face, ways of reviewing services to members and senators, in particular with regard to global budgets? I imagine that would amount to quite serious staff provision cuts. Is that something that MAPS has considered?

**Senator Faulkner**—I think you asked departmental officers that question. I am sure you would appreciate that they would be a little reluctant to answer so stark a question because it would go to the nature of advice that departmental officials might provide to government or ministers. I am sure you would appreciate that. There may be some ways of rephrasing your question. Obviously, if there are some issues you would like to explore about these matters, you could try and do so, but I am sure that you would appreciate that a question in that form is one that is very difficult for officials to answer.

**Senator PARRY**—I accept that. Let me start at the beginning. How many staff currently service senators and members?

**Senator Faulkner**—We can provide those figures for you, Senator.

**Ms Clarke**—Could I seek clarification. Are you seeking information on electorate office positions?

**Senator PARRY**—Any way you wish to present that. If you could give me a breakdown for electorate offices, the services provided and the number of staff involved with that, that would be fine.

**Ms Hughes**—Typically we pay about 1,750 staff each fortnight. That could be a combination of relief electorate staff, ongoing electorate staff and personal staff, but they are all employees under the MOP(S) Act.

**Senator PARRY**—I am specifically referring to staff members from Ministerial and Parliamentary Services who service senators and members.

**Ms Clarke**—That would be departmental staff.

**Senator PARRY**—Yes.

**Senator Faulkner**—That is staff members in Ministerial and Parliamentary Services and the Department of Finance and Deregulation who have a direct association with the provision of services to members and senators—is that correct?

**Senator PARRY**—Correct.

**Ms Mason**—Senator, we will try and get that for you quickly, but we may need to take it on notice. We will see how we go.

**Senator PARRY**—Hence I started with a more global question. I will move to somewhere in the middle now, between detail and global. Has any modelling been undertaken to provide services to senators and members in a more global way to reduce the cost for Ministerial and Parliamentary Services in relation to labour costs?

**Ms Mason**—Not in recent times.

**Senator PARRY**—Does that mean not in this financial year? How far do we go back?

**Ms Mason**—The issue of global budgets has not really been looked at for a couple of years, in my recollection.

**Senator PARRY**—Is it something that is reviewed on an ongoing basis—biannually?

**Ms Mason**—As far as the resourcing available to the Ministerial and Parliamentary Services division within the department is concerned, that is looked at on an annual basis through an internal process—our internal budget review committee—where resources required for each business group are looked at on an annual basis. Of course, we are always looking for improvements.

**Senator PARRY**—Can you indicate as to whether there would be a significant cost saving if members and senators were given global budgets rather than the current approach where there is a lot of service provided by Ministerial and Parliamentary Services?

**Dr Watt**—I do not think we have done that analysis. There may be some cost savings. A lot would depend upon exactly how you set up the global budget.

**Senator PARRY**—So there is no modelling that you could point to or provide to us?

**Dr Watt**—For MAPS division within Finance, as to cost savings, no, Senator.

**Senator PARRY**—Do you think it is something that you should be looking at in light of efficiency dividends?

**Dr Watt**—I think that is a question that I should not answer. It is not really a question for officials; it is question for a minister.

**Senator PARRY**—With the provision of global budgets, would you see that being a feasible option?

**Dr Watt**—Again, I think that is a question for the minister at the table.

**Senator PARRY**—How many staff would you estimate would be involved directly in providing those services to senators and members which senators and members could procure themselves? That probably goes back to my earlier question which you are going to get on notice.

**Dr Watt**—I do not think we have an answer.

**Senator PARRY**—It seems a fairly fundamental question. I would have thought it would be one that would be readily available in the analysis of cost cutting, savings and provision of services. It ought to be fairly elementary.

**Dr Watt**—I think that this is the issue. For a long time governments have taken the view that members and senators would be serviced on the basis of a series of budgets, not one, and serviced by MAPS rather than seeking services elsewhere. As long as you have that broad policy view taken by government, there is not much point in speculating about alternatives at the bureaucratic level.

**Senator PARRY**—I will pose a question to you: if you had all the building blocks of, for example, printing equipment, computers, staff and office occupancy, even moving into private plated vehicles, you built all those in and worked out a figure for each senator's and member's standard allocation and you then provided that as the budget figure in terms of a global budget for senators and members—leaving travel allowance to one side—do you see that as something that would result in serious cost savings in administration of senators' and members' services?

**Dr Watt**—I think the answer is one I alluded to before: a lot would depend upon how you did it. I am not saying that to be disingenuous. If you were to give complete freedom to a member or senator to pursue the things that currently come in the form of entitlements, so at the start of the year they received appropriation, that was their appropriation for the year and that was all there was, an administrative overhead would be saved. Some of the costs would be passed on to the member or senator because they would have to do the acquiring for themselves—okay, but there may be offsets elsewhere. So, yes, there would be a saving. But how large the saving was would depend on exactly how you did it. If, for example, you said, 'Go ahead and do these things but we will still put a framework around what you can do and we'll still administer that framework to make sure you do the right thing,' then there would not be as big an administrative saving; there might not be one at all. If we said, 'Go ahead and do these things but, by the way, we will only give you a certain amount of tolerance in how much you can spend here or there,' there may not be much of a saving there either. So it

depends. Yours is a world in which senators and members have perfect freedom to spend appropriation in the way they choose and on things they choose. That is the most extreme case.

**Ms Clarke**—Can I also add that you would need to have global budgets and investment in IT to enable that to occur, both for reporting and management purposes, so there would be a significant investment.

**Dr Watt**—I think the question is: would you have any reporting and management?

**Ms Clarke**—We are assuming that you would need to report.

**Dr Watt**—That is the issue: exactly what do you mean?

**Senator PARRY**—Going back to the original proposition, no modelling has been done in any way, shape or form that you can present to us along these lines?

**Senator Faulkner**—I think Dr Watt answered that question, Senator, but I can say to you that—I do not know if you have taken the opportunity to do this—there has been at this committee a considerable amount of questioning of previous special ministers of state or their representatives and/or officials at the table about the issues of global budgets, the terminology we began to use at this committee of ‘mini global budgets’, for want of a better description—I think that became the term that was used over the years—and then also, I suppose, identified areas, which is pretty much the situation that exists at the moment, although to some extent there has been a small move towards the mini global budgets. That has been a trend over the years. But one of the things, of course, that many of us have argued very strongly for is the centralisation of the administration of the entitlements in one department—and it is very appropriate, I think, that it be the Department of Finance and Deregulation—and also to ensure that, whatever changes we make in the administration of entitlements, and I think this is the really critical issue, we ensure that there is absolute accountability required of members and senators, which is one of the issues that, obviously, government and the parliament needs to consider when balancing the issue of whether any further move towards global budgeting is appropriate.

I am sure you accept that that principle is important. It was certainly uppermost in my mind when I was sitting on the same side of the table as you are and asked a range of questions—and I commend the questions my former colleague former Senator Ray also asked—about these issues. It has been a matter of ongoing debate and consideration. It is serious. It has not been, I do not think, a matter of partisan political interest; it has been one of ensuring best administration coupled with best accountability and, obviously, absolute assurances that these entitlements are being administered with absolute propriety. I do think that over the years we have certainly improved that, partly because of an increased level of transparency, which I have strongly supported. That is something that is also, of course, in question with the issue of global budgeting as well. It is an important issue, but the point I make to you is that there are balances involved—balances that this committee has given some consideration to at some length over the years.

**Senator PARRY**—I accept your statement, Minister. Have you given any thought to or any direction to doing some study into the provision of a global budget?

**Senator Faulkner**—No, I have not given any such direction to the department. Obviously I do engage with officials closely about the best forms of administration. We have made advances in the area of transparency, which is critical to the accountability issue that I raised. I cannot say that I have given any direction to the department specifically about global budgeting, but what I can say is that I have asked the department since I have been the Special Minister of State to advise me on a range of areas where the department believes the administration of entitlements can be improved. I think it is proper to draw that distinction. Certainly there has been an interface between me as minister and my office and the department on that important issue, but I could not say to you that a specific instruction has been given about global budgeting.

**Senator PARRY**—Can you nominate the areas where you are seeking improvement?

**Senator Faulkner**—I can go through a number, but let me just give you the best example, which is the production of the MOP(S) Act annual report. I would commend this to you and other members of the committee. It is the first annual report which relates to staff employed under the Members of Parliament (Staff) Act. It gives a new level of information and transparency about MOP(S) staff. That is just one example, I think, of improvements that have been made. I have been at this committee for a long time—I am not interested in making a partisan comment about this—and since the bad old days, with the centralisation of the administration of entitlements in the old Department of Finance, there is no doubt we have seen gradual improvements over time. I have argued for some time that there is considerably more that can be done. I am always looking for good ideas and advice from the department about how these things can be improved, and the production of this annual report is a very good example of what can be done.

**Ms Mason**—May I add to some of the points the minister made earlier about global budgets. One of the issues that acts as a barrier to any move towards global budgets is the complexity of the framework and the fact that the entitlements framework has heads of authority that are placed in many different pieces of legislation, executive decisions and Remuneration Tribunal determinations. So taking that complex framework and transforming it into something which is a global budget or a series of mini global budgets would be quite a difficult exercise.

**Senator PARRY**—Yes. It could be overcome, but it is just a matter of working out what the best option is. Minister, could I just change the topic. I gather I can ask you about postage allowance for senators and members—is that within your remit?

**Senator Faulkner**—You certainly can ask, and I will try to answer any of your questions. If I cannot, the officials I have no doubt will be able to.

**Senator PARRY**—On advice from you from the Remuneration Tribunal, members of the House of Representatives had an increase to compensate for the postage stamp increase from 50c to 55c on 1 September 2008—I think that was the date—yet senators did not. Is there any explanation as to why senators did not receive an increase, despite the fact there was still a—

**Senator Faulkner**—Just let me check the detail of this.

**Ms Hughes**—The Remuneration Tribunal determines the quantum. They have determined two different models: one for senators in which you get a flat rate. I do not have it in front of me, but it was something like 27,000 per senator—

**Senator PARRY**—Thereabouts.

**Ms Hughes**—But some years ago they changed the formula for members so that it is now linked to the number of constituents by the cost of postage, which, as you know, went up from 50c to 55c. So members got an increase of, I think, up to \$4,000 in their allowance, but because of the way the tribunal determines the allowance senators did not.

**Senator Faulkner**—I think the point is that if I were to write to all my good constituents in the state of New South Wales—and there are many millions of them—it is a very different thing to—

**Senator ABETZ**—I will not go into interstate rivalries.

**Senator Faulkner**—It would be a smaller number in Tasmania, which I think you would acknowledge, Senator Abetz. But the point is—

**Senator ABETZ**—No, there are a lot more good constituents. That is the point I am making.

**Senator Faulkner**—Let me follow through with what you are saying. If we just take the Tasmania example, Senator Abetz is representing in the Senate, as you are, a state where there are five House of Representatives seats. Quite clearly, the application of the same methodology to members and senators is simply not appropriate. The background to this—this is my understanding, and officials will correct me if I am wrong—is that this was originally designed in relation to the capacity of members of the House of Representatives to communicate: to write to their constituents. It has never been suggested the same principle applies in the Senate, partly of course because of its unrepresentative nature. I am looking at yourself as a senator representing Tasmania compared to me in New South Wales or Senator Ronaldson in Victoria. I think you understand the principle. It is true that there has been a small increase in the cost of postage. I know how frugal senators are because I am a frugal senator myself. I do not think there is any illogic in the way this has been approached.

**Senator PARRY**—Well, there could be a point of difference, Minister. It just seems strange that senators do not get the increase when there has been a real increase in the cost of postage. I gather that if we wish to change that it would be best for senators to address that to the tribunal for a further determination.

**Senator Faulkner**—Yes, Senator.

**Senator PARRY**—In relation to private-plated vehicles, and the lump sum in lieu of, can I ask: has there been a significant uptake of that from senators and members?

**Senator FAULKNER**—You certainly can ask, but I will need to ask an official to assist you on that one.

**Ms Clarke**—The senators' and members' salaries which that is put in, is administered by the chamber departments. So that would best be addressed by them.

**Senator PARRY**—Is this one of the areas that was alluded to earlier, of bringing things under one group, such as the Department of Finance and Deregulation, to manage all of these entitlements? Is that one that is out of the ambit of the Department of Finance and Deregulation?

**Ms Clarke**—Given that the chamber departments pay salaries there are certain entitlements, such as the resettlement allowance, that are administered by those departments. We do not have anything to do with those, so it really depends—

**Senator PARRY**—So you have the Rem Tribunal setting the entitlement, the Department of Finance and Deregulation approving or regulating the entitlement, and the Department of the Senate paying the entitlement?

**Ms Clarke**—The Remuneration Tribunal, in the case of the cashing out or the resettlement allowance, will set the entitlement, but in those two cases because they relate to salary, they are administered by the chamber departments. The Department of Finance and Deregulation does not have anything to do with it.

**Senator RYAN**—My questions relate to the use of the Prius in the Comcar fleet.

**Senator Faulkner**—We will try and assist you as much as we can. I am sure we can.

**Senator RYAN**—I was going to direct these questions more generally for the broader fleet, but these seems like the appropriate place for those at the table. I understand that there are going to be more ‘Priui’—if that is the plural for Prius—being brought into the Comcar fleet over the coming months.

**Senator Faulkner**—You learn something, they say, every day. I am pleased I have learnt the plural of Prius.

**Senator RYAN**—It is only a guess, Senator.

**Senator FAULKNER**—I thought it might be.

**Mr Sweeney**—The answer to that question is that there will be another one, because we have added three since the commencement of this parliamentary sitting. There will be another one—

**Senator RYAN**—They are not coming in in a substantial number?

**Mr Sweeney**—At the moment, no. That is correct.

**Senator RYAN**—Is that because they are still undergoing a trial or is it envisaged that in the future more will be coming as the leases of old cars expire?

**Mr Sweeney**—The trial that was undertaken last year indicated that it was successful and that the customer feedback that we got was sufficiently positive that we would introduce some on a limited basis in the fleet, to be used on the shuttle in Canberra. We are aware that there are changes in the hybrid car industry going on as we speak, and before we introduce a further number of hybrid vehicles we would like to see what vehicles are available in the Australian market.

**Senator RYAN**—Other than the customer satisfaction survey that you mentioned, what were the criteria for moving towards the Prius or hybrid cars in general? Was it a directive?



**Mr Sweeney**—No, it was not a directive, as such. What we have sought to do in Comcar, over a period of time, is to be cognisant of the changes in the environmental impact of vehicles. We have taken quite a few initiatives over the last five years, including, but not limited to, recycling water in the cleaning of cars. We have introduced that facility in two depots around Australia.

At the same time we are aware of the changes in technology and the improvements that have occurred in emissions control. So we have moved to optimise within government policy. By that I mean the use of Australian-made vehicles—ostensibly—to reduce the environmental impact of our fleet.

**Senator RYAN**—Of the two main hybrids I am aware of on the market at the moment of a similar cost and size—the Toyota Prius and the Honda Civic Hybrid—is there a particular reason that the Toyota was chosen over the Honda given that, as I understand it, neither is manufactured in Australia.

**Mr Sweeney**—You are correct in saying that neither is manufactured in Australia. We were given the opportunity by Toyota Australia to do a trial last year and we took up that option. As I said at the outset our customer feedback was sufficiently positive to put a limited number of vehicles in the fleet.

**Senator RYAN**—Is it possible, Minister, to get a copy of the criteria by which the success of that trial was determined?

**Senator Faulkner**—I am certainly aware of the questionnaire. My recollection is that senators and members—and officials will correct me if I am wrong—were sent a questionnaire that was effectively about canvassing opinions on how suitable the Prius was as a shuttle vehicle.

**Senator JACINTA COLLINS**—We were handed the questionnaire with the car.

**Senator Faulkner**—Yes. And that went to a whole range of issues: ease of entry, luggage space, smoothness of the ride—obviously I was not driving—and basically the overall suitability of the vehicle.

**Senator RYAN**—I appreciate that, I was—

**Senator Faulkner**—So—

**Senator ABETZ**—How many were returned?

**Senator Faulkner**—We received 84 responses. I think that Mr Sweeney will be able to give you more detail on this than me, but basically the overall assessment from that questionnaire was pretty positive. As you might recall—I am not sure if you did the questionnaire—people were asked, I think, on a scale of one to five—

**Mr Sweeney**—That is correct.

**Senator Faulkner**—and basically the figure came out at 3.28 on the scale. But Mr Sweeney may be able to give you some more information about the trial.

**Senator RYAN**—I was more interested in the fact that you, Mr Sweeney, referred to other objects of Comcar that supported the move towards the Prius. I was not as concerned about what members or senators thought of the ride from the airport to here. It is just that this

represents a reasonably significant change away from government purchasing—at the Commonwealth level, I understand—Australian-made vehicles. So I was more interested in what the other criteria were, particularly the environmental ones, if there were any specific ones for this choice. Could you provide that.

**Mr Sweeney**—As the minister explained, we did get an overall positive feedback.

**Senator Faulkner**—It was 3.28 out of five.

**Senator RYAN**—That is the customer satisfaction survey; that is not the choice to have the Prius on the environmental or other grounds that you mentioned. That was more a feedback after the car was in the fleet.

**Mr Sweeney**—I guess the other environmentally aware move that Comcar has made is that over the last three years we have moved to the use of E10 for the fuel consumed by the organisation. As of the end of January, the overall consumption, the aggregate use, of that is over 80 per cent in the fleet. I mentioned also the fact that we are using recycled water in the ACT. So I guess there is an overall awareness that we need to get on the front foot and embrace the new technology and the environmental aspects.

**Senator RYAN**—Just before Senator Fifield jumps in with a follow-up: so there were no specific criteria saying, ‘This is why we are choosing an overseas-made hybrid’—in this case the Toyota Prius—that led you towards that decision, other than the general philosophy you have outlined and the offer from Toyota?

**Mr Sweeney**—In a nutshell, that would be correct.

**Dr Watt**—I think we might need to take this question on notice. I think there is a little bit more to it in relation to the Australian vehicle design rules, and what is eligible and what is not, rather than just pure ‘made in Australia’. It may be—I am not saying this is correct—that the Prius does fit in under those design rules. But I am happy to take that on notice.

**Ms Mason**—I would also say that, when Comcar chooses its fleet vehicles, it has regard to a number of operational factors to do with driver training, to do with customer acceptance, to do with Australian made manufacturing and to do with environmental considerations, and there are balances to be struck in choosing vehicles for the fleet.

**Senator FIFIELD**—Mr Sweeney, I just want to be clear on something you said before—that there has been no threshold decision taken about a target for the Canberra fleet in terms of proportion of vehicles that will be more environmentally friendly. There has been no decision that, say, over time 50 per cent of the vehicles will be a prius or something equivalent?

**Mr Sweeney**—That is correct.

**Senator FIFIELD**—There has been some talk about the functionality of the vehicles, in terms of members and senators and how much luggage you can fit in the boot. I am wondering about the views of those who spend the most time in the cars, the drivers themselves. Did they also have the opportunity to complete a questionnaire or provide input into the choice of vehicles and the suitability of vehicles from a drivers’ point of view?

**Mr Sweeney**—It was a customer feedback survey; it was not a driver survey.

**Senator FIFIELD**—So are you telling me that the people who spend the most amount of time in the vehicle, the people who actually drive them, had no way of inputting into the suitability of the vehicle?

**Mr Sweeney**—No, I am not saying that.

**Senator ABETZ**—Well, how did they?

**Mr Sweeney**—The views of the drivers clearly come back through to their supervisors. I think it would be fair to say that we have had some feedback, and it hasn't necessarily been—

**Senator ABETZ**—That feedback being?

**Senator FIFIELD**—Let's just take a scale of one to five.

**Senator Faulkner**—You are going to predict it is less than 3.28, aren't you?

**Senator FIFIELD**—I am hazarding a guess! On a scale of one to five, where would you place the drivers' collective view?

**Mr Sweeney**—Senator, I would not be drawn on that. There has not been a study done in the same way—

**Senator FIFIELD**—So there has been no attempt to quantify in any sense the drivers' views.

**Mr Sweeney**—No.

**Senator FIFIELD**—Do you think that is a deficiency?

**Mr Sweeney**—We set out to undertake a customer feedback survey, and we did that.

**Senator FIFIELD**—My view is that it is fine for us, because we spend probably 10 minutes at most in the car a day, but I am thinking of those people who are sitting in the cars from 5.30 in the morning until whenever their shift finishes. Their views have not really been sought in any serious way.

**Mr Sweeney**—That is not exactly correct. As I said, we have had some feedback.

**Senator FIFIELD**—So when they finish their shift they can throw their keys down in front of the supervisor and state their view, but that is essentially it.

**Senator ABETZ**—Is it the vehicle of choice by drivers when they go to the depot? Do they do cartwheels when they are told that they will be allowed to drive the Prius?

**Senator FIFIELD**—I do not think they get a choice.

**Mr Sweeney**—I do not think we would encourage any drivers doing cartwheels before they are about to drive!

**Senator ABETZ**—I am not saying you encourage them; it is just the overexuberance at the delight in being allowed to drive the Toyota Prius.

**Mr Sweeney**—To answer your question we have not done a formal survey of drivers' reactions to driving the Prius.

**Senator ABETZ**—But informally, because some of us have when talking to drivers and I am wondering whether the informal feedback that I have received might be the same that you have received, which is not flash, to put it mildly.

**Senator RONALDSON**—One filled the form out, which I thought was very generous of him.

**Senator ABETZ**—Mr Sweeney, can I get an answer on that. You said there was anecdotal information but nothing formal. I accept that, but what is the informal feedback from the drivers. It would not be as positive as 3.28. Can we be agreed on that?

**Mr Sweeney**—I could not go that far. There has been a range of views and I think we should not for a moment dispel the fact that it is a vehicle that has been through quite a rigorous international acceptance. The vehicle has proved to be both effective and economical—

**Senator ABETZ**—Well then why do a customer survey?

**Mr Sweeney**—and, as we mentioned at the outset, it has been restricted for use on the shuttle in the ACT. I mentioned that initially.

**Senator FIFIELD**—Could I, through Senator Faulkner, ask if it could be considered to more formally seek the views of the drivers themselves given that they spend a large amount of their professional lives in those vehicles. That would not seem an unreasonable request.

**Senator Faulkner**—I think that is quite a sensible suggestion and I am happy to take that up with Comcar management. I might say that I do not use the shuttle much because I drive myself in Canberra. But I have had two trips in a Prius. One driver was mildly positive and one was quite negative, I would have to say. That is a very frank—

**Senator ABETZ**—So chances are on average below 3.28, Mr Sweeney.

**Senator Faulkner**—Quite possibly; I am not sure. But I think that is a reasonable suggestion and I will talk to Mr Sweeney about that. I think there is always a need of us to take account, as the department does. I think Comcar has got a good record of doing that in the interests of their employees, in this case the drivers. I will talk to Mr Sweeney about that.

**Senator FIFIELD**—That would be appreciated. One final question on this, Mr Sweeney, concerning the changed profile of the Canberra fleet. That could potentially limit the use of the fleet overall for receiving foreign heads of state and foreign missions. Would that restrict the functionality of the fleet to some extent, because I am assuming you would not pick up a visiting foreign minister in a Prius, with all due respect to the Prius.

**Mr Sweeney**—You are quite right. We would not. At the moment there are 74 vehicles in total in the fleet in the ACT, of which there are two vans—one passenger van and one transit van—three Priuses and the balance of the vehicles are either Holden Statesmans or Ford Fairlanes. And we have two Ford Falcons as well.

**Senator FIFIELD**—Given the range of uses of the vehicles, such as for COAG meetings or for when you have groups of visiting heads of state, the number of Priuses or equivalents in the fleet can never be more than a token number, can it? Otherwise you would defeat one of the purposes of the fleet.

**Mr Sweeney**—I could not answer that positively in the longer term. What I do know, as I mentioned earlier, is that we are assessing and have an eye to industry developments and it may well be that in the foreseeable future there may be other more suitable hybrid vehicles or vehicles that are indeed hybrid but are closer to the current standard Comcar vehicle and may be made in Australia.

**Senator FIFIELD**—I did hear that at the last gathering of premiers in Canberra a few premiers were walking past the Priuses and were not keen to be riding in them. I would not want to suggest that premiers are perhaps precious. Anyway, the profile of the fleet might be something you want to keep in mind.

**Proceedings suspended from 3.45 pm to 4.02 pm**

**CHAIR**—We are returning to output 3. Senator Moore has the call.

**Senator MOORE**—Ms Hughes, can you tell me what the current state of management reports are across members and senators?

**Ms Hughes**—In relation to certifications on a monthly basis?

**Senator MOORE**—Yes.

**Ms Hughes**—I have the figures for the current financial year. For the current year the average per month up to and including January is 67 per cent.

**Senator MOORE**—That is 67 per cent returned?

**Ms Hughes**—Yes, and that compares with the previous financial year of a rate of 81 per cent.

**Senator MOORE**—What types of delays do we have? What is the longest outstanding report, not by name but by period?

**Ms Hughes**—There are some that have not been certified going back to July 2007.

**Senator MOORE**—And these members and senators are still elected.

**Ms Hughes**—I believe so. These are sitting senators and members.

**Senator MOORE**—My understanding is that the expectation is that they are returned.

**Ms Hughes**—That is correct.

**Senator MOORE**—What is the stimulus to actually have further negotiation between your office and the office of a senator or member when they get to, say, a three-month delay?

**Ms Hughes**—We do not have the resources to write people individual letters every three months and say, 'You haven't certified.' We do have a page in the management reports which reports each senators' and members' yearly certification return rate. It says whether you have returned your certification, so it is a reminder. We periodically add reminders into the covering letter that goes out with management reports. So that is as much as we feel that we have the resources to do, as well as these reminders at estimates.

**Senator MOORE**—Minister, these questions have been asked now at a range of Senate estimates.

**Senator Faulkner**—Yes. I almost noticed, Senator Moore, that you are doing a bit of a Senator Murray impersonation.

**Senator MOORE**—Absolutely. I have taken on the mantle from Senator Murray.

**Senator Faulkner**—You have.

**Senator MOORE**—But in terms of process it just seems that consistently we get reports of a 67 response rate.

**Ms Hughes**—That is an issue, yes.

**Senator JACINTA COLLINS**—Could I ask a question?

**Senator MOORE**—Certainly.

**Senator JACINTA COLLINS**—Is that 67 per cent a comparable figure to the previous year's 81 per cent, or are we still waiting for a bit more time for it to be comparable?

**Ms Hughes**—That is just based on the months and is for the year to date.

**Senator JACINTA COLLINS**—So it is not really comparable to that 81 per cent,

**Ms Hughes**—Well, it is year to date. The average is 67 per cent in each month of this year. In July it was higher—88 per cent—and in January it was quite low because they only went out a couple of weeks ago.

**Senator MOORE**—What is the next step? If completing these management reports is optional, which it seems to be in some cases, what is the value of having them in the system?

**Senator Faulkner**—It is an excellent accountability mechanism. In terms of the tabling of some information about members' and senators' entitlements, it is also very important indeed. I think that the really valid comparison here is to go back to what occurred prior to the time when management reports were required. As someone who has been around this committee for a long time, I can do that. Obviously, I would like to see better figures being provided by officials at the table in answer to these questions, but what we have to look at is what the provision of management reports has meant more broadly to administration of entitlements and the integrity of the entitlements framework. It has certainly been my view—and I am very happy for officials also to give their views about this—that it has been a very significant and importance enhancement in those areas. But I am very happy if any of the MAPS officials would also like to make a view known about that if they have one.

**Senator FERGUSON**—It is a protection for members and senators themselves.

**Senator Faulkner**—I think that is true also.

**Ms Mason**—It certainly assists senators and members to manage the resources available to them and to monitor their consumption of entitlements provided at taxpayer expense. That is certainly a useful mechanism. Also, asking for the certification of them causes clients to have a look at the reports and make sure that they are confident that they are accurate.

**CHAIR**—I have a follow-up question. In terms of the management reports, my experience from my office is that it is a very time-consuming process, and I would have to say that mine are pretty well up to date. But, when you have a lot of inaccuracies there, the communications backwards and forwards can sometimes delay the process of returning them as well.

**Ms Hughes**—That is true. Most of the communication about management reports relates to airline travel and people saying, ‘We have not flown that,’ because of the time it takes for refunds to come through and to be reflected in subsequent reports. We have always encouraged people, though, to certify subject to qualification. That is an option. The qualification can be that, ‘We are sorting out some refund issues,’ or something of that nature.

**CHAIR**—There was an issue raised by me and others last time in relation to the cabcharges and their delay in terms of being able to manage your budget for staff travel. There is quite a lengthy delay.

**Ms Hughes**—There is sometimes, yes.

**CHAIR**—It can be up to four, five months before the cabcharges appear on your management report.

**Ms Hughes**—As soon as they come through and we process them, we reflect them in that monthly management report, but there is sometimes quite a delay in getting accounts through.

**Senator MOORE**—I actually support the process and the accountability nature of the management reports. My issue is that some members and senators do not seem to see it as an important element of their responsibility in the integrity of the process. I am actually wondering if there has been any consideration given to a process where, if they are not completed by a certain time, senators and members are named in parliament.

**Senator Faulkner**—As you know, this is the point that Senator Murray was making towards the conclusion of his term.

**Senator MOORE**—Absolutely.

**Senator ABETZ**—He no longer has a job.

**Senator Faulkner**—That is true. But, I think, to be fair to former Senator Murray, he was never on the list of senators who had not completed his reports.

**Senator MOORE**—He was never on the list.

**Senator Faulkner**—But obviously the naming and shaming, so to speak, is the next step. You would recall that Senator Murray in fact placed some questions on notice about this issue.

**Senator MOORE**—Absolutely.

**Senator Faulkner**—I certainly would not want to be a parliamentarian so named and that of itself, I think, would be a significant sanction. The department obviously will continue to make their best efforts to ensure that this important process works at its best. It may be that you or another senator placing a question on notice about genuine recalcitrants in this area will have a positive impact. I recall, as you would, that when these matters have been discussed in the committee there has been a genuine reluctance to do that. No-one wants to see people named and shamed. What people want to see is the management reports certified and provided to the department. That is the name of the game, and hopefully the sort of focus that this issue has received in this committee assists in that.

**Senator MOORE**—Ms Hughes, there is an annual report as well, is there not? There are monthly reports that we have to do; there is an annual report as well. That is tabled, is it not?

**Ms Hughes**—Yes. It is called ‘the end of financial year’, and that is really just to mop up any transactions in the first three months of the next year which relate to the previous year. So we call it ‘the 13th monthly report’.

**Senator MOORE**—That 13th month is tabled, is it not?

**Ms Hughes**—The figures are certainly reported.

**Senator MOORE**—Is it obvious by the tabling of that report whether people have responded or not?

**Ms Hughes**—Sorry. Do you mean tabling in parliament?

**Senator MOORE**—Yes.

**Ms Hughes**—No. Sorry, I misunderstood you. No, they are not tabled in parliament.

**Senator MOORE**—I thought some document was tabled in parliament.

**Ms Hughes**—That is of travel expenses. That was tabled in—

**Senator MOORE**—You get that sent to you and you check it off and you are supposed to respond.

**Ms Hughes**—Yes.

**Senator MOORE**—Are all those responded to?

**Ms Hughes**—No.

**Senator MOORE**—Then what happens in the tabling is that the full amounts are put there, whether or not the individual senator or member has agreed with what is there.

**Ms Hughes**—That is correct, yes.

**Senator MOORE**—So that is also an anomaly in the process. I remember hearing Senator Murray ask these questions regularly, and he asked me to continue to do it. It seems that, if there is going to be any real integrity in the process, it needs to move to the next step, so we will see what happens. But thank you for providing your information.

**Senator Faulkner**—Transparency, as you will appreciate, is a key element in that.

**Senator MOORE**—Absolutely.

**Senator Faulkner**—The more transparency there is, I am sure the better and more appropriate use of entitlements there will be.

**Senator MOORE**—And the issue of accountability, Minister.

**Senator Faulkner**—Absolutely.

**Senator MOORE**—We are receiving those entitlements; we have an accountability to respond.

**Senator Faulkner**—And the link between the two is very strong.

**Senator MOORE**—Thank you, Ms Hughes.

**Senator JACINTA COLLINS**—Before we finish on that point, Senator Faulkner made reference to ‘genuine recalcitrants’. Is there a percentage figure that you could give that might



be relevant for the proportion of members and senators that you would regard as genuine recalcitrants, as opposed to new members and senators?

**Senator CAMERON**—I am not a recalcitrant.

**Senator JACINTA COLLINS**—I did not ask you if you were.

**Senator CAMERON**—You looked at me!

**Ms Hughes**—I could not do that. I do not have names, so I cannot see whether there is a pattern of the same names appearing.

**Senator JACINTA COLLINS**—The basic question as to whether there is a pattern is: are there some members and senators who, other than being new ones, have never certified?

**Ms Hughes**—I recall, when we prepared answers to questions on notice, that there were a couple of members or senators who habitually do not certify.

**Senator ABETZ**—Would it be fair to say that they do not certify not so much because they do not bother or just ignore it but because they are of the view that they cannot genuinely sign off because there are matters in the monthly report of which they do not have personal knowledge and therefore cannot sign off? For example, with a motor vehicle, the servicing cost, or if there is a repair bill to a motor vehicle, they never get asked about the quote or anything. You are told, 'Take the car there.' It gets fixed, you get it back, and then all of a sudden in the monthly report there is the repair bill, or the insurance or whatever, and you have no idea whether it is the correct amount. So, as I understood it, some members and senators—can I use the word?—conscientiously objected to signing off.

**Ms Hughes**—That was addressed some years ago. The original certification did talk about certifying that the expenditure was correct. Then after former Senator Ray raised the issue, we changed the wording so the certification was that the use was within entitlement. So it is not certifying that the dollar amounts are correct; that is not what we are expecting senators and members to do.

**Senator Faulkner**—If I can add to that, before that change of wording, some senators—including Senator Ray, who canvassed this matter at this committee a number of years ago—raised the issue because they really had to provide a qualified certification. That is how I would put it—they did not fail to certify but made a qualified certification. You have heard from Ms Hughes how that has evolved over time, which should give a level of comfort to a member or a senator in the position that you have outlined.

**Senator ABETZ**—Yes. Some still do put in a qualified certification.

**Senator MOORE**—That would be qualified and then certified, would it not?

**Ms Hughes**—Yes.

**Senator MOORE**—Any member or senator who has that qualification on their certification is counted within the 67 per cent who have returned.

**Ms Hughes**—That is correct.

**Senator MOORE**—It does not cover the other 30-odd who have not replied.

**Ms Hughes**—No.

**Senator JACINTA COLLINS**—On a different matter now, are we in the right place to be dealing with the operations of visiting members' suites or offices? Am I in the right place?

**Ms Clarke**—Yes.

**Senator Faulkner**—I suspect so, Senator, depending on the nature of your question.

**Senator JACINTA COLLINS**—On the last occasion we were dealing with Mr Costello's parking, I think. I have a much more serious matter this time. It relates to Senate committees and access to those areas for committee hearings. We are receiving feedback that facilities that have been available in the past are no longer available, and I am interested in the rationale for that feedback.

**Ms Clarke**—The policy in relation to committee use of the Commonwealth parliament offices is unchanged. The facilities of CPOs are made available for use by parliamentary committees, other than for those committees that invite general public attendance. That has been made clear to people from the parliamentary departments who have been asking. We have had advice from the Protective Security Coordination Centre—the PSCC, and it is on their recommendation—that we really cannot accommodate open hearings. That has been the concern.

Open hearings are those which invite members of the general public to attend and, basically, these arrangements that have been suggested by the PSCC reflect the current level of security infrastructure with the CPOs, and they are not equipped to hold, receive and screen large numbers of unknown people. We do not have the level of resourcing to do it either, so we certainly do not have the detectors and the security staff and what have you that are required to make sure that senators and members, and visitors and of course our staff, are secure. For those reasons, the public hearings have always not been permitted, and that is on the recommendation of the PSCC, but the closed hearings are in fact permitted. That has been the longstanding practice.

**Senator MOORE**—What was the timing of that advice?

**Ms Clarke**—I have it here that the arrangements were discussed with the Department of the House of Reps on 20 June 2007 and advice provided in July 2007.

**Senator JACINTA COLLINS**—Why was it discussed with the House of Representatives? Was there a particular incident? Why was the security advice sought?

**Ms Clarke**—I would have to take that on notice. I do not have that information here.

**Senator Faulkner**—I think this weakness was identified. It is my recollection that the Department of the Senate had not been informed. I raised that issue myself with officials—it may have been an oversight at the time; I am not sure—and my understanding was that efforts were subsequently made to ensure that the Department of the Senate was also informed. This occurred obviously prior to my becoming the Special Minister of State.

**Ms Clarke**—That seems to have occurred. My background information is that the Special Minister of State wrote to the Deputy Speaker on 4 August 2008, and a similar letter was sent to the President of the Senate on 15 October 2008.

**Senator Faulkner**—I think, to be really frank about this, it was probably an oversight way back in the middle of June 2007. You would appreciate that the Department of the Senate would not necessarily be aware of communications that occurred at the Department of the House of Representatives. This was raised with me and I took the action that has been outlined by the official. By August last year that earlier, possible oversight was corrected. I was not the minister at the time and I am not sure really about the background, but the point is, if it was an oversight, it was corrected. For whatever reason, I took the view that the Department of the Senate and the Department of the House of Representatives should have been so informed, and they were.

**Senator JACINTA COLLINS**—I am not so concerned about that error per se; it is more the background for what at least seems to have been a shift in practice. If I can revisit what you said to me a moment ago, it was that the policy has always meant to be only closed hearings. However, we all understand open Senate hearings have been occurring in past years in the VMO facilities. For some reason a security advice was sought—we do not know the reason or the background to that at this stage—which reinforced the view that you should only have closed hearings in those facilities. You are frowning, Ms Mason.

**Ms Mason**—Sorry, I am not frowning; I am just concentrating on your question. I am also trying to recall the circumstances, which are now a couple of years ago. My recollection is that we do periodically ask for reviews of security issues associated with buildings where we have staff or where we have responsibility. I do not recall there having been any particular trigger to ask for a security review of Commonwealth parliament offices in the various states, but we did have a review. We did have a report. The report made certain recommendations to us, which we have implemented. That is my recollection of the circumstances surrounding the 2007 reporting policy.

**Dr Watt**—We can take that on notice and provide you with more information.

**Senator JACINTA COLLINS**—I would be interested to see the report as well, because the experience is that we have a range of facilities saying that, unless certain security criteria are met, the facility is not available, or else the facility is not available full stop, if we are looking at open hearings. So it may well need to be an issue we revisit in terms of where particularly Senate committees can conduct hearings at all. I was in a facility last week that was completely inappropriate for Senate hearings, because other facilities were not available or were not available in the time frames we now seem to be operating under. If we have time frame constraints, addressing the issues in VMOs may be the more appropriate way to deal with them rather than resort to inappropriate venues because we no longer have access to appropriate facilities.

**Senator Faulkner**—I appreciate the point that you make and I certainly understand it. I would want to look carefully at the report, which I personally have not read and I do not believe has come across my desk. It sounds like an earlier report. I am always a little reluctant, if there are particular weaknesses in security that are raised in a report, to table it. But I think in this case it is at least proper that we give you a very full answer to the question on notice. I will look at the appropriateness of tabling the report, or part of the report, but I flag with you on this occasion that it may not be possible, for the reasons that I think you understand and we regularly speak about here. If there is a security weakness or problem, let

us not put too much focus on it. But I will undertake to provide what information I can within the spirit of the question you raise and, if it is possible to table the report, we will certainly do that.

**Senator JACINTA COLLINS**—In a general sense that may feed into the issue, which is, as I understand it, a recent one. The advice we had from the venue is, ‘Unless you purchase security, you will not have access to this facility.’ So if we are now in a situation where, to hold open hearings, we need to contemplate purchasing security, that may indeed be something that we need to do, but still utilise VMOs. I do not know because I do not know the nature of the concerns.

**Ms Clarke**—There is considerable pressure on accommodation in the CPOs. You have visiting facilities being used and booked out by senators and members, as well as ministers. That is part of our problem as well—that there is considerable pressure on those areas, including conference rooms. I understand, when inquiring about this, that some of the open committee hearings were actually going to the state parliaments, who have the facilities to have the guards and the security equipment, and that was working well. So that was another option.

**Senator MOORE**—In a couple of the cities we did regularly use the VMOs as well. My understanding is that that has added to the cost component, which operates to another group that we were talking to yesterday in terms of cost blow-outs with committees. So it is all a circular thing, but we wanted to get some clarification of the reason. Because you hear back, but you do not have it actually spelt out. We appreciate the information we can receive.

**Senator FERGUSON**—I want to go back to Comcar for a couple of questions.

**Dr Watt**—While we are going back to Comcar, I promised some more information for Senator Ryan on, ‘Why a Prius?’ For your information, both in the Executive Vehicle Scheme and in the Commonwealth fleet generally, what is allowed is determined by the Automotive Competitiveness and Investment Scheme, or ACIS, which has been around for some time. ACIS determines that, provided a vehicle is either made in Australia or imported by a manufacturer that builds cars in Australia, then it can be included under the scheme. In the case of an imported vehicle, it must have an engine capacity of two litres or less. The Prius qualifies for two litres or less and, of course, Toyota makes cars in Australia. That is why a Prius.

**Senator RYAN**—Thank you.

**Senator FERGUSON**—Mr Sweeney, I wanted to follow up on some of the questions that were asked before. The number of permanent drivers in Australia has diminished significantly during my time in this place. There were 27 in Adelaide when I started. There is now one permanent driver in Adelaide. What is the policy of Comcar in relation to permanent drivers when the current crop of permanents retire? Is it that there will be no full-time replacements?

**Mr Sweeney**—The policy over the immediate past period is, as you say, that we have not replaced permanent drivers as they have retired.

**Senator FERGUSON**—To what level of training are casual drivers put through their paces?

**Mr Sweeney**—All Comcar drivers are subjected to a significant amount of driver training. Over the last four years we have undertaken up to 1,000 days of driver training per annum.

**Senator FERGUSON**—But to what level?

**Mr Sweeney**—The level to which we subject our driving workforce now covers defensive driving 1, defensive driving 2, driving with an escort and driving in motorcades.

**Senator FERGUSON**—Do you have any level 6 left?

**Mr Sweeney**—Level 6, as I understand it—and that terminology certainly is not used extensively or in any protocol in Comcar now—was what was loosely termed ‘antiterrorist-trained driver’. We have, for obvious reasons, dropped that terminology, because we do not believe that we are in the business of being an antiterrorist service.

**Senator FERGUSON**—Maybe you are not. Sorry to interrupt, but I am concerned about the security implications in those states where there will be no driver for the Prime Minister, for the Governor-General or for a visiting head of state. For instance, in South Australia when Brian O’Grady retires, which might not be that far off, I am concerned that there will be no driver with the level of training which is normally required, certainly for the Prime Minister. Or is the Prime Minister’s driver that he uses here expected to go to the state with the Prime Minister? What are the security implications for doing away with permanent drivers?

**Mr Sweeney**—We have developed a course which is available to drivers who we believe have the appropriate level of capability. We have drivers in all states who have the ability to drive the protected vehicle. You have mentioned the Prime Minister. We have the Prime Minister and dignitaries from overseas who are determined to require a protected vehicle. That is the criteria that you are speaking of when you talk about a vehicle which is special, with special requirements. We have a number of drivers in each state that have undertaken the driver training course that allows them to drive the armoured vehicles.

**Senator FERGUSON**—How many drivers with that level in Tasmania?

**Mr Sweeney**—We only have one Comcar driver who is an ongoing driver in Tasmania.

**Senator ABETZ**—He is a very good one, too.

**Senator FERGUSON**—He is a very good one. What happens when he leaves?

**Mr Sweeney**—As I mentioned at the outset, in each state we have trained the driver workforce to the level of requirement of our customers. By that I mean that, where we have a requirement for a protected vehicle, we would have drivers trained sufficiently to drive that vehicle.

**Senator FERGUSON**—So when our good man in Tasmania retires—I think he is 70 now, isn’t he?

**Senator ABETZ**—No, Murray is a young man.

**Senator FERGUSON**—When he leaves, will you be employing a casual driver—or casual drivers—in Tasmania who you will ensure is trained to that level?

**Mr Sweeney**—That is what has happened in every other state, yes.

**Senator FERGUSON**—Every other state, to the best of my knowledge, still has permanent drivers.

**Mr Sweeney**—Yes. As you rightly pointed out at the outset, there is a reducing number of ongoing or permanent drivers but, as drivers have left, our recruitment policy is to meet client needs in terms of the parliamentary sitting periods, particularly in places like Canberra and on the eastern coast, for example. We have increased the number of casual drivers, or non-ongoing drivers, to meet client needs, and they have been given the level of training that you mention is required to drive the protected vehicles.

**Senator FERGUSON**—How many of the casual drivers in South Australia have reached that level of requirement?

**Mr Sweeney**—I do not have that information with me—I can get that to you quickly—but there are a number.

**Senator FERGUSON**—The problem with casual drivers is they are not always available when required.

**Mr Sweeney**—That is correct, and that is why we have had an increase in the number of drivers available in the last three or four years.

**Senator FERGUSON**—I would be very pleased if you could provide me with the number of casuals in South Australia—not the permanent drivers, the casuals—who have met that requirement.

**Mr Sweeney**—I will get that to you quickly.

**Senator CAMERON**—You have described the drivers as ongoing. Is that how the permanent drivers are described—ongoing?

**Mr Sweeney**—As I understand it—and I can be corrected, and other people here might be able to answer the question better than I—under the Public Service Act, that is the terminology in relation to employment: ‘ongoing’ and ‘non-ongoing’.

**Senator CAMERON**—Are there any other areas in your department where you have a formal policy of just removing permanent positions as people retire and replacing them with casuals?

**Mr Sweeney**—I cannot answer that question directly. What I can do, though, is say to you in relation to Comcar that what we have done is recruit resources in response to our client needs.

**Senator CAMERON**—How did this policy come about?

**Mr Sweeney**—Which policy?

**Senator CAMERON**—The policy not to replace permanent drivers. When did it come about and how did it come about?

**Senator FERGUSON**—About 1994. Is that right?

**Ms Mason**—It is a management decision made by people within the department—by Mr Sweeney and others—and it is about matching our resources to client demands. To answer your question, there is no other area of the department that I am aware of that has adopted

such a policy, but Comcar's operations are unique within the department. There is quite a fluctuating demand. Parliamentary sittings are extra busy—there are different peak times in the various states that coincide with the start and the end of parliamentary sittings—and having a casual workforce better allows us to match the human resources that we deploy to meet client needs without incurring unnecessary expense.

**Senator CAMERON**—So you have done a complete analysis and your department cannot employ permanent employees and meet the needs of Comcar in a cost-effective manner. Permanent employment has gone; is that what you are saying?

**Ms Mason**—I would rather address it differently. It is a management decision that has been taken to use casual drivers who are flexible and can be used to meet the needs of clients.

**Senator CAMERON**—Are you saying Comcar cannot operate with permanent employees in a cost-effective manner?

**Ms Mason**—No, I am not saying that.

**Senator CAMERON**—So it is a managerial prerogative position. You are simply saying, 'We are not employing permanent drivers.'

**Ms Mason**—What I am saying is that casual drivers allow us the flexibility to best meet the needs of clients, and that is a management decision.

**Senator CAMERON**—So that was simply determined by management. Has some analysis been done on that?

**Senator ABETZ**—It would also be fair to say, if I may cut in here, that it was not, with great respect, only customer needs; there were also budgetary considerations.

**Ms Mason**—We always operate within the constraints of our budgets and we certainly, especially within the Department of Finance and Deregulation, do not wish to incur unnecessary expense. We do not want to have employees who are unproductive. There is a greater risk with ongoing staff that they may find periods where they are not able to be used productively.

**Senator CAMERON**—Is there a risk in other areas of your department that people may not be productive 100 per cent of the time?

**Ms Mason**—Less so, and we do use non-ongoing employees in other parts of the department. That allows some flexibility there as well.

**Senator CAMERON**—Could you provide the analysis as to why the department would go to a fully casualised workforce. I just do not know of it happening anywhere else. Can you give me the managerial analysis that determined that this was the way to go?

**Senator Faulkner**—I can give you a quasi-managerial analysis, but what I think can be provided is the background. This decision was made a considerable number of years ago.

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

**Senator Faulkner**—Have we given a year yet? Do we know which year it was?

**Senator JACINTA COLLINS**—My guess is 1996.

**Mr Sweeney**—My knowledge only goes back eight years, but there was—

**Senator Faulkner**—Let's not guess. I do not want to provide any guesstimates. I think the way to deal with your question is to provide you with the background in relation to the timing and the nature of the decision—how it was made and so forth—which we can certainly do. There may or may not be a capacity to also provide you with information about any analysis that occurred in management at the time. I am not sure about that element, but what I am sure we can do is at least provide you with that general level of background and look at the analysis issue.

**Senator CAMERON**—It just seems to me that this is completely out of kilter with any other area of employment in Australia, not just government departments.

**Senator FERGUSON**—I do remember, Senator Cameron, there were 80 permanent Comcar drivers in Canberra when I first came here, and some weeks in winter they never had one job. That was one of the reasons—

**Senator JACINTA COLLINS**—Just before you go back to Senator Ferguson, I have a quick question based on my recent experience. For the first time since 1995, when I was recently in Adelaide, I was asked if I was happy to share a car. I am curious about the extent to which that occurs. On that occasion I was quite happy to share a car with the other senator, but it is the first time I have ever had Comcar ask if I was prepared to share a car. I am curious about the degree to which that behaviour now occurs.

**Mr Sweeney**—I am unaware of that instance, but I can certainly find out the background and let you know.

**Senator JACINTA COLLINS**—The frequency of that is what I am interested in.

**Mr Sweeney**—The frequency, as I understand it, would be very limited.

**CHAIR**—So you will take that on notice.

**Senator FERGUSON**—It may be, in Adelaide, because of the limitation of cars.

**Senator JACINTA COLLINS**—That is right, which is why I asked, following your point.

**Senator FERGUSON**—There is one other issue that I wanted to raise. Some time ago a previous government took away the entitlement of ex-members and senators to use Comcars to get from their homes to the airport. Do you have any idea of the savings that have been made by that ruling?

**Ms Mason**—Not with us. We would need to take that question on notice, I am afraid.

**Senator FERGUSON**—All right. I am curious, because I do know that a couple of quite elderly, in this case, ex-senators who used to have that facility and then it was taken away I think about three or four years ago. While not complaining, they said how difficult it was for them. They only went to the airport about once or twice a year and in most cases had to get themselves there in something other than a taxi because they found it difficult to get in a taxi. One of them was quite incapacitated. I am just wondering whether the savings of taking away that entitlement, which had been going on for some time, is worth the inconvenience to ex-senators and ex-members who I know appreciated that service. If the savings were great I would say we should certainly continue it, but if the savings were very minimal, I am



wondering whether the minister might consider looking at it and seeing whether or not that could be reinstated. I know there are some that use it much more than others but—

**Senator Faulkner**—I can say to you that I recently received a brief from the department on this issue in relation to one communication that I have received from a former member. That happened some time during this estimates week, so I will be looking at this issue more closely in the days ahead.

**Senator FERGUSON**—It is an issue that, if the savings are very minimal, might be worth you considering, as minister. If the savings are significant, then I would not ask you to consider it. That is the whole point. It just depends on the costings, which may or may not be possible to get, quite frankly.

**Senator Faulkner**—These are, you are saying, elderly former members?

**Senator FERGUSON**—Yes, ex-senators and members. One has recently passed away.

**Senator Faulkner**—As Dr Watt says to me in an aside, of course the entitlement was open to all.

**Senator FERGUSON**—It certainly was. Even if you were to consider putting a restriction on the number of times a year it could be used, in the same way that the flights are restricted.

**Senator Faulkner**—I will certainly do this because, as I say, the department have provided a brief on this issue which I have not had an opportunity to focus on. One issue relates, obviously, to the age of the former members and senators involved, and another relates to the number of occasions that this entitlement was accessed. It is, fortuitously or otherwise, something that I have been briefed on by the department in relation to a specific instance literally in the last day or so.

**Senator FERGUSON**—Thank you, Minister.

**Senator RONALDSON**—To finish off on Comcar, I presume it is some time since Comcar has broken even after the allocation of costs. Would that be a fair assessment of the service?

**Dr Watt**—I am not sure what you mean by ‘broken even’.

**Senator RONALDSON**—It runs at a loss. There is not full cost recovery, is there?

**Dr Watt**—It is far from full cost recovery.

**Senator RONALDSON**—Yes. Can I just ask you to take these on notice, please. Will you advise me of the ministerial staff establishment, including officers and classifications, and the number of people with personal classifications? Has there been any change to the ministerial staff established since the last time we met? Of the people with personal classifications, how many were higher and how many were lower than their substantive classification? How many opposition staff have personal classifications? How many government staff are paid above their normal salary band and how many opposition staff are paid above the salary bands? Minister, just on an unrelated matter—

**Ms Clarke**—Excuse me. We have information on the personal staff establishment positions and also changes since the last estimates. We can give you some information on personal classifications, both government and non-government.

**Senator RONALDSON**—That would be good, thank you.

**Ms Clarke**—And salaries above the range.

**Senator RONALDSON**—Thanks very much.

**Ms Clarke**—I can pass those out now.

**Senator Faulkner**—This might assist you. As you appreciate, we have a longstanding practice at the committee which saves a great deal of time. I have two documents: one entitled Government Personal Positions as of 1 February 2009; the other, Establishment Variances Government since 1 October 2008 to 1 February 2009. What we are going to do is table these documents, which will assist you, but I am not quite clear on the other categories. The documents are as I outlined; one which has been very well described as a landscape document. What I have inaccurately done is describe one as government personal positions at 1 February 2009. It is that, but it includes opposition personal positions at 1 February 2009, whips' personal positions at 1 February 2009, former leader personal positions at 1 February 2009, Australian Greens, parliamentarians not affiliated with major political party, and former prime ministers no longer in parliament personal positions. It then includes the President and Deputy President of the Senate, and Speaker and Deputy Speakers' personal positions. So all those are included on the, for want of a better description, landscape document. I will table those for the committee's benefit, Chair, if I can. The other document is the establishment variances for the government from 1 October 2008 to 1 February 2009.

**Ms Clarke**—I can also table the personal classifications details as at 1 February 2009. There were nine government staff with personal classifications and this piece of paper tells you in what offices. As at 1 February 2009 there were no opposition staff with a personal classification, but I can update that: as at 17 February there were four opposition staff with personal classifications, so that qualification should be read in conjunction with this piece of paper that I am tabling now. You also asked about salaries above the range. As at 1 February 2009, there were six government staff employed with salaries above the range for their classification. Again, at 1 February there were no non-government staff but at 17 February there was one opposition staff.

**Senator RONALDSON**—Thank you. Minister, as you are aware when MPs travel, costs are tabled. There is also additional information that is available, on the request of the Special Minister of State, via a CD-ROM. I wrote to you in December last year requesting a CD-ROM of this additional material and my office has been in touch again with your office in relation to this matter. I believe it is standard practice that that material is provided, and I am just wondering whether you could do so for me at the earliest opportunity.

**Ms Mason**—I do not recall that we have tabled a CD-ROM.

**Senator RONALDSON**—No. I do not think you have tabled it. I think what you have done is that on request of—

**Ms Mason**—It has been available on request.

**Senator RONALDSON**—It has been made available to opposition special ministers of state in the past and I just—

**Senator Faulkner**—Look, I am not across the detail of this. But let me say, whatever the practice has been, of course I am happy to follow it. I will find out what the practice has been.

**Senator RONALDSON**—Has there been a problem?

**Senator Faulkner**—I certainly do not have a problem, apart from the normal one I have with CD-ROMs, which is quite substantial.

**Senator RONALDSON**—I think Ms Clarke has indicated that it is normally made available.

**Ms Mason**—It is still in preparation, I think.

**Senator RONALDSON**—When can I expect to get it, then, Ms Mason?

**Senator Faulkner**—Senator, what I will do as a result of the question you have just asked is go back and establish what the normal practices are and come back to you—perhaps even come back to you informally—and outline that. I will find out what the situation is. That is the best way of dealing with it.

**Ms Clarke**—I am wondering if I could give an answer on behalf of Mr Sweeney about the Comcar drivers in South Australia. Senator Ferguson, you asked about the Comcar drivers in South Australia.

**Senator FERGUSON**—Yes.

**Ms Clarke**—There are nine drivers in total, and five casuals and one ongoing have been trained to drive a protected vehicle.

**Senator FERGUSON**—Do you know which level that is equivalent to? The old levels used to go from 1 to 6. Do you know what level that would have been under the old system?

**Mr Sweeney**—That would be the equivalent of what was termed level 6—that is, people who have been trained to the level that they can drive the protected vehicle with an escort or in a motorcade.

**Senator FERGUSON**—Antiterrorist level?

**Mr Sweeney**—As I said earlier, I am reluctant to use that term.

**Senator FERGUSON**—I know you do not use that term.

**Mr Sweeney**—The form of training that was undertaken has been discontinued and the emphasis now is on a different path.

**Senator FERGUSON**—Thank you.

**Senator RONALDSON**—Could you please also provide me with the numbers of vacancies in personal staff positions in ministerial offices as of today's date? How many consultants are employed in ministerial offices and the offices of parliamentary secretaries? Are there any staff working in ministerial offices who are not employed under the MOP(S) Act or by a government department? If there are, can you provide the committee with the number of these staff and the details of what agreement they are employed under? I am happy for that to be taken on notice.

**Ms Clarke**—We would not be able to help you with staff that are employed under any other arrangement in ministers' offices. That would have to be directed to those offices.

**Senator RYAN**—My question regards the reserve pool of staff listed on the variances document. I am not familiar with the reserve pool. What is the purpose of it? Are they vacancies?

**Senator Faulkner**—They are positions, effectively, in the government staffing establishment that have not been filled, but there is a capacity for the government to fill them. The benefit in this is actually a benefit to the opposition, because the opposition staffing establishment, as you understand, is worked out as a proportion of the government staffing establishment, and the reserve pool, even though they may be unfilled positions, counts for the opposition establishment.

**Senator RYAN**—Thank you. I was not sure if they were unfilled or not.

**Senator Faulkner**—In fact, the alternative would be, I suppose, to add additional staffers and it would be above establishment and there would not be a flow-on positive impact in terms of opposition staff.

**Senator RYAN**—Sure. Thank you.

**Senator RONALDSON**—Could you also provide the committee with details of how many government personal staff have received salary increases since December 2007 and what the sum total of these increases has been?

**Senator Faulkner**—We can do that in terms of those staff who have received their annual increases under the CA. I think I can say no senior—

**Senator RONALDSON**—Do you want to continue the answer you were about to give, Minister, or do you want to change it?

**Senator Faulkner**—No, I can continue it. The junior ministerial staff have received their annualised increase under the CA. In relation to senior staff, as I am sure you appreciate, there is no formal capacity at this stage for an annualised or incremental increase. So there are just a few staff who may have received an increase. There are a small number who, as you know or have just heard, have got salaries above the range. I think there is one other staff member who has received an incremental increase as a result of a decision of the Prime Minister. Let me now check with officials that I have got that right. If it matters to you, Ms Mason has indicated to me it might be one or two who have received an incremental increase. I am not sure of the precise details. It probably does not make a huge amount of difference to this.

**Senator RONALDSON**—What level are they at, Ms Mason?

**Senator Faulkner**—The point is we cannot answer that because we are not sure whether it is one or two.

**Senator RONALDSON**—Are there any principal advisers who are receiving salaries above the range at the moment?

**Senator Faulkner**—It is not my intention, regardless of whom their employer might be—government or opposition—to identify those individuals.

**Senator RONALDSON**—No. I asked you whether there are any principal advisers who are paid above the range.

**Senator Faulkner**—We may well be on the same page here, but let me just explain a little further. It has been my practice—and I think senators would know it is my longstanding practice both in government and in opposition—to ensure that staff members are not named or identified. My only difficulty with your question is the identification. Suffice to say, in answer to your question, if it satisfies you, that all staff who are in receipt of salaries above the range are senior staff.

**Senator RONALDSON**—Are any of those people principal advisers? It is hardly a state secret. Are they principal advisers or not?

**Senator Faulkner**—We will need to check.

**Senator RONALDSON**—I know the answer: yes.

**Senator Faulkner**—The answer to your question is that certainly some will be, but we will need to check how many, if you wish to know precisely. We do not have that information. But I stress to you again that all those staff—all of them—hold senior staff positions.

**Senator RONALDSON**—Would there be any assistant adviser positions that have been reclassified to the ‘personal’ classification of adviser, Ms Mason? Do you know?

**Senator Faulkner**—Is there a time frame on this?

**Senator RONALDSON**—In the last 12 months.

**Senator Faulkner**—We will get that information. We might have that available.

**Ms Mason**—Would you mind repeating the question, please?

**Senator Faulkner**—Are there any assistant advisers who have a personal classification?

**Ms Mason**—I believe there are two assistant advisers who have personal classifications.

**Senator RONALDSON**—Minister, do you remember, on 29 May 2001, describing that as a roort?

**Senator Faulkner**—Would you like to give the full context of my comment and the numbers we are talking about?

**Senator RONALDSON**—I can take you back to F&PA 274, where there was some considerable discussion between yourself and Senator Abetz and Senator Ray. At one stage you were talking about the Treasurer’s office where the assistant adviser position had been reclassified to a personal classification and you described that as a roort. Senator Ray then made a significant song and dance about principal advisers. You might find it amusing, Minister, but these were discussions you held in this room or somewhere else, where you made a big song and dance about reclassification, and I am sure the senator sitting beside me, Senator Abetz, will remember this very well. Senator Ray asked, amongst other things: ‘Could you nominate one occasion when principal advisers were paid outside their salary range during the Keating or Hawke governments?’ You then asked again: ‘... nominate one occasion ... when advisers were reclassified as special advisers—or advisers who had personal classification,’ and both you and Senator Ray believed that those activities were a

ort. Do you now view the reclassifications that you have acknowledged have occurred as a ort?

**Senator Faulkner**—What I would commend to you is an examination. This is why I said to you that you have got to look at the context of comments like that.

**Senator ABETZ**—Exactly.

**Senator Faulkner**—The context I would be referring to are the numbers of personal classifications and the number of salaries above the range.

**Senator RONALDSON**—Can I assure you there was no discussion about numbers. It was the principle that you were referring to, not the numbers, on pages 274, 275 and 276. It went on page after page and this was all described as a ort. The reclassification, the personal classification of assistant advisers, the principal advisers being paid outside the salary range are all a ort—apparently all underhand—and your government has done exactly the same. Are they still a ort or have the rules changed now that you are in government? Indeed, as Mr Tanner—as I discussed yesterday in the *Australian Financial Review*—on 2 October when he said:

People are obviously cynical because of a history of oppositions being principled and high-minded and then not being so much so in government ...

I put to you that this is a classic case of that, and indeed, Minister, while you enjoyed your time across on this side—apparently you did, from what I have heard and read—these things do come back to haunt you a bit, and the principal advisers above the range and the reclassification are the very things that you have done which you described as a ort and which you so viciously attacked the former government on.

**Senator Faulkner**—Now let me respond to your question.

**Senator RONALDSON**—Sure.

**Senator Faulkner**—The first thing I would like to correct is that you thought I enjoyed my time on that side of the table. Nothing could be further from the truth. I am very much enjoying my time on this side of the table and I would like to assure you that that is the case. I commend it to you as being far preferable. I am sure that, if you do not understand that, Senator Abetz certainly does. No, I am not haunted by these things. In fact, I have a very good record of being consistent in my approach as a minister, as I was as a shadow minister or a member of the opposition. The critical thing I would point out to you in relation to these issues is for you to look at the numbers of staff involved. And of course the record is replete of me and my former colleague, Senator Ray, examining the minister of the day and officials in ministerial and parliamentary services about these sorts of issues. It took a very long time, as you would appreciate, for the sort of information that has been tabled by me at estimates today to become part and parcel of the way this particular committee went about its business. We now have also, and I commend this to you, the advantage of having details in the MOP(S) Act annual report of all these issues: personal classifications; special advisers, if there are any; salaries above the range. All these sorts of things are now made available, so people can make comparisons if they care to. I do not make major political points about these things.

**Senator RONALDSON**—You most certainly did in May 2001.

**Senator Faulkner**—What I would commend—

**Senator RONALDSON**—I am sure you are not doing it now, Minister because the roles have been reversed, but you most certainly were then.

**Senator Faulkner**—You know—

**Senator RONALDSON**—The sort of language, covering up this—

**CHAIR**—Can I just remind senators and the witnesses that it is very difficult for Hansard to record the proceedings when people speak over the top of one another. We have a process. We put a question and the witness answers.

**Senator Faulkner**—Let me conclude by saying that what I would commend to Senator Ronaldson is to look, at the time, at the number of special classifications, personal classifications and salaries above the range. I would commend to Senator Ronaldson also to look at the transparency measures that have evolved since the time I made those comments. I would hope the shadow minister would be positive about those things and would acknowledge the situation is considerably improved in relation to transparency. Of course, also the numbers in these classifications significantly reduce. I do not want to be too partisan about this, Senator, but I think you know that that is the case, as I do.

**Senator RONALDSON**—I am advised by my colleague on the left here that that is simply not right. Can I again, Minister, indicate to you that you were not talking about numbers when you were attacking the former government in relation to principal advisers being paid outside the salary range. You were not talking about numbers when you were talking about assistant adviser positions being reclassified to personal classifications. You were not talking numbers when you were talking about advisers being reclassified as special advisers. Indeed, it was the principle of those that you described as a rort. What I am putting to you is: has the benefit of government indicated to you that your previous comments were incorrect, or is this a rort? It has got to be one or the other.

**Senator Faulkner**—My comments stand, and my comments stand in the context of the number of personal classifications, the number of salaries above the bands, the number of—

**Senator RONALDSON**—Minister, you did not indicate that this was about numbers. You were talking about positions. Why don't you go back and read it tonight? Maybe it would be good bedtime reading for you.

**Senator Faulkner**—Why don't you come back with a handful of documents with the detail of the number of these classifications at the time and you will understand the point that I made then and I make to you in a reasonable way today.

**Senator RONALDSON**—I am sure, Minister, that you are not attempting to mislead this committee, but I invite you to go back tonight and to read the exchange between yourself, former Minister Abetz, former Senator Ray and then, if you want to write to me and indicate to me where you talked about numbers as opposed to the principle of the positions, I will write you a letter of apology. I can tell you now that I do not think I will need to pull the pen out of my top pocket. Now I will move on to something else.

**Senator Faulkner**—Did I not make the comment at the time that I had a concern about hiding the personal classifications?

**Senator RONALDSON**—You were talking of that. Where do you want to go to on this? We can talk about this. You go back and read it. If I owe you an apology, you write to me and I will make it, but you do not mention anywhere in here numbers of these positions; it was the principle of the positions and the reclassifications themselves.

**Senator Faulkner**—Senator Ronaldson, you have to tell the full story.

**Senator RONALDSON**—The full story is there for everyone to read.

**Senator Faulkner**—I had hoped, Senator, that you would have learnt that lesson from your press release on CMAX and the Auditor-General's report.

**Senator ABETZ**—You do not want to go back there, surely.

**Senator RONALDSON**—Do you want me to start talking about CMAX? One of those senior people got a pay rise as well.

**Senator Faulkner**—I want to tell the full story, Senator.

**Senator RONALDSON**—I did not revisit CMAX.

**CHAIR**—Sorry, we are starting to speak over the top of one another again.

**Senator Faulkner**—I made the point in May 2001 that I believed it was—and all these things are in the *Hansard* record, and I commend people going through it—

**Senator RONALDSON**—You are reading it now because your staff have sent it through to you.

**Senator Faulkner**—I said that it was a rort in relation to the then government hiding the personal classifications. I referred to an assistant adviser in the then Treasurer's office. I was concerned that the then minister, who is with us today—that is, Senator Abetz—was not fronting up with information about the adviser positions that had been reclassified. I was not pleased about that, because there was no transparency about the personal classification regime. Since that time—

**Senator RONALDSON**—You go to page 273 and then you go to 274.

**Senator Faulkner**—Please let me finish, Senator. Since that time there has been a great deal more transparency about—not again. We dealt with that gentleman for years.

**Senator ABETZ**—And he is a good man.

**Senator Faulkner**—He might be a good man. I just remember the Eden-Monaro incident.

**Senator RONALDSON**—Is this now the rule, is it, with a comment like that? Do you want us to get—

**Senator ABETZ**—We will not mention staff, because we are so highly principled.

**Senator RONALDSON**—No. Do you want us to get—

**CHAIR**—Can I have some order, please?

**Senator Faulkner**—Let me conclude, if I can.

**Senator RONALDSON**—And you are justifiably going red, too, after that outrageous comment.



**CHAIR**—Can I have some order, Senator Ronaldson.

**Senator Faulkner**—I certainly am not, Senator.

**Senator RONALDSON**—You are going red. You should apologise.

**Senator Faulkner**—I am certainly not. What for?

**Senator RONALDSON**—Don't lie!

**CHAIR**—Can I have some order! Senator Ronaldson, you put a question. The minister is trying to respond. It is disorderly for senators not to adhere to the chair, and I would appreciate that courtesy and I would also appreciate it, for the *Hansard* record, that people do not talk over the top of one another. We have limited time left and there are other people who have questions. Minister, have you finished your response?

**Senator Faulkner**—No. I wanted to make a point. The key point here is that it is in everyone's interest for full details to be made available of the numbers of personal classifications and, if there are special advisers or other classifications, the numbers of salaries above the range—I think in these instances without identifying individuals. I think the transparency that we now have is beneficial. I would commend to Senator Ronaldson—through you, Chair—the importance of having this sort of material. This sort of documentation, Senator, that you have in your hands was not tabled in 2001. That was not made available.

**Senator RONALDSON**—What are the names of the principal advisers who are above the range? You have opened this debate up. You have talked about personnel, so can you tell me what the names of those principal advisers are? You have chosen this course of action. If that is the way you want to play the game, what are the names of these principal advisers who are now receiving these payments? You have gone down that path, so you will now please tell me what the names of those people are. You did not want to talk about names. You have raised it, so the ball is now back in your court.

**Senator Faulkner**—I have used no names, but let me make clear to you—

**Senator RONALDSON**—Come on! You were making a reference to a particular incident. If that is the way you want to play it, what are the names of these senior principal advisers in the Prime Minister's office who got a big salary whack when the same Prime Minister was out wandering around Australia telling people they have to pull their belts in? Who are they?

**Senator Faulkner**—Senator, you know as well as I do—

**Senator RONALDSON**—Who are they? Come on, you have raised this subject of personalities.

**CHAIR**—Senator Ronaldson!

**Senator RONALDSON**—Who are they?

**Senator Faulkner**—I have not raised the issue of personalities.

**Senator RONALDSON**—You know you did.

**Senator ABETZ**—Of course you have.

**Senator Faulkner**—And, Senator—

**Senator FIFIELD**—It is not your usual form, John.

**Senator RONALDSON**—No, it is appalling form. You and I have had an agreement in relation to this.

**CHAIR**—We have a question.

**Senator RONALDSON**—You just breached it before, so who are they?

**CHAIR**—Senator Ronaldson, there are other people waiting to ask questions.

**Senator RONALDSON**—Yes, and I am waiting for some answers.

**CHAIR**—You put a question to the witness. If you allow the witness and the minister to respond, they will.

**Senator Faulkner**—Let me answer the question. It has been a longstanding view—and I intend to be consistent about this—to try and ensure that what we apply here is a maximum level of transparency in relation to these classifications. We have information, Madam Chair, tabled here. This is the point that I really think Senator Ronaldson needs to take account of: this information was not available in 2001; it was not tabled in 2001. This has been a recent development, and I acknowledge, Senator Abetz, that improvements in relation to the tabling of information occurred during the life of your government—that is true—after a lot of pressure from the then opposition, as you would, I think, have to acknowledge. Now we have—sorry?

**Senator ABETZ**—And under the Hawke-Keating era that we inherited?

**CHAIR**—If we keep getting interruptions, we are not going to get through this.

**Senator ABETZ**—You do not want to go there, do you?

**Senator Faulkner**—It may not have been perfect under the Hawke-Keating era, but I would hope that you would agree that what we need to have is as much transparency as we can to take some of the partisan politics out of this, to acknowledge—

**Senator ABETZ**—As displayed by you.

**Senator Faulkner**—No, I do not display it. I do not, actually. We need to acknowledge that these matters are appropriately examined by the committee—the numbers, the detail. I commend the MOP(S) Act annual report to you. I believe these are significant advances. The one thing I do not intend to do, and I hope you appreciate this, because, like you, Senator Abetz, however robust questioning might be at the Senate estimates committees, I suggest it is better not to get into the names of advisers, whether they be—

**Senator ABETZ**—If I may, Senator Ronaldson, I was in fact the one that got that established as the principle in the face of opposition from yourself and Senator Ray and Labor Party senators, estimates after estimates, and I was the one that refused to give the names at estimates because I did not want to gratuitously trawl people's names through the *Hansard*. I think it even got to the extent that there was the threat, 'We'll take it to the full Senate,' and I invited you and others to be my guests.

**Senator Faulkner**—We did not have a capacity to go to the full Senate, as you would appreciate.

**Senator ABETZ**—Before we start claiming some of these credits, just a question so we get back on track, if I may, Chair. Can you tell us which minister enjoys the most staff with personal classifications?

**Senator Faulkner**—I will if I can get the list, Senator. Of course I will. It may well be me, Senator.

**Senator ABETZ**—A very interesting revelation, Senator Faulkner! This huge rort that you campaigned against in opposition now becomes the greatest benefit to you, the Special Minister of State in the Rudd government. A bit of Operation Sunlight no doubt was on that one as well.

**Senator Faulkner**—I am just going to double-check that it is me. I am sure it is, Senator, but let me check. No, it is two on this list. But I think you need to also look down the bottom, because you have a list that says two, but you also have to look down to the Caucus Committee Support and Training Unit, which is one. As you would appreciate, to enable yourself, Senator, and Senator Ronaldson and others, to ask questions about the CCSTU, I am the responsible minister, a decision I deliberately made so that you could ask those questions. So I am the employing minister there.

**Senator ABETZ**—Yes. You are the responsible minister.

**Senator Faulkner**—Yes, I am.

**Senator ABETZ**—And you have two staff members on a personal classification.

**Senator Faulkner**—That is right.

**Senator ABETZ**—Which not even the Prime Minister enjoys.

**Senator Faulkner**—That is true.

**Senator ABETZ**—This is the rort that you campaigned against so hypocritically whilst in opposition.

**Senator Faulkner**—No. Look, Senator—

**Senator ABETZ**—The point has been made. I do not want to continue, but it really is galling.

**CHAIR**—There is a question before the chair. Senator Abetz, you asked the question, and now the minister has the opportunity to respond.

**Senator Faulkner**—For the record, Senator—something you know, but let me say again; we canvassed this previously—a personal classification for a ministerial staffer in this government is approved by the Government Staffing Committee, of which you would know I was a member. I am a member. I can also assure you that—

**Senator ABETZ**—And they were not under the previous government?

**CHAIR**—Senator Abetz, can we please hear the answer first.

**Senator Faulkner**—No, wait a minute.

**Senator ABETZ**—Of course they were.

**Senator Faulkner**—If the suggestion you are making is that I might have been present when that occurred, it is not the case. One of those staff members had an ongoing personal classification from opposition as well, the same personal classification that existed during that period of time. Of course, in relation to anything that involves my own staff, just so that you are aware, I absent myself from any decision-making process.

**Senator ABETZ**—The rort, as you described it at the time, was in relation to staff being paid above the band. That was the point that you and Senator Ray made ad nauseam—that it was outrageous; it was a rort et cetera—and then towards the end of opposition you guys started to get into the personal classification situation. Might I say, it is an appropriate mechanism to have good quality staff. But I suppose what is galling is having to be the minister, facing the allegations of rorts—and all the little petty tantrums, that we now know were just hypocritical and had no genuineness to them, that were thrown at these committees—and you now, Minister, are the beneficiary of the most personal classifications in the Rudd government. It is really interesting how the wheel turns.

**Senator Faulkner**—Let me respond to that.

**Senator ABETZ**—You can try.

**Senator Faulkner**—Well, I can.

**Senator ABETZ**—Yes, of course you can.

**Senator JACINTA COLLINS**—Senator Abetz, can we have the answer rather than your performance, please.

**Senator Faulkner**—It is true that I described this as a rort, and I will stress again, as I have said to Senator Ronaldson, and I ask you to reflect on this: what I was suggesting was a rort was a cover-up at the—

**Senator ABETZ**—No.

**Senator Faulkner**—lack of transparency.

**Senator ABETZ**—It was being paid above the band.

**CHAIR**—Allow the witness to complete the question.

**Senator Faulkner**—I think the transcript is clear.

**Senator ABETZ**—Absolutely clear.

**Senator Faulkner**—I think the record is clear here.

**Senator ABETZ**—Very clear.

**Senator Faulkner**—I am disappointed if you do not acknowledge it, but I think it stands any test of—

**Senator ABETZ**—Has the secretariat got some tissues for the minister?

**Senator Faulkner**—objective assessment. My comments related to what I considered were these issues not being made public at this committee, and I think that was a mistake. I thought it was a mistake then, I still think it is a mistake, and I hope that has been addressed.

**Senator RONALDSON**—I have just about had enough of the goody-two-shoes defence. Can I give you a quote, please.

**CHAIR**—Senator Ronaldson, before you go any further, can I just have some clarity. It is almost 5.30 now. We have a number of matters still to go. There are a number of questions still to be put in relation to these outcomes. Do you still want the Australian Electoral Commission?

**Senator RONALDSON**—Yes.

**CHAIR**—We have got one hour left to go. There are questions from over this side in relation to the area that we are dealing with now, so if you could allow us some time to address those as well.

**Senator RONALDSON**—Yes. We will get time allocated for both the AEC and for this. Minister, Senator Ray in estimates in May 2001 said, in relation to principal advisers being paid outside the salary range:

All of a sudden three favourite sons get a pay rise, that there is no transparency on, approved by the Prime Minister.

I presume that the principal advisers that have been paid above are indeed the favoured sons or daughters of the Prime Minister or the Deputy Prime Minister. Isn't it amazing: the more things change, the more they stay the same? Can you provide the committee with the aggregated quantum of money that makes up the difference between what the staff are actually paid and the top of their respective salary bands? You can take that on notice.

**Dr Watt**—We can take it on notice.

**Senator RONALDSON**—Could you also provide the committee with an estimate of the salaries of these people, not including the MSA.

**Dr Watt**—On notice.

**Senator RONALDSON**—Thank you. I will try and put most of this on notice. In relation to the second mobile phone for ministers and parliamentary secretaries, are what are called the 'home department' mobile phones still available or have they been taken out?

**Senator Faulkner**—I am not sure it is an entitlement that is accessed consistently across departments.

**Dr Watt**—We are not aware of the practice in Finance. We will have to take that on notice.

**Senator Faulkner**—What is the reference? Have you got a reference that you can assist us with?

**Senator RONALDSON**—Yes, I do have a reference. It was in the *Sydney Morning Herald*, a comment from yourself some time ago. You said, 'Labor sees no justification in the minister having two mobile phones.' I am wondering whether the home department mobile phones—for want of a better word—are still available, over and above MAPS supplied phones.

**Dr Watt**—We will have to check.

**Senator Faulkner**—I can only say in relation to my own situation that my home department is in fact the department of finance, not Prime Minister and Cabinet, and it does not provide a mobile phone, if that is what you are asking.

**Senator RONALDSON**—I also understand that there was a Labor Party policy, I think introduced by yourself—a policy, not a program—that there be an auditor of parliamentary allowances, and I think that was first discussed in 2000. Even as late as 2007, I think it was reported as being Labor policy. Ms Mason, what steps have been taken to establish an office of auditor of parliamentary entitlements?

**Senator Faulkner**—Let me respond to that, because I think if you are being fair you would acknowledge that I was not the relevant shadow minister in this area prior to the 2007 election. In fact, I was not even a shadow minister in the opposition at the time. It is, however, true that as early as, I think, 1998, following the so-called travel rorts affair, as the then shadow minister I proposed such a course of action. I think that is an accurate history of the situation, and if you want to progress it with the department, that is fine.

**Senator RONALDSON**—Has there been any request to establish an auditor of parliamentary allowances?

**Senator Faulkner**—I think officials are placed in a difficult position in relation to advice to government. These are the sorts of things, as you would appreciate, that are canvassed in areas like incoming ministers' briefs and the like because of issues that have been raised by oppositions over the period they have been in opposition or out of office. Obviously, officials are reluctant to talk about advice that they provide to ministers in relation to those sorts of policy issues.

**Senator RONALDSON**—Have you provided any advice, Ms Mason, in relation to this issue?

**Senator Faulkner**—That is the reluctance that I speak about.

**Senator RONALDSON**—I am not asking for the nature of the advice. I am just asking whether advice has been provided; whether you have given any assistance to the government in relation to the establishment of an auditor of parliamentary allowances.

**Ms Mason**—Yes.

**Senator RONALDSON**—Thank you. When was that?

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

**Senator RONALDSON**—When was the last time you were asked for assistance?

**Ms Mason**—I think we are getting into the difficult territory of—

**Senator RONALDSON**—I might be difficult for you, Ms Mason, but I do not think the question itself is terribly difficult.

**Ms Mason**—the department's advice to government.

**Dr Watt**—We will take it on notice and see if we can help you.

**Senator RONALDSON**—I have a number of questions in relation to the CCSTU. In light of the time, I should probably put those on notice. In relation to the staff turnover costs, Dr Watt or Ms Mason, in relation to question F41f back in October at the supps hearings, I asked:

In relation to personal government staff that have commenced and ceased employment since December 2007, what are the associated costs from that turnover including any relocation costs to locate that staff member at their then new home base, initial and subsequent advertising for those positions vacant, relocation expenses for those replacement staff and where applicable the costs associated for seeking top-secret clearances for that now departed government personal staff member?

I thought it was interesting that between 2007 and October 2008 the relocations were only \$25,000, which seemed a remarkably small figure for the relocation of 65 staff and their families. I assume that that was the correct figure. I appreciate you might need to take this on notice, but did that include all travel expenses, including air fares and car travel? Did it include the cost of furniture and belongings removal? Did it include the allowance for temporary accommodation? Could you please provide the committee with a breakdown of those relocation costs, itemised by travel expenses, furniture and belongings removal and allowance for temporary accommodation.

Could you also please provide the number and classification of full-time ongoing government personal staff that commenced employment before January 2008 but have since ceased employment and, in relation to these full-time ongoing government personal staff that commenced employment before January 2008 but have since ceased employment, what are the associated costs from the turnover, including the relocation costs, advertising of positions vacant, relocation costs for replacement staff, including travel and temporary accommodation, and, where applicable, the provision of training and security clearances for replacement staff.

**Senator Faulkner**—I think we will have to take that on notice.

**Senator RONALDSON**—That \$25,000 just seems a very small amount for the relocation of 65 staff members and, presumably, their families.

**Senator Faulkner**—We will take it on notice.

**Senator RONALDSON**—So could you double-check that.

**Senator Faulkner**—Sure. I think that I have inadvertently misled you in an answer that I earlier provided, because I have now been advised that my mobile phone account has been taken over and is now paid by Finance Corporate, and they provide me with a phone. I believe I may not have said that. That is an accurate reflection of the situation in relation to my mobile phone.

**Senator RONALDSON**—So I am clear, you have a home department mobile phone, as well as—

**Senator Faulkner**—No, I only have one mobile phone, but what I understand has happened, which I think is probably the point of your question—and I want to make it very clear—is that it is now paid for by Finance Corporate, which I think is the significant difference, as opposed to—

**Dr Watt**—It is still one mobile phone, but it is paid for by Finance, not Ministerial and Parliamentary Services separately.

**Senator Faulkner**—It is a different part of Finance. I think I indicated to you that there had been no change. The distinction I am drawing is that it is Finance Corporate, not MAPS, that pays for my phone and its account. Even though it is the same department, it is a different section, and I wanted you to be absolutely clear on that.

**Ms Mason**—Returning to question F41f, we will certainly check those costs. We would have checked them before tabling them, but we will check them again and see if we can give you the break up that you seek. In questioning the costs, I think you are assuming that all of the staff have needed to relocate to Canberra, when in fact many of them may not have. They might have already been Canberra based and not have needed relocation.

**Ms Hughes**—Or based in the minister's capital city office and, again, do not need to relocate.

**Senator RONALDSON**—In light of the time and given we have got the Australian Electoral Commission to come, I thank Dr Watt and his officers for their assistance.

**Dr Watt**—Thanks very much. Madam Chair, could I provide some information that Senator Coonan sought at the end of this morning's session. I promised to provide it and there really has not been an opportunity before now. You might remember that she was questioning an appropriation of \$260 million to FaHCSIA under the Nation Building and Jobs Plan and how that would fit in with the Federal Financial Relations Bill.

The Federal Financial Relations Bill provides for future appropriation of funding to Treasury to be paid to the states and territories, not FaHCSIA. The bill has not yet been passed. Indeed, I am not sure if it has even been introduced yet. Once it has been passed, assuming it is, any unspent appropriation to FaHCSIA will be quarantined, returned to the budget and any unused appropriations will be lapsed and future payments will be made by Treasury, so there will be no money left for FaHCSIA. I just clarify that, and I am sure that will sort that one out.

**CHAIR**—I have some questions in relation to PDAs. Is there someone from Finance—

**Dr Watt**—PDAs?

**CHAIR**—Yes. I did not think you would want to leave without updating us.

**Dr Watt**—I am sure I would not, Madam Chair.

**Senator JACINTA COLLINS**—I was wondering earlier whether the questions about the two mobile phones related to the fact that some years ago departments provided ministers with PDAs, whereas they were not available through MAPS.

**Dr Watt**—I am less sure of that. I think there might have been occasions when there was some confusion about entitlements and two phones were provided. I do not know. We will look into it, as we said. I have your PDA answer, Madam Chair.

**CHAIR**—Yes, and I think I have demonstrated a great deal of patience waiting to get to this important area. Along with other senators, I put a number of questions on notice at the last estimates in relation to the PDAs and the options that were made available. Could you give us an update as to what models are still in use? I had asked questions about the complaints in relation to the models that were in use at that time, without being able to get



any indication of which PDAs were being handed back. So perhaps now, knowing that, you might be able to give us an update as to what is happening.

**Mr Quester**—We are still servicing the four PDAs that have been in service since the entitlement came in, which are the Palm Treo 750, the HTC Neon Dual Touch, the i-mate JASJAM and the i-mate Ultimate, which was the latest PDA to be put onto the entitlement. As for complaints about the actual PDAs, DPS provides all support services for us on the PDAs. They have been able to provide us with some statistics but are not able to break down which of those statistics are actually complaints. At the present time there are 137 senators or members currently using a mobile PDA. Since the entitlement came into place, there has been an average of 97 calls per month to the 2020 help desk on mobile PDAs. Unfortunately, as I said, they cannot actually break that down and get the number of complaints. That figure includes breakdowns, incidents, queries and service requests.

**Senator JACINTA COLLINS**—Can you indicate how many members and senators have given up using them?

**CHAIR**—And handed them back in and gone back to a mobile phone.

**Mr Quester**—There have been 26 senators or members who have handed back a mobile PDA and gone back to a standard mobile phone.

**CHAIR**—Have you done any analysis in relation to the costs and the budget for the calls, because I think one of the main issues when they were first introduced was the amount of PDAs that were dropping out and in some cases having to return the call three times. Have you done an analysis on whether there has been an increased cost to members' and senators' mobile phone usage over the last two years?

**Mr Quester**—We have not done an analysis on the actual mobile call costs. I would have to seek some guidance from my colleagues in Ministerial and Parliamentary Services.

**CHAIR**—Can you take that on notice.

**Mr Quester**—From my memory, there was no flag fall on the contract that was put in place for the mobile PDAs; it was only by the usage of the minutes that were used. In terms of the connection charge, there was no connection, so there would not have been an additional cost for additional calls because there was no connection charge.

**CHAIR**—I am participating in the trial for BlackBerries, and one of the concerns I had—and I raised it with the appropriate people—was that during the trial there were limitations on the facilities you could use through the BlackBerry. I am wondering why that was put in place. If you are about to trial a PDA, shouldn't you be able to trial all the features? I am talking about basic ones.

**Mr Quester**—There are numerous things we need to look at when we are looking at the features, whether it be a PDA or a BlackBerry, that are made available. When we are doing a pilot, such as we are doing with BlackBerries, we need to establish a baseline on the services, because senators and members have differing needs with these devices. We have some senators and members that want all their email and all their attachments automatically downloaded and some that just want a certain amount of days. We wanted that baseline so that when we started opening up extra functionality we could see the degradation that may occur

on the devices, depending on the options taken. The second component we had to look at was the security implications of what is available on those devices. We looked at the devices provided by the Defence Signals Directorate and what could actually create a security risk to the data that is being held on the device.

**CHAIR**—For instance, a lot of senators and members when they are in their electorates do not always have a camera with them, so they use the features of their phone. Why was that feature not available initially?

**Mr Quester**—I think the camera has now been made available as part of the trial.

**CHAIR**—It has been activated now.

**Mr Quester**—That was the original; at the baseline we bring it down. Part of the advice that is given from DSD is that you should not use the cameras. But you can take that risk on yourself and your own organisation if those devices are not going to go into areas where they could take that sort of classified photo. That is the sort of service that we would be able to make available, as long as that risk was not too great on the device.

**CHAIR**—How many people are participating with this pilot program?

**Mr Quester**—I do not have that information with me. It has been expanded since it originally went into service. We did cater for that, knowing that there would be some requests for additional people to come onto the pilot. But I could have that information brought up to me.

**CHAIR**—There was some confusion about when the pilot program is going to be completed. Can you tell us how long after the pilot program has been completed—and my understanding is that those participating members and senators will be involved in giving feedback—a decision will be made about whether BlackBerries will come into operation?

**Mr Quester**—The Special Minister of State approved a month-long trial of the BlackBerry service. That trial commenced in the first sitting week in February. Towards the end of that month a survey will be sent to all trial participants. Also, in conjunction, a different survey will be sent to every senator and member about what features they would like to see in either a combined mobile PDA or a BlackBerry style device. Once we have that feedback, we can present that information to the minister so he can make an informed decision on the best service that we can present for senators and members.

**CHAIR**—Is the model that is being trialled at the moment the latest and the most secure BlackBerry available?

**Mr Quester**—The model that we are trialling at the moment is the 3G model of BlackBerry. We took the decision to stay with the Research In Motion proprietary devices, because they test those devices extensively and they are not prone to failure. At the moment that is the only 3G version of the BlackBerry RIM devices available.

**CHAIR**—During the pilot programs that were run for the other models that were initially introduced, can you tell me the number of complaints that were made during that period of time, as opposed to what has been reported thus far in this trial?

**Mr Quester**—From the original MPDA trial?

**CHAIR**—Yes.

**Mr Quester**—I would have to take that on notice.

**CHAIR**—Could you take that on notice for us.

**Mr Quester**—Certainly.

**CHAIR**—Can you give us any information as to the comparative cost of this BlackBerry model that is being trialled as opposed to the ones that were initially introduced?

**Mr Quester**—The costs for these styles of service are comparatively the same. At the moment we have got a slight reduction in data cost for the BlackBerries—the actual data charged for the device itself— but the server infrastructure that sits behind it and the support charges will be relatively the same, whichever service you go to.

**CHAIR**—Anything else I will put on notice. Senator Cameron.

**Senator CAMERON**—I attended a hearing in Melbourne Town Hall where I connected my computer up and they told me I could not do it because there was no testing tag on the adaptor and they would not allow us to use it until the town hall checked the adaptor. Is that a standard thing and should we have testing so that we can use this anywhere around the country? This one has now been tested for 12 months. Is that a standard thing?

**Mr Quester**—The electrical testing and the requirements for electrical equipment to be tested within environments are out of my area of expertise. The testing of equipment that is supplied within Parliament House would be by DPS. I do not know what testing requirements they go through.

**Senator CAMERON**—I would not like to go through that again. We could not use our computers at a Senate hearing.

**Senator ABETZ**—So Senator Conroy could not email the questions.

**Senator CAMERON**—Nobody could. Channel 7 were ringing me up and saying, ‘Why?’

**Senator FIELDING**—I have some questions.

**CHAIR**—I have one more in relation to entitlements. Does this come under Finance? The special minister will be able to advise us. Is caller ID available for senators and members on their home phones?

**Senator Faulkner**—Caller ID?

**CHAIR**—Yes.

**Senator Faulkner**—I certainly cannot help you.

**Senator ABETZ**—Why not, Minister?

**Senator Faulkner**—This is one of the downsides, you see, with a change of government. Senator Abetz knows about all these things.

**CHAIR**—It is a little confusing when we are talking about entitlements.

**Senator Faulkner**—He needs the caller ID to check who is ringing.

**CHAIR**—The department of finance picks up the telephone account, but my understanding is that there is no entitlement to caller ID. I wanted to have that confirmed because I would have thought, from a security point of view, it would be an advantage.

**Ms Mason**—We will have to take that on notice and check it for you.

**CHAIR**—If it is not available, can I then ask that the minister take that into consideration as to including that in entitlements.

**Senator Faulkner**—We will certainly have a look at it. I am only aware of the facility on mobile phones, to be honest, but you are talking about fixed landlines.

**CHAIR**—That is right. Senator Fielding.

**Senator FIELDING**—Thanks, Chair.

**CHAIR**—This is in relation to Finance and Deregulation, outcome 3?

**Senator FIELDING**—It is following up on some of the questions on the PDAs for senators and members. We are all thankful that we have got them. I think it was in February 2007 when we first started to have an entitlement to a PDA, which is unbelievable in itself—that it took that long for us to get a tool that allows us to communicate with people. I remember having to go to internet shops or kiosks to get emails through. From there, it was just unbelievable. Anyway, that is great. Obviously the technology changes pretty rapidly with these things and, to be frank, really after a year they become obsolete. By the same token, we have to be careful we are not wasting taxpayers' money in replacing equipment just for the sake of getting the latest gadget or mobile phone.

PDAs are extremely useful, and we can be in touch with constituents and the electorate pretty quickly via email. Having it on a small device like this is much easier than carrying around a laptop. We already know all these issues. I am wondering whether provision could be made that, if a senator or a member does want to get the latest device, they could buy it themselves, knowing that we could test the software out to make sure it works, because they are extremely useful tools. Does that make sense? You potentially may have a device that could be slow and cumbersome and a year later you could work a lot faster—I am not complaining about being the only senator for my party, but it means I have to cover a lot more turf. I do not know what the entitlement is. Can you tell me how often we can replace our PDAs?

**Mr Quester**—We replace the PDAs generally upon breakage, if they are not worth repairing or if we change the technology.

**Senator FIELDING**—Therefore, if you look after them, you could have them for 10 years. That would be crazy.

**Mr Quester**—One thing to keep in mind—and it is a good point that you make about being able to keep in contact—is that a PDA or a BlackBerry is a communications device; it is not a laptop. It has limited memory and it has limited capability. The more applications you allow to run on them, the lower the battery life, the slower they get and the life span decreases as well. That is why we try and get that happy medium between providing a service but a service that will actually work and will not degrade what we are trying to provide at the same time. In terms of your point on hardware, within the entitlement there is no set time that you

can get a new device, but obviously, if you look at these types of devices in the marketplace, a two-year life span is a fairly decent life span for a mobile device.

**Senator FIELDING**—They are nearly obsolete after a year, when you think about the amount of development that is going into them. I am not interested in spending more of taxpayers' money, but if a senator or a member finds the tool extremely valuable and useful, could they buy the latest machine out of their own money and allow you to run the software on top? You may want to take that on notice. It is one point that I think is pretty important. I do not want to waste taxpayers' money. By the same token, they would not want me to be inefficient in what I am doing either. Does that make sense?

**Mr Quester**—We will take that on notice, yes.

**Senator FIELDING**—The second issue I wanted to pick up on is that there is a view that iPhones could be quite useful, and I understand there are some concerns about them. Could you go through those at all?

**Mr Quester**—I can. The iPhone is a device that has been manufactured by Apple, obviously, and they have produced it looking at the consumer market, not the corporate market. So it has no security infrastructure underneath it and it has no accreditation through any government agency yet for use in government work. So there is a security component behind it. Again, the iPhone is an application based device that comes with lots of applications. It has not been centred for email use, so it is more of a communication device than an application specific device.

**Senator FIELDING**—I do not want to get into a technical argument with you, but—

**Senator RYAN**—Can I ask one question on what Mr Quester said.

**Senator FIELDING**—Yes.

**Senator RYAN**—I was not sure if he said that the iPhone was not secure or that it just has not had the testing done by government agencies. I have seen a lot of people in business using iPhones, that is all, with very sensitive corporate material on them.

**Senator FIELDING**—Correct.

**Mr Quester**—The security components within iPhones are not as extensive as what has been released on the BlackBerries and the PDAs that we are currently using and they do not have as many security options to be able to lock them down.

**Senator FIELDING**—Could you write to Apple and ask them to formally respond to your concerns? I am not sure. I am hearing two stories. I am not going to say that I am an expert. Yes, I am an electronic engineer, but I am not professing to be an expert. I would not mind if you could take on notice whether you could write to them specifically with your concerns and get them to respond. That way we can stop the argy-bargy backwards and forwards: 'They said; she said; I said.' Would that make sense?

**Mr Quester**—I do not know if we could actually write to Apple and try to influence the way they are approaching the market. I think we could approach through the Presiding Officers Information Technology Advisory Group. We could get a representative to give an

explanation and presentation to that group on iPhone's capabilities and what the future direction of iPhone is.

**Senator FIELDING**—Could you let me know the outcome of that?

**Mr Quester**—Yes.

**Senator FIELDING**—Thank you.

**CHAIR**—Can I clarify that that will come back to the committee.

**Senator FIELDING**—I understand that there is a minister using an iPhone, and I am wondering whether that has secure—

**Senator ABETZ**—It would not be Senator Faulkner.

**Senator Faulkner**—On that, Senator Abetz, you and I have a unity ticket.

**Senator FIELDING**—I am wondering whether there is information being shared on that iPhone. Is it just private information or is it commercial or—

**Dr Watt**—We do not know. We do not provide iPhones to people.

**Senator FIELDING**—I do not want to name the person.

**Senator Faulkner**—There are two options here: firstly, it could be provided by whatever that minister's home department is or, secondly, it could be a personal phone of the minister. One thing that we would not have here, obviously, is any visibility of it.

**Senator FIELDING**—Yes, I would not want to raise it. I was saying it out of curiosity, that was all.

**Dr Watt**—But we would not know. We do not provide it and we would have no way of knowing, if this person does have an iPhone, under what circumstances they have acquired it.

**Senator ABETZ**—What does Senator Conroy think of the iPhone?

**Senator FIELDING**—I will leave my questions there, I think.

**Senator JACINTA COLLINS**—But if there is a home department one, then surely some of these—

**Dr Watt**—Not necessarily.

**Senator JACINTA COLLINS**—security issues have been considered.

**CHAIR**—It would also depend on whether or not it has email.

**Dr Watt**—You are correct, but they should have been considered by the home department.

**Senator JACINTA COLLINS**—Yes, I understand that.

**Dr Watt**—Secondly, if this exists, it may not be a home department phone.

**Senator JACINTA COLLINS**—Exactly.

**Dr Watt**—It may be the minister's personal phone, in which case I assume the minister has considered the security issues around using it and obviously does not talk about secure issues on the phone.

**Senator FIELDING**—I am not convinced that the security issues cannot be overcome, so that is the question. I would be interested to know the outcome anyway.

**Senator PARRY**—Minister, you might want to respond to this. Senator Fielding, Senator Fifield and myself are all on POITAG.

**Senator ABETZ**—You're responsible! Lucky, lucky, lucky.

**Senator PARRY**—On this committee, Minister, which obviously advises the presiding officers of the parliament, we have found that ministers were using BlackBerries some three years ago, and maybe longer, and yet it took up until recently for a security clearance on BlackBerries—for the trial to commence. It was a very protracted and lengthy exercise, which frustrated members of the committee, I might add—in fact, to the stage that we started to meet weekly to advance the cause.

That is the first issue, and you might like to make a comment about that. The second issue is: who has the ultimate say in security issues? I feel—and I am sure some of my fellow committee members feel—that the security is overkill, especially if it takes this long to ascertain whether or not a BlackBerry device can be used by senators or members, where ministers with important parliamentary roles were using them within their departmental context, and they had been cleared for security. In fact, on POITAG we have one ex-minister who gave evidence to us that he was using a BlackBerry many years before.

**Senator JACINTA COLLINS**—Five years ago, it would be.

**Senator PARRY**—Thank you, Senator Collins. I think you might be correct. Why is the security lag or the information about security so slow, especially when technology is changing so rapidly? Secondly, who makes the ultimate decision about security, because we feel as though there is security overkill on the devices.

**CHAIR**—I think there are about three questions there, Senator Parry.

**Mr Burton**—In terms of the BlackBerries, I do not think the security issue was resolved. I think the reason why BlackBerries were not picked up earlier was that there was a decision made by POITAG that they were supporting the mobile PDAs rather than BlackBerries, when the recommendation from the original analysis was to go down the BlackBerry route.

**Senator JACINTA COLLINS**—I am not sure that POITAG would accept that characterisation.

**CHAIR**—Certainly not. It is certainly not the evidence that was given to us.

**Mr Quester**—No. This is going back to 2005. The department of finance and the Department of Parliamentary Services conducted a working group. The recommendation out of that from those two agencies was to go to BlackBerry. POITAG then asked for a survey of senators and members to be done because they did not think that BlackBerry was going to meet the needs of senators and members, and the results of that survey pushed towards the mobile PDAs. So the original recommendation was for BlackBerry.

**Senator Faulkner**—I am advised, in answer to the security issue that you raised, that ultimately the government authority with responsibility in relation to security—is 'oversight'

the correct word?—oversight or advice, call it what you will, is the Defence Signals Directorate.

**CHAIR**—When we are talking about the decision that was made, has there been any consideration for more recent models of those PDAs that are currently in use, and that have had improvements, to be included?

**Mr Quester**—Not at this point in time because, as you are aware, we have been looking at going for a BlackBerry trial so we did not want to invest further money and resources into looking at new devices. Any new device you introduce to the environment has to be tested to make sure it is compatible with the software environments being run at DPS.

**CHAIR**—Yes, but considering that BlackBerry is very different in the way it processes emails, wouldn't it be also a good option to look and see whether or not some of the other models have improved enough to give us as an option?

**Mr Quester**—The infrastructure models, as in the Nokia Symbian infrastructure sort of model? You have got BlackBerry, you have got Microsoft, and you have got some other device specific by Symbian. We have not looked at any other alternative model because there has been that push towards the BlackBerry technology.

**CHAIR**—But I just thought that—I cannot remember which one—there has been a dramatic improvement in a couple of the models that we currently have available to us now, as I understand it. HTC, for instance, is one that has improved greatly.

**Mr Quester**—That is correct. The mobile PDA is a software component from Microsoft that is not a solution as such. It is something that you develop yourself. The devices are coming out from makers who are making the devices and loading that software on to them, so you have effectively got two different providers. Where the BlackBerry solution is used, they are providing the device, the infrastructure and software that goes with it.

**Senator PARRY**—Minister, could I ask that you undertake an investigation within your department as to the timeliness and the speed in which decisions are made in relation to the security matters? It is taking a long time for POITAG to get to the trial stage and technology will be superseded. Probably by the time we finish the trial there will be new technology available. Senator Fielding made the point that, when we have senators and members wanting the best devices to assist them in their work, we need to make more speedier decisions. Could I ask that that be taken on board, Minister—to investigate the timeliness of advice received?

**Senator Faulkner**—That is a difficult element to request of the department of finance when, at the end of the day, in my understanding it is not this department's responsibility to provide advice on those issues. That is not to suggest, in any way, that the point that you make about timeliness is not an important one. I think it is. I would rather think that, from what I have heard and seen and been formally briefed on and understand to have occurred over the past short period of time, we have made a great deal more progress on these issues than has been made for a very long period of time. Generally, I am assured of that by members and senators on both sides of politics and in both houses. It has been very frustrating for people, but there has been a grudging acceptance that we have made some progress in recent times. I do not know if you share that view?



**Senator PARRY**—It took eight months to get to the trial stage from request, and it should have been a matter of weeks, not months. Going back to the DSD, my understanding is that DSD give advice to Finance and it was just when to act on that advice. That is why I ask the question: who makes the ultimate decision?

**Senator Faulkner**—I am very committed to working with the other relevant people to try and sort this out as quickly as we can. It is in everyone's interest to get an outcome. This is not easy. There have been ongoing issues about what responsibilities DPS has, the responsibilities of the Department of Finance and Deregulation and the roles of other agencies and the like. As I say, recently considerable progress has been made. I accept the point you make about the need to move this along, and I am committed to moving it along.

**Senator PARRY**—Thank you, Chair.

**Senator FIELDING**—Just following on from that—

**CHAIR**—We will make this very quick because we have to move on to AEC.

**Senator FIELDING**—I suppose that we need to be really careful here, Minister. We have come from the Ice Age to the 21st century. We should not pat ourselves on the back. Frankly, it was disgusting that senators and members could not get a device before February 2007. The point being made is that it is just too blooming slow, frankly, it is too slow. Eight months to trial a new device is too slow. I am not going to buy it for a second. You think, 'This is fast and this is wonderful,' and, 'This is all too hard.' It should not be that hard.

**Senator Faulkner**—Let me respond to you. First of all, no-one has said it is fast and no-one has said it is wonderful, least of all me. I have received a lot of representations from a lot of people about the need to move this along. I am only making the point to you that I think in recent times we have made much better progress. I think that is fair. I used the word 'grudging'. I think there has been some grudging acknowledgement of that. I am trying to be as objective about this as I can. That is certainly the feedback that I have received. But, no, I do not want you to misunderstand that I am accepting that it is fast or wonderful. I am merely saying that I believe more progress has been made of late and at a quicker rate. I am not saying it is good enough, I am not saying it is perfect and I am not saying it is easy. I do acknowledge what you and Senator Parry, Senator Polley, Senator Collins and a lot of members of parliament have been saying to me about the need for us to sort this out and sort it out as quickly as we can.

**CHAIR**—Thank you very much. We are going to move on to the AEC now.

#### **Australian Electoral Commission**

**CHAIR**—Good evening. Minister, did you want to make an opening statement?

**Senator Faulkner**—Obviously, I ordinarily would not in relation to the AEC because I always respect the commissioner's capacity to speak for himself and on behalf of the commission, but I would like to inform the committee that Mr Ed Killesteyn has, since the last estimates round, become the Australian Electoral Commissioner and welcome him to the table here and introduce him to members of the Finance and Public Administration Committee.

**CHAIR**—Thank you, Minister, and welcome.

**Mr Killesteyn**—Thank you, Senator. Thank you, Chair.

**CHAIR**—Would you like to make an opening statement?

**Mr Killesteyn**—Not an opening statement as such but simply to record that I am obviously very pleased and honoured to be appointed the Electoral Commissioner from 5 January and I look forward to serving this committee and serving the Joint Standing Committee on Electoral Matters and, of course, individual members and senators in your dealings with the AEC. Other than that, I am here to help.

**Senator ABETZ**—Who can assist us with trade union ballots and the costs associated with that?

**Mr Killesteyn**—We can all assist.

**Senator ABETZ**—All right, I will direct my questions to you, Mr Killesteyn and see how long we go. What is the total income of the Australian Electoral Commission from trade union sources?

**Mr Dacey**—We are appropriated for trade union ballots, so the unions do not pay us.

**Senator ABETZ**—Anything at all?

**Mr Dacey**—Not for ballots for office bearers for organisations, no. But for protected action ballots—

**Senator ABETZ**—That is right.

**Mr Dacey**—there is a payment which is 80 per cent paid through the department and 20 per cent from the unions.

**Senator ABETZ**—Yes, 20 per cent from the union. That is the one. I understand that might change shortly. Is that correct? Under the Fair Work Bill, there has been the suggestion made to me that the cost of those ballots will be fully borne by the taxpayer.

**Mr Pirani**—We have had some contact with the Department of Employment and Workplace Relations, and I understand there is a proposal for 100 per cent of the cost to be met by the Commonwealth.

**Senator ABETZ**—That is what I thought, or I got wind of. How much revenue will the AEC be no longer receiving from the trade union movement in relation to that category of funding?

**Mr Pirani**—My understanding is that the amount of the revenue will not change. The change will be, from the current legal requirements—which is 80 per cent from the Commonwealth and 20 per cent from the trade union—100 per cent Commonwealth.

**Senator ABETZ**—Yes, that is right, but I want to know what that 20 per cent is that you are currently getting and would anticipate getting in the future from the trade union movement.

**Mr Dacey**—That figure would vary depending on the number of protected action ballots we conducted, and I would have to take on notice what it was for the last 12 months, for example.

**Senator ABETZ**—All right, Mr Dacey, could you do that. Could you give us an indication over the last three years, because you are quite right: it depends on the number. Or would it have gone back to—

**Mr Dacey**—Since we started conducting protected action ballots, which I think is two years this coming March, from memory.

**Senator ABETZ**—Two years? So it has been six.

**Mr Dacey**—We will confirm that.

**Senator ABETZ**—All right, and then can you indicate to us which trade union it was and the amount. There would not be anything commercial-in-confidence in that, would there, as to what you—

**Mr Dacey**—For each election conducted?

**Senator ABETZ**—Yes. If there were only six—I thought there might have been more—I would have thought it would be pretty quick and easy to get the figures together.

**Mr Pirani**—We will need to take it on notice. There are two categories under the Workplace Relations Act where we conduct ballots and then there are other ballots that are conducted outside the Workplace Relations Act. I will see what information we can get.

**Mr Dacey**—For protected action ballots, for example, so far in 2009-09 we have conducted 123.

**Senator ABETZ**—Ballots?

**Mr Dacey**—Ballots.

**Senator ABETZ**—Right. So there are a lot.

**Mr Dacey**—There are a lot. It could be well over 200 a year, for example.

**Senator ABETZ**—Where did that figure six—

**Mr Dacey**—I did not mention six.

**Senator ABETZ**—Did somebody mention the figure?

**Mr Dacey**—No.

**Senator ABETZ**—I must have heard it some way; voices speaking.

**Senator Faulkner**—I thought you said six?

**Senator ABETZ**—Yes, I did, in response to what I thought I heard. So in fact we have a huge number?

**Mr Dacey**—I can give you a figure now. We commenced conducting protected action ballots in 2005-06. Since that time, up until 3 February, we have conducted 611.

**Senator ABETZ**—In that case, in fairness to you, I will not be asking you to identify the cost of each one.

**Mr Dacey**—Thank you, Senator.

**Senator ABETZ**—But possibly, if you could, from day one when you started, tell us in each financial year the amount of revenue that that meant for the Australian Electoral Commission from the trade union movement.

**Mr Dacey**—The 20 per cent figure?

**Senator ABETZ**—Yes, what that 20 per cent figure was in actual dollar terms per financial year so that we can get a handle on that. Mr Pirani, you have had discussions with the Department of Employment and Workplace Relations in relation to this policy change. That is because the government, to your knowledge, has made the decision that that will come into being?

**Mr Pirani**—I would need to confirm that with DEWR.

**Senator ABETZ**—Minister, are you able to assist us? I understand it is a government decision. I have certain views about that, but they are not to be canvassed here.

**Senator Faulkner**—Senator, I am actually not able to assist you.

**Senator ABETZ**—Fine.

**Senator Faulkner**—But if you wish, I could take it on notice for you. It would be another minister's decision.

**Senator ABETZ**—Yes, of course. I would anticipate that to be the case. Mr Dacey, with your wealth of experience, are you able to indicate to us, just in rough terms, what the cost would be to conduct one of these protected ballots? Sure, I know, every one is different—

**Mr Dacey**—They are, Senator.

**Senator ABETZ**—but what is a rough figure?

**Mr Dacey**—It may be pretty unfair. A lot of these ballots are very small. Some of them could have under 10 or 20 voters in the ballot. I would rather take it on notice than mislead you at all as to the cost, but we could get that figure in a very short time.

**Senator ABETZ**—Could you get back to the committee in a relatively quick time, because I stumbled across this information through the Senate hearings into the Fair Work Bill, and it is a matter of interest. We will undoubtedly be dealing with that bill in due course, and I would not mind having that information to hand.

**Mr Dacey**—My finance people have said we can get you that information. I will give the committee secretary the information this week.

**Senator ABETZ**—That is very kind, and I thank you. That was my small bracket of questions.

**CHAIR**—Senator Cameron?

**Senator CAMERON**—Let me go to this question of ballots for protected action. The AEC conducts those ballots basically under the terms of the old Work Choices legislation. Is that correct?

**Mr Dacey**—That is correct.

**Senator CAMERON**—It is not the unions who are asking for the ballots per se. The unions have an obligation under the previous legislation. Is that correct?

**Mr Dacey**—The unions have a choice. The AEC is the default ballot agent, but if the unions choose, or if the organisation chooses, they can go to anyone else who is a prescribed ballot agent.

**Senator CAMERON**—But the unions must conduct a ballot. That is the point I am making.

**Mr Dacey**—That is correct.

**Senator CAMERON**—The AEC have conducted ballots for employers in relation to agreements.

**Mr Dacey**—Fee-for-service ballots? That is correct.

**Senator CAMERON**—There was evidence at another inquiry I attended that you conducted a ballot for Telstra.

**Mr Killesteyn**—That is correct.

**Senator CAMERON**—Evidence was given there that there were some concerns from the AEC about the conduct of the employer in relation to that ballot. Is that correct?

**Mr Killesteyn**—The issue was whether the standards that the AEC adopts in relation to providing fee-for-service elections were met. The particular standard that we are concerned about is the provision of scrutineers during the ballot. In that case, the concern was that we—that is, the AEC—did not enforce those standards that we had originally imposed.

**Senator CAMERON**—Was it the employer who was arguing against scrutineers?

**Mr Killesteyn**—The circumstance was that, as part of the discussions with Telstra in relation to the conduct of the ballot, our expectation was that scrutineers would be provided. We subsequently were advised, once the ballot had commenced, that scrutineers were not being provided. At that point, in my view, the AEC should have escalated the matter and taken it up with the employer. I make no other comment about the conduct of the ballot or indeed whether it was a fair ballot or not. My concern was that the standards that we had applied we did not follow through.

**Senator CAMERON**—Why does the AEC seek scrutineers on a ballot?

**Mr Killesteyn**—We have a range of standards that we apply whenever we are providing fee-for-service elections. Having scrutineers is just one of those standards and obviously has to do with ensuring that the ballot meets the transparency considerations.

**Senator CAMERON**—So Telstra then, in terms of their demands on the AEC, did not meet that standard of transparency?

**Mr Killesteyn**—That is correct. But, as I said, I make no comment at all—and have made no comment—about the outcome of the ballot. It is simply the process that we had applied that we did not follow through strongly enough.

**Senator CAMERON**—And I am not asking you to make comment on that.

**Mr Killesteyn**—Thank you.

**Senator CAMERON**—It was a question of your standards not being met by Telstra.

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

**Senator RONALDSON**—We have five minutes left. I will certainly take those up. Mr Killesteyn, welcome.

**Mr Killesteyn**—Thank you.

**Senator RONALDSON**—In the Victorian state by-election for Kororoit—I think it was last year or the year before—a local social worker called Les Twentymen ran as an Independent and actually nearly won it. The Labor Party ran a dirty tricks campaign against him, handing out pamphlets saying, ‘A vote for Les Twentymen is a vote for the Liberals.’ I think Mr Twentymen actually challenged that result, but the wording of the Victorian law meant that his appeal was unsuccessful. Are you aware of that case involving Mr Twentymen, which dealt with the issue of deceptive and misleading electoral advertising? If something like this were to happen during a federal election, are there different laws that would preclude that sort of behaviour that was not precluded under the Victorian legislation?

**Mr Pirani**—I am aware of the newspaper reports and the newspaper reports today about the finding of the Victorian Electoral Commission about their view as to whether that advertisement was misleading and deceptive under their legislation. The issue under the Commonwealth act is slightly different. The relevant provision in the Commonwealth Electoral Act is section 329(1), which deals with misleading and deceptive conduct, but in the Commonwealth Electoral Act it is misleading an elector in relation to the casting of his vote. There have been two High Court decisions on this. The first High Court decision is one involving *Evans v Crichton-Browne*.

**Senator RONALDSON**—And there is *Webster v Deahm*.

**Mr Pirani**—And *Webster v Deahm*. We are published in Electoral Backgrounder No. 15, which sets out the law as we understand it in relation to these sorts of issues. To cut a long story short, if the same thing were to occur in the Commonwealth sphere, it is likely that section 329 would not be breached. The High Court has made it clear that we are not involved in truth in electoral advertising. The AEC made submissions to JSCEM about this, and I fear it would be a similar result—that there would be no breach of the Commonwealth Electoral Act. The two High Court decisions draw a distinction that, if it was a matter that was in a how-to-vote card and if you had a how-to-vote card that said, ‘If you vote in this particular way, you will be voting Green’—and the reason I use that as an example is that there was such a how-to-vote card in 2004—we believe that that would be a breach of section 329. However, merely saying that voting for a candidate means voting for a political party or an outcome does not of itself breach 329 of the act insofar as the High Court has interpreted it.

**Senator RONALDSON**—Minister, would you view that as a matter that should be addressed by way of legislation? Would you find that sort of activity happening at a federal level acceptable, where it is clearly deceitful and clearly untrue? Do you believe that is appropriate and would you be prepared to close the loophole to avoid that Victorian type of situation?

**Senator Faulkner**—I have to be honest with you and say that I do not have very much knowledge of the issue that you have raised, apart from what I have heard here at Senate estimates today. I have read a couple of press reports about this matter, but that is really the sum total of my knowledge. The broad issue that is raised would certainly be something that could be raised during the second stage of the green paper process. I would be happy to, and the government would be happy to, look at all those issues in that context. But I have to be frank with you on this one: I have learnt more about it just listening to the interchange between you and Mr Pirani.

**Senator RONALDSON**—I think this is a stand alone; it is not a campaign finance reform issue. It is clearly a grossly misleading statement that is—

**Senator Faulkner**—But that is why I mentioned green paper No. 2 as opposed to green paper No. 1. I accept that point that you make. You are right, but it would be something that obviously would fall more appropriately into the green paper No. 2 process.

**CHAIR**—Senator Ronaldson, have you got any further questions now or can you place them on notice?

**Senator RONALDSON**—I will place the rest on notice.

**CHAIR**—Then we stand adjourned for a dinner break.

#### **Proceedings suspended from 6.30 pm to 7.31 pm**

#### **Future Fund Agency**

**CHAIR**—Good evening. Welcome back, Minister. Is there any opening statement?

**Senator Sherry**—Not from me, but Mr Costello wanted to make a couple of comments.

**Mr Costello**—I was only going to say to the committee that we are now well into the cycle of providing quarterly updates on the Future Fund. If the committee members have not seen the most recent update, it is something that I can go through with them. That is all I want to say.

**Senator RYAN**—I would like that, Mr Costello, if you are willing to do that.

**Mr Costello**—To summarise the last update?

**Senator RYAN**—Yes, please.

**Mr Costello**—Within a month of the end of each quarter, we provide a snapshot of the fund—how the money is invested, the managers that it is invested with and how it is tracking. Our last snapshot was at 31 December. At that stage, we had just a little under half still in cash—around 46 per cent of the fund. Just over a quarter, perhaps almost 28 per cent, was in equities. We had 17 per cent invested in fixed interest or debt securities. The balance was spread between areas like property, infrastructure and private equity. It is still a very defensively invested program. The return for the first half of the current financial year was minus 7.56 per cent. We will be providing another update as at the end of March.

**Senator RYAN**—When is that update expected to be released?

**Mr Costello**—It will be released before the end of April, so always within 30 days of the end of the quarter.

**Senator RYAN**—I have a couple of fairly basic questions. I am not sure if you are able to give me more current figures. If you can only refer me to the latest quarterly update, please feel free to say so. What is the current balance of the fund?

**Mr Costello**—Perhaps this a good chance for me to clarify some things. Quarterly updates are a good, regular program. It is a very fair question. The total balance as at 31 December was \$59.6 billion. Our Telstra holding was \$7.6 billion. The total balance of the fund excluding that Telstra holding was almost \$52 billion—\$51.97 billion.

**Senator RYAN**—The first half of the year had a 7.5 per cent decline. Given what has happened in the last seven or eight weeks, I am assuming that there has been a further decline.

**Mr Costello**—Sure.

**Senator RYAN**—Can you give me in round figures what that might have been to this point?

**Mr Costello**—The new year began positively but things have looked less bright as it has gone on and this month has been no different. So, as perhaps you would be aware, we have seen in the almost two months to date equity markets fall almost another 13 per cent. Our programs, which have an albeit relatively modest allocation to equities, will clearly be impacted by that. That gives some sense of the equity program. The rest of the program is performing positively, so we are really in a situation in which we are balancing the positive returns coming from our cash, debt and other securities against these continuously difficult circumstances that equity markets are facing. I reiterate: we have around a quarter of the fund invested in those broad equity markets, so it is certainly being impacted by that. This week alone has seen another four or five per cent reduction in equity market values around the world.

**Senator RYAN**—Is the roughly 27 per cent that is in equities—and that percentage will obviously change as equities go up and down, I would imagine—all Telstra?

**Mr Costello**—No. That excludes Telstra.

**Senator RYAN**—Sorry—I was not aware of that. Do you have an idea at the moment of how many Telstra shares you have and the current value of those? I obviously am not expecting you to know today's numbers.

**Mr Costello**—Sure. There are two billion shares. I cannot give you a value as of today. It has been in the \$3.40-odd range.

**Senator RYAN**—That is a nice round number. I can figure that out. Since you were last year, have you disposed of any Telstra shares? Do you expect that quarterly update to reflect any changes in that?

**Mr Costello**—Perhaps right about the time that we are here last time, these shares came out of escrow. That was on 20 November. I cannot quite recall the day that we were here, but it was certainly during November.

**Senator RYAN**—Yes, it was.

**Mr Costello**—Around that time, the escrow time ended. Since then, there has been no disposal of Telstra shares. There is great market interest in the Future Fund's plans in this area



and we have been very diligent in trying to manage those expectations in terms of our comments.

**Senator RYAN**—What percentage of Telstra does that represent?

**Mr Costello**—It is just under 17 per cent.

**Senator RYAN**—I am not sure how across this it is your responsibility to be, but what is the size of the total superannuation liability that the fund is expected to address? I understand that that also changes on a year-on-year basis.

**Senator Sherry**—That is an issue for the department. The Future Fund deal with the investments of the moneys that are to fund the liabilities, and the liabilities are the department's side of the equation.

**Senator RYAN**—Thank you.

**Ms Campbell**—We will check to see whether we can get you the latest figure that was published on the unfunded liability. We will get that and come back to you.

**Senator RYAN**—What I was wondering was that given the changed—and this might be a question for either you or the department—investment environment, how long would you expect it to be before the Future Fund is able to fully meet these liabilities? Obviously, there have been some changes over the last few months in those timelines.

**Ms Campbell**—That issue relates to (1) the returns from the Future Fund and (2) the unfunded liability. The unfunded liability, as you said, does change over time. It is actuarially assessed on a regular basis. The government has just received a long-term cost report and will publish that in the next few months. That will detail the changes. The Future Fund legislation provided that funding could be drawn from the Future Fund when the fund either met the liability or at 2020. They were the two provisions that allowed money in the Future Fund to be accessed.

**Senator RYAN**—Last year in June the finance minister claimed that the funds would meet these liabilities by 2020. Is that still expected?

**Ms Campbell**—The long-term cost report has not been released yet. That will give us an opportunity to have a look at how big the unfunded liability is now, and also to have a look at the military schemes to determine theirs because their liability is also matched by the Future Fund, and also to look at the returns on the Future Fund. I am sure that the government will then make an assessment of whether that is still true.

**Senator Sherry**—One of the difficulties that I could just mention very quickly—and I understand that this has not changed—is that with the Future Fund you are dealing with a long-term investment return, and I understand that they have not changed, despite current market conditions, their long-term projection of the rate of return.

**Senator RYAN**—What is the projected long-term rate of return?

**Mr Costello**—The required rate of return under the investment guidelines issued by government is a minimum return of inflation plus 4½ per cent . It is a range really. The investment directions require the board to maximise the returns on the fund above a benchmark of inflation plus 4½ per cent to 5½ per cent.

**Senator RYAN**—When was the last time that the fund received a cash injection from the federal government?

**Mr Costello**—There has been nothing this financial year. Just before the end of the last financial year there was a further injection.

**Senator Sherry**—Finance can give you some figures on the injections of cash.

**Ms Campbell**—Cash was transferred on 25 June 2008—\$3.9 billion.

**Senator RYAN**—Are any such transferred envisaged for the current financial year?

**Ms Campbell**—No.

**Senator RYAN**—After the practice of having regular cash injections at least since the Future Fund was set up, does this change require you to reconsider your investment strategy to achieve this rate of return that is required of you?

**Mr Costello**—No, our program remains clearly fixed on delivering this return on an annualised basis by 2020. Our strategy is evolving as market conditions evolve but it is not changing in response to any factors outside that in terms of expected funding or other issues. We are just clearly focusing on how we can manage these large cash reserves and trying to wind those down in a very focused way to ensure that we can deliver the type of returns that are expected from the fund over the long term.

**Senator RYAN**—At least at the moment in the debt market—with 17 per cent of a relatively significant amount of money—I imagine that you are a significant player. Have you seen, or can you explain, any effects that you are seeing as a result of the government's AAA credit rating guarantee to the banks, on other people in the debt market—nonbank players in particular?

**Mr Costello**—Well we are avid students of market conditions and clearly credit markets have been through a series of changes over a period of time. Like all participants we observe changing dynamics and the role of government in that. We have noticed credit spreads widening while there is greater uncertainty and then coming back in when greater clarity was provided by government. In response to this calendar year's events we are seeing some modest widening of those again. So we have no particular comment to make in relation to government policy in this area except that, like all other investors, we are trying to make sure that our allocations optimise the return for the risk that we are taking.

**Senator RYAN**—Do you, as one of the active players that you mentioned in the market, foresee any consequences from the re-emergence of the Commonwealth as a significant player in these debt markets, as it will presumably be issuing a lot more securities over the coming few years?

**Mr Costello**—Again, I think our interest in this is really limited to the assets available for purchase for a long-term investor. By and large, to generate the type of return that we are required to generate—inflation plus five being the mid point of the range—we are having to look, primarily, for areas outside of debt markets. That is certainly our focus now. We have a healthy exposure presently, combined with a substantial cash balance. Our focus right now is on assets outside of debt markets, where we are really starting to see a lot of very high quality

assets which have been held by investors both locally and around the world starting to come on the market.

That is the focus on the Future Fund. That is where I think most of our future development will be, because debt markets alone, while they have been very productive for the fund over its first year or so, longer term will not be where we see the returns that we need to ultimately deliver on the government's objectives.

**Senator RYAN**—Excuse me if this is a question that has been answered previously. Is the fund currently, or has it ever been, a significant holder of Commonwealth debt securities?

**Mr Costello**—No.

**Senator RYAN**—Does your investment mandate permit the purchase of future Commonwealth debt securities?

**Mr Costello**—Yes, in that it provides very few exclusions. So it would be a correct statement to say that Commonwealth securities would be able to be purchased by the Future Fund.

**Senator RYAN**—We have seen with the Updated Economic and Fiscal Outlook projected deficits—correct me if I am wrong—in the order of \$30 billion over the estimates period, which is three years. It is possible, then, that those deficits could be funded by the Future Fund purchasing that Commonwealth debt in the market place.

**Mr Costello**—I think it is fair to say that that is a theoretically possible position.

**Senator RYAN**—If the Future Fund was to do that—I am just trying to clarify the rules around your investment mandate here—how would such a decision be made? You are an independent board.

**Mr Costello**—That is correct.

**Senator RYAN**—It would be made purely by yourselves.

**Mr Costello**—That is correct. All of our decisions are made purely in terms of our judgment about what combination of assets will help to deliver the return that the government is requiring. As you will appreciate, the board has been given the responsibility for the governance of the Future Fund so we work as a management team with the board. We are subject to their guidance and controls. So that decision would be made within the confines of the question: are these assets appropriate to help us achieve our objective, taking into account the risk and return guidelines of the government?

**Senator RYAN**—It would be fair to say that fair to say that Commonwealth Treasury securities and Commonwealth bonds—Aussie Bonds as they were called in the ads when I was a kid—would be a reasonably safe investment, on any sort of global standard.

**Mr Costello**—That is an absolutely correct statement.

**Senator RYAN**—So if the credit markets and the debt markets continued to be subjected to a degree of uncertainty—and I am looking forward at this \$90-odd billion of deficit and the \$118 billion that the Commonwealth has stated it plans to borrow over the next three years—it is possible that a significant proportion of that could be funded by the Future Fund wading into the debt markets and funding the Commonwealth deficits by buying securities.

**Mr Costello**—Despite—or perhaps because of—the high degree of security attached to these assets the return that investors might receive for it would make it unlikely that a material exposure would really assist the Future Fund in its objective of a real return of five per cent. There is a constant balancing between risk and return for us. We have a very long-term mandate and quite a challenging return target. So that really makes, as a general statement, riskier assets a fairly material part of our program over that long term.

**Senator Sherry**—The investment mandate, which was set by the former Treasurer Mr Costello, and finance minister Mr Minchin, is unchanged. The board is unchanged. The act is unchanged. All of the provisions that were set down by the former government have remained unchanged by the current government. There are no plans to alter that. Secondly, the ‘guardians’ as they are termed—the board—are broadly similar to a superannuation fund trustee in the private sector. They are arms-length to government.

There is a set of SIS requirements about diversification, prudent person and long-term investment. There is a somewhat similar arrangement here. Superannuation fund trustees would reasonably come to the conclusion that long-term investment in government bonds is not the place to be for a long-term return. The place to be for a long-term return is, broadly, equities and property, with a very low proportion in bonds and cash. The Future Fund is in a similar position to the trustees of a superannuation fund.

**Senator RYAN**—I appreciate that, Senator Sherry.

**Senator Sherry**—Unless there was a direction, and, as I said, the government has not changed any of the current arrangements in respect of the investment mandate. Nor has it changed any of the investment provisions of SIS in respect of superannuation trustees.

**Senator PARRY**—Can the minister do that?

**Ms Campbell**—To change the investment mandate the relevant ministers would need to write to the board of guardians. The board of guardians then have an opportunity to respond and that response and the change are then tabled in the parliament.

**Senator RYAN**—But there is a capacity for ministerial direction with this public tabling.

**Mr Greenslade**—Yes. There is a process by which the investment mandate is set. Should the government wish to change it, the responsible ministers—the Treasurer and the finance minister—would need to consult with the Future Fund board. Should there be disagreement, the Future Fund board’s response would be tabled in parliament.

**Senator RYAN**—I take your point, Senator Sherry: the act has not changed, the mandate has not changed and the board of board of guardians has not changed since the previous government set up the fund. The one thing that has changed is the substantial \$100 billion plus of government debt that is going to be acquired, which was not done under the previous government. That is what I was trying to get to here. Excuse my ignorance, but is the cash that you have on hand at the moment literally cash held in deposit or is it some sort of cash security?

**Mr Costello**—No. It is mostly invested in Australian bank bills. For us that was a judgment, really, about relative risk and relative return. Quite some time ago we moved from an initial position of holding a lot of our cash on deposit with the Reserve Bank. As our

program grew and our own team grew and our processes became more consolidated, we moved that to Australian bank bills.

**Senator PARRY**—What percentage is that?

**Mr Costello**—As at December it was just under half—46 per cent.

**Senator RYAN**—I am not asking for a hypothetical as to what may happen, other than to get a sense of your role under the act. If the government determined as a matter of policy that for whatever reason it was going to lower the hurdle of inflation from 4.5 per cent plus to a lower number, it could direct to you and you could respond in whichever way the board of guardians might see fit. We would all see that through parliament. But if that hurdle was lowered to 2½ per cent then presumably Australian government bonds would be a very easy way to meet a much lower hurdle.

**Senator Sherry**—That is a hypothetical. It is just as hypothetical as me saying—and I do not have the power to do it, to be honest—that to reassure superannuation fund members I would direct every private superannuation fund to put their moneys into bonds and cash.

**Senator RYAN**—But you cannot direct the board of superannuation trustees. The government can direct the board of guardians.

**Senator Sherry**—I can put forward amendments to change the SIS legislation.

**Senator RYAN**—That is very different, as we know, from a ministerial direction.

**Senator Sherry**—Sure. The current mechanism is the mechanism that your colleagues Mr Costello and Senator Minchin established.

**Senator RYAN**—I think they would be the first ones to respond that they forecast and delivered surpluses and regular cash injections, but I will move on.

**Ms Campbell**—Can I just clarify something, Senator Ryan. The Future Fund Act also puts a limit on responsible ministers giving directions. Section 18A(1) says:

The responsible Ministers must not give a direction under subsection 18(1) that has the purpose, or has or is likely to have the effect, of directly or indirectly requiring the Board to:

... ..

- (c) allocate financial assets to:
  - (i) a particular business entity; or
  - (ii) a particular activity; or
  - (iii) a particular business.

**Senator RYAN**—I was aware of part of that—that there cannot be a direction towards a particular investment. But, as I said, if the hurdle was lowered and your annual return target was one per cent, then, for an individual, bank deposits would be a good investment and so surely government bonds would be good for the fund. You lower the risk profile and you meet the investment target.

**Mr Costello**—I would concur with the statement. It is a theoretically correct statement.

**Senator PARRY**—But it is possible. Is that a nod? We cannot record nods on *Hansard*.

**Senator Sherry**—Just as it is possible for me to seek a change in the law to have every superannuation fund involved in bonds and cash. In the current climate that may have some appeal in terms of certainty, but I am damn certain that it would not be in the long-term interests of fund members—

**Senator PARRY**—But it is equally possible.

**Senator Sherry**—because we know it is bonds and cash. I have to say that in the current investment world and the current world financial markets, anything is possible, given what we have seen in the last year.

**Senator PARRY**—But you are in a position of influence.

**Senator Sherry**—The government has no plan, no intention, of changing the rules that you set down and the investment mandate that you set down in government.

**Senator BOYCE**—You have had a return of negative 4.1 per cent, I think it is, since the fund effectively got going, which unfortunately is a matter for some congratulations in the current period, but it is a long way off where you need to be to achieve the aim. What is being done there? I notice that you still seem to be selling down cash.

**Mr Costello**—That is correct. To respond to your comments, it is indeed an odd state of affairs that success is measured in degrees of capital loss. Certainly it gives our organisation no pleasure to have to report that so early in its life. Our position on that view is that, as these market conditions continue to deteriorate, forward-looking returns must inevitably be rising. So purchases made today start from a materially more attractive position in terms of future returns than those made yesterday and some time ago. This is really the challenge of our role. This opportunity represents, for the cash that we are using to purchase other assets, potentially some absolutely terrific buying opportunities.

**Senator BOYCE**—Are you talking about property and shares?

**Mr Costello**—We are talking property, shares and a whole range of things available that a long-term investor would hold. So our judgment primarily is trying to strike the right balance between time and where we are in the cycle and those increasingly attractive prices that are available to us against the risk—and there is always this risk—that we are just a little early in that process. As you can imagine, this exercise takes a great deal of time and discussion in our organisation.

**Senator BOYCE**—How would you describe the risk profile of your portfolio now, compared to what it was in July 2007?

**Mr Costello**—Because it contains less cash and, by definition, more assets where the market value can fall as well as rise, it is definitely invested in a more risky way that it was when we began. I think it is fair to say that that will continue to be the situation as we continue to roll out this program. What I would say to balance that is that the decisions made today, purchases made in this environment, we firmly believe, because of where they are starting from, will generate superior returns to those purchases made earlier on. So we are in the business of having to buy risky assets. We are trying to buy them at the very best price we can, which in this environment is all about at the very best time. But the only way we are

going to generate a minimum return of inflation plus 4½ per cent is by buying well assets which do have this risk attached to them because they also have the commensurate return.

**Senator BOYCE**—I presume you are reviewing your strategies almost daily—at least quarterly, I would imagine.

**Mr Costello**—One of the things that this environment teaches investors is that it is worth keeping the discipline of a long-term program, which is always a challenge for investors—

**Senator BOYCE**—Holding your nerve.

**Mr Costello**—versus responding to conditions. The board has provided, from my perspective, great guidance here in terms of striking that balance between responding to material market signals but not jumping at things. A good indication of that is that we hold more debt securities than we expected to. So we took a decision back in 2008—

**Senator BOYCE**—You noticed this at the end of the financial year 2007-08?

**Mr Costello**—Basically, we started toward the end of the calendar year 2007—so not so long into the program. We materially reduced the amount of equities that we were setting out to buy relative to a more normal environment, and that turned out to be a good call for the Future Fund. When we saw the returns available to investors for buying debt securities, fixed interest securities, corporate bonds and others, we transferred a lot of our risk-taking from equities to debt securities. That has all turned out to be a good strategy for us. Investors were very well rewarded for it in that very difficult market. So a program has evolved materially through that time, as has the much slower than anticipated rate of transferring money from cash to other assets.

**Senator BOYCE**—Is that because of the difficulty in sourcing suitable investments? Why is it a slower rate than anticipated?

**Mr Costello**—Fundamentally because of our judgment that there was worse to come.

**Senator BOYCE**—Do you have a projected time for a break-even rate, for want of a better way of expressing it?

**Mr Costello**—I think this is where the too hard—

**Ms Campbell**—Senator, when you say ‘break-even’—

**Senator BOYCE**—When would you anticipate this fund to stop making a loss? Have you made projections about when you would expect that to happen? I know I am asking for crystal ball things, but that is the name of the game.

**Mr Costello**—I think the short answer is no. As I said, we continue to try and balance the security and the safety of cash against the opportunities that are presented. Certainly, we are—

**Senator BOYCE**—What would you see as an unacceptable rate of return, at which point, if you were another sort of fund, you might think about restructuring?

**Mr Costello**—We did talk about this at quite some length in our annual report, because the investment mandate set by the ministers requires us to try to maximise the return without taking excessive risk. So that clearly places an obligation on us to think carefully about what that means. Given the duration of the Future Fund and the fact that no assets are required until

at least 2020 and then many years beyond, we do not think in terms of risk in single-year outcomes. We think that time is too short in which to try and run a program to minimise unattractive outcomes.

**Senator BOYCE**—But, if you were starting to fall to negative 20 per cent in four or five years, for example, to get to where you would need to be by 2020 becomes much more difficult.

**Mr Costello**—It clearly does. It is absolutely fair to say that, once you are negative, you have to run twice as fast to get back to where you started. I would perhaps try and respond to that by saying that, as an organisation, as a board and as a management team, despite the challenges of this environment and the acute difficulty of trying to strike the right balance between too early and too late, we remain strongly of the view that the Future Fund will come through this in a very strong way, that it will deliver to government over periods of time, that the government can have confidence in our organisation for these returns and that we are in the very fortunate position in a global marketplace of being able to acquire very high quality assets at very competitive prices that will deliver very attractive rates of return. When we are thinking about the long-term return, we do focus on returns over a few years. So we are very conscious of the risk that we are taking and we are trying to understand that risk in terms of how it would play out over a two- to three-year period. That is our way of thinking about excessive risk—a program which carries just so much risk that there is a return over a few years—

**Senator BOYCE**—So there is no figure on it?

**Mr Costello**—Perhaps if I could just clarify the question: no figure on?

**Senator BOYCE**—What I am asking here is: is there a figure at which point you would hit the panic button? Let us say you got to negative 11 per cent over the next financial year or so. I am just being theoretical.

**Mr Costello**—There is no figure and, hopefully, we will never have to hit the panic button.

**Senator BOYCE**—I can appreciate that. No-one would like to hit it. Mr Costello, I was interested in your saying that the Future Fund can invest in pretty much anything it likes. You would be aware that your chairman, David Murray, in October last year, I think, suggested that the government should buy into some of the investment funds that had had their assets frozen following on from the bank guarantee. Are you aware of that?

**Mr Costello**—Not that specific comment. I know that Mr Murray has made a number of comments.

**Senator BOYCE**—Mr Murray is quoted in the *World Today* program as saying that the federal government should consider buying into the mortgage and cash management funds that had had their assets frozen. The government clearly did not do so. Did the Future Fund do that?

**Mr Costello**—What I can say in terms of the Future Fund program—and I know that when Mr Murray speaks he always chooses to make it very clear whether he is speaking in his capacity as chairman of the Future fund or as a commentator—is that it did invest in mortgage backed securities during the early part of this cycle. Again, it is a very good



example of where an investor like the Future Fund was able to pick the absolute cream of the market—

**Senator BOYCE**—So you did invest in some of those frozen funds?

**Mr Costello**—I think the frozen fund thing is difficult. You gave the example of mortgaged backed securities—

**Senator BOYCE**—Yes.

**Mr Costello**—The Future Fund does hold mortgaged backed securities.

**Senator Sherry**—Mr Murray is frequently in the media talking about investment and economic issues. As Mr Costello has indicated, if Mr Murray is speaking in respect of his position in the Future Fund, he does make it clear publicly. For example, Mr Murray has had a role in putting together a special investment vehicle for the motor vehicle industry for credit. That clearly had nothing to do with the Future Fund.

**Senator BOYCE**—However, this article, which he may have sought to correct—I do not know—is from the *World Today* and it is obvious that his quotes are used. At the end of the interview, Eleanor Hall said ‘The Chairman of the Future Fund David Murray’. There is nothing in the interview to indicate that he had sought to speak in a private capacity. In any case, I would have thought his views about this subject would not particularly alter whether he was speaking as the chairman of the fund or as an individual business person.

**Senator Sherry**—No doubt that was the calculated risk that the former government took when they appointed him. When the former government appointed him, presumably they would have seen the potential of journalists and the public at times becoming unable to distinguish between Mr Murray, the chairman of the Future Fund, and Mr Murray speaking in another capacity about another issue at another time, as I know Mr Murray has done very, very frequently over many, many years.

**Senator BOYCE**—The date of this article is 28 October 2008. Minister, you were telling us earlier that you had done nothing to change the framework around the Future Fund. Is that a good thing or a bad thing? I am not sure that I understand what you are trying to say here.

**Senator Sherry**—I am just saying that I am sure the former government would have considered the issue around Mr Murray speaking in his position as chair of the Future Fund and him speaking from time to time about other issues to do with the economy and that being attributed, fairly or unfairly, to that role and also it being noted that he was the chair of the Future Fund.

**Senator BOYCE**—Nevertheless, these comments were not made while the former government was in power. They were made well after your government came into power. I would have thought that, if there is a conflict with these comments, it is between what your government is doing and the view of a very senior and independent investment person in the form of David Murray. I was asking the fund whether they had followed this advice and invested in the investment funds to free up liquidity.

**Mr Costello**—With that question put more clearly, I need to distinguish between the Future Fund’s investment program, which was an investor in mortgaged backed securities in the wholesale market and, in the light of that article, the suggestion concerning these funds which

suffered liquidity problems. We have not participated in that market. As you indicated in that article, we have not been an investor in frozen or locked-up funds.

**Senator BOYCE**—So on the same basis then, no investments that were held by the Future Fund would have been frozen?

**Mr Costello**—No.

**Senator BOYCE**—Okay. Thanks. That is the end of my questions.

**Senator PARRY**—I think I will be wrapping up for the coalition on this section. I just have a couple of questions.

**CHAIR**—Then will we need to bring forward the Department of Human Services?

**Senator PARRY**—Yes, we are ready to go. We have got our shadow minister here, and I will be about two or three minutes. So you can alert them.

**CHAIR**—Okay. We will advise them. And can I just take this opportunity to put on the record that we have sought information from committee members, and CRS Australia will not be needed so we have allowed them to go home and enjoy their evenings. Senator Parry.

**Senator PARRY**—I just want to go back to the two billion shares that were held in escrow. When did that expire?

**Mr Costello**—20 November.

**Senator PARRY**—I realise this would be market sensitive so I have to be careful how I ask the questions, and how you answer the questions. Obviously, the government is not going to get rid of the whole two billion shares in Telstra overnight—or the fund is not going to do that. Do you have a forward-looking plan to either increase or maintain the holding in the Telstra market?

**Senator Sherry**—It is the fund, sorry, not the government—

**Senator PARRY**—Yes, sorry, the fund. I beg your pardon. That is correct.

**Mr Costello**—There is certainly no plan to increase—and in fact one of the very, very few restrictions that the investment directions do place on the board is not to acquire additional Telstra shares.

**Senator PARRY**—That's one for the books!

**Mr Costello**—Notwithstanding that, I think it is fair to say that we would have no plan to increase the position. What I can say is that as a major shareholder we do have to be very careful of our position there. With the securities coming out of escrow, this issue is clearly now exercising more of the organisation's time. We watch company events closely and we recognise our role as a significant part-owner of the company. I would make very little comment apart from that, except to say that this is a very material part of the portfolio; it is moved from being in escrow to being part of the program that we have—

**Senator PARRY**—Fully tradable, yes.

**Mr Costello**—Control over. As a result, it is certainly a significant part of the discussions in the organisation and our planning going forward.

**Senator PARRY**—Just as a matter of interest, we were talking earlier about the price. It closed at \$3.76, so two billion shares represent a fairly huge slice of the investment fund. Minister, you gave an indication that you do not have any intention to change the investment mandate, that is, in the way in which you would approach the earnings from the fund. How difficult—

**Senator Sherry**—No, the investments of the fund.

**Senator PARRY**—Pardon?

**Senator Sherry**—It is the investments of the fund. I think you said ‘earnings’.

**Senator PARRY**—That is a good point. So the original investment, figure X, remains under the original enactment—

**Senator Sherry**—Yes.

**Senator PARRY**—and so you can do what you wish with all the earnings—

**Senator Sherry**—No.

**Senator PARRY**—It is not subject to the investment mandate?

**Ms Campbell**—The earnings are reinvested in the fund, Senator.

**Senator PARRY**—And once they are reinvested, are they subject to the investment mandate?

**Ms Campbell**—They are, yes.

**Senator PARRY**—So if you did not reinvest them—or is that part of the investment mandate that the earnings have to be reinvested?

**Ms Campbell**—It was part of the legislation that the earnings would be reinvested.

**Senator PARRY**—Okay. So I do not understand the clarification then, Minister, because the entire investment—

**Senator Sherry**—No, you said ‘earnings’ and I said ‘investment’. So we are both right.

**Senator PARRY**—Okay. I will accept that. So investment and earnings are subject to the investment mandate. The 4.5 per cent or thereabouts above inflation—is that the average of capital cities? How is the national inflation rate determined—CPI?

**Mr Greenslade**—It is the published CPI.

**Senator PARRY**—Okay. Does the investment board face any penalty or issue if you do not meet the 4.5 per cent plus CPI?

**Ms Campbell**—Senator, the investment mandate is given, the board reports regularly and ministers, clearly, read the reports.

**Senator PARRY**—Obviously, you are not meeting it, so you are not expected to meet it—

**Senator Sherry**—But it is long term; it is not this year, it is not last year, it is not in three years time. It is a long-term—

**Senator PARRY**—So what is the date that someone says you have or you have not met your investment mandate criteria?

**Ms Campbell**—The long term was considered to be five to 10 years.

**Senator PARRY**—Is it five or is it 10?

**Mr Greenslade**—Broadly, the board is seeking to assess its performance and its role in 10-year periods, but the shorter term indicator is to look at performance over five years.

**Senator PARRY**—My colleague Senator Boyce went through a number of issues about your investment strategy. I am trying to ascertain what compels the board to do the best it possibly can for the return of the investment. Perhaps you can answer it in that way or perhaps I need to drill down further. Can you give me a broad answer to that question?

**Mr Costello**—Perhaps I could respond to the question you were asking about time frames and any impact. The mandate talks about delivering this return over the long term. Clearly, as an organisation, just as we had to crystallise our thinking around what excessive risk would be so we had to think about what the long term meant. When we structure the portfolio we think about delivering this over rolling 10-year periods. We recognise, however, that that is a long time for all people to wait to see the efficiency of the organisation. On the other hand, we would argue that every single year is way too often and is not a useful indicator for a long-term mandate. So the position that we are publicly putting has now become fairly well established, and that is that we are structuring the portfolio to deliver these real returns over rolling 10-year periods. We think that rolling five-year periods gives all commentators and all observers and all stakeholders a very good indication of progress on that. In terms of your question about what happens if we do not—

**Senator PARRY**—Can I just supplement that question by saying we do not want the board putting up their hands and saying, ‘It’s been too hard.’ In the global economic downturn investment return is very poor. There must be a measure and there must be some accountability that you have to abide by to ensure that we get the best return on our investment.

**Ms Campbell**—The government considers the long-term nature of the target to provide that. The government is also aware of the exceptional circumstances at the moment, and I think Mr Murray has been in the press recently saying that he believes that, in the long term, the board can achieve those things.

**Senator PARRY**—So this all comes down to long-term strategy and, if there are some short-term—hopefully not medium-term—losses, that is just put down to economic circumstances, not board inefficiency. How do we ascertain investment strategy versus global economic conditions?

**Senator Sherry**—If you look at the quality of the board members and their background, it is very, very good. You look at the quality of the staff and their experience in other areas including—

**Senator PARRY**—I am not casting aspersions on anyone. I just want to know what the measure will be.

**Senator Sherry**—You appoint a very good, knowledgeable team with a correct vision and correct investment qualifications and background. Perhaps to explain: in terms of superannuation, which has had a lot of focus including yesterday on the current negative rates

of return, Treasury said that for a variety of reasons the long-term rate of return in the superannuation system in Australia 20 years ago was around five per cent. I can recall five or six years ago—even two years ago—people were saying, ‘That is too low. It should be higher,’ because at that time the long-term rate of return was about seven per cent. Now, five per cent looks about accurate. So just as Treasury officials used their expertise all those years ago to set what seems to be a good long-term rate of return in good times as well as not so good, which we are going through at the moment, the long-term rate of return, benchmarked as the Future Fund, the guardians and the staff have set—and I asked many questions about this when I was in your position and sitting there—certainly seems to be on all long-term judgments and skills to be reasonable.

**Senator PARRY**—All right, I will accept that, Minister. I will place my final question on notice, if there is anything to provide on notice. If there are any accountability measures, that gives us comfort that the board is accountable to some degree for correct investment strategy especially now that we have the non-escrow shares in Telstra which can be sold on the market and funds invested in any other strategy or other form. So I am sure that the committee would appreciate any information on accountability measures you wish to provide, and I am happy to take it on notice.

**Ms Campbell**—Chair, may I provide an answer to Senator Ryan, which I promised earlier tonight, about the size of the superannuation liability?

**CHAIR**—Yes.

**Ms Campbell**—The superannuation liability as at 31 December was \$101.9 billion.

**Mr Costello**—I have one final comment. It may seem self-serving, but I think it is important to place on the record that there is a huge amount of personal and collective focus, pride and ownership of this issue. I appreciate that perhaps that does not provide you with what you are looking for. We are a very accountable organisation. Our activities are widely observed and commented upon, and we are compared with others. We are very focused on delivering this aim and, accountability issues notwithstanding, it is intensely personally felt by all the people associated with the entity.

**Senator PARRY**—Thank you, that is somewhat assuring.

**CHAIR**—I thank the officers and the minister.

**Proceedings suspended from 8.21 pm to 8.29 pm**

## **HUMAN SERVICES PORTFOLIO**

### **Department of Human Services**

**CHAIR**—Welcome, Minister, Ms Williams and your colleagues. Would either of you like to make any opening statement?

**Senator Ludwig**—No, thank you, Chair.

**Senator SCULLION**—I understand that the first set of questions here are directed at the core aspect of the Department of Human Services. Minister, perhaps you can enlighten us: when there is an efficiency dividend it must be difficult to deal with if the only resources you

have are, basically, people. I know that in the budget we seem to have had a cut of some 35 per cent of staff, which equates to about 35 people. Is that right?

**Senator Ludwig**—I will ask the secretary to go through the actual numbers for you, if you would like.

**Senator SCULLION**—I am sure that just a confirmation that my reading of the budget in that regard is correct. Perhaps you could enlighten us as to whether or not that is as a consequence of an efficiency dividend.

**Senator Ludwig**—It is clearly not, because, if you recall, we ceased the access card and, as I understand it—and I am sure the secretary can correct me if I am wrong—in ceasing the access card DHS no longer required a number of staff that were associated with that. We returned about \$8 million back to the budget for a whole range of other measures, for what could only be described as a magic card. DHS itself has also, since 1 July, brought together the child support program into the one department. So that has also changed. That is why I thought it was worthwhile for the secretary to go through what the actual numbers are. It is not right to say that there has been a cut as a consequence of the efficiency dividend. The efficiency dividend, of course, is a matter that all agencies have to deal with, and in that case DHS, like other agencies, is cutting its cloth to suit.

**Senator SCULLION**—It is going to be fairly convoluted by the time the secretary provides those numbers. Since you are on the matter of the efficiency dividend, Minister, how many staff have been lost as a consequence of the efficiency dividend in Human Services?

**Ms Williams**—As a consequence of the efficiency dividend, we have had to be far more rigorous in what we use people for, but, if you are asking whether we actually had to get rid of any staff due to the efficiency dividend, no we have not.

**Senator SCULLION**—So what was the efficiency dividend your area was—

**Ms Williams**—We had to bring down numbers but, as the minister said, it is not as clear as that because we had to downsize very heavily due to the access card loss, but we were able to do that with very few redundancies. We have just had to be far more rigorous about how we lose staff, but we have done it through natural wastage and finding people jobs.

**Senator SCULLION**—Natural wastage and a few redundancies. We are getting closer. Can you put a figure on that?

**Ms Williams**—I will hand over Ms Hartland to answer in detail.

**Ms Hartland**—I will get you the exact figures, but we found placements for around 14 and some voluntary redundancies were taken. It is a little while ago. I will need to give you the exact figures, but from memory it was about 14.

**Ms Williams**—We do have the figures because we ran through them at previous estimates. We can get you the detail of exactly how many we had to downsize by.

**Ms Hartland**—Could I also clarify. There were 14 who were identified as being surplus to requirements after the access card, and that was after we went through quite a rigorous process of placing people and going through some of the APSC processes. Of that 14 a

smaller number ended up taking voluntary redundancies, and that is the figure that I need to clarify. I can try and do that this evening.

**Ms Williams**—At the time we worked very hard to find people jobs in other departments.

**Senator Ludwig**—This was over about six months ago. This was not a recent occurrence. This was prior to the May budget or thereabouts—probably afterwards.

**Ms Williams**—It went beyond, but it was in the first half of the year.

**Senator SCULLION**—I thank Ms Hartland for the answer. I just want to clarify that. You said that when the access card ended, a number of people were offered voluntary redundancies. I am not concerned about the process. I am confident they were all dealt with wonderfully. You said there were about 14 people.

**Ms Hartland**—That is correct.

**Senator SCULLION**—Minister, could you explain, just in terms of the numbers. I appreciate that we can get some numbers from the secretary in a moment. Just to keep my line of thought, if we have lost 14 due to the access card, that still leaves a cut shown in the budget of some 61 people. I am not sure if that is due to the efficiency dividend or another process. Perhaps you could identify that.

**Senator Ludwig**—To take you right back, a significant number of people were effectively tied to the access card. In terminating that program there was going to be excess staff. We were very mindful of the fact that we did not simply want to dismiss those staff, so we went through a program—and I can be corrected if I am wrong—of looking for other places for them. Of that total number, they found alternative employment. You would understand that the portfolio was quite large, including Centrelink and Medicare. Also, people went on to other careers. Of those who were left, there were about 14 for whom it was difficult to find other employment or, for a range of circumstances, a voluntary redundancy was considered to be the best option. For those individuals, I understand voluntary redundancies were offered. But that is not my remit; the secretary deals with those matters. Of course, it is always a difficult issue when you are confronted with the termination of a large program that really was not going anywhere and the staff and their skill sets were required for the access card. Because of that it was also difficult to find them other employment within the portfolio. When the time came, there were 14 left. My recollection is that this happened some time prior to the first half of the year, when we first came into government, terminated the access card and start working out, of that number of staff, which skill sets we could keep and which skill sets were no longer required by the organisation. Some time post-May, probably in the first half of the year, there were about 14 left. I can get dates, if you would like, of when the voluntary redundancies were offered.

**Senator SCULLION**—Perhaps you misunderstood, Ms Hartland. I was not trying to verbal you. That is what I understood to be the case. The minister has clarified that. You are saying that there was a whole bunch of people left, but you were referring to the last 14 of those in terms of the process and how they were allocated.

**Senator Ludwig**—That is right. To be clear, none of that relates to the efficiency dividend. Those sets were as a consequence of the termination of the access card.

**Senator SCULLION**—How many people left the department voluntarily or in any way as a result of the downsizing as a consequence of no longer having the requirement of creating the access card? How many people were allocated within the department to the access card?

**Senator Ludwig**—One of the difficulties is that, when we came into government, it was not as clear cut in the sense that the Department of Human Services did not have a separate access card office, which you might have thought would have been a more logical way of doing it. It was part of the overall department, at the time, as I understand it—and correct me if I am wrong—and, as a consequence, there were something in the order of 60 or 70 people.

**Ms Williams**—Actually, more in the order of 124 for the access card. It was more than half the core department.

**Senator SCULLION**—I understand that, if we decrease the number by some 75 people, that is 35 per cent of staff. You are now telling me that the original decrease was by over 120 people.

**Ms Williams**—There were about 120 for the access card, but we have managed to find some people jobs in the department and other jobs that actually became vacant. Others were found jobs outside the department. That brought us down gradually to the core number that Ms Hartland spoke about.

**Senator SCULLION**—So the decrease in the number of core department staff of some 35 per cent, in the budget, solely represents atrophy as a consequence of no longer having to deal with the access card. Is that what you are telling me?

**Ms Williams**—I think what I said in the beginning was that there is an efficiency dividend amount in there but, because we were downsizing by so many, we did not actually divide out the efficiency dividend as to the access card. We had a major downsizing that we had to do as a result of the loss of the access card.

**Senator SCULLION**—I suspect it is going to be very difficult to get to the nub of what is where given your answers, and I am sure there is no mischief in that. The reason I go to the question is that for 35 per cent of people we have now notionally said, 'We're not really sure but they're in there somewhere.' If you look at the remainder over tonight this is still a core department, Human Services, whose responsibilities are spread over Centrelink, Medicare, child settlement services and CRS. I hardly think that percentage equates reasonably to 100 per cent of your work, and the budget indicates we have had a 35 per cent decrease in staff. You have lost 75 staff from your core department. I guess my key question goes to this: are there any other projects or work that you are not going to be able to do as a consequence of those levels of cuts?

**Mr Popple**—With that 75 we have also lost a substantial amount of work as well. We had a quite large workload associated with the access card. With the abolition of the access card we lost that workload, which would equate to more than 75 staff, and we maintain some expertise within the department. So it is not really a matter of filling in with extra projects. There is still work going on across the whole breadth of the department in terms of the work with the agencies.



**Ms Williams**—I would also add that we have also had other changes as a result of that. While the Child Support Agency was always part of the department, it was treated as a separate agency. We thought that was probably wasteful so we have tried to bring together the core skills. In fact, if you like, we have supported those core skills by bringing the child support program and what was the core department together. But of course we have refocused the department because our big project at the moment is service delivery reform. We had a major restructure of the department into business lines so we could focus on service delivery reform across the portfolio.

**Senator SCULLION**—What might be useful—but not so much tonight because I think you will have to take it on notice for the future—would be if you could perhaps provide us with a breakdown of the staffing for each of the business lines within the department. Please include in that the levels of staff allocated to those business lines including the APS, EL and SES levels in that framework. If you provide that then each time we can see if there is any amendment to that.

**Ms Williams**—Yes, we can give you that.

**Senator SCULLION**—Secretary, have you had any consultancies that have been let in the 2008-09 financial year to date?

**Ms Williams**—I will ask Ms Hartland to answer that.

**Ms Hartland**—The total expenditure from 1 July to 31 December 2008 was \$166,000. Would you like the details of that breakdown?

**Senator SCULLION**—Indeed, I would; in fact, if you would provide those on notice that would be fine.

**Ms Hartland**—Sure.

**Senator SCULLION**—Have you had any outside contractors or advisers who have been appointed or taken on?

**Ms Hartland**—Outside contractors?

**Senator SCULLION**—Yes.

**Ms Hartland**—Yes, but it would vary in terms of ICT contractors and those sorts of things. I do not have those figures but we could get those.

**Senator SCULLION**—If I could have those on notice that would be useful. So that is in terms of the contractors. The second part of the question was: have there been any advisers? I know contractors might have a specific task but there might be some generic advisers to be able to provide advice on restructures and those sorts of things.

**Ms Hartland**—I think any of the advisers would be picked up in consultancies. For example,—

**Senator SCULLION**—As to my question, I just wished for completeness to cover that area. It was not specifically only as to consultancies.

**Ms Williams**—We will get you a list of all staff who come into those two categories.

**Senator SCULLION**—Okay. When you provide the contractors and who they are, can you also provide the value of each of the contracts, so what they are actually estimated at?

**Ms Hartland**—Yes, certainly. I have got those here but I can table them.

**Senator SCULLION**—So has any work that was previously performed by your organisation, Human Services, been passed or offered to outside companies or firms or individuals or agencies? Rather than bringing contractors in, have you got any work that you were doing in a large lump that you have outsourced completely?

**Ms Williams**—Not that I can recall, no.

**Senator SCULLION**—Human Services is tasked with coordinating the delivery of lots of services and payments. Both the minister and I, when I came to the portfolio, shared a sense of wonder about the differentials, and this is a great opportunity to get some clarity in my mind about the cross-agency coordination, which I guess was the genesis of Human Services. Who develops the assessment and the appropriate delivery service mechanisms—one of the departments or Centrelink? What is the process?

**Senator Ludwig**—You might have to be a little bit more specific about some of these. If you are talking about what the government does, it might set a budget and it might then require a policy to be delivered. We could take one, such as exceptional circumstances under Minister Burke. In that instance Centrelink will develop whatever the payment is or whatever the delivery of it is. They might use rural services as part of that. That might give you an idea of how it works.

Let us use the Economic Security Strategy payment as an example. That payment was obviously developed by government and delivered by Centrelink in the sense that the majority of the actual payments were made by electronic funds transfer directly into bank accounts. That was, if you recall, in that week or so before Christmas. If you then talk about other responses, there are those such as the development of the strategic fraud and compliance program that DHS will then develop across the portfolio. So it really depends on the type. I would ask you to perhaps be a bit more narrow as to what you ask in being able to describe it. But there is always an interaction between, for instance, DHS, as the department, and the two big FMA agencies—Centrelink and Medicare. They will sit and provide it.

**Senator SCULLION**—Perhaps they are outside our purview, but there are things like the Christmas bonus, the pensioner bonus.

**Senator Ludwig**—The ESS, the Economic Security Strategy, was delivered by Centrelink through EFT, which is electronic funds transfer.

**Senator SCULLION**—In terms of the policy, we had a Christmas pension bonus, we had the stimulus package and we had disaster recovery packages. I am looking for the interaction. Do the department just simply say, 'Listen, this is happening; what we want you to do is deliver this so now go off and do it'? Or do the department actually have a delivery mechanism that they are recommending? Are they saying, 'This is the one that we are particularly wedded to because this is how we target things'?

**Ms Williams**—It really depends on the particular payment that is involved. Some of these payments are actually developed as policy by what we call the policy departments—Families,

Housing, Community Services and Indigenous Affairs or Education, Employment and Workplace Relations. They would develop with government approval the actual package. Sometimes there is no problem; it is easily delivered through the current mechanisms, in which case we would look at that but it would be pretty much for Centrelink or Medicare to deliver it. As for some others—

**Senator Ludwig**—The Basics Card is a good example.

**Ms Williams**—Yes, the Basics Card is a good example. For more innovative ones we have to look at different delivery mechanisms in which case the department gets very involved. We really get involved when there is an issue about how it is delivered because, as you know, in the administrative arrangements orders we have got policy on service delivery. So we get involved when there is an issue as to how it is delivered. If it is delivered easily through a current mechanism then we would say, ‘Yes, we agree that current mechanism is the way to go,’ and that would go directly to the service delivery agencies.

**Senator SCULLION**—So when they have made the decision and have said that the payments will be made, what proportion of the payments that are being provided in those sorts of examples are outlined by the government in the particular announcement by the department? I ask because it is normally the department that makes the announcement that this will be happening and that payments will be made. What proportion of these payments were actually provided by the date that has been outlined by the departments? I have cited the recent example of the Christmas pension bonus. There was an announcement made by the department—

**Senator Ludwig**—Sorry, but I will go back and go through how it works. The portfolio department, Human Services, is the service delivery agency, so we deliver on behalf of the policy departments. Let us use the Economic Security Strategy payment to pensioners—that is, the payment that was made just before Christmas, which was \$1,400 for singles and \$2,100 for pensioner couples as pension payments. It was announced by Minister Macklin and the Prime Minister, and the payment was then made by Centrelink through—

**Senator SCULLION**—The announcement was made on a certain date and before that date you would expect to receive a certain amount.

**Senator Ludwig**—That is right. It was about six weeks, I think to be precise, before the week beginning 18 December.

**Senator SCULLION**—I was looking for some sort of indicators. The department would ask Centrelink to deliver it by a certain date after making the announcement. I am asking what proportion of the payments were made—

**Senator Ludwig**—That is what I was trying to understand.

**Senator SCULLION**—What proportion of the payments were made successfully within that announced time frame?

**Senator Ludwig**—We can check with Centrelink. What you are saying is that, of the appropriated amount that was paid, how much was paid to pensioners during that fortnightly period.

**Senator SCULLION**—Effectively they made an announcement that they were going to do this for a period of time and separately asked Centrelink to do their business. I am saying: how accurately were you able to provide that payment within the time frame indicated by the department?

**Senator Ludwig**—That is a question that Centrelink can provide a more direct answer to, but I can say that as at 31 December 2008, which was after the fortnight, Centrelink had paid approximately \$8.03 billion to roughly 5.6 million Australians.

**Senator SCULLION**—That is how much was expended?

**Senator Ludwig**—That is how much we delivered.

**Senator BOYCE**—What that just for that package or for the year?

**Senator Ludwig**—That was the Economic Security Strategy package we were talking about, which was part of the Centrelink proportion that we delivered. The package if you recall was \$10.4 million in total but Centrelink did not deliver all of the package. Parts of it related to—I might need assistance here—job placements and there were other parts of the package. Of the part of the package which was Centrelink's I think it related to about \$8.4 million, but I am open to correction on that.

**Senator SCULLION**—Perhaps because my question is relatively broad we did seek some examples and you attempted to provide them. I have cited three examples that might be useful: the Christmas pension bonus, the stimulus package and the disaster and support payments for flood and bushfire victims. Departments were responsible for those matters on the policy side. They said to Centrelink that they wanted them to make those payments. What I want to know is: what proportion of the payments have actually been paid within the parameters that were set by the departments.

**Ms Williams**—Senator, in this case the parameters are not set by the Department of Human Services.

**Senator SCULLION**—I meant by the department responsible for the policy.

**Senator Ludwig**—Let us not confuse it. If you recall, in relation to payments to flood victims in North Queensland or to the bushfire victims in Victoria, there is no definite or finite block of money paid to those people who have suffered in terms of being injured or those people who meet the criteria who have lost their dwellings.

**Senator SCULLION**—There is no period of time under which your department is expected to make the payment? There is no time frame under which that payment is expected to be made? For example, if you put in an application to closure—

**Senator Ludwig**—A good example is, in the Victorian bushfires Centrelink stood up on the first day, which was Monday post the fires, and started taking applications. Minister Macklin and the Prime Minister had made an announcement that we would make a payment to support those people who had lost homes and had been injured. From the Monday we continued to take applications. I can provide those figures as to how many applications were taken each day and the total number, and then the total amount that was in fact paid out. There was not, in that sense, an end point because of course we hope that we get the money to all those people that, in fact, need the payment to be able to buy the necessities and other things.

What you also find is that people did not always come in on the Monday or the Tuesday. They came in Wednesday or Thursday and in fact, as I understand it, we are still taking applications. These people have lost a lot and are entitled to a payment. There are other payments that Centrelink have been able to provide on behalf of the government. What we are not doing is saying that there is a shut off point. We are leaving this open to ensure that we get the maximum payments to those people who are in need as they have suffered considerably.

**Senator SCULLION**—It was not so much a cut off or a period of time under which people could make application. I was wondering whether or not another department would say to human services that they would like them to make these payments. Then there is a period of time from application to the payment actually being made, some sort of a quality assurance that they will make that payment in a particular period of time. I know when a government makes an announcement about a particular payment in an area it is often not the Department of Human Services that makes the announcement. They make an announcement that certain things will happen and they often make the announcement attached to a particular time frame. My question just simply goes to: what percentage of those payments was made within the time frame of the department that was requesting you to make those payments? Perhaps, if that is going to be too onerous here particularly if you have no data on that at the moment, I am more than happy for you to take that on notice.

**Ms Williams**—I think it is more the fact that the payments you mention, Senator, are things that are open ended because we are still trying to get all the people that are eligible. It was not a set timeframe.

**Senator SCULLION**—Is that the same situation with the Christmas pension bonus?

**Senator Ludwig**—In terms of the \$10.4 billion that we dealt with in the Economic Security Strategy payment there will be, first of all, those people we know who are on our books that received the payments. They are people who are entitled FTB and those who are pensioners. There will then be a cohort who might have to then put their hands up after the event and say that they have missed out or have not been paid for some reason or other.

**Senator BOYCE**—Some are eligible and do not claim.

**Senator Ludwig**—Yes, for some reason that may not be clear at the time. Anyone who is entitled to the payment as at that date will receive that payment. There will also be those people that put their hands up.

**Senator SCULLION**—They are supposed to receive the payment on that date. I acknowledge that. What I am asking you is: how many of those actually do?

**Senator Ludwig**—All those eligible would be my short reply. It is electronic funds transfer and I am not aware of—and perhaps we can leave the evidence to the Centrelink—anything that would have prevented the payment being made. There are those types of circumstances. There are circumstances such as the Victorian bushfires or floods where the policy is about trying to get the payment to the individual concerned so there is not a set date. There are also others like the exceptional circumstances in the rural community where, when people become eligible, they will be entitled to it. Minister Burke announced particular dates that the payment might be able to be claimed by and when it might close by. Those payments are then paid. There are people payments made by Centrelink to Newstart and to a whole range of people,

which are payments stimulated by a range of activities such as a person becoming unemployed. They are entitled to apply and if they meet the criteria they will be made a payment. I was trying to narrow down exactly the point you are trying to get to. We have 20-odd policy departments that we make provision for and deliver a range of payments on behalf of. There are a range of criteria that we have to meet in delivering those payments and we do that. There is also a range of different types of payments that we deliver on behalf of others.

**Senator SCULLION**—I just take you back to your previous statement that there are criteria you have to meet and they are criteria that are set by someone else.

**Senator Ludwig**—Set by the policy department.

**Senator SCULLION**—The policy department set the criteria. You said you meet them, which means the answer would be yes, and I am not verballing you but that is the answer I would like. My question is: what percentage of the payments is made within the criteria set down by the department that wishes you to make them? You may wish to take that on notice. I am not sure whether it is a parameter you would look at. I thought it would be something you would be across.

**Senator BOYCE**—I will try another way of looking at that. How much of the \$8.03 billion that you mentioned was delivered in the Christmas cash package had been set aside for that purpose? You pointed out that the \$10.4 billion included other things. You delivered \$8.03 billion. How much had you anticipated you would need to deliver?

**Senator Ludwig**—That was as at 31 December. It could have changed since then but—

**Senator BOYCE**—Are we assuming that everyone had been paid by 31 December?

**Mr Pratt**—In answer to that range of questions, consistent with what the minister was saying, the vast majority of the payments were made in accordance with the timeframe specified by the policy departments. In relation to the \$8.03 billion at 31 December, that was the vast majority of the funds that it was expected Centrelink would pay out during that period.

**Senator BOYCE**—Can you be a bit more specific than ‘vast majority’?

**Mr Pratt**—We will attempt to be more specific. It is a very high proportion, but given the number of payments we may need to take some of that on notice.

**Mr Cowan**—I can offer a little more information. The payments were made on time as planned, and to the schedule agreed with the Department of Families, Housing, Community Services and Indigenous Affairs but there was a provision in the initial announcement for people who may claim family tax benefit at the end of the year, as their normal practice and their choice, to claim at that point and, if they are found to be eligible on the date of announcement, to be paid at that time. There is provision in family tax benefit for backdating so there are still claims in train at the moment that have been received since the payment process started for family tax benefit which, when they are resolved and they are found to be eligible on 14 October—

**Senator BOYCE**—What proportion of people choose to be paid in a—

**Mr Cowan**—It is a minority. It would be around 15 per cent normally of our family tax benefit customers who choose to make their claim at the end of the year. It was planned at the outset that there would be a number of claims received as at 30 June which we would process, and they would get their FTB entitlement as well as whatever they are entitled to under the bonus.

**Senator BOYCE**—So excluding those people can you still say that the vast majority received their payments before 31 December?

**Mr Cowan**—We had agreed a payment with FAHCSIA from the outset that they would be paid in that fortnight from 8 to 19 December, and they all were. All of the customers who were eligible on 14 October—who were eligible on the date of announcement—were paid in that fortnight.

**Senator BOYCE**—So were all paid or were the vast majority?

**Mr Cowan**—They all were. All of the people who were current customers on 14 October—

**Senator BOYCE**—who wanted to be paid before 31 December—

**Mr Cowan**—Yes.

**Senator BOYCE**—were paid before 31 December.

**Mr Cowan**—They were paid but, as Mr Pratt said, there will be some who will be found to be eligible subsequently and we will pay them.

**Senator Ludwig**—That is where the ‘vast majority’ comes in, because there is the cohort who get the annual reconciliation because they are not on fortnightly FTB.

**Senator BOYCE**—The question that we had was whether the ‘vast majority’ relates to what the customer wants or what can be achieved.

**Senator Ludwig**—Maybe it was just a misunderstanding, but we are of the understanding that we paid all of our customers the ESS payment. If you were under any other apprehension then that would be incorrect.

**Senator SCULLION**—So in terms of your own quality assurance, when you are asked by some other department to provide a payment and there are some parameters for the payment, what would be the percentage of the payment that you would expect to pay on or before that day? Do you say it will always be 100 per cent?

**Mr Pratt**—It depends on the payment.

**Senator SCULLION**—I acknowledge that there are aspects, as you just described, which are fully within compliance. Those are aspects that would clearly be seen as being compliant with the regime saying, ‘Well, that’s 100 per cent.’ Have you had a look at those sorts of thing? Have you said: ‘In the past, agencies have asked us to make a payment on their behalf; these are the parameters under which they wanted the payment to be made. How much of that do we get right?’ Do you do an assessment of how that happens?

**Mr Pratt**—It depends on the payment. These things typically would be negotiated with the policy departments, depending on the nature of the payment they are asking us to make. In

some cases it is highly likely that it will be 100 per cent of customers. In other cases it may be a proportion because of the sorts of variables that Mr Cowan outlined.

**Senator SCULLION**—Indeed. Do you keep a record, in terms of quality control? The issues that Mr Cowan was referring to, I would say, were well within the scope of saying that, yes, that is a correct, simply because of the parameters that it is caught up in.

**Mr Pratt**—Mr Cowan will correct me if I am wrong but I imagine that we monitor this very closely, as do the policy departments, jointly with us.

**Senator SCULLION**—Would you be able to supply me, for the 2007-08 financial year, with a list of the departments that have asked you to make a payment where there are parameters that the department would like you to adhere to, and the percentage of payments that have been made within those parameters? You can take that on notice.

**Mr Pratt**—We will take that on notice and we will attempt to give you as much of that as we can.

**Senator SCULLION**—Thank you. I understand that you have been responsible for the oversight of some communication campaigns. I think they were on drought assistance and exceptional circumstances. Is that correct?

**Mr Pratt**—I believe that is correct.

**Ms Williams**—Ms Hartland has the numbers that you asked for earlier if that would be useful.

**Ms Hartland**—Just to correct the record. We said there were around 120 people at the time of the termination of the access card, which was in November 2007. There were actually 136, and of those, eight staff resigned to take up opportunities outside the APS, eight staff who were on temporary transfer returned to their home departments, four non-ongoing staff reached the end of their contracts, 46 staff moved to jobs in other APS agencies, and five staff who were not seeking redeployment to another APS position were declared excess and subsequently accepted voluntary redundancies. So that I do not confuse the issue, there were originally 14 there and then a number of those found other jobs so that it came down to five. The remaining 65 staff were placed in the new structure that came into place on 1 July last year.

**Senator SCULLION**—I wonder if you can provide me with information on what oversight or role you have in government advertising campaigns.

**Senator Ludwig**—Do you mean advertising campaigns that Centrelink or DHS have undertaken, on the child support program or—

**Senator SCULLION**—No; for example, on drought assistance or exceptional circumstances. Are you responsible for the—

**Ms Hartland**—I can take that question. \$2 million was allocated to the Department of Human Services over 2007-08 and 2008-09 for the Murray-Darling Basin campaign. \$1 million of the overall funding was allocated for the 2007-08 financial year. A total of \$448,064 was spent on the campaign up to the September-October 2007 for media and communication. Funding at that time was spent on the development of radio and print ads,



and three weeks of media activity that included radio, newspapers and irrigation-specific rural magazines in the southern Murray-Darling. Following the announcement of specific grants for irrigators in the entire basin the advertisements were revised and the media plan was expanded to include print and radio outlets throughout the Murray-Darling. The planned media activity then ceased as part of caretaker conventions and the balance of \$567,000 for the 2007-08 year is to be returned to the Department of Finance and Deregulation through annual reconciliation of communication expenses. That is that issue.

There is also campaign work that we oversee in terms of electronic Medicare claiming. There was \$14.2 million allocated to the Department of Human Services for a campaign to support the rollout of Medicare Easyclaim. Again, that campaign was suspended in October 2007, in accordance with the caretaker conventions. In October this year the Prime Minister agreed to the continuation of a refocused campaign in 2008-09 to promote electronic Medicare claiming and to do that more broadly. We are in a developmental stage—that is, getting developmental research and developing that campaign for the rest of this financial year.

**CHAIR**—Can I seek some clarification? Because there are other senators who need to come forward to ask questions, can we deal with general questions under Department of Human Services, complete those outputs and then go on to Centrelink?

**Senator SCULLION**—This is not actually a Centrelink question. This is a core Human Services question.

**CHAIR**—I say that just so that we are aware, because there will be senators who want to come up for Centrelink. That is all.

**Senator SCULLION**—Indeed. I just thought it would be useful to complete the questions on the core Department of Human Services first and basically simply follow the agenda that you have outlined, which is: the core department, then the Child Support Agency and then CRS Australia.

**CHAIR**—No, CRS has gone.

**Senator SCULLION**—Sorry—they are not attending. Then we would go to Centrelink and then Medicare. That is what I understood as the case.

**CHAIR**—Excellent. That is good.

**Senator SCULLION**—Ms Hartland, is there any other funding provided to human services agencies or any other agency as part of those campaigns? I mean apart from the funds you have identified.

**Ms Hartland**—No—that is, unless you are talking about straight media or other media costs within the department. There is no other campaign funding.

**Senator SCULLION**—Thank you. Minister or Secretary, what initiatives have recently been undertaken to increase the integration between the human services agencies? You alluded to something at the start.

**Senator Ludwig**—Broadly, we put the child support program within the human services portfolio. That was on 1 July 2008. When you do that, it takes a significant amount of work to

ensure that you not only deal with the staff appropriately and properly but also there is communication across. I will get the secretary to detail some of the specifics of the challenges that are confronted when you draw those together.

**Ms Williams**—In terms of the Child Support Agency and the department, obviously there is a whole range of corporate areas—like ICT, like HR—that we have had to bring together. That is happening at the moment. I think that is well underway. We have been working at the minister's request across the portfolio on a number of things. For example, we have been working together with the agencies on the whole ICT area, on bringing that closer together. We have been working on the procurement of property, again trying to get more system in that across the portfolio. We are increasingly working together in the media area to try and get coordination. We are working with the two major agencies to get a whole-of-portfolio view on a number of things.

**Senator Ludwig**—One difficulty was that, when DHS was originally stood up in 2004, it was siloed. You had two FMA agencies—Centrelink and Medicare—and you had the Child Support Agency. You then had CRS Australia and then you had the Access Card come the Department of Human Services. What we have been working on over the last part of an adjunct or services reform is trying to bring a cross-portfolio focus as well; we are trying to join up the services where we can. It is no small task. It will take some time. The first step was to bring the Child Support Agency—which is not an agency but oddly called an agency—into the core department. In doing so, you would then also have, as the secretary has outlined, a range of challenges across the human resource and back end ICT and other initiatives that have to be bedded down. Of course, you do not want to rush that, either. Business as usual has to continue, so you do not want to upset that process. There is also a range of work underway between the two agencies and DHS to try and achieve more cohesiveness between and within the portfolio.

**Senator SCULLION**—Could you give us an update on the status of your online MyAccount service?

**Ms Hartland**—We will have to take that on notice. You were after figures?

**Senator SCULLION**—I just want the status of the online MyAccount service.

**Ms Hartland**—Do you mean in terms of usage?

**Senator SCULLION**—I just want to know the status of it. What is its usage? Are you planning to maintain it? Is this going to be another one of the key planks for the future? What is its future like? What is the general status of that online account? Normally you would have a couple of parameters under which you would provide the answer to that question.

**Ms Williams**—We will have to come back to you with details. It is there and it is working, but we will have to come back to you with some details.

**Senator Ludwig**—The department manages MyAccount.humanservices.gov.au. It is known as the human services portal or the DHS portal. It was developed originally as a single entry point. It is managed on a day-to-day basis by Centrelink.

**Senator SCULLION**—Perhaps when you take that on notice you could add this question: have any other services been added to MyAccount in the last 18 months?

**Senator Ludwig**—When you say services, do you mean refreshers or new pages, because that is part of it? Let me not put words into your mouth but let me ask you what you mean by services.

**Senator SCULLION**—Since you are taking it on notice, Minister, I mean all of the above. I just want to know about any changes to the services of MyAccount.

**Senator Ludwig**—We will come back to that. Thanks very much.

**CHAIR**—We will take our break and resume at 9.33 pm.

**Proceedings suspended from 9.17 pm to 9.32 pm**

**CHAIR**—Senator Scullion has the call.

**Senator SCULLION**—Madam Chair, I have a number of other questions, but in the interests of time and as other senators wish to ask questions I will put the remainder of my questions to the core department on notice. I understand that Senator Abetz has a couple of questions and then we will move to the Child Support Agency.

**Senator ABETZ**—Thank you, Senator Scullion. I have two quick questions: firstly, can we be given an updated figure as to how many welfare recipients we believe live overseas and how many of those would have received a bonus payment in the October stimulus package? If you do not have those details immediately available I am happy for it to be taken on notice.

**Senator Ludwig**—The difficulty is that Centrelink will have those statistics, whereas presently we are dealing with DHS.

**Senator ABETZ**—All right, I will put it on notice.

**Senator Ludwig**—I can tell you a rough figure, but I could be out by a couple, so we can give you an exact—

**Senator ABETZ**—If you do not have it to hand, take the details on notice. The committee has been very kind to allow me to ask these two questions. The next issue possibly will need to be taken on notice as well by the enforcement branch. I am wondering whether the department monitors public affairs programs to see whether there are people airing themselves who are potentially defrauding the system or potentially not playing by the rules. In particular, I draw the department's attention to the Tasmanian ABC *Stateline* program of 7 November 2008, where a fellow who rejoices in the name of Nishant Datt is exposed as living on welfare whilst protesting in the forests for the last few years. The reporter says: 'Mr Datt is on welfare.' Mr Datt then says:

I do what I have to do. I mean, I'd personally like to go and get a job and, like, actually get off the benefits and stuff like that, but I just can't ...

Then he says, 'I love being out here, but I hope I don't have to sit out on this road for another three years.' This is public information. I am wondering if it has come to the department's notice. If not, having given you the details, could you please follow it up. I know there are privacy issues and you cannot tell me what the follow-up action will be, but I believe people who so deliberately flout the welfare system and are willing to appear on TV programs indicating same should be followed up. I look forward to some action being taken whilst accepting that I will not necessarily be told the outcome.

**Senator Ludwig**—Thank you, Senator. We will take that as a tip-off.

**Senator ABETZ**—Thank you.

**CHAIR**—We will now move onto the Child Support Agency.

[9.36 pm]

### **Child Support Agency**

**Senator SCULLION**—I am not sure who will answer this question—perhaps Mr Miller. Welcome to the table. There have been a number of reforms to the CSA since 1 July last year. I can recall a number of ministerial statements and I suppose there are a selection of individual cases that demonstrate that we are collecting from non-compliant demographics in particular—normally non-custodial parents, largely fathers. There has been a fair bit of publicity about the fact that we have now managed to increase our compliance in that area. What is the total debt owed by non-custodial parents?

**Mr Miller**—The total debt figure now runs at a little over \$1 billion—I will get you the exact figure.

**Senator SCULLION**—You can take the exact figure on notice.

**Senator Ludwig**—As at 31 December 2008, the level of outstanding child support was \$1,032 million, comprising \$772.1 million in domestic debt and \$259.9 million in international debt compared with \$961.2 million as at 31 December 2007. So there is both a domestic and an international component of that total debt. The level of total child support debt associated with domestic child support cases has increased slightly from 2004 to 31 December 2008. Of course, that has necessitated a range of compliance programs that we have put in place since coming to government.

**Senator SCULLION**—I have received correspondence from someone who has always been compliant—this is by way of example. He has been reassessed and then they have backdated the amount of money he owes. But when he has received the notification—and he has paid straightaway—it has indicated that it is a debt, simply because, obviously, it was in arrears because the assessment was done to the last pay period or the period of time when it was assessed. Would debts by non-custodial parents as I have described them be included in the total?

**Mr Miller**—Yes.

**Senator SCULLION**—So that is included in that total?

**Mr Miller**—Of that \$1.032 billion, that is all outstanding child support liabilities since the inception of the scheme.

**Senator SCULLION**—I have to get this absolutely clear. In the circumstances I have described, the individual was not seen by anybody, including you, to be noncompliant.

**Mr Miller**—Sure.

**Senator SCULLION**—It was simply a reassessment and then he was in arrears immediately because the assessment was backdated. He then immediately paid it. But because

he was in arrears that was considered, certainly in the vernacular of the letter, a 'debt'. I want to be absolutely clear: is that sort of debt in no circumstances included in the figure?

**Mr Miller**—It depends on the reporting date, I would suggest. If, for example, you are doing an end of month acquittal of child support payments and liabilities, then it may or may not, depending on when the letter went out and when the paying parent actually made the payment.

**Senator SCULLION**—Yes, but at no time in these circumstances—and I am sure there are many others—as soon as he received the letter, he paid. There was no problem about the timing. But because the assessment was made in arrears, the department have written to him and said, you now have a debt of this much. So he has then paid it. When I have an impression as an Australian citizen that there is this much outstanding, in my mind I think that that is people who are not paying and that is a debt that needs to be chased. I want to see if you can separate those. Is that figure that talks about debt as we notionally see debt—people who are simply noncompliant?

**Senator Ludwig**—But with all respect, that figure would then go up as a consequence of the debt being raised. If the debt was then reduced, the figure would then theoretically reduce as a consequence of that debt being paid. So if anyone pays a debt then the figure would reduce. So it depends on the date. That is why we use a particular as at date to say, 'This is the debt at a particular time.' There are a couple of other things that I think are worth understanding in the process. The debt would be that which is outstanding. So it might range from a person, a payer, who has paid no child support to a payer who has paid some child support but has not paid all that is required to be paid. There would be variations throughout that. There would also be some paying parents—we prefer to call them parents in this instance—where the child has turned 18 but the debt still is there, so it continues on. As Mr Miller has said, the debt goes back from the establishment of the child support program, which was 1989 or thereabouts.

**Senator SCULLION**—So just to make it clear, when I see the term 'debt' and however many billion dollars that is owing, I could not be confident in saying, 'That is stuff that people do not want to pay'; that also includes—

**Senator Ludwig**—That have not paid it, I think is the more precise term.

**Senator SCULLION**—They have not paid it. The fact that they have not paid it does not mean that it is not part of the legitimate process.

**Senator Ludwig**—It is all part of the process. You are assessed as having a child support liability. In the particular case that you refer to—and I do not want to go into individual cases themselves—more broadly, it depends very much on the circumstances. A person may have a child support payments that they are making. They may not have advised child support of a change of income; they may not have filed a tax return and therefore when they do file a tax return or they have a change of income they will be paying a reduced rate of child support because they have not kept child support up-to-date. Therefore a debt will be raised. Should they then pay that debt down then it will obviously be a debt that will accrue on one side of the ledger. They will pay it down and then it will reduce on the other side of the ledger or in fact they might find that they do not pay it down. They might go into an arrangement with the

child support program and say, 'It is a significant debt, unfortunately, and we will take some time to pay down, so can we increase our payments so that we can pay that debt down over time?' That might be an arrangement that the child support program accedes to. It very much depends on the nature of the circumstances as to how that debt might come about.

**Senator SCULLION**—The point that was being made to me in a letter—and I am sure you have had similar correspondence, Minister—was: 'Look, I have completely and legitimately paid everything and there is absolutely no question at all.' In fact, it was just simply a reassessment. It is a standard thing to have. Because it is in arrears, the term 'debt' was used and I have now established that they are included in this national debt figure. People need to understand that the demographic within that debt figure are not all people who are refusing to pay the support that has then identified.

**Mr Miller**—The vast majority of that figure would in fact be people who are not making the payments.

**Senator SCULLION**—Would you be able to separate that—not now?

**Senator BOYCE**—Ninety days, 120 days.

**Senator SCULLION**—There must be quite a large demographic of people who are simply being reassessed. Every time you get a reassessment, it is not going to be on the day of the assessment; it will be backdated to when you were informed. If that is the case—and on notice—would you be able to provide me with a percentage of what figure would fit that demographic?

**Mr Miller**—I am sure we can. I would simply make the point that it is a rolling figure. In the example you cite, somebody may get a notice of an outstanding child support debt or liability. Another person who might have got that the day or the week before will have also got into a payment arrangement. So it may not be the exact person making the payment on the day. There is an averaging out over the 1.4—well, the nearly 800,000 paying parents in the system. We will attempt to get you the breakdown in terms of the age of the debt that is figured in at \$1.032 billion.

**Senator SCULLION**—But, as you say, that debt is substantially people who simply have not been paying?

**Mr Miller**—We collect on average 91 per cent of child support payments. So, by definition, the billion-odd dollars that is outstanding goes right back to 1989. It is largely, as I said, payments that people are not prepared to make; they are not payments like the case you are alluding to.

**Senator SCULLION**—Thank you, Mr Miller. The Child Support Agency would have to be the hardest task in the world. I commend the work of the people there very much—it is very, very difficult work. Usually the income of both the child's parents are taken into consideration, and that is normally quite simple. But what if one of the parents is self-employed and is a company? Much of the correspondence I have is related to I suppose the hiding of income. One seems to earn nothing but owns a company—these sorts of matters. How is the income of self-employed parents assessed?

**Mr Miller**—The income of self-employed parents, as is for all paying parents and receiving parents, is based on taxable income. That is the primary assessment mechanism.

**Senator SCULLION**—What is an acceptable assessed income drawn down from a company as opposed to the after-tax company tax income?

**Mr Miller**—I am not sure I understand the question.

**Senator SCULLION**—How do you draw the line. We have done it quite clearly in people doing salary sacrifice, for example. We have said, ‘Look, we know you are trying to avoid it and it is quite clear.’ So we are saying no, that is not allowed. But there are a number of ways within a company—I have had a lot of circumstances and I am sure that the minister will have—where it certainly appears problematic on the face of it. For example: ‘The car is paid by the company, it is not owned by me. The phone is not owned by me. That is why I only make a very small amount of money.’ Clearly, in many cases, that is not the case. How do you deal with that? Do you have mechanisms that you are looking at all the time to ensure that there is compliance in those areas?

**Mr Miller**—We certainly do. As part of the compliance and enforcement program which commenced on 1 July 2006, a major tranche of that work was in what we refer to as income minimiser investigations. They are usually precipitated through change of assessment applications by generally the receiving parent alleging the paying parent is minimising his or her income. But they can also be investigated and proactively done so in that same program through a screening tool that we have that identifies potential cases where people, given their certain demographic, may not have an income that would be normally associated with that sort of profession, occupation or business. So there are those income minimiser investigations. Since 1 July 2006 we have managed to achieve payments of nearly \$19 million in child support as a result of undertaking those sorts of investigations. We could get you the exact numbers, but on average we are doing about 5,000 cases per year of income minimiser type investigations to deal with the sorts of allegations of people hiding income when they have the capacity to pay.

**Senator SCULLION**—Thank you, Mr Miller.

**Senator CAMERON**—I am interested in departure prohibition orders. Could you tell me how effective they have been and how they actually work.

**Mr Miller**—There is a general process, which I can attempt to go through, but, by and large, departure prohibition orders are one of our last resorts in terms of enforcement tools. Generally what happens is that a paying parent will have an outstanding child support liability for which they consistently refuse to pay or—and this is an important addition—get into a payment arrangement. It is not necessary to pay the amount. We will generally have been in dialogue with the paying parent or they have refused to engage with the agency. We have an arrangement systematised with DIAC—the Department of Immigration and Citizenship—where we get early notice of the potential travel of those people. We are able, through database cross-matches, to identify and get a warning that the person may be intending to travel—likewise, sometimes the receiving parent may alert us. In either case we get advice that the person is likely to travel and we again attempt to recontact them to make arrangements to either have the debt paid in full or have some payment arrangement made. If

they are not forthcoming on that, there are a range of tests that need to be satisfied. In the same compliance and enforcement program that I was talking to Senator Scullion about, we issue on average around 500 departure prohibition orders per year. Since 1 July 2006, that tranche of enforcement has delivered nearly \$8½ million extra in child support payments to receiving parents. Is that sufficient information?

**Senator CAMERON**—Yes, thanks.

**Senator JACINTA COLLINS**—I am curious: when such an order is made, what occurs? Does someone receive a notice that we understand they intend to travel or are they just prevented at the airport? How is it enforced?

**Mr Miller**—I will take some advice on that and invite Jennifer Cooke, Deputy General Manager of Service Delivery, to speak to that point.

**Ms Cooke**—Every effort is made to actually contact the person involved to alert them to the fact that an order is envisaged to be placed. Often at that time there is some further negotiation regarding the outstanding payment. In some very rare instances we are not able to contact the person involved, but in most cases we are able to contact them. If the payment arrangement that may be negotiated at that time falls through or if the person is not amenable to making a payment arrangement, the order may be placed and then we have contact through the Australian Federal Police. When the person attempts to travel they are stopped from travelling. We are contacted. At that time there may be a further opportunity for negotiation and discussion, which often happens, and the person travels. If not, the person does not travel.

**Senator JACINTA COLLINS**—Thank you.

[9.54 pm]

#### Centrelink

**Senator BOYCE**—I want to start with the recent ANAO report on Centrelink's complaint handling system which noted that Centrelink did not include responses like 'don't know', 'refused' and 'not applicable' when you were assessing the ease of making a complaint. The effect of this, according to the ANAO, was that satisfaction fell from 71 per cent, which is how Centrelink had assessed it, to 53 per cent when you included those responses. Why was the decision made to exclude those responses?

**Mr Gargan**—As I understand it, we did not change the basis of our survey between the two periods of time that the ANAO looked at it. We looked at the results from the two survey periods and believed that, because of what was called missing data, it was possible to interpret the higher figure as being reasonable. That is something of an esoteric statistical debate. The ANAO have counselled us that they think we should do more work on what is called the missing data. That is work that we are doing now in the development of a post-complaint survey.

**Senator BOYCE**—What is a post-complaint survey?

**Mr Gargan**—After people have made a complaint we talk to them and find out about their experience with the complaint—whether or not they felt that Centrelink responded appropriately. That is referred to in some detail in the other sections of the ANAO report.



**Senator BOYCE**—How are people being chosen to participate in the post-complaint survey?

**Mr Gargan**—As I understand it, it is at random, because they had made a complaint.

**Senator BOYCE**—Is Centrelink doing this themselves or do they have an outside consultancy or—

**Mr Gargan**—We have an external agency that assists us with that.

**Senator BOYCE**—Who is doing that? Do you know?

**Mr Gargan**—I believe it is a company called DBM, but I will have to take that on notice to make sure.

**Senator BOYCE**—They are doing this over a period of time?

**Mr Gargan**—There have been a number of post-complaint surveys run. We are about to restart the program in March this year.

**Senator BOYCE**—You have always in the past assessed in that way, ignoring those three categories?

**Mr Gargan**—As I understand it, yes.

**Senator BOYCE**—What would be the effect if you were to include those categories in your surveys over the past three or four years? Would you be able to give me that or is that something I should put on notice?

**Mr Gargan**—I am not sure that we would know, because essentially our methodology has not changed. The ANAO has recommended that we make some changes.

**Senator BOYCE**—ANAO say that, using what they say would be a preferred method, your satisfaction level of the ease of making a complaint would fall to 53 per cent, not be 71 per cent.

**Mr Gargan**—They would say that that is one possible interpretation. Because the data is missing and therefore uncertain, they were not able to ascertain that the more negative interpretation of that was necessarily the most accurate.

**Senator BOYCE**—The same ANAO report also notes that some customer feedback, including ministerial and other stakeholder correspondence, is not included in your complaints, or compliments one hopes, or suggestions that you list. What have you done about changing your formal system?

**Mr Gargan**—We are constructing, as the ANAO recommended, an integrated customer feedback database, which means that from every point of entry for a complaint—and there are currently around 20—we carry forward data that makes sure that there is a single place that tells us what complaints have been made and on what subjects. That work is ongoing but we expect it to be completed in about the middle of this year.

**Senator BOYCE**—That will allow you to capture all comments, for want of a better word?

**Mr Gargan**—Complaints, compliments, suggestions in a single database. That is one of the key report recommendations.

**Senator BOYCE**—Including those from members of parliament, ministers, ministerial advisers et cetera.

**Mr Gargan**—Yes.

**Senator MOORE**—When will that be completed?

**Mr Gargan**—We hope to have that complete by the middle of this year.

**Senator MOORE**—The calendar year?

**Mr Gargan**—Yes.

**Senator MOORE**—So by July we will have that fixed.

**Mr Gargan**—Yes.

**Senator BOYCE**—You would anticipate that you could report on that in 2009-10?

**Mr Gargan**—Correct.

**Senator BOYCE**—This is probably a somewhat difficult question to answer, but what do you see that doing to the quantum of complaints and compliments to Centrelink?

**Mr Gargan**—It has been our experience—in fact it has been remarked upon by the ANAO—that, as Centrelink has taken steps to make the complaints system more accessible, that is a likely driver of an increase in complaints. But, as I think you are suggesting, we have also noticed a significant increase in compliments and suggestions. Those remaining sources are quite small, so we do not expect much change in the total number by the simple inclusion of those sources. Of course, complaints can be affected by other things, such as policy announcements or changes in the total number of customers visiting Centrelink for one purpose or another.

**Senator BOYCE**—This would be reported in the annual report—is that the intention?

**Mr Gargan**—Yes.

**Senator SCULLION**—Mr Gargan, you made a comment that I would like to pick up on. You said about that the ANAO report that perhaps it was the fact that we made it more accessible that caused an increase in the number of complaints. There were 50,000 complaints. You indicated that making it more accessible might be a reason. Is the figure of 3,500 people who could not get through predicated on a machine that says the number of people who called and could not get through, or is that a function of some other complaint mechanism in which people continue to ring and say, 'Look, mate, I couldn't get through'? How do you work out the 3,500 people who could not even get there? Is that a machine thing or a complaint thing?

**Mr Gargan**—The customer relations units, as we call them, operate within Centrelink's call centre environment. If people cannot get through to the normal call centres for their normal business, they may well ring. I think the number you are quoting is accurate. We have had difficulty because the normal Centrelink call operation has been busy on those days.

**Senator SCULLION**—So that number could be a lot more if it included the people who just gave up?

**Mr Gargan**—That would be something I could not speculate about.

**Senator SCULLION**—For completeness, could you take on notice a request to table some data about the number of calls to each payment line, the average wait time, the time taken to answer the query, the total call time and if the customer inquiries are answered in one call or take multiple times to answer the customer's inquiry?

**Senator MOORE**—I am sure that that varies from area to area, call centre to call centre, so is there any way we can get data about how the call centres compare?

**Mr Gargan**—The call centres are nationally networked, so we can generally give a number by the payment type that represents the experience of customers across the country.

**Senator MOORE**—But you could not tell me whether one call centre is doing particularly better than another.

**Mr Gargan**—Because they all share the load—

**Senator MOORE**—I know, but there is variation in data. I am sorry, Senator Scullion; I was just interested in how it compared across the nation.

**CHAIR**—Mr Pratt was trying to make—

**Mr Pratt**—Thank you. With your indulgence, I wonder if I could provide a bit of context around our answers on this audit. The audit was quite a complimentary and positive audit into Centrelink's handling of complaints, compliments et cetera, and I thought it would be worthwhile to quote the ANAO. They found that Centrelink has improved its customer feedback system for handling complaints, compliments and suggestions. Further, they stated that 'Centrelink's customer feedback system provides for, and demonstrates, the characteristics of better practice.' For the record, I would like to mention that the ANAO was quite positive about Centrelink's operations here.

**Senator SCULLION**—How do you feel about it? Do you think that over 50,000 complaints, 3½ thousand people who could not even get through and the others who bothered to ring up a second time is a pretty good benchmark for success?

**Mr Pratt**—How I feel about this is that it is good that we are improving our system. We have taken on board the suggestions that the ANAO have given us. Where they have made criticisms, we have acknowledged where we can improve things and are attempting to improve it. This complaint system is one that has been operating for many years, and it has been improving over the years.

**Senator SCULLION**—Do you have a target of how many complaints you would like to get down to as a KPI?

**Mr Gargan**—I think the ANAO report also makes the comment, on page 33, that 'despite the large number of complaints recorded by Centrelink', 'the figure is consistent with that of other Australian Government agencies.'

**Senator SCULLION**—Those are all staffed through Centrelink!

**Mr Gargan**—The number of complaints is as low as possible. Our efforts to ensure that, within the course of business, customers can complain will always be important. I do not think we can say, given changes in customer numbers and programs, what next year's number

will be, but what we can be quite sure of is that we believe we have got a system that exhibits better practice to capture those complaints and to resolve them where possible.

**Mr Pratt**—I think Mr Gargan has put that well. Obviously we want it to be as low as humanly possible. It is unrealistic to expect that we can ever reduce complaints to none. What we do do, of course, is try to measure customer satisfaction, so we look at it from the other point of view. We have a satisfaction target of 88 per cent and we are achieving 90 per cent.

**Senator SCULLION**—You do not think there is any merit in saying, ‘Fifty thousand seems like a lot of people a bit narked off with the process they are getting; maybe I need to reduce that.’ Instead you say, ‘I know these are all wonderful statistics; we’ll just talk about how many people are happy with us.’ There are 50,000 people who rang up. It might be that they are not unhappy. It might be that I have got the wrong thing or do not understand. I am not even sure what you call a complaint—I am being fair dinkum about that. I recognise that that might be it. But do you not think it might be reasonable to say, ‘If we were actually going to get better, we’d have some sort of indicator.’ What about saying that next year it would be really good if only 40,000 people used the line? You are not considering any of those processes?

**Mr Pratt**—I think that is an excellent suggestion, Senator, and that is consistent with our desire to get customer complaints as low as possible.

**Senator SCULLION**—So without the ANAO report, at the next set of estimates would you be able to provide me with the statistics? I am not asking on notice, I just do not know if you have the capacity and I do not want to overwork you as you are very busy. But are the updated statistics that came out of the ANAO report available to us through the normal estimates process?

**Mr Pratt**—Yes, we record the stuff on an ongoing basis and we would be happy to—

**Senator SCULLION**—I look forward to having this conversation on the 40,000 again.

**Mr Pratt**—Likewise, Senator.

**Senator BOYCE**—I must admit, Mr Pratt, that I take the view that, given the character of a number of the customers that you would have who are often angry or hurt people, to hear that there are any compliments at all to Centrelink is, I think, a measure of very good service. I want to now talk a little bit about incorrect payments. You pointed out in your 2007-08 report that your payment correctness was 95.32 per cent, which met the target you had set. Could we look at the quantum there? How many incorrect payments were there in 2007-08? Or perhaps I should be putting that on notice?

**Mr Pratt**—We will see if we have someone here who can answer those questions now, otherwise we will take it on notice.

**Mr White**—The figure referred to in the annual report is the payment correctness rate, and it refers to the number of customers, as a ratio out of a hundred, whose payment is correct without a Centrelink error affecting that rate—so it implies that something under five per cent have an error on their record that affects their rate. There is not an overall count of the number of people where Centrelink would have made an error because we do not—

**Senator BOYCE**—The number of payments.

**Mr White**—Yes, the number of payments, because we correct the errors as we find them. But the process that provides the payment correctness rate is a random sample statistical process where we go through and check things that we do not check for every customer in every circumstance.

**Senator BOYCE**—So you are picking these up by internal audit as well as, presumably, by people perhaps complaining or in some cases perhaps saying, ‘You have given me too much.’

**Mr White**—It is a separate process to our normal business, and it is a program sponsored by our policy departments to assure them that people are being paid the right amount. It is called a random sample survey, and it is just a random sample.

**Senator BOYCE**—But does it include customer information as well as your own audit information?

**Mr White**—It includes only what we do as we survey a sample of customers. We check all of their circumstances—and we double check all of their circumstances, essentially—with an independent team who then assess whether or not the record was right. In over 95 per cent of cases, in terms of Centrelink error and in terms of their rate, they find that the rate is right.

**Senator JACINTA COLLINS**—Is this picking up on people who are eligible for some payments but who may not be currently receiving those as well?

**Mr White**—No, it surveys people who are currently on a payment.

**Senator JACINTA COLLINS**—But is it only in respect to the one payment, or does it also identify where they have missed eligibility for other payments as well?

**Ms Hogg**—It basically checks against four issues: that they are on the right payment; that it is the right rate; that they are on the right program—so that takes into account the issue you are raising; and that it is from the right date. So basically there are four issues that we check every time we do one of these reviews.

**Senator JACINTA COLLINS**—Sorry, what was the third one?

**Ms Hogg**—From the right date, so that when we started paying them was actually correct.

**Senator JACINTA COLLINS**—No, what I am asking about is if you have a customer who is receiving one payment but who might be eligible for another payment, does this process identify that?

**Ms Hogg**—Yes, that comes under ‘right program’—so we check and see that yes, we know they are on that particular payment. But it would also check to see whether there is other eligibility there that has not been tested et cetera. So it is a pretty comprehensive check of all the issues for the customer.

**Senator BOYCE**—Do you currently have the correct payment rate to 31 December 2008?

**Mr White**—We have some draft data that shows that it is currently at about 96 per cent. But that data is part way through a year and the sample is really only valid when you get to the annual process, which is why it is reported in the annual report. Final data is available from the policy departments rather than us.

**Senator BOYCE**—I am still not entirely clear about complaints—through phone calls or whatever—from customers saying, ‘You’re not paying me properly.’ Are they reflected in the correctness rate or are they reflected elsewhere?

**Mr White**—They are reflected elsewhere. They are reflected in the complaints system that we have just been talking about. This is a separate process to check how correct we are getting things in terms of complaints and in terms of our staff checking things and everything else. It incorporates the effect of all of those other activities.

**Senator BOYCE**—Do you expect that those two separate areas would reflect each area?

**Mr White**—Yes.

**Senator BOYCE**—If suddenly there is a surge in phone calls about incorrect complaints, would you expect the rate to increase? Would you be checking to see if the rate had increased?

**Mr White**—The nature of the sample is such that it reflects whether or not people are being paid the right amount. Complaints can be affected by other things, like people’s ability to get through to a busy call centre, staff attitude and the like—

**Senator BOYCE**—I realise that. But I am talking specifically about complaints about incorrect payment, under, over or absent.

**Mr White**—If more customers are getting an incorrect rate and that is because of a mistake that Centrelink has made, it would be reflected in that figure.

**Senator BOYCE**—So we can assume that that figure is measuring overall—

**Mr White**—Errors that Centrelink is making about rates.

**Senator BOYCE**—errors. Okay. I have had anecdotal evidence given to me by a number of constituents that the incorrect rate rose in December last year. They were told about incorrect payments and more people got incorrect payments. Could I have a comment on that from someone.

**Mr White**—Without knowing which program precisely that is about—and even if I did, it would be difficult with an annual—

**Senator BOYCE**—It was being put down by the people who talked to me to the fact that Centrelink was very busy because of the Christmas cash thing. What is that called, please, Minister?

**Senator Ludwig**—The Economic Security Strategy. With anecdotal evidence, the difficulty is that some people might think that—

**Senator BOYCE**—That is exactly why I am asking the people who have the statistics, Minister.

**Senator Ludwig**—They answered that. That is the difficulty. They were informing you that their error rate looks at this moment like—

**Senator BOYCE**—So there was a better rate at the end of the December but you would prefer to use the year rate.

**Mr White**—Absolutely. The sample for most payments is broken into three bits over the year. The current survey does not end until the end of this month, so the December activity is not even included.

**Senator BOYCE**—Has there been any extra surveying because of—

**Mr White**—No. The statistical sample is calculated to be robust for the number of customers that we have, so we do not need to do extra surveys to improve the accuracy even if the error rate goes up.

**Senator BOYCE**—Mr Pratt, we talked before about the potential need for more staff to process the Economic Security Strategy payments. Could you update me on where that all went.

**Mr Pratt**—We were funded to obtain more staff to handle those payments. One of my colleagues will give us the exact figures, but we put on extra staff in our call centres to handle the additional load in terms of inquiries about entitlements and to provide information to people about the various payments and when they would get them. Our call centres went through what was probably their busiest period in the history of Centrelink during those few weeks when the economic stimulus package was being paid.

**Mr Jones**—I will talk about what we have done in terms of staffing in the call centres to handle the ESS payments. We took on approximately 200 temporary staff in the period 20 October to 19 December. There were a couple of different dates either side of that, within a few days. We also took on an additional 300 staff around the payment period between 1 and 19 December. In mid-November we also took on 230 non-ongoing staff. We also had some permanent recruitment which was in part to cover some attrition and also to cover the peak period that we normally have in December. We diverted those staff to also handle ESS calls. So in total there were around 880 additional staff that we had on to handle those calls.

**Senator BOYCE**—And the vast majority of those were temporary or non-ongoing?

**Mr Jones**—Yes. Absolutely.

**Senator BOYCE**—Can you give me the cost of the employment of those people?

**Mr Jones**—Yes, I can. These costs include some of the recruitment costs and overtime as well.

**Senator BOYCE**—Could you break it down into wages, overtime and recruitment, or is that too difficult?

**Mr Jones**—Sure.

**Senator BOYCE**—You could give me the total figure now and put the others on notice if you do not have them separated.

**Mr Jones**—The figure I have before me for that 880 staff was around \$3½ million. The overtime related to handling the calls was about \$900,000. There was about \$950,000 in recruitment costs associated with bringing those people on. That total cost was around \$5.4 million.

**Senator BOYCE**—It was \$5.4 million all up?

**Mr Jones**—Yes. They are just the labour related costs, obviously.

**Senator BOYCE**—So they ignore the use of assets and lights burning later and more phone calls and all that sort of thing.

**Mr Jones**—And telephony. Correct.

**Senator BOYCE**—And presumably more kettles being boiled later at night.

**Mr Jones**—Yes.

**Senator BOYCE**—The \$900,000 is for overtime for those 880 additional staff. Is that correct?

**Mr Jones**—No. That is the general figure across the network.

**Senator BOYCE**—That was all Centrelink staff.

**Mr Jones**—It was our call centre staff. This is all relating to call centre activities.

**Senator BOYCE**—Okay. What about the actual processing itself? Are there any extra costs in that?

**Mr Jones**—As I said, these are the call costs.

**Senator BOYCE**—But what other costs are there? Did you have more processors, admin staff?

**Mr Pratt**—Certainly. In addition to the call centre network costs there were costs associated with IT. We had to adapt our systems around the payments for pensioners, seniors and carers. We also had to develop a system in relation to the payments for low- and middle-income families, for the one-off lump sum payment of \$1,000. There were some relatively modest costs around media, marketing and communications. The vast majority of that related to the cost of mail, sending letters out to people. There were extra costs in relation to customer service centres because of course there was an increase in traffic in relation to some of these packages. Some people, rather than calling up, will go into a customer service centre to get information.

**Senator BOYCE**—So you have more staff working in the centres.

**Mr Pratt**—Correct, although in relatively minor numbers. Similarly, there were very small additional costs in relation to area offices and the National Support Office.

**Senator BOYCE**—Are we able to put a figure on that?

**Mr Pratt**—Yes, we will take that on notice, and we can break all that up for you. But the total figure that we were funded for in this financial year was \$16.3 million.

**Senator BOYCE**—Does that include the \$5.4 million for call centres?

**Mr Pratt**—Yes, that includes the call centre funding.

**Senator BOYCE**—We are looking at gearing up to do something similar again in March. Can you tell me how that is going to work?

**Mr Pratt**—There will be additional costs associated with those payments. Those are being worked out with the government at the moment. At this stage we are not able to say what funding we will get. We have not yet had that confirmed from government.



**Senator BOYCE**—You have indicated to the government you want extra funding, so you believe you need to do this?

**Mr Pratt**—Correct.

**Senator BOYCE**—When would you expect that information to be available?

**Mr Pratt**—That is a decision for government. I am not sure.

**Senator Ludwig**—It is a decision for government and we will communicate that to Centrelink in good time to ensure that the payments can be made and business as usual continues.

**Senator BOYCE**—However, you must have some sense of what is going to be involved for staff. You have had this December effort, so you would have some sense of what you are going to require in terms of people and resources. Are you able to tell me about that?

**Mr Pratt**—I am able to confirm that you are right to say that we have some idea of that, but until I know what government is prepared to give me I would hate to speculate.

**Senator BOYCE**—We talked a bit about the correctness rate up to December, which appears to indicate that there were not problems with payments there. Overall, how did you feel about the delivery of that ESS payment?

**Senator Ludwig**—Before that question is answered, might I provide a more detailed response. The impression I got was that Centrelink has a number of dedicated staff who worked particularly hard during that period to ensure that the payments were made. The call centres were extremely busy. In the history of Centrelink itself, the people who worked behind the scenes, such as ICT support, worked diligently and very hard. I wanted to take the opportunity of thanking them for their work. Quite frankly, it was a job well done.

**Senator BOYCE**—I am sure it was.

**Mr Pratt**—I am not sure I am entirely objective here.

**Senator BOYCE**—I am not expecting you to be objective, although I would hope you might tell me about some areas that you have identified that you will do differently in March or some other time?

**Mr Pratt**—I am sure we did learn some lessons and certainly in relation to—

**Senator BOYCE**—Could you tell us what some of those were?

**Mr Pratt**—Let me give you an overview. Firstly, the household stimulus package: one of the reasons we are able to truncate the build time is that we are going to piggy-back off some of the work that was undertaken for the economic stimulus package. So that has been helpful for us. As the minister has pointed out, the organisation was quite stretched across this period in terms of the impact on the call centres and the walk-in traffic into the customer service centres. The area where we had the most demand—and this was to some extent unanticipated—was the impact on our IT systems. They were very much stretched to the limit. We were very pleased that they handled this but—

**Senator BOYCE**—What stretched the IT?

**Mr Pratt**—Largely, the number of people using the online channel to examine what their situation would be and their entitlements.

**Senator BOYCE**—Do you have some figures on that?

**Mr Wadeson**—On that Monday, which was the first day of the fortnight when the payments were due, over 200,000 people logged on to the online systems. We could see that they were mainly looking up what they were going to be paid and when. That compares with previous highs. Even in our normally busiest week of the year in July, we would see the number get above 100,000 only on one or two days a year. Effectively, we were managing double the load on one day. If you add to that the fact that the call centres put all of their staff on the phones, we were pushed out to the edges of our infrastructure in terms of managing this inquiry load that went on. It abated over the fortnight, but on that Monday it hit a particular high. If you ask for one of the lessons learnt, one of the things we will be doing this weekend is strengthening again the amount of capacity we have to support the online systems. If you like, it is the one big system at the back. You have our staff making constant inquiries and then you have what amounted to, literally, a flood of people coming in directly on the online systems.

**Senator BOYCE**—What does ‘strengthening the system’ mean?

**Mr Wadeson**—We are basically providing more horsepower, to use a car analogy, to the mid range, which is the system that supports, in the main, the online systems. We have also recently upgraded our mainframe capacity in anticipation—

**Senator BOYCE**—What does that cost?

**Mr Wadeson**—The mid range one is an internal rearrangement of things inside our data centre. The recent mainframe capacity upgrades were around \$5 million.

**Senator BOYCE**—And that is anticipation of—

**Mr Wadeson**—It is in anticipation of high inquiry loads based on what we have been having. At the minute, what is also driving up our capacity is a large number of pension assessments. Pensioners are constantly having their pension rates reassessed against obviously changing asset values. That also, particularly in certain environments, was pushing us up towards the top end of our mainframe capacity.

**Senator BOYCE**—And presumably higher unemployment numbers will also mean more inquiries coming to Centrelink.

**CHAIR**—Can I get some indication of how much time you are going to require for Medicare?

**Senator SCULLION**—I will probably place a number of the Centrelink questions we have remaining on notice. I am sure my colleague can. I have a couple of short questions for Centrelink and then we will go to Medicare. Is that okay?

**CHAIR**—Yes, that is good.

**Senator SCULLION**—I am sure the minister will be well aware that there was much promotion of the pension bonus scheme, including by the head of Centrelink, who went out and basically said: ‘Don’t worry about it, just trust us. It’ll arrive in the mail. You don’t have

to do anything, no applications. It's all automatic.' It has now been revealed, and I am sure the minister is aware of this, there are a number of pensioners who did not exactly receive the bonus, even though they very much consider themselves pensioners. I guess the principal demographic that was affected by that was made some sort of a part payment. In effect, if they had worked and received any income, particularly around 14 October, and that income resulted in their pension being reduced to zero, they considered they were still on a pension. Is a pensioner who receives a variable pension payment due to casual income still considered a pensioner?

**Mr Cowan**—An aged pensioner who may receive a part rate is still regarded as a pensioner. Nearly 50 per cent of pensioners are actually on a part rate rather than on a full rate. Can I just clarify your question: are you referring to—

**Senator SCULLION**—They received an income. So on 14 October they were assessed as being zero. I would see that, and they would certainly see that, as a pension of zero on that day. But I understand that there are a number of them who believe they did not get the bonus because they were not seen as a pensioner on that day.

**Mr Cowan**—Yes, that was a policy decision taken with respect to that particular initiative—the ESS—and if people were on zero rate on that day, they did not get the ESS payment.

**Senator SCULLION**—This is a policy question, Minister: why was a policy initiated to exclude a pensioner—who is clearly a pensioner, who had just simply reported his income on a certain day and was assessed to have zero pension on that day—from the pensioner bonus? They are as much a pensioner as anyone else.

**Senator Ludwig**—It never ceases to amaze me: we deliver on behalf of the policy department so, if it is a policy, the policy will reside in this case with Families, Housing, Community Services and Indigenous Affairs. The question properly put should in fact be directed there—

**Senator SCULLION**—It is always confusing, Minister.

**Senator Ludwig**—I understand that but I can confirm that with regard to Centrelink itself it acted in accordance with the policy direction received from the relative policy department. So if you were zero rated you were then not entitled to that payment.

We can acknowledge of course the disappointment of those people who happen to have been zero-rated at that time. As with all of these things, a date is picked—in this instance, 14 October 2008—and whichever date is picked it would inevitably lead to someone being found not to be eligible, or someone would turn 65 on the day after and not be entitled to a payment or some other consequence would apply. Unfortunately, you do have to have a line and the date was 14 October. If you were zero-rated and not entitled on that date then you were not paid.

**Senator SCULLION**—So it is just an arbitrary decision that on that day—and I can understand you saying that that is what happened. And, as you say, Minister, this is probably a question on notice to another department. I have just a brief comment on the situation from a pensioner's perspective. This is something that would happen from time to time. Is there

actually a cut-off point? If they are actually receiving \$1 in pension, they are a pensioner, but on the day if it is zero is there a cut-off point in terms of the part payment?

**Senator Ludwig**—The date was 14 October 2008, so if you were receiving a part payment on that date then you would be entitled to the Economic Security Strategy payment.

**Senator SCULLION**—So \$1 would be a part payment.

**Senator Ludwig**—Yes, if you were receiving a part payment, whatever that happened to have been. If you were rated within a range of income—and I think that income would be the primary reason—then that is the point at which you would then not receive the payment. As I said, it is disappointing for those people who are in that basket but whichever date you choose you will always find there will be people who are entitled to a part pension at that particular date and those people who are not for a range of reasons. Centrelink, for all their good intentions, will not be able to project the reason for that particular occurrence—whether it is an ongoing occurrence or whether it just happened to have been in that month.

**Senator SCULLION**—I will try to direct a question on notice to the appropriate department. I have a number of questions I will place on notice. Thank you, Minister.

**CHAIR**—That concludes the questioning for Centrelink. We now move on to Medicare Australia.

**Senator Ludwig**—While we are just changing over, I have a point of clarification from Senator Scullion's question regarding the child support debt and it may necessitate a further follow-up. I am advised that if a paying parent pays the newly-calculated child support liability by the due date on the notice which advises of the new liability—that is, the debt—then this debt on liability is not reflected in the total outstanding child support liability. Therefore, if they pay by the due date, then it will not be reflected as debt.

**Senator SCULLION**—I understand completely. It is a rare moment of clarity, Minister. I understand completely.

**Senator Ludwig**—But if it is paid later then it would, as I understand it, fall into the debt category until such time as it is paid. It makes sense when you think of it that way. I think that the confusion came in, if it is reflected as a debt, whether it should be a debt. If it is paid by the due date then it is obviously not a debt.

**Senator SCULLION**—I understand, Minister. Thank you, Minister.

[10.34 pm]

### **Medicare Australia**

**Senator CAMERON**—Before we start, I was going to indicate to Centrelink, but can I say to all of the agencies: we appreciate the work that is being done in terms of the bushfire tragedy in Victoria and all the work that is being done on the government packages. I think that it has been said and recognised—

**Senator BOYCE**—We can add the Queensland floods to that, Senator.

**Senator CAMERON**—And the Queensland floods. It has been said by opposition senators. The government senators would like to place on record our appreciation of the work of the various agencies.

**Senator Ludwig**—Thank you for that, Senator Cameron. When you look at the range of work that Centrelink has done in the floods in Queensland, and before that with the devastation that the destructive winds caused at The Gap, right through to the ESS payments and the household stimulus package payments that Centrelink is now undertaking, as well as with the Victorian bushfires and the tragedy that happened there, where Centrelink continues to provide support—if you look right across Centrelink—they are working very hard to deal with a whole range of circumstances in a compassionate and caring way. I thank you for those words. I would be remiss to leave out other agencies, which include CRS and Medicare, which are also helping in the bushfires right across the board, and, of course, the Child Support Agency. Clearly it is a whole-of-portfolio effort.

**CHAIR**—Senator Scullion.

**Senator SCULLION**—I understand there was to be a permanent CEO of Medicare. Has there been one appointed?

**Ms Williams**—No, at the moment Ms Godwin is acting and doing very well, but these things have to be treated very carefully; we have to get the right person. We are thinking about it. We will obviously go through the proper process—the government’s process—and a decision has not yet been made as to when we will go to market.

**Senator SCULLION**—Have you advertised?

**Ms Williams**—We have not yet, no.

**Senator SCULLION**—So you have no idea when the appointment will be made?

**Ms Williams**—No, not at this stage.

**Senator SCULLION**—I notice that one of your critical performance indicators in the budget was to reduce the amount of your unscheduled leave. How many days were lost due to unplanned leave in the period July 2008 to now? Perhaps on notice you can provide me with a weekly and monthly breakdown of this, but in general terms how does it compare with 2007-08 and 2006-07? Are we meeting the KPIs? Perhaps you can give me a general response in terms of the trends of how we are going reducing the amount of unscheduled leave.

**Ms Godwin**—I think we will need to take that question on notice. I am just checking, but I do not think we have those statistics with us.

**Senator SCULLION**—I know that you have such a good grasp of these things. Perhaps you can give me an indication of the trends. The agency has expressed that it would like to reduce the amount of unscheduled leave. In general terms rather than specific statistics, has it been reducing or is it still increasing?

**Ms Godwin**—It is difficult to give you a global answer because the numbers fluctuate month to month. What we are looking at is the trend across the years. I think for the last couple of years we have seen a decrease in trend, not very large reductions but nonetheless in the right direction. But to give you a figure for this year I would need to take the question on notice.

**Senator SCULLION**—So you do not have any indication yourself that the amount of unscheduled leave is going up or down? I can understand what you are saying about it being

different monthly, but, since unscheduled leave is one of your critical indicators, are you not able to say whether you are still not doing very well on this critical indicator or whether it is great and you can all have a cup of tea? You do not even have a vague indication? It is one of your critical performance indicators. I am not being pushy, but I would have thought you would have some idea about how one of your critical performance indicators in the budget is going. I am asking for a trend. I acknowledge that the details are on notice and I have no problem with that.

**Ms Godwin**—I think the trend over the last couple of years has been decreasing but, as I say, it fluctuates from month to month across the year. Generally speaking you would expect to see higher figures in the winter.

**Senator SCULLION**—Okay, I will accept that you will take that on notice.

**Ms Godwin**—Yes.

**Senator SCULLION**—The budget has detailed decreases in staff numbers of about 171. Where are these staff being cut from? Are they head office positions or from the state or regional offices? Can you give me some rough indication of where those positions have come from?

**Ms Godwin**—Again, I would need to take the details on notice. The numbers fluctuate around the network, of course, depending on the various budget measures that we are managing. As you can appreciate, the net figure is the result of some reductions in some areas and some increases in other areas. For instance, we have had some new measures that have brought additional staff into the organisation; we have had some measures that have reduced our requirements for staffing.

**Senator SCULLION**—But there is a net loss of 171.

**Ms Godwin**—There is a net loss, and a proportion of that will be from the branch office network, some of it will be from state office operations and some of it will be from national operations.

**Senator SCULLION**—The organisational chart that has been provided shows a whole bunch of positions by level in the offices, including the head, the state and the regional offices. Are there any staff who occupy a position that has been allocated to a regional office who are actually in Canberra or in the head office? Is it a notional allocation about where they are working, or does it actually reflect a geographic location of where they turn up for work?

**Ms Godwin**—By and large it reflects geographic location. There is one program, the National Compliance Program, which generally speaking is counted against our national office headcount, but in fact most of the staff are in the network.

**Senator SCULLION**—So you would not find it the other way around in any of the circumstances—

**Ms Godwin**—From time to time people are—

**Senator SCULLION**—Perhaps on notice you might indicate how many there are and where they are located.

**Ms Godwin**—Okay.

**Senator SCULLION**—If I could just move to the IT system, I think the minister said in a media release of 4 February in relation to Medicare IT that ‘expanding technology offered health professionals and their practices new opportunities for greater efficiencies.’ In the budget forecasts I note an operating loss of \$6.7 million, and you have attributed that to the lower take-up rate of this electronic Medicare claiming. It is supposed to create efficiencies. There has been a lower take-up rate and so you have an estimated debt. Why has it failed to reach its estimated target? Why hasn’t it worked?

**Ms Godwin**—I would not say it has not worked. Take-up is always hard to predict, because we do not have absolute control—particularly in the medical practice world—of the rate at which medical practices will adopt new technology, because it relates to their own business practice and what works for them on a daily operational basis. There are two electronic claiming channels. One is called Medicare Online Claiming and the other is called Easyclaim. Both of them are attracting medical practices, depending on the way in which the technology works for their business. It is true to say that take-up has been slower than early estimates, but we are seeing significant take-up now. Just to give you a bit of a sense of the figures, at the moment around 85 per cent of bulk-bill claims are made electronically and around 17 per cent of patient claims are made electronically. In relation to GP patient claims, almost 30 per cent of patient claims are made electronically at the doctors’ surgeries.

**Senator SCULLION**—Whilst I thank you for that information, I was keen to understand why this particular program was not working. As you say, there are a different variety of mechanisms that they might want to take up. But, basically, they do not like the product. That is an indicator of the market. You do not need to do any research—no-one is buying it. There just has not been the take-up. So, you are right, there are some out there in the business world who have decided in that time frame that this is not the product for them. Have you examined that or spoken to them to see why that take-up is not right? Is the 10c too low or too high? What are the indicators from the industry?

**Ms Godwin**—I might ask my colleague, Mr Jackson, to comment in a moment. I think broadly it is not as simple as people not adopting the product. The fact is that a very significant numbers of medical practices have online claiming capability. It is a complex combination of the way in which that online claiming capability works for their business on a day-to-day basis, the extent to which patients adopt the claiming channel as well as it being offered by the practice. We are seeing significant numbers now of practices offering patient claiming and using electronic claiming for their bulk-bill claiming. The take-up is slower than anticipated in those estimates, which were made some time ago, but nonetheless the products are being adopted. Beyond that there is work going on with medical practices, with peak bodies and with software vendors to look at ways in which the products can be further improved to make them more generally and easily useable in the medical practice environment. I should add that a lot of the focus in this context, of course, is on medical practices but we also have business in a whole variety of other programs where significant take-up is also occurring.

**Senator SCULLION**—This particular program is providing you with a projected operating loss in the order of over \$6 million a year. How long is Medicare going to have to cop that operating loss? I very much appreciate that you are doing things in other areas, but it

is this particular program that the budget indicates is providing an operating loss. How long are you going to keep going with an operating loss before you decide that perhaps it is not the right way to go?

**Senator Ludwig**—One of the challenges that I wanted to go through was Easyclaim, which was a matter that the previous government brought forward, I think, by former Minister Hockey. He then expected take-up—and correct me if I am wrong—of around 66 per cent by July 2007. That was never reached. During the previous government, developing a product, bringing it to market and then implementing it, they never reached the targets that they foreshadowed. In doing so they did take the savings from Medicare as a consequence of that, which meant that I was saddled with the ability to work out what to do for the product that had really not performed to what the previous government had expected. There were a number of reasons for that.

What we have been doing is working through how we can meet the market. What we did was look at what we could do. In the last budget we got \$8.7 million to work through how we could achieve some of the take-up in the marketplace that this product was supposed to achieve. In doing so we went through a consultative process and I went back to the stakeholders to go through with them why Easyclaim was in fact where it was. There was a range of issues associated with that. We then looked at how we could drive online take-up because that is ultimately where we want to be and where Medicare needs to be. It needs to drive online take-up, whichever channel it might be. Medicare is now in the process of working through those strategies and implementing some of them to achieve online take-up because that is the important part. We cannot go back over spilt milk. That was the previous government's—

**Senator SCULLION**—I am worried about the future spilt milk, Minister.

**Senator Ludwig**—What I am outlining is—

**Senator SCULLION**—It is \$4 million or \$5 million every time you touch down.

**Senator Ludwig**—In fact, if you look at what Joe Hockey—Minister Hockey at the time—threw away, one would wonder. But that is spilt milk that we cannot recover.

**Senator SCULLION**—Indeed, I will acknowledge that is spilt milk.

**Senator Ludwig**—What we are currently looking at in regard to increasing the take-up is to give consideration to the most appropriate way of spending these funds to ensure maximum take-up. While the matter is being considered, Medicare Australia will continue with its existing work because, for some of that work, the research tells us to talk to and work with the medical prescribers and of course the patients to increase the take-up, not only in this product but across the board in electronic claiming products. And of course medical practices have a choice: they can use electronic channels for patient claiming involving Medicare Easyclaim channel based on EFTPOS technology, or the internet based Medicare Online claiming solution. We are also actively collecting bank accounts, and that has risen dramatically under this government over the last 12 months, so that we can do direct payments through Medicare.

**Senator SCULLION**—I will move on, Minister. You have obviously got a bit of a challenge ahead in that area. At further estimates I am quite sure you will provide us with



some answers on that. We have reached a bit of a milestone—1 February. Will there be a big party, Minister. It was the 25th anniversary of Medicare.

**Senator Ludwig**—It was. In fact it seems a long time ago now. Yes, Medicare has been around for 25 years. It was quite a significant milestone for Medicare. Of course it is the combination of two other entities. Medicare itself has been around in name since 1984, I think.

**Senator SCULLION**—I certainly thought we would have a bigger party than we did but probably these thrifty times are the answer to that. Turning to the planning, the National Health and Hospitals Reform Commission report, *A healthier future for all Australians*, proposes a tax funded community insurance scheme. Because I have time for just one more question could you advise us, on notice if necessary, whether you have been involved in costing a scheme and, particularly on notice, whether you have been consulting with providers regarding co-payments, provider arrangements or anything of that nature.

**Senator Ludwig**—The commission's report is a matter for the commission. Minister Roxon has, I think, provided comment in relation to that. It is truly a policy department response. Medicare is not involved in the commission's work as I understand it.

**Ms Godwin**—Not at this stage.

**Senator SCULLION**—As I understand it at the moment—I have to say, with some disappointment—we have still got an acting CEO, you have got a budget that is forecast to run at a deficit of about \$6.7 million, we have an IT system that is failing and is not meeting the needs of the clients—whilst you are telling me there are good things in the future. The report from the government—

**Senator Ludwig**—I think I would challenge you on the basis of the fact that Medicare is an extraordinarily complex ICT system. It provides a significant number of payments on behalf of patients.

**Senator SCULLION**—We are dealing with the IT system. In terms of the budget deficit that is certainly the case. You have got a report commissioned by the government from the National Health and Hospitals Reform Commission and, although you are saying it is nothing to do with Medicare, it recommended a tax funded community insurance scheme under which there would be multiple competing health plans for people to choose from which would be required to cover a mandatory set of services including hospital, medical, pharmaceutical, allied health and aged care. Given all this the reasonable question to you is: is the future existence of Medicare under review and can you absolutely rule out the merging of Medicare into another agency?

**Senator Ludwig**—I think the short answer is that Medicare is a strong organisation that delivers on behalf of doctors, providers and the Australian population. It provides a first-class service—in fact I would say a world-class service—on behalf of the Australian people.

Quite frankly, the suggestion that its ICT system is not up to scratch is wrong. It has a complex ICT system. It provides services to providers, doctors and patients who are claiming. Look at the work that it does in being able to ensure payments through both PBS and MBS

right across Australia. It has 20 million customers. It has something of the order of 239 outlets.

**Senator SCULLION**—I acknowledge the complexity of that, Minister; I do.

**Senator Ludwig**—We have opened one in Emerald. They are right across Australia. The staff are dedicated. Medicare has a long future, in my view.

**Senator SCULLION**—That is important. One could ask the simple question: so there are no plans to axe Medicare and provide services under some of these other reviews?

**Senator Ludwig**—Medicare has a long history, in my view. There is no plan of this government to do any such thing.

**CHAIR**—So, Senator Scullion, you will place the rest of your questions on notice?

**Senator SCULLION**—Indeed I will.

**CHAIR**—Senator Cameron, you have a couple of minutes.

**Senator CAMERON**—Ms Godwin, I have more than five questions to be asked in two minutes. But what I will do is just read the questions to you and place them on notice. They are in relation to the chronic dental health scheme. What compliance issues have been identified in relation to chronic disease dental items? Have there been any cases where patients have received benefits but have not met eligibility requirements for the items? If so, how many? Have there been any cases of dentists inappropriately claiming the items? If so, in what ways and at what cost to the taxpayer? Would we expect prosecutions of these dentists? Have some dentists registered unusually high levels of claiming under the scheme? At what level were they each claiming? What was the cost to the taxpayer? Have some dentists or doctors engaged in inappropriate marketing and promotion of the items? It has been a long day. I ask you to please take those on notice.

**Ms Godwin**—Yes, Senator.

**CHAIR**—Thank you, Senator Cameron. I thank the minister and the departments and their officers for appearing before us. I place on record our thanks to Hansard, to the secretariat, to my fellow committee members and to participating members. I declare these estimates closed.

**Committee adjourned at 10.57 pm**