



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

FINANCE AND PUBLIC ADMINISTRATION LEGISLATION
COMMITTEE

ESTIMATES

(Additional Estimates)

TUESDAY, 9 FEBRUARY 2010

CANBERRA

BY AUTHORITY OF THE SENATE

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**SENATE FINANCE AND PUBLIC ADMINISTRATION
LEGISLATION COMMITTEE**

Tuesday, 9 February 2010

Members: Senator Polley (*Chair*), Senators Cameron, Jacinta Collins, Kroger, Ryan and Siewert

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

Senators in attendance: Senators Abetz, Boyce, Jacinta Collins, Coonan, Cormann, Ferguson, Fifield, Forshaw, Kroger, Barnaby Joyce, Lundy, Ludlam, Parry, Moore, Polley, Ronaldson, Ryan and Xenophon

Committee met at 9.10 am

FINANCE AND DEREGULATION PORTFOLIO

In Attendance

Senator Nick Sherry, Assistant Treasurer

Department of Finance and Deregulation

Executive

Mr David Tune, Secretary

General Questions

Ms Jan Mason, General Manager, Corporate and Parliamentary Services

Mr Colin Plowman, Division Manager, Corporate Services

Mr David Yarra, Chief Audit Executive

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

Mr Brett Quester, Branch Manager, IT Services

Outcome 1—Budget, Financial Management Group, Deregulation

Ms Kathryn Campbell, General Manager, Budget Group

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

Mr Peter Saunders, Division Manager, Budget Review Division

Mr John Ignatius, Division Manager, Social Welfare Division

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

Mr Brendan Sargeant, Division Manager, Government and Defence Division

Dr Stein Helgeby, General Manager, Financial Management Group

Mr Tim Youngberry, Division Manager, Financial Reporting and Cash Management Division

Mr Alan Greenslade, Division Manager, Funds & Superannuation Division

Mr Lembit Suur, Division Manager, Financial Framework Division

Mr George Sotiropoulos, Branch Manager, Superannuation Branch

Dr Tom Ioannou, Branch Manager, Financial Framework Policy Branch
Ms Susan Page, General Manager, Deregulation Group
Mr Peter McCray, Division Manager, Deregulation Policy Division
Mr Jason McNamara, Executive Director, Office of Best Practice Regulation

Outcome 2—Asset Management Group, Australian Government Information Management Office

Mr John Edge, Acting General Manager, Asset Management Group
Mr John Grant, Division Manager, Procurement Division
Mr Rick Scott-Murphy, Division Manager, Property and Construction Division
Mr Guy Verney, Acting Division Manager, Government Business, Special Claims and Land Policy
Ms Laurie Van Veen, Branch Manager, Communications Advice Branch
Ms Stacie Hall, Branch Manager, Government Businesses Advice Branch
Ms Ann Steward, General Manager, AGIMO
Mr John Sheridan, Division Manager, Agency Services Division
Mr Graham Fry, Division Manager, Policy and Planning Division

Outcome 3—Ministerial and Parliamentary Services, Financial and e-Solutions Group

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
Mr Greg Miles, Branch Manager, Entitlements Management
Mrs Kim Baker, Acting Branch Manager, Client Services
Ms Yvette Sims, Acting Branch Manager, Accountability and Reporting
Ms Maree Faulkner, National Manager, COMCAR
Mr Stephen Taylor, Branch Manager, Legal Services
Ms Carolyn Hughes, Branch Manager, Parliamentary Entitlements Review Committee Secretariat
Mr Brett Quester, Branch Manager, IT Services, Financial and e-Solutions Group

Australian Electoral Commission

Mr Ed Killesteyn, Electoral Commissioner
Mr Paul Dacey, Deputy Electoral Commissioner
Mr Paul Pirani, Chief Legal Officer
Ms Barbara Davis, First Assistant Commissioner
Mr Kevin Kitson, First Assistant Commissioner
Mr Pablo Carpay, Assistant Commissioner

ComSuper

Mr Leo Bator, Chief Executive Officer
Ms Cindy Briscoe, Deputy Chief Executive Officer, Business Services
Mr Marcus Markovic, Deputy Chief Executive Officer, CIO/CFO
Mr Chris Ramsden, Deputy Chief Financial Officer

Future Fund Management Agency

Mr Paul Costello, General Manager
Mr Paul Mann, Head of Finance

MediBank Private Ltd

Mr George Savvides, Managing Director

Ms Catherine McGovern, Group Manager Government and Public Affairs

CHAIR (Senator Polley)—Good morning. I declare open this hearing of the Senate Finance and Public Administration Legislation Committee. The Senate has referred to the committee the particulars of proposed expenditure and related documents for 2009-10 for the parliamentary departments and the Prime Minister and Cabinet, Finance and Deregulation, and Human Services portfolios. The committee has set Friday, 26 March 2010 as the date by which answers to questions on notice are to be returned. Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice. Officers and senators are familiar with the rules of the Senate governing estimates hearings such as parliamentary privilege, the test of relevance and giving opinions on matters of policy. If you need assistance, the secretariat has copies of the rules. I particularly draw the attention of witnesses to an order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised and which I now incorporate in *Hansard*.

The document read as follows—

Public interest immunity claims

That the Senate—

- (a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;
- (b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;
- (c) orders that the following operate as an order of continuing effect:
 - (1) If:
 - (a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and
 - (b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.
 - (2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.
 - (3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.
 - (4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result,

equally or in part, from the disclosure of the information or document to the committee as in camera evidence.

- (5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.
- (6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.
- (7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).
- (8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

(Extract, Senate Standing Orders, pp 124-125)

CHAIR—Witnesses should speak clearly into the microphones. We had difficulties yesterday, so I ask people today to be mindful of that. The committee has before it a list of outcomes relating to the Finance and Deregulation and Human Services portfolios. The committee will begin today's proceedings with Medibank Private and then follow the order as set out in the program. I welcome the Assistant Treasurer, Senator the Hon. Nick Sherry. The Secretary of the Department of Finance and Deregulation will be joining us later. Good morning, Minister, do have an opening statement?

Senator Sherry—Good morning, Chair. No, I do not.

[9.11 am]

Medibank Private Ltd

Senator RYAN—Mr Savvides, would you provide a brief update on membership patterns—growth, decline or otherwise—over the last few months since your annual report.

Mr Savvides—In the last half year we have seen the market continue to maintain growth at a reduced rate prior to the GFC. In our fund we are seeing a growth rate of around two per cent a year on membership, down from five per cent in the strong period of around 2007.

Senator RYAN—Are there any reasons that you attribute the declining growth to?

Mr Savvides—The concerns around the GFC and the market itself more generally, as well as jobs, confidence and consumer confidence, all have an impact on the product that we sell. So the key area has not been the lapse rate; the lapse rate has been quite modest.

Senator RYAN—There has been no change?

Mr Savvides—Not material change. We are really pleased about that because you work hard to keep your customers. But the growth rate and new opportunities, which normally come from a very strong labour market that is putting on a lot of new workers, tend to be a stimulant for us to grow membership. That has not been as strong as that previous period, but

we did actually expect a more difficult situation and we are really pleased to see that the growth in the membership has continued, even though that growth is at a lower rate.

Senator RYAN—You probably know this detail off the top of your head; I do not. When did the change to the Medicare levy surcharge threshold kick in—the increase from \$50,000 to just over \$70,000?

Mr Savvides—I will have to take the specific date on notice, but I think we started to see the effect of that in the middle of last year.

Senator RYAN—Surely the slower growth rate can be one of the substantive factors that leads to a lower growth rate than previously?

Mr Savvides—No doubt the regulatory instruments of the sector that the government has made some policy changes to do influence the growth rate. Those thresholds obviously make it easier for some incomes not to have health insurance without a penalty in the Medicare levy surcharge. There is no doubt that that would be an influence. In the last 12 to 18 months, I think the dominant feature that has impacted membership is the economic context, but there is no doubt that the regulatory context also influences that. That has certainly been in our modelling.

Senator RYAN—Just to clarify, you are asserting that the economic situation—which the government lauds rather than complains about, I note—rather than the change in the Medicare levy threshold, is the prime factor behind this decline in the growth rate?

Mr Savvides—Yes, that is what I believe. The stimulant in growth is a very strong labour market, which were enjoying in the prior period. Mind you, that was a peak in itself; it was not the average of the last five years. We have seen a sector that has come up from around two or three per cent growth into the fives in the boom economy that we saw in 2007 and it has come back to pre-boom, if you like, growth rates as we speak. Some of the impact is also from some of the regulatory changes. They have been part of the whole piece. Which comes from what is very hard to determine because it is not that precise a science to be able to determine what drives growth and what drives lapse.

Senator RYAN—I appreciate it is not a precise science. The health insurance industry, for lack of a better way of putting it, has always asserted that the Medicare levy surcharge threshold was a particularly important driver in getting new members. Over this period, has there been any change in the age profile of Medibank's membership?

Mr Savvides—We continue to recruit, in the proportion that we believe is healthy, the spread of ages, including younger ages. It is very important for any health fund to be able to attract young as well as retain. We have not seen a drop-off. Obviously our marketing and promotional efforts are very important in that. We have been a strong promoter of our product in the period and that has yielded results for us in capturing the market share that we need in the younger segment.

Senator RYAN—I suppose what I was getting to was that the Medicare levy surcharge threshold was always considered relatively effective in getting younger people into the market who are crossing the income threshold. If you need to take this on notice, I would be happy. Has there been any material change in the age profile of the membership of Medibank Private over the last nine months or since the change came in in July?

Mr Savvides—If I was speaking in general terms, I would say, no, there has not been. You have asked a specific question about the influence. I can take that on notice and look at it in more detail and bring that back to you as an answer. I am happy to do that.

Senator RYAN—Thanks. I would assume that Medibank has been undertaking work on the prospective impact of the government's proposed changes to the private health insurance rebate. The numbers that have come out from the Australian Health Insurance Association, which I understand Medibank is a member of—

Mr Savvides—Correct—we are.

Senator RYAN—estimate that up to 240,000 Australians with private hospital insurance are likely to exit cover as a result of this legislation and that a further 730,000 Australians are likely to downgrade their level of hospital cover, and that an additional 775,000 persons will exit their general treatment extras cover as a result of this policy change. That is from the media release of the AHIA on 5 August last year. What is your view on the statements of the AHIA with regard to the government's proposed changes?

Mr Savvides—I am not a party to the analysis that they have undertaken. That is their release. We did not collaborate with their analytical process. We have our own view. Every health fund has a different skew to income brackets, so I do not think every health fund will have an even exposure to the impact of the changes.

Senator RYAN—What is your market share at the moment, roughly?

Mr Savvides—Thirty per cent.

Senator RYAN—That is a third of the industry almost. It is probably fair to say that you are broadly representative of the population that holds private health insurance in Australia.

Mr Savvides—We would be—yes.

Senator RYAN—You have just said that Medibank Private did not participate in the work that the AHIA undertook. I assume you have undertaken your own work.

Mr Savvides—We have not specifically been able to model the impact of a means tested rebate. There are two issues. It is not only the means test; it is also the trigger for the levy surcharge if you are not taking up PHL. I suspect the mechanism that the government is introducing does compel people to keep the product irrespective of the extra costs by losing the rebate.

Senator RYAN—I appreciate that, Mr Savvides, and I appreciate you might very well have different numbers, but I find it difficult to believe that Medibank Private has not undertaken a substantial internal modelling of the potential commercial impact of what is a very significant change to your industry.

Mr Savvides—We do have a forward view, obviously. I would not call it extensive modelling, but we have a view and we do our analytical processes as well. Ours is a more modest impact than the one that has been promoted by the AHIA. But, that aside, it is a negative impact; there is no doubt about that. But it is a more modest one than is being projected by the AHIA. We could be proven wrong. I do not think anybody knows yet, but we certainly have a view for the future. That aside, our actuaries and economists will promote a view and then our marketers will do their absolute best to defy that outcome, because we will

try to attract people in, provide innovative products, and provide new services to attract customers.

Senator RYAN—I appreciate that, Mr Savvides, and I appreciate the key difference in the current regulatory environment would be the Medicare levy surcharge. But many of us will also remember the dark days of health insurance when it had a much lower level of population penetration—and when marketers were still doing their best. What do you consider the impact of the proposed legislation will be on Medibank Private?

Mr Savvides—We do not release those numbers to the public. I would be flagging to my competitors our position going forward. I do not think it would be a good thing for the company and its commercial endeavours to do that.

Senator RYAN—I appreciate that, but you could give us broad indications. Is it a negative impact on the bottom line of Medibank Private?

Mr Savvides—Is it a negative impact?

Senator RYAN—Would this legislation, if passed, mean that next time you came before this committee you would be saying to us, ‘We’ve had a negative commercial impact,’ and would one of those impacts be the passage of this legislation?

Mr Savvides—I did say earlier that the impact of removing the rebate from a customer segment based on income would certainly make it less attractive for that segment and there would be less growth in that segment or there may be more lapse in that segment, so it would be negative in that sense. That is why I said it does have a negative outlook. Our view is that it is not as strong or as intense as the one that the industry association holds.

Senator RYAN—Okay, so the news isn’t quite as bad, but there was no upside in this legislation, is there, Mr Savvides?

Mr Savvides—No, not that I can see.

Senator RYAN—There is only downside risk for Medibank Private on a commercial level? The Commonwealth owns Medibank Private, so we are worried for two reasons: from a public policy perspective on the impact on the market, in which you are one-third; as well as shareholders in this very large corporation. There is no upside risk for Medibank Private in this, is there? There is no way that this legislation can increase in or make private health insurance more popular?

Mr Savvides—From what I have seen of it so far, no, I do not see that.

Senator RYAN—Do you foresee that the removal of the rebate would lead to a higher rise in premiums than otherwise would be the case by virtue of numbers of people falling out of private health insurance?

Mr Savvides—If the overall outcome was that we were not able to continue the growth of our fund in its current trend—if our marketing efforts were struggling to not mitigate the changes that were occurring at the top end of the salary brackets that came from this legislation—then there would be a negative impact. I think the question is: will it be material? At this stage I do not know whether it will be.

Senator RYAN—In considering the impact of this legislation—and I understand that, as you mentioned, you have a strong marketing team that can try and recoup some of these

losses—this legislation will either decrease or slow the rate of growth of the number of people in Australia with private health insurance. Is that a fair assumption?

Mr Savvides—I do not think it can do that. The two per cent growth rate that we are enjoying is quite a large growth rate. This end of the segment—the category that has been targeted and the penalties if you were to choose not to have health insurance, which keeps people in the product and even if they lose the rebate progressively—and the size of impact at the moment in my outlook does not swamp the growth that we already have in the portfolio. That would be a very, very significant reduction in growth rate. I do not see that.

Senator RYAN—The point I am making, though, is that if somebody—

Mr Savvides—It may lower the growth rate, but I do not believe it will remove it.

Senator RYAN—Presumably that means that your anticipation of maintaining market share—and I do not mean to put words in your mouth, but I gather that is where we were going before—is based on the simple situation in a market where people compete. Someone tries to take your customers and you try to take theirs. Is that a fair comment?

Mr Savvides—Yes, that is a big part of the game.

Senator RYAN—But it is all based on a market that is potentially not as big as would otherwise have between the case.

Mr Savvides—Yes. Medibank wins market share in two ways. It wins it through switches, by bringing people across from other funds, and it wins market share by attracting people into the sector for the first time—new to industry, we call that segment. We are very strong on new to industry. We have a broad appeal given our size and brand, so we tend to do very well on new to industry. That is unlikely to be this segment that you are referring to. It tends to be younger ages and lower incomes. On the switches, that is often the competitive tussle of product and service, and that is a key part of our promotion and marketing.

Senator RYAN—I noted that in January this year there was a news piece in the *Australian* that outlined that the health minister had asked 12 of 37 funds to redo their rate application. Was Medibank one of those that was asked to redo its rate application just a few days before Christmas this year?

Mr Savvides—We do not divulge the interactions of the rate process because, firstly, we are bound into the process through confidentiality. That process is also highly competitive. To disclose or identify any fund that may have had to do that tends to send a signal to the market, and that is not an appropriate thing to do in the context of the Trade Practices Act.

Senator RYAN—I think the market has had a signal, from the basis of this article. Given there was no public announcement, I was not going to head towards numbers in any way. I was just wondering whether or not Medibank was one of the firms that was asked to redo its application. I understand it is an iterative process. I am familiar with it.

Mr Savvides—It is a confidential process. What I can say, if it is in the theme of what you are pursuing, is that we have a very engaged process. We are a government business enterprise, so we do not feel like we are having to send letters through the mail to communicate with shareholders or with key stakeholders like the health ministry. Therefore

we are always engaged and attempting to do the best we can to meet the expectations of a GBE's owner. So we do not really rely on mail to guide our engagement with government.

Senator JOYCE—Your market share is around 30 per cent. You are a profitable organisation. What is the return you give to the government?

Mr Savvides—Our profitability last year was just over \$90 million on turnover of \$3.8 billion. That was impacted by negative returns on investment, so if you were to strip that out the under-riding performance of the company, the profit of health insurance itself, sits around \$140 million.

Senator JOYCE—What property do you own?

Mr Savvides—We own very little property. Our basic balance sheet is based on the prudential reserve that covers the risks associated with ensuring 3.7 million people.

Senator JOYCE—Can you explain the difference between the \$90 million and the \$140 million?

Mr Savvides—Sure. There are two streams of profit that make up the \$93 million. There is an investment income which comes from our reserves, which we predominantly invest in cash and getting interest rates for those. About a quarter of that reserve is invested in equities, so the portfolio is 75 per cent cash and 25 per cent equities. That creates a return, and then the other profit stream comes from the under-riding private health insurance, which is our core business. Those two came together to create a net result of \$93 million last year.

Senator JOYCE—How much you have got in reserves at the moment?

Mr Savvides—The balance sheet of Medibank Private is about \$2 billion and around half of that is allocated to the prudential risk capital adequacy requirement to meet the obligations of the insured membership. The rest of the balance sheet is obviously used to fund the other things that we do beyond private health insurance.

Senator JOYCE—\$93 million is your net return?

Mr Savvides—Yes.

Senator JOYCE—There is about a \$3.8 billion turnover and you have reserves currently of about \$2 billion?

Mr Savvides—That is right and are used to offset the risks associated with covering people's insurance.

Senator JOYCE—Apart from that, what are your other major assets?

Mr Savvides—It is predominantly a cash based portfolio. We do not own any significant property assets; we rent those or lease them. Obviously, we are not a manufacturer. Our principal assets would be our IT hub, core capability and systems. There would be a couple of hundred million dollars worth of assets there.

Senator JOYCE—You were talking about the skewing of the income brackets, could you tell me where is the predominant weighting in age brackets in your fund?

Mr Savvides—40 per cent of the membership of all those insured in Australia, and we are sample of that, are incomes under \$60,000—so quite low. A lot of them are on fixed incomes.

The higher income bracket basically reflects the Australian population. It is a very small component at the upper end of the spectrum of salaries that make up our constituents.

Senator JOYCE—What is the average return to equity of most health funds?

Mr Savvides—They spread from zero to around 15 per cent to 20 per cent. Medibank is up in the 15 per cent return. Some of the mutuals and not-for-profits obviously have lower targets in that area and different operating agendas.

Senator JOYCE—What is your average case payment?

Mr Savvides—I do not actually have that figure. It would be something like \$3,000 to \$4,000 per member. I could take that notice because the definition is everything.

Senator JOYCE—Are you growing in market share compared to other funds?

Mr Savvides—We are growing at a very small rate. We have had three or four years of incremental growth, other than an acquisition that we made last year which brought in another three per cent market share.

Senator JOYCE—What was that acquisition?

Mr Savvides—AHM.

Senator JOYCE—Is your weighting predominant in any one state?

Mr Savvides—It is. We are very strong on the eastern seaboard. We are market leaders in New South Wales and Victoria, and it is level-pegging in Queensland. We have a strong share in Tasmania. We are quite small in South Australia and Western Australia, where we are sitting around 20 per cent.

Senator JOYCE—What is your current salary and wage bill across the organisation?

Mr Savvides—We have an overhead of around \$400 million; around 65 per cent, maybe a little more towards 70 per cent would be the salary and wages component.

Senator JOYCE—About 65 to 70 per cent of costs is wages?

Mr Savvides—Yes.

Senator JOYCE—What proportion of your costings are claim payouts?

Mr Savvides—Of the \$3.9 billion of revenue last year, about 87 per cent is paid out in claims. That is growing around nine per cent to 10 per cent a year for several reasons.

Senator JOYCE—Why is that?

Mr Savvides—It is not just, say, nurse inflation, which is one of the components—

Senator JOYCE—That payout is beyond inflation.

Mr Savvides—Yes, it is; it is twice the background inflation rate. It is not just health worker costs inflation, which is higher than normal; it is also because of the ageing component of our membership. The whole market's membership has the same problem. As people age, they use the product more. Then there is another level of complexity which is that the services that they use over time become more complicated and hence more expensive. There is a multiplier effect of health inflation, volume increases from the amount of people ageing and the cost complexity of the services that they are consuming in a unit cost sense,

which is also going up because complexity goes up—fuelled sometimes by technology enhancement, which is a good thing. Those three factors create what we are seeing in our claims outlay.

Senator JOYCE—How are you going to keep those numbers apart? If you have a claim escalation of between—is this what you said—eight to nine per cent and inflation is running at three to 3½ per cent, are premiums going up by more than eight per cent?

Mr Savvides—No, they are not. I think you are making my case for a premium increase. Senator, yes, you are right—you make the point that our top line is growing slower than our claims line. That is a feature of all health funds and that is why you have an investment portfolio that comes out of your reserves. You need that extra income to offset the differential in growth rate between the revenue line and the outlay line. If you do not have enough portfolio and balance in your balance sheet, you will end up having to pass on quite large rate changes. We have seen health funds from time to time doing that, with eight or nine per cent increases, to remove some of that squeeze in the gap between revenue and outlay.

Senator JOYCE—So you have about \$2 billion put away in reserves at the moment?

Mr Savvides—Yes.

Senator JOYCE—You have 75 per cent of that in cash and 25 per cent in equities. I will mention the cash you have given back to our good friends in Commonwealth government. Who manages your equities for you?

Mr Savvides—We have advisers to the board and we have a treasury function and a committee of the governance board that oversights.

Senator JOYCE—What return are you getting on your cash at the moment?

Mr Savvides—We are pretty well exposed in the equity portfolio to the average market in Australia and overseas, so we have enjoyed the very strong half-year that has occurred between July and December.

Senator JOYCE—What return are you getting on your cash at the moment?

Mr Savvides—On the cash side—the interest return?

Senator JOYCE—Yes.

Mr Savvides—I think those rates are sitting at around three per cent at the moment.

Senator JOYCE—You could do better than that, couldn't you?

Mr Savvides—You can, but we are conservative cash investors. We will not play with artificial instruments that create jeopardy, which we have seen in the last 18 months. Yes, you can—you can find some manufactured synthetic products that will give you interesting returns, but we do not play in that game. The three per cent is a guesstimate. If you want a specific number, I will take that on notice.

Senator JOYCE—Who is giving you three per cent—just Commonwealth bonds?

Mr Savvides—There is a spread of different kinds of FRNs and all sorts of instruments that we invest in, but they are all basically cash-grade quality.

Senator JOYCE—Who makes the decision about investing cash? What is the sell that makes the decision?

Mr Savvides—Again, our advisors. Mercers provide advice to the board on our portfolio and the governance board also oversees that process. Our management team that executes the policy also reports back to the board to account for the work that they do.

Senator JOYCE—As an outsider, it seems peculiar that you get three per cent when even the RBA benchmark is 3.75 per cent.

Mr Savvides—We could be getting 3.75. I am just guessing. I am not an investment portfolio person. I can come back to you with an accurate number on that.

Senator KROGER—I am interested in cataract surgery. Since the government has changed its position on the Medicare rebate, has Medibank reintroduced rebates for cataract surgery?

Mr Savvides—Yes. We continue to produce the same proportion of reimbursement as we had before. Having changed the reimbursement to a different number—a much more generous number than the original round—Medibank is now servicing those needs in a form that is not too different to what it was before the changes.

Senator KROGER—So the rebate is at the same level or a lower level?

Mr Savvides—After the changes, our average payment is \$530. Before the changes it was \$580. The average out-of-pocket expense that we are seeing is around \$167. It has come right back to a number not too dissimilar to what it was before the changes. We are getting around 70 per cent of claims with no out-of-pocket expenses at all.

Senator KROGER—Are you bearing any extra costs now or is it the patient?

Mr Savvides—No. We have kept the proportion of the reimbursement the same. We are not trying to gain from the changes; we are trying to sustain the same value, pre and post.

Senator KROGER—Turning to the advance in medical devices and the increasing use of them, for want of a better word, what proportion of your outlays would now go towards medical devices?

Mr Savvides—The area of prostheses is where most of them sit. Obviously, there are some technologies embedded in the casemix claim as well, though I do not have specific numbers there. But, in prostheses, that is sitting at around \$300 million a year. That is medical devices, including pacemakers and implants.

Senator KROGER—Do stents come in that category?

Mr Savvides—Yes, they do.

Senator KROGER—Would the same apply to public hospitals? Would it be the same sort of ratio?

Mr Savvides—It depends on the weighting. Two-thirds of elective surgery is private, and therefore the consumption of implants in hips and knees and shoulders would in volume be greater in private health than in public health. But the public purse procures under a different procurement regime than the private. We know that in public hospitals the purchasing price of

many of these devices is so much lower because of the freedoms that the public health segment has in being able to procure, which we do not have in the private sector.

Senator KROGER—Would you expand a little on why they are lower.

Mr Savvides—It is a conversation we are having, actually, with the Department of Health and Ageing and other officials, trying to open up a conversation about some reform. On the private side, with the way the system works under the legislation, every health insurer has to reimburse 100 per cent for an implant, whether or not that is a generic design that is half the price of a brand new design that has just been released. So, if the surgeon elects to implant a more sophisticated, recently launched product—and I am not suggesting any incorrect diagnosis—the reimbursement for that product by the health insurer is 100 per cent. If a surgeon were to choose a tried and true design that performs very well on our joint registry for a piece of surgery and that design is half the price of the most recently introduced implant, again we would reimburse that to 100 per cent.

Unlike the PBS, for example, where medications that are of an equivalent performance to the benchmark product or are generic, if they exist, can be used, on the private side we have to reimburse whether it is generic or branded, or a full priced or mature priced, older market participant. Therefore, we find that that is not creating enough tension and contestability in the supply chain. So we have done some research. PWC recently released the report and we are making a case for some reform there which will save health fund consumers money, create more tension in the supply of these devices and start to reflect something of what we already see in the supply chain on the public health side.

Senator KROGER—In the *Adelaide Advertiser* in January there was an article on the reliability versus the expense of different devices, so I am aware that it is a significant current issue—it is very costly and there is also the question of aid for patients. Are there any evolving guidelines around giving some direction to what you have just been talking about?

Mr Savvides—The issue around the surgeon's choice in the selection of an appropriate product is not an area that we are trying to get involved in. The joint registry is set up by the orthopaedic surgeons through the college. That registry is there and it basically explains that the best-performing designs in terms of the rate of revision and replacement are the older ones. They are more stable. They also are a fraction of the price because of their maturity. Many of them are now off patent. Many of the new designs, though not all, have shown higher replacement rates. Health funds not only pay for the higher price; they also pay for the replacement. And the patient is caught up in that cycle as well. So we are just doing our job in advocacy to make sure that we have a supply chain that can test supply and price rather than fully reimburse whatever is selected without any contest about equivalence. We think we will have a favourable hearing and we expect to see some reform. We are certainly advocating for it and we think everyone will be better off as a result of that—except for maybe some medical device suppliers, but that is understandable. It is not an unusual situation we find ourselves in. It is something we should do something about.

CHAIR—Before I go, I just advise—having consulted with committee members—that ComSuper officials will not be required today, so they are therefore released.

Senator RONALDSON—Minister, you must look at Mr Savvides on your right and you must look at, potentially, what money might come in from the sale of Medibank Private. You

have had the department have a bit of a look at this, have you, to see what the organisation might be worth?

Senator Sherry—As you are aware, I am the representative minister. I will have to take that on notice and pass it to Minister Tanner.

Senator RYAN—Do you have to, Senator?

Senator Sherry—I have given my answer.

Senator RONALDSON—That is interesting, because it is certainly not an emphatic denial. So I will take that as an indication it is being looked at, but I will wait with interest for the answer on notice.

Senator Sherry—I personally am not aware of any issues but, as I said, I will take it on notice.

Senator JOYCE—Do you know how much your organisation would be worth, Mr Savvides?

Mr Savvides—I do not know.

Senator JOYCE—Fifteen per cent return on \$90 million, so what do you think—\$600 million there and a couple of billion dollars in reserve? Would it be \$2.6 billion—something around that?

Mr Savvides—Rather than talk about Medibank, which is a hypothetical, the last health fund of our size that was sold was MBF, purchased by BUPA/HBA.

Senator JOYCE—How much was that?

Mr Savvides—It went for almost revenue value.

Senator JOYCE—So how much was that?

Mr Savvides—I cannot remember the revenue at the time, but our revenue value is approaching—

Senator JOYCE—Your revenue value is about \$3.9 billion?

Mr Savvides—Yes, but that was a couple of years ago. That is what it went for. I am only quoting a fact in a market, rather than being hypothetical about Medibank.

Senator JOYCE—How does the market value it? Do they value it on return? Is it a general rule-of-thumb across the world that they look at your revenue as an indicator of your price, or is it return that is an indicator of your price?

Mr Savvides—I think our jurisdiction here is very different in our regulations, so I do not think you can get any global benchmark. We have just bought AHM and we bought that for revenue value.

Senator JOYCE—How much was that?

Mr Savvides—Just over \$300 million.

Senator JOYCE—Interesting.

CHAIR—Are there any further questions for Medibank? If not, thank you very much for appearing before us today.

[9.48 am]

Department of Finance and Deregulation

Senator FIFIELD—My questions relate to Commonwealth Procurement Guidelines as they relate to Australian disability enterprises. I know the practice of this committee, or the tradition, has been that a wide range of things can be covered through general questions, but I am just wondering if that is convenient now or if it would be better to wait until the outcome which covers procurement.

Mr Tune—I am happy to take all those questions now; that is fine. I will just need to get the relevant officers in.

Senator FIFIELD—Thank you, Mr Tune. You would be aware of Minister Tanner's release on 10 October 2008 relating to new Commonwealth Procurement Guidelines, which gave an exemption from the mandatory procurement processes where services were going to be purchased from an Australian disability enterprise. I think we have now just about ticked over the first year of that being in effect; it came into effect on 1 December 2008. I am just wondering if Finance, as the department responsible for these guidelines, maintains any whole-of-government records in relation to the accessing or the taking up of that exemption?

Mr Grant—No, we do not retain a whole-of-government record per se. Of course we do have AusTender, which records all contracts awarded above \$10,000 but there is no tick in terms of disability enterprises.

Senator FIFIELD—So the department of finance would not have any way of advising government if there had been an increase in the number of departments accessing these enterprises, whether that be in the total number of tenders or the dollar value of services purchased through disability enterprises by the Commonwealth.

Mr Grant—We do have a list of disability enterprises. AusTender in its current form has been operating for only two years. I could have a look at whether we are able to match up the list of disability enterprises that we have with tenders awarded.

Senator FIFIELD—Yes, if you could.

Mr Tune—The issue there is whether we are going to be comprehensive, whether we have got every disability enterprise service or not. But we will definitely have a go.

Senator FIFIELD—At the last estimates I did ask Dr Harmer of FaHCSIA if they, as the agency which has the most direct interest in disability issues, monitored this and he suggested, quite rightly, that it is more something for Finance. I am just wondering as part of that exercise if you would see if it were possible to advise how many services that each government department and/or agency has acquired from a disability enterprise or from any other businesses which primarily exist for the purpose of employing people with a disability and have done that as a result of the mandatory procurement exemption. So if that could also be provided in terms of dollar amounts and you have already undertaken to identify the number of disability enterprises. Does the department have any processes in place to advise departments and agencies government wide of this exemption other than, obviously, press releases and the procurement guidelines that go to departments?

Mr Grant—We do. In fact the minister, Mr Shorten, came and spoke to around 200 procuring officials at a procurement discussion forum before Christmas. We have a newsletter and of course we have our website, so there are a range of activities that we have undertaken and will continue to undertake to ensure agencies are aware of that provision.

Senator FIFIELD—Thank you. Correct me if I am wrong but are there something called the chief executive instructions for procurement?

Mr Grant—Yes.

Senator FIFIELD—Have they been amended since the 2008 announcement by the minister?

Mr Grant—The chief executive instructions are done by each chief executive of the department or agency, so it is up to each chief executive to review their instructions.

Senator FIFIELD—Thank you for that. So they are not instructions from you?

Mr Grant—Correct.

Senator FIFIELD—What has the department of finance done itself in relation to taking advantage of this exemption as the department which is responsible for procurement and which has provided this exemption?

Mr Tune—We do not have the relevant officer here at the moment but I will take that on notice and we will give you a rundown of what we have done in particular in Finance.

Senator FIFIELD—Thank you for that. Also, and this may be difficult so you may want to take it on notice, if it is possible to provide the information about the take-up of this exemption would it be possible to compare the first year of the take-up of the operation of this exemption to that of a period beforehand? We could see whether this exemption has actually led to an increase, so we would not just have the absolute numbers for the first year of operation but we could compare it to the previous year or two or three.

Mr Tune—I think the difficulty is going to be the AusTender data and how far back it goes. We will have a look but I have got my doubts that we would be able to give you anything that we would consider to be statistically reliable. But I will have a look.

Senator FIFIELD—Thank you for that. The reason I am asking these questions is that, as you would appreciate, the disability sector were very pleased to see this exemption and I guess there is just a desire on their part to be able to measure whether this has been taken up and to see, if it has not been taken up, whether there is more that the government needs to do to educate both government agencies and departments about this but also it is about disability enterprises and how they might better fare.

Mr Tune—Obviously, over time as we go forward we will be able to see change year on year but going back before it might be a bit too difficult for us. But, as I said, we will have a look.

Senator FIFIELD—Thank you.

Senator RONALDSON—Mr Tune, I have got a number of questions in relation to some contracts and advertising protocols so if you are happy I will just go through those and perhaps we can bring people to the table as required.

Mr Tune—Certainly.

Senator RONALDSON—I do want to ask you about some advertising protocols during elections. Do you need someone for that?

Mr Tune—Yes. That person is coming here.

Senator RONALDSON—As always your very efficient colleagues are ready to rise to the occasion.

Mr Tune—They are all out there listening and waiting for their turn.

Senator RONALDSON—I hope they are being handsomely remunerated for this.

Ms Laurie Van Veen—I am sorry, Senator, that I did not hear your question.

Senator RONALDSON—You did not hear the question because I had not actually asked it. I did not think it was fair to ask you while you were making your way here. I want to have some discussion so I am clear about government advertising during, for example, a caretaker period before a federal election. What are the conventions in relation to caretaker government advertising?

Ms Laurie Van Veen—I do not have those with me but my understanding is that once a caretaker government has been called in we instruct Universal McCann, who place all of the government campaign advertising, to pull all campaign advertising.

Senator RONALDSON—I think on occasions if there is something urgent that is required then it is done on a bipartisan basis.

Mr Tune—That is correct. There have been exceptions in the past where there has been, for want of a better term, something needed in the national interest. It might have been a major catastrophe and there has been the need to advertise the fact that government assistance was available, so things of that nature.

Senator RONALDSON—I do remember something during the 2004 election but I might be wrong.

Mr Tune—You may be right. I cannot recall.

Mr Grant—Maybe I can clarify this. With areas like skin cancer and the sun and, I think, Defence Force recruitment in the last election there was agreement that those would continue.

Senator RONALDSON—There are similar rules during a federal by-election, do we know?

Mr Tune—No.

Senator RONALDSON—There is no convention?

Mr Tune—Not that I am aware of.

Mr Grant—We do pull campaign advertising in the state or region of the by-election for the period leading up to the date of the by-election.

Senator RONALDSON—So, if you like, the electorate footprint would be a bit of a no-go zone, is that what you are saying?

Ms Laurie Van Veen—Yes. Could I add that it would obviously be a challenge if there were involved a national media publication, a magazine, as you cannot pull an ad that is already in a monthly publication.

Senator RONALDSON—I ask these questions because it would appear that the Brumby government in the Altona by-election is actually spending an enormous amount of government funding. Indeed, there has been, I gather, a complaint to the Victorian Electoral Commission. I quote from that *Age* article where the Liberal Party State Director, Tony Nutt, has written to the Victoria Electoral Commission:

It beggars belief that taxpayers funds could so blatantly be deployed a week before polling day.

It would appear that this is a magazine article. From what you have said certainly by convention neither party on a federal level would be allowed magazine articles during a by-election and most certainly during a general election.

Mr Tune—No, the answer previously was that if there was a magazine or something like that that had a national distribution you could not just pull it in the area of a by-election.

Senator RONALDSON—What if it was a footprint?

Mr Tune—If it was specific to that footprint, if it was already circulated, you could not withdraw it. But if it were about to be published and a by-election was called I would assume that would be a situation where we could pull it. So it depends on the practicalities.

Senator RONALDSON—Indeed. Thank you for that. Just out of interest, this was a Western suburbs advertising campaign which very much is of that footprint. I think it is interesting to note, and I am sure other committee members have noted—in fact, I withdraw that. If I could just go back. I would assume that if something was an insert, for example, that was easily pulled within that footprint, then that would be the sort of thing that would be pulled, Ms Van Veen—is that right?

Ms Van Veen—I am sorry?

Senator RONALDSON—If we assume that we do not allow footprint government advertising, and if we have an insert in a paper that can easily be pulled, I would assume that under federal conventions there would be a requirement for an insert to be pulled that had not been distributed, clearly.

Ms Van Veen—Certainly that is the approach that we would take with a federal election under caretaker provisions.

Senator RONALDSON—Thank you. I will just finish off with this, and it is probably more of a comment: it is clearly a sign of desperation on the part of the Brumby government. They are breaching, certainly, conventions that have applied across both parties federally. I think Mr Brumby will be judged accordingly. I now turn to news clips services provided by the department. Do you provide news clips to shadow ministers?

Mr Tune—I do not know. I will see if I can find someone who can help answer that. I suspect not.

Senator RONALDSON—Did the previous government provide news clips to Labor shadow ministers?

Mr Tune—I do not know.

Senator RONALDSON—You will take all this on notice?

Mr Tune—Absolutely.

Senator Sherry—I can provide some information on that, Senator Ronaldson. It really varied from minister to minister. So, for example, when I was a shadow, Senator Coonan did not provide them when I asked. However, Senator Minchin did, her successor. So it varied. That has been my personal experience. It is a ministerial decision. My position on this, and it is on the public record, is that when I was Minister for Superannuation and Corporate Law and I had my set of clips I provided them to my opposition shadow. That was my position. You would need to ask each individual minister, but I think you will find it is a pretty mixed record.

Mr Tune—Can I just confirm that the Department of Finance and Deregulation does not provide press clippings to shadow spokespersons.

Senator RONALDSON—Minister, if you received a request from shadow ministers for the department's news clip you would consider those favourably?

Senator Sherry—Yes; I would give it.

Senator RONALDSON—You would give it.

Senator Sherry—I would provide the clips.

Senator RONALDSON—Okay.

Senator Sherry—They would be provided through my office.

Senator RONALDSON—Thank you very much. I am sure that those of my colleagues who are listening will take you up on that offer. It is interesting, isn't it, that there is no convention in relation to this matter? It almost looks as if it might be a personality based thing, not a—

Senator Sherry—I suspect you are right.

Senator FIFIELD—Mood and character.

Senator RONALDSON—Yes, mood and character.

Mr Tune—I should mention, also, that the—

Senator RONALDSON—Moods change; characters do not, I think.

Mr Tune—coverage of press clippings varies a lot across agencies because it is at the agencies' discretion as to what they want to search for. It is often done on the basis of search words. We in Finance are in the process of rationalising our media monitoring services to try and target them more closely to get some efficiencies out of it. So that needs to be borne in mind as well.

Senator RONALDSON—Mr Tune, can you just take these two questions on notice: what is the annual cost to the department for its minister's news clipping services and what is the annual cost to the department of its minister's request for transcripts?

Mr Tune—Certainly.

Senator RONALDSON—I now have some questions in relation to some AusTender documents. Is it useful if I give you those numbers while—

Mr Tune—Are these our procurements that are on AusTender?

Senator RONALDSON—Yes. I will start with CN191704.

Mr Tune—We do not have this detail with us, Senator; I'm sorry.

Mr Grant—It depends on what your question is. Departments and agencies are responsible for placing their contracts awarded on AusTender. So if it is a department other than finance you need to talk to them in relation to their contract awarded.

Senator RONALDSON—No; I would not ask you a non-finance question.

Mr Tune—This is a Finance contract, is it?

Senator RONALDSON—Absolutely. My apologies.

Mr Tune—I will need another officer in that case.

Senator RONALDSON—I would have expected the response you have just given if I was asking a non-finance question.

Mr Tune—Maybe you could ask the question and then I will find the right person to answer it.

Senator RONALDSON—CN191704 is a contract for \$376,590 for Grosvenor Management Consulting. I will give you another number, because it is the same firm again, but this time for a \$471,749, which is CN228112.

Mr Tune—Okay, we have the right people here. These contracts are around two consultancies provided to assist us in the tendering process we are going through around travel services. So Mr Grant can give his answer.

Senator RONALDSON—This is a very substantial amount of money, Mr Grant. Can you tell me what services Grosvenor Management Consulting are providing and why these were not available internally?

Mr Grant—Grosvenor Management Consulting provided expert advice in relation to the travel industry. We are currently looking at travel as a whole-of-government coordinated procurement. To be able to determine whether we should go to market and on what basis, we undertook a scoping study. The scoping study looked at the market, what we buy, who we buy it from, how we buy it and at other jurisdictions. It also provided us with general market knowledge to give us an indication of how we would approach the market. Grosvenor have particular expertise in the travel industry, and we engaged them to give us that expertise. That has led to the issue of a tender, which is currently in progress, for the supply of domestic travel, international travel and travel management services. As I said, those tenders are currently in progress.

Senator RONALDSON—So it was over three-quarters of a million dollars to advise you on how to put a tender out for this travel?

Mr Tune—No, it was prior to that; it was the pre-scoping study to determine whether it was feasible to look at a whole-of-government approach to travel. In the past, of course, that had been decentralised quite substantially, so we were looking at the scope there was to do this, its feasibility and whether or not it was going to represent value for money.

Senator RONALDSON—Speaking of value for money, three-quarters of a million dollars seems a remarkable amount of money for a scoping study.

Mr Tune—Our expectation is that the savings that we can garner as we go through the tender process will well exceed that in the first year even.

Senator RONALDSON—Mr Tune, I understand that that is often a rationale put up to substantiate a level of expenditure. But, if you got it done for \$300,000 or \$400,000, it would actually mean that the bottom line would improve quite dramatically as well. So I do not know whether the fact that you will save that amount of money justifies the expenditure of that of money. Mr Grant, it seems to me to be a remarkably high contract for advice on that type of matter.

Mr Grant—Senator, we have a panel of experts in a range of different areas that we are looking at coordinated procurement for. We set up the panel in an open contest. We went to, I think, three members of the panel with a scoping of what we required—and there was a significant amount of work required—and Grosvenor won that in a contest, effectively. They came in at the best value for money.

Senator RONALDSON—I am mindful of the time; I will get through these reasonably quickly. There was another one, CN185791, for the sum of \$27,000, which was to Donovan and Associates for a history project. Can you tell me what that history project would have been?

Mr Tune—I think this one might be around a commissioning of a history of COMCAR that is being undertaken at the moment. COMCAR is reaching a major milestone in its life and the money was used to write that history. That history will be released in the near future. I will confirm that for you, Senator, but I think that is the one.

Senator RONALDSON—The history of COMCAR?

Mr Tune—Yes.

Senator RONALDSON—Well, I am a very passionate supporter and user of COMCAR. Do we really believe that it is worth \$27,000 to write a history of COMCAR, given the rather remarkable constraints that the federal government now finds itself in? In fact, Minister, I will ask you this question. do you think that the history of COMCAR should be one of the priorities of your department, given the fact that we are by the day seeing a massive blow-out in debt and the requirement for the Australian community to service that debt? Do we need to do a history of COMCAR?

Senator Sherry—Firstly, I was unaware of the circumstances' justification, so I will take it on notice and obtain the facts and arguments and then I will give you a response.

Senator RONALDSON—But I am asking you for your opinion.

Senator Sherry—Well, I have given—

Senator RONALDSON—Do you believe—

Senator JACINTA COLLINS—He has taken it on notice, Senator.

Senator Sherry—I have given my response.

Senator RONALDSON—Minister, do you personally believe that it is an appropriate use of taxpayers' funds to write a history of COMCAR?

Senator Sherry—I have given my response, Senator.

Senator Joyce interjecting—

CHAIR—Senator Ronaldson has the call. Senator Joyce, it is helpful, if you want the call, to indicate to the Chair.

Senator RONALDSON—I suspect that, once a few people get hold of this, this project will be history. There is another contract, 243762, for \$24,355. It is for media benchmarking and related services, which I notice out of interest was a select contract as well. From recollection, 'select' means that it does not go out to open tender—is that right?

Mr Grant—That is correct.

Senator RONALDSON—So what was 'media benchmarking and related services' about—do you know?

Mr Grant—That was selected from the Communications Multi-Use List. My recollection is that we undertake annually a price review with the media agencies. We engaged, I think, for this particular contract an expert—

Senator RONALDSON—Enth Degree Pty Ltd.

Mr Grant—We engaged enth Degree to assist us to understand where the market is moving to in terms of price and to help us come up with an assessment of our negotiation strategy in terms of where that price should end up. So it was about media placement and the price that we pay for media placement.

Senator RONALDSON—How many people are employed in the procurement reporting team?

Mr Grant—I am sorry—the procurement reporting team?

Senator RONALDSON—Yes.

Mr Grant—There is no such team. I have a group of people who work with AusTender, if that is what you are asking.

Senator RONALDSON—I do not know whether we have just discovered some new land, but I have here the director—unless this is the director of Enth Degree, but I do not think it is. On the agency details, can I get you to have a quick look at this.

Mr Grant—Yes.

Senator RONALDSON—Down at the bottom, there is a procurement team—is that Enth Degree's or is that yours?

Mr Grant—This is ours. I will need to get you the detail of this contract. The procurement reporting team in fact is part of one of my branches which deals with—

Senator RONALDSON—We have discovered the reporting team.

Mr Grant—No, it is not a team in itself.

Senator RONALDSON—Well, that is what it says.

Mr Grant—“Office” this is what it calls itself. It is a part of a branch which does contract management. We have two contracts in the media area, one for campaign advertising and one for non-campaign advertising. It manages those contracts.

Senator RONALDSON—How many people are in that team?

Mr Grant—I think there are 3.5, because we have a part-timer there as well, but I would have to confirm that if you want the specific details.

Senator RONALDSON—Why wouldn't they be capable of doing that research if they are part of a procurement team?

Mr Grant—They do not have details of what other media buyers are paying. The group that we went to for the media buy price actually has details across Australia of what other purchasers are paying for media space. We like to have a bit of an idea of how the market is moving so that we can do two things. One is to set a rate that we think is appropriate for negotiations—in other words, our benchmark. The second is that, as part of their role, Universal McCann help us in the negotiation process and we give them a rate that we expect them to meet. That is part of our contract with Universal McCann.

Senator RONALDSON—CN238201 is a contract where you are giving \$156,475 to Technology Partners International for a data centre marketplace survey—again, a direct contract.

Mr Tune—That is in the AGIMO area. I will just get the AGIMO people in to answer that one.

Senator RONALDSON—Thank you.

Ms Steward—Would you mind repeating your question.

Senator RONALDSON—We had a contract for \$156,475 for a data centre marketplace survey with Technology Partners International and it was a direct procurement. What was involved in that contract?

Ms Steward—That contract was to assist us in the development of the government's data centre strategy, which was one of the recommendations arising from the Gershon review. We were looking at the changes in the marketplace with regard to data centre, data centre provisions, capabilities et cetera.

Senator RONALDSON—Someone is doing very well out of all of this. Minister, I direct you to an article in the *Australian* on 10 November 2009, 'Labor losing war on bureaucratic waste as consultants' bill hits \$450m,' by Tom Dusevic, the national chief reporter. The article says:

Removing anomalies, the underlying growth in spending on consultancies under Labor last financial year was almost 9 per cent, or 6.6 per cent above the peak recorded by the Howard government in its dying days.

The article further says:

THE Rudd government spent \$454 million on consultants in 2008-09, an annual increase of 5.6 per cent during a time of supposed public sector austerity, as a new administration increasingly turned to outside experts for policy advice, market research and data.

I then direct you to a speech by the now Minister for Finance and Deregulation, Mr Tanner, to the National Press Club on 8 August 2007, prior to the last election, when he said:

Government spending on advertising and consultants has soared. Labor estimates spending on government advertising will be around \$350 million in 2006-07. Its highest level under Labor was \$85 million. Even allowing for inflation, that's a massive increase.

Here we are, some two years later, where your government has completely and utterly lost the war in relation to consultants. We have seen a dramatic increase in consultants' fees not a reduction. Mr Tanner was crying about \$350 million and your consultancy costs are \$454 million in 2008-09. Minister, when you are doing a project such as the history of Comcar, what is the Australian community to believe about what your real priorities are and the believability of the comments made by Mr Tanner some two years ago?

Senator Sherry—This government, under the very effective leadership of Mr Tanner, has cut expenditure on consultancies from that last full year of the previous Howard government. The facts are that in 2006-07, the last full year of the previous government, there was some \$535 million of expenditure on consultancies; in 2007-08, there was some \$454 million; and in 2008-09, there was some \$475 million—approximately \$60 million less than in 2006-07. The source of those is the annual reports under the FMA act.

I do not know where the *Australian* reporter in the article you referred to obtained his figures. I would describe them as inaccurate based on the material that is before me. As to the speech of Mr Tanner, I think the figures that I have read out confirm that Mr Tanner has been rigorously implementing what he claimed he would do before the last election on the issue of consultancies and expenditure.

Senator RONALDSON—This is according to the *Australian* article:

In an opinion piece published in *The Australian* in March 2007, Lindsay Tanner outlined how Labor would save \$3 billion from the federal budget: "Labor's savings include hundreds of millions wasted on government advertising, opinion polling and consultants."

In a press release issued that day, Mr Tanner also said Labor's plan would include "a \$395m cut in the use of consultants in the commonwealth public service".

Minister, has there been a \$395 million cut in the use of consultants in the Commonwealth Public Service since the election of the Rudd Labor government?

Senator Sherry—Your question intermingles the issue of consultancies and advertising. I have given you the consultants' figures—

Senator RONALDSON—Sorry, I hate to interrupt. I was quoting from the minister's comments in March 2007. The quote in relation to the \$395 million is a direct quote in relation to the use of consultants, not advertising.

Senator Sherry—Firstly, I have given you the figures in respect of consultants and I have read them into the transcript for the record. You in your question/polemic—it was a mixture of questions, argument, debate and rhetoric—also referred to advertising. Again, I do have some figures here. Between July 1995 and November 2007, a period of the previous government obviously, there was approximately \$1.8 billion spent on government advertising. Nearly half of that outlay was spent in the last four years. In 2007 government departments and agencies spent some \$254 million on campaign advertising. In 2008 the expenditure on

campaign advertising was cut to \$86.6 million, which was a saving of approximately \$170 million. So I let the facts speak for themselves.

Senator RONALDSON—Minister, you were right, I did refer to advertising earlier on, I acknowledge that. I take it then that you are challenging the figures in that *Australian* article in relation to the increase over the previous Howard government consultancy spend?

Senator Sherry—I do not have the article in front of me. I accept the veracity of the figures that Finance have advised me. They are the factual figures.

Senator RONALDSON—You are accepting the figures quoted in this article?

Senator Sherry—I have not got the article in front of me. I have got the figures from Finance in front of me. I have read them out and I accept the advice and the accuracy of the figures provided to me by Finance. If there is a difference, and there appears to be a difference between those figures and the journalist's figures in the *Australian*, then the journalist concerned can talk to Mr Tanner's office and find out where there is a difference and why.

Just one other point: the election commitment statement, which is the definitive statement by Lindsay Tanner, from opposition, was made on 22 November and 23 November, when he outlined a consolidated list of Labor commitments prior to the election.

CHAIR—I think it is timely for us to take our break now.

Senator RONALDSON—Madam Chair, I can now finish on this note, if that is of assistance.

CHAIR—All right, Senator Ronaldson; and then we will come back to somebody else after the break.

Senator RONALDSON—I think you need to go back, Minister, and look at Minister Tanner's press release, prior to the election, on my information in approximately May—

Senator Sherry—What date was this press release?

Senator RONALDSON—It was the same day published as this opinion piece in the *Australian*—

Senator Sherry—But what date was that?

Senator RONALDSON—The article is dated 10 November last year. I am happy to give it to you when we leave here.

Senator Sherry—Might be a bit easier.

Senator RONALDSON—In that, the press release said that there would be \$395 million cut from the use of consultants in the Commonwealth Public Service. My question to you is: has there been \$395 million cut from consultants' costs? If you do not know the answer, I am happy for you to take it on notice.

Senator Sherry—Firstly, as I have said, we stand by our figures. You have referred to some figures in the *Australian*. I understand that Minister Tanner himself has said publicly that those figures are incorrect. Whether the journalist wants to contact the minister's office is up to the journalist concerned, but they are not right.

Senator RONALDSON—But will you take on notice my question of whether there has been a \$395 million cut, which was in that press release, has actually been achieved? Will you take that on notice, please.

Senator Sherry—Just for the record: the journalist was incorrect, and Minister Tanner has put that on the public record. And I put on the public record the significant savings that have been achieved by this government in the areas of consultancy and advertising.

Further, to conclude, I will take on notice what you said, but this may help—not may; will: the one-off increase in the efficiency dividend is on the same basis as the government's efficiency dividend and, to assist in this task, incorporates Labor's previously identified and announced efficiencies worth \$860 million, such as advertising expenditure, consultancies, non-Defence related recruitment expenses, opinion poll and market research spending, and media monitoring undertaken by departments. That is in the definitive election commitment of the Labor Party from opposition made by Minister Tanner on 22 November 2007.

Senator RONALDSON—And go to the March press release of 2007 and you will see that figure.

Proceedings suspended from 10.33 am to 10.49 am

CHAIR—We will now reconvene.

Senator JOYCE—Mr Tune, you have had a fair run. You have been around for about 30 years or something now. How long have you been with the department?

Mr Tune—I have been in the Department of Finance and Deregulation for five months. I have been in the public service a long time.

Senator JOYCE—How is it going?

Mr Tune—Very well. I am enjoying it.

Senator JOYCE—What is the culture shift coming across to the department of finance?

Mr Tune—I have been in other central agencies—the Treasury and the Department of the Prime Minister and Cabinet. The cultures are similar in the central agencies. But I have also worked in line agencies at various times in my career.

Senator JOYCE—Basically, how much input did you have in the MYEFO documents?

Mr Tune—The department of finance as a whole has a major input into MYEFO. It works very closely with the Treasury in producing MYEFO documents for the minister and the Treasurer.

Senator JOYCE—Do you have much input into the costs and funds in the documents, especially interest payments in the forward projections?

Mr Tune—No. That is done by the Treasury.

Senator JOYCE—You are obviously aware of the decision by the minister, Mr Tanner, to make Centrelink a paperless office. What were the savings there?

Mr Tune—I would have to check. It is in the MYEFO at page 204. Savings are estimated at \$95.2 million over four years.

Senator JOYCE—How is that going?

Mr Tune—You would have to talk to the Department of Human Services and Centrelink about that. We are not responsible for the implementation of that particular measure.

Senator JOYCE—You have had no feedback on how the process is hooking along and whether they are becoming a paperless office?

Mr Tune—I have not checked, no.

Senator JOYCE—I want to ask about some of the whole-of-government statements that you were referring to before—these are on pages 165, 166 and 167. Looking at some of those 2009-10 figures, are you in sort of position to give us the confidence that you have in those numbers?

Mr Tune—Those numbers are correct. They are the estimates. They are moneys that have been taken out of departmental budgets as indicated in the table there. It is now up to the departments involved to provide those efficiencies. You will notice in there that one of those items is my own department. We are in the process of implementing the reforms and efficiencies that will gain the estimated savings that are listed there.

Senator JOYCE—How are you tracking with that?

Mr Tune—We are going well. We have done one tranche of savings. I mentioned one of them this morning, which is around media monitoring. There are other things that we are looking at trying to find efficiencies in relation to. We will meet those savings targets.

Senator JOYCE—Are you going to be able to meet those savings targets without any losses in jobs?

Mr Tune—I am confident that we will, yes.

Senator JOYCE—Is that the feeling that you are getting back from all the other departments?

Mr Tune—I have not checked on the detail, but that would be my expectation, yes.

Senator JOYCE—What about the \$6.2 million that is going to be saved by the CSIRO? Are they going to be able to do that without losing any jobs?

Mr Tune—I think so. I am just trying to see if I have the detail on that particular one. I do not have the detail on the prescription of what that entails.

Senator JOYCE—What about the \$15.4 million that you are going to save from the ATO? Are they going to that without losing any jobs?

Mr Tune—That is my expectation. But once again you would have to talk to the Australian Taxation Office.

Senator JOYCE—So you have no knowledge of any of the departments that are involved in reaching that \$43 million saving that involves a loss of jobs?

Mr Tune—Not in terms of the implementation of those, other than our own department.

Senator JOYCE—Mr Tanner says that he will be looking for savings. What types of savings? What forms will those savings take? If they are not going to be job losses, what forms of savings are they going to be?

Mr Tune—Savings can take a huge range of forms. They can be a change of program or a change of program parameters. They can affect the volume of grants that are given under a particular program. They can be efficiencies within governance that are not job related—general efficiencies in the operating costs of particular agencies. There is a wide range of things that can be looked at.

Senator JOYCE—It just seems that the public sector union does not seem to have the same view as foreshadowed in the *Canberra Times* on 5 February, where says it believes the efficiencies could involve job cuts?

Mr Tune—I have not seen the report, I am sorry, Senator.

Senator JOYCE—If there are any job cuts, how will the Australian people become aware of them?

Mr Tune—You would see that in the figures around the number of public servants—growth rates and so forth over time.

Senator Sherry—Senator, if you look at the annual reports and the individual budget papers for each department, they contain employment figures—full-time equivalents, I think. I have noticed, as we did in opposition, that there is usually a full range of questions at the beginning of each particular department about employment levels, structure, increases, decreases in employment et cetera.

Mr Tune—I can give you some aggregate numbers. What I have here is general government average staffing levels. Average staffing level is a concept. It is not the actual number of bodies but it puts it in terms of full-time equivalents and averages it out over the course of the year, week by week. Take, for example, 2008-09: the number employed under the Public Service Act was 250,175; for 2009-10, it is projected to be 253,397. That includes the military as well as those under the Public Service Act.

Senator JOYCE—So there will be another 3,100 or so people. Mr Tanner announced \$850 million in savings. It looks like the whole of government amounts to \$383.5 million in those savings. Why were only some agencies chosen and not others?

Mr Tune—That was based on views around the capacity of particular agencies to find those savings. There have been savings exercises going on over a number of years. Some agencies were in the first tranche, some are only in the second tranche. We had a look at the agencies involved across the board and thought, 'Those ones there look as if they might have the capacity to provide the savings that were being sought.' There was also a process whereby ministers were asked to provide savings in their agencies. When ministers were able to do so, they were taken into account as well.

Senator JOYCE—You are not giving a guarantee about staff cuts; you are just saying that, if those staff cuts happen, they will be evident in the staffing levels.

Mr Tune—As I said, I do not know what is happening inside agencies, other than Finance.

Senator JOYCE—So they are open to making staff cuts if they wish to?

Mr Tune—Yes, but I think I said that I do not anticipate that they will be. Overall, there would be the increase in staffing going on as well.

Senator JOYCE—But there is nothing to stop them making staff cuts?

Mr Tune—Probably not. There is a process whereby, if an agency has excess staff, there would be processes within the Public Service whereby they can be redeployed. When an agency does not necessarily need the number of staff it has, those people can still be engaged inside the Public Service through a transfer process, and that occurs quite often.

Senator JOYCE—There has been some discussion already about staffing levels in Minister Wong's department, pertaining to the ETS. How many staff members were involved in that?

Mr Tune—I am only going on what I have seen in newspapers, but I think 179 staff was mentioned.

Senator JOYCE—And those 179 staff are going to be kept in that area or moved?

Mr Tune—I am not an expert on that area, but my understanding is that they will be maintained there because they are necessary for running the authority if the CPRS legislation is passed.

Senator JOYCE—If it is not passed, how long will they stay?

Mr Tune—The department and the government would then need to make a decision about what to do with those staff and they would be subject to those redeployment provisions that I talked about earlier.

Senator JOYCE—They have been informed of that?

Mr Tune—I would not have thought so. At the moment the government has said that they should remain in their positions and keep doing what they are doing.

Senator JOYCE—So what exactly are they doing since the policy is already set?

Mr Tune—You should probably talk to the Department of Climate Change about this rather than me, but in broad terms they are required to set up the authority that will administer the CPRS.

Senator JOYCE—Can you elucidate a little more on how these efficiency amounts will be brought about in, for example, the Innovation, Industry, Science and Research portfolio and the CSIRO? Have they got back to you about how they are going to find it? The CSIRO, for instance, has to find \$40 million worth of savings. How is it going to do that?

Mr Tune—How are they going to do it?

Senator JOYCE—Yes.

Mr Tune—You need to talk to each individual agency about how they are going to go about it.

Senator JOYCE—You have probably got forewarning of this, but in the Press Club I alluded to the minister's statement about the average accommodation space being, I think, 16 square metres and the new building on Constitution Avenue for ASIO—I grabbed these figures off the internet—looked like it was about 22 square metres. Can you throw some light on that?

Mr Tune—I think I can. The 16 square metres per person is office space that they occupy. That is the standard we are trying to get to. The standard does not take account of peripheral space that would be in a building for storage or other bits and pieces. I have not done the

calculation myself but once you take account of that it would be a higher figure for the ASIO building than just dividing the number of square metres by the number of staff occupying the building. You need to make allowances for that as well.

Senator JOYCE—Doesn't that just make these figures very rubbery? You could just say, 'I've only got 16 square metres for accommodation space, but when I add in all these peripheral areas—but of course we're not allowed to count those peripheral areas.' No matter what you do you just make up all the area that does not pertain to 16 square metres and call it a peripheral area.

Mr Tune—You cannot use it for office accommodation, though; this is tied to the office accommodation. There will be a process whereby there is a definition of what is office accommodation within a building and then you have to apply 16 square metres per person to that particular area that has been defined.

Senator JOYCE—So if this was our office would this be seen as accommodation?

Mr Tune—If this was being occupied solely by people, yes. It enables some sort of storage facilities for the individuals but you may have computer areas, for example, that can occupy vast floors of buildings. They are not counted towards the 16 square metres.

Senator JOYCE—What about vacant space that has no-one sitting there at the moment?

Mr Tune—That is counted. If it is meant to be accommodation for officers then, yes, it is counted.

Senator JOYCE—What if I say, 'No, that's where I'm going to put a compactor'? Does it then become a peripheral area?

Mr Tune—We would have to come to a view about whether that was valid or not.

Senator JOYCE—Who makes this call of whether it is a peripheral area or an accommodation area?

Mr Tune—It is based on definitions that we put around the Public Service and then people provide reports to us on how they comply with those.

Senator JOYCE—Someone in the department or someone in an external body?

Mr Tune—In the department.

Senator JOYCE—It would stand to reason that they will probably come up with the answer, 'It's 16 square metres and everywhere else is a peripheral area'. Do you check it? Does someone go and independently audit it?

Mr Tune—We have only just brought this in, as you are probably aware. In the main we would rely on reports from individual agencies. If we had doubts about the veracity of some of those numbers we would probably go and have a look at it in more detail.

Senator JOYCE—The minister has announced this program but at this point in time no-one has checked whether what he has announced is actually—

Mr Tune—It is in the process of being implemented.

Senator JOYCE—But nobody has actually gone out and checked yet, have they?

Mr Tune—Checked the?

Senator JOYCE—Checked to see that there has not been a squandering of accommodation area and calling it peripheral area when it suits them to fit the guidelines.

Mr Tune—No, there has not. That is correct. But as I said, if we came to a view that the data that they were giving us was too good to be true we would go out and check.

Senator JOYCE—Has anybody got back to you and said, ‘We’re beyond our 16 metres of accommodation area’.

Mr Tune—Yes, there are some.

Senator JOYCE—Can you tell me who they are?

Mr Tune—I would have to take that on notice but I can do so.

Senator JOYCE—Are there many of them or is it most of them?

Mr Tune—It is a minority.

Senator JOYCE—Have they got some plan to reduce that?

Mr Tune—That is what we will be asking them to do: to put in place a plan that will get them back to the 16 square metres.

Senator JOYCE—And in the future does your department intend to go out and check the other areas just to make sure that—

Mr Tune—It would subject to resourcing. I do not think we would go out as an inspectorate and check every office building in the country that is occupied by public servants. But as I said, on a selective basis it may be necessary but we will have to see by experience whether that is a desirable thing to do.

Senator JOYCE—It seems like an honour system, which I am dubious about. In the statement that the minister made, the delivery of an outcome is determined by the people who understand the difference between peripheral and accommodation areas to go through a process of ascertaining the area and to deliver those figures back. No-one has checked, at this point in time. We have had a minority of departments that have come out and said that they were outside it but there as been no verification as to whether the other people are inside it or outside it. We just believe—

Senator Sherry—As has been explained, it is a new program. It has only just been commenced. The—

Senator JOYCE—How long has it been in place?

Senator Sherry—Hang on. Mr Tune has already indicated that there are some departments that are over-space. So it is already working. Some that have been identified will have to carry out an adjustment and reduce their space. So it is working. As to whether or not there is a requirement for direct verification, however that would be done—this is a new program—I am happy to take that on notice for the minister. But, as I said, Mr Tune has indicated that the program is working. We have reports of over-space. Those departments will be required to reduce that space and as to whether it will be necessary to carry out ongoing verification work I will get the minister to respond to that.

Mr Tune—Can I just add one other point. Funding for agencies for their accommodation is based on 16 square metres per person. So there is an inbuilt incentive for them to live within

the budget that is being provided to them for accommodation. So if they are over that they have to wear it somehow. They have to find it somewhere else, so that assists in the verification and the compliance with the measure.

Senator JOYCE—The point is: have we appropriated any money, or is there money put aside in any further budget for people to go out and check?

Mr Tune—No. It is not clear to me that it will be necessary.

Senator Sherry—The financial pressure and the financial requirements in the allocation of the moneys will be very powerful on the department.

Senator JOYCE—But no-one checks so no-one knows.

Senator Sherry—We are not saying that. What I am saying is that I will take it on notice. It is a new program—

Senator JOYCE—How long has the program been going?

Senator Sherry—Just hang on. When I have finished we will answer that question. It is a new program. Over allocation of space has been identified. There is a budget allocation so there is a financial pressure on departments to get it right. I have taken on notice whether or not any further direct inspection beyond the financial incentive—that is, pressure to reduce space where that has been identified—will be necessary. I am happy to take that on notice.

Senator JOYCE—How long has the program been going?

Mr Scott-Murphy—Within my division, the Property and Construction Division, we have a branch called the Commonwealth Property Review Branch, whose task it is to set the regulatory framework and to undertake the data collection and verification, including an independent audit.

Senator JOYCE—You do have an independent audit?

Mr Scott-Murphy—Indeed.

Senator JOYCE—That is news. When does the first independent audit head out?

Mr Scott-Murphy—That work was undertaken late in 2009—

Senator JOYCE—It has been undertaken?

Mr Scott-Murphy—Yes.

Senator Sherry—There you are, Senator Joyce. It is being done.

Senator JOYCE—A new answer.

Senator Sherry—We are just providing you with more information because we have an officer here who is able to provide you—

Senator JOYCE—What it means is that the other information provided to me was wrong.

Mr Tune—No, Senator.

Senator Sherry—with all the details.

Senator JOYCE—The problem is, as you know, that the detail you just gave us was wrong detail—

Senator Sherry—No.

Mr Tune—Sorry, Senator. The work that was done in late 2009 was baseline data.

Senator JOYCE—Baseline data.

Mr Tune—Yes.

Senator Sherry—You see, you are jumping in before you have heard. I think the officer was continuing to give more detail but you jumped in—

Senator JOYCE—So you are now going back to your former position.

Senator Sherry—Again you are jumping in without people being given—

CHAIR—Could I remind members of the committee that the process is quite a simple one. You put a question to the witness and then we allow them to respond. I know that sometimes you are not sure whether a witness has completed their answer, but it is very helpful to me as chair and to the recording of these proceedings. Minister, you had the call.

Senator Sherry—Thank you. I was just pointing out that I think the witness was still to complete the answer. Senator Joyce jumped in. If the witness has anything further to add, he should.

Mr Scott-Murphy—Just for my clarification, could I have the question restated.

CHAIR—Senator Joyce, could you restate the question, please.

Senator JOYCE—We are having a discussion about the assessment of peripheral areas and accommodation areas, whether there is any veracity in this statement made by the minister or whether it is just a generic statement that has been cast out there, like so many other things by the government, without any backup.

CHAIR—Is there a question?

Senator Sherry—Where is the question? Please!

Senator JOYCE—The question is: have you audited to find out whether people are actually abiding by the minister's direction of maintaining themselves to 16 square metres per accommodation area? Has there been any checking of that and is there any process in train that is going to check that, or are we just relying on an honesty box of people telling us and ascertaining themselves, by their own deduction, what is a peripheral area and what is an accommodation area? If that is the process then the whole statement is unbelievable.

Mr Scott-Murphy—Senator, the guidelines make clear the areas that are to be included in the 16 square metres per occupied work station. They also make clear those areas that are not to be included in the area measurement. There is a table in the guidelines that makes that crystal clear to agencies. Agencies are required to measure their own areas and report, and we conduct an independent audit of those measurements to be satisfied that the targets that we are setting and the forecast of savings that would be applied are accurately based.

Senator JOYCE—I will just ask two questions there. The first audit was just to ascertain the position as it is at the moment?

Mr Scott-Murphy—I will take that and hope to get back to you before the end of this session with the accurate figure.

Senator JOYCE—And what are the savings you intend to get?

Mr Scott-Murphy—In the MYEFO 2009 statement, the target savings were \$47.6 million over the three years from 2010-11.

Senator JOYCE—I will go onto another area. Mr Tanner put out a press release on 2 November 2009 in which he stated that the government has now delivered more than \$7 billion in savings from its own operations. Can you list what and where those operational savings are?

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

Senator JOYCE—No-one has any idea where that \$7 billion came from?

Mr Tune—I just have to take it on notice. You asked for the detail of it.

Senator Sherry—You want the full detail, and it will be a very long list; I am very confident of that. We have already given you this morning, that I read into the evidence—I am not sure whether you were here earlier—

Senator JOYCE—I was.

Senator Sherry—We have already given you some areas where savings have been made, and we will give you the full list.

Senator JOYCE—Have any cuts been made to the Public Service because of those operational savings?

Mr Tune—Cuts in Public Service numbers?

Senator JOYCE—By reason of that \$7 billion in savings.

Mr Tune—As I read out to you earlier, there has been growth in the size of the Public Service over time, both under the previous government and under this government.

Senator JOYCE—So you are saying that that \$7 billion is not attributable in any way, shape or form to cuts in—

Mr Tune—There has been no general cut in the Public Service, no.

Senator JOYCE—Can you tell me what the total savings are to date since the 2007 election?

Mr Tune—Once again I would have to take that on notice.

Senator JOYCE—Has anybody been involved in working out what the savings are to date since the 2007 election?

Mr Tune—We can do that, but I will take it on notice and give you a full answer.

Senator JOYCE—Have you been involved in any way, shape or form in devising numbers for what the savings are since the 2007 election?

Mr Tune—Yes, we have.

Senator JOYCE—Is no-one in the department aware of what those savings are? It is a pretty serious question.

Mr Tune—We can give you some broad magnitudes, but if you want the detail, I will take the brief—

Senator JOYCE—Just broad.

Mr Tune—Okay. I might get Ms Campbell to answer that.

Ms Campbell—To date, the government has announced savings measures totalling \$56 billion over five years in the first two budgets. In the 2008-09 budget there were savings of \$33.3 billion and in the 2009-10 budget there were savings of \$22.6 billion.

Senator JOYCE—So you have said \$56 billion there, haven't you?

Ms Campbell—Yes.

Senator JOYCE—Did Wayne Swan's office put out a release on 12 January 2010 saying that it was \$55 billion?

Ms Campbell—We can take that on notice and have a look. Sometimes there are rounding elements with budget papers or those types of numbers, which may explain the discrepancy.

Senator JOYCE—It is only a billion dollars! Have all the savings in Labor's \$3 billion savings plan released on 2 March 2007 and the savings of \$10 billion in 'Labor delivers on savings' released on 22 November 2007 been implemented?

Senator Sherry—Sorry, I just have to clarify: did you refer to the March 2007 statement?

Senator JOYCE—We are referring to the 2 March 2007 statement on the \$3 billion—

Senator Sherry—Yes, I have already—

Senator JOYCE—and the 22 November statement on the \$10 billion.

Senator Sherry—The November statement is the definitive statement. There were a number of statements in 2007. The definitive statement was the one of November—I actually gave this detail in answer to an earlier question—and that was the statement on which we would have provided material for costing. During the course of a period leading up to an election, which is usually three years—and we have seen this from you, Senator Joyce—shadow ministers and shadow finance ministers make all sorts of claims about where they are going to cut or not cut and how much they are going to cut by. In your case, you talked about the Public Service and overseas aid and a number of areas, but the bottom line—

Senator JOYCE—I will correct that—

Senator Sherry—Let me finish, Senator Joyce.

Senator JOYCE—I have to correct that, because—

Senator Sherry—Let me finish. The bottom line is: what are the detailed cuts that you as shadow finance minister gather together that represent the official position of the opposition in the run-up to the election and that are presented for costing purposes under the Charter of Budget Honesty? That is the bottom line.

Senator JOYCE—What happens here, Minister, is that I ask the questions and you answer them.

Senator Sherry—I am answering them.

Senator JOYCE—But just to correct the misrepresentation that you just made, the statement clearly is that if you keep borrowing—

CHAIR—Have you got a question?

Senator JOYCE—I am correcting the record, Madam Chair. Am I allowed to do that or is he allowed to get away with that statement, which is wrong?

CHAIR—Could you move on to new questions?

Senator Sherry—I do not know how it was wrong. I thought it was at the Press Club, and that is what was on the record.

Senator JOYCE—Can I correct the record?

CHAIR—You can if you feel that you have been misrepresented, Senator Joyce.

Senator JOYCE—Yes, I do. Can I correct it?

CHAIR—Correct the record and then move on to questions.

Senator JOYCE—The statement was that the pressure that the Labor Party is putting on the budget by its excessive debt load is going to put pressure on all sections of public expenditure, which, of course, include the Public Service and everything else we do as well. That is a statement of the bleeding obvious, but you choose to say that it reflects that there is going to be a cut in the Public Service. That is your choice, but it is not correct.

Senator Sherry—But you actually referred to cutting the Public Service, Senator Joyce. You actually referred to cutting the debt—

Senator JOYCE—Do you want to quote it? Seeing as you are quoting it, can you go to the direct quote?

Senator Sherry—Give your questions and we will answer them.

Senator JOYCE—Can you go to the direct quote?

CHAIR—Senator—

Senator JOYCE—You cannot go to the direct quote because you do not have it.

CHAIR—Senator Joyce, if you have a question, put your question so we can move on.

Senator Sherry—You seem to be very sensitive about the cuts you want to highlight, Senator Joyce.

CHAIR—Minister, Senator Joyce has the call. Senator Joyce, do you have a further question?

Senator JOYCE—Yes, I do—heaps. Can you give a list of how much of this \$10 billion in savings has actually been achieved? Give me one example of one of those savings.

Ms Campbell—We have not reconciled against the \$10 billion figure in the document that I think you are talking about. We have a list of those savings options that have been announced by government in the budget, and we can go through those, which make up the \$56 billion that I talked about earlier.

Senator JOYCE—So nothing has been reconciled back to test the veracity of the \$10 billion savings released on 22 November 2007?

Ms Campbell—We do not have that information with us, no. But we do have a list of all the other savings options. I know that many of them were detailed in that \$10 billion list, but we do not have a reconciliation to the \$10 billion.

Senator JOYCE—So this is yet another example—

Senator Sherry—We will take on notice the reconciliation, but I did give some examples earlier today in the area of consultants in advertising, for example. But we will take it on notice and we will come back to you with a comprehensive and detailed list.

Senator JOYCE—This is yet another example, because it has not been reconciled, of the Labor Party making sweeping statements but not being fiscally conservative enough to actually deliver the outcome.

Senator Sherry—The bottom line is that the savings we have delivered have been significantly greater than the previous government's. That is the bottom line.

Senator JOYCE—I will help you. Let us look at some of your tender process for savings in the whole-of-government approach. How is that tender process going?

Mr Tune—For the what, sorry?

Senator JOYCE—The tender process for whole-of-government travel services.

Mr Tune—The tender has been out there, there have been responses to the tender and we are in the process of assessing those at the moment. We will be providing some advice to the government shortly.

Senator JOYCE—So we are halfway through it?

Mr Tune—No, we are more than halfway through it; we are getting towards the end of it.

Senator JOYCE—So when do you think we will get—

Mr Tune—I would say within a month or so.

Senator JOYCE—How do you show funding for items such as 'streamline government advertising and eliminate political propaganda' or 'reduce spending on political opinion polls and market research'? Do you believe that that streamlining has been achieved?

Senator Sherry—I read out the factual figures earlier in response to Senator Ronaldson's question. I do not know whether you were here or not. I do not recall.

Senator JOYCE—I was, but they are just not clearly identified. They are not clearly identifiable savings in the 2008-09 budget.

Senator Sherry—I put the figures on the public record. In fact, I think I restated them, because they have been released before. You are asking for figures, and we have given them to you, and now you are repeating your questions. I am happy to answer repetitive questions, but the answers have been given.

Mr Tune—They were rolled into the additional efficiency dividend that the government introduced back in the 2008-09 budget. That was on top of the normal efficiency dividend of 1.25 per cent, and an additional two per cent was imposed. That saved \$1.8 billion over five years. So the specific savings around those various elements that were listed and that the minister read out before get rolled into that.

Senator JOYCE—And the confidence is there that the all-up 3.25 per cent efficiency dividend is going to be met?

Mr Tune—Absolutely. It is met. It is taken out of people's budgets.

Senator Sherry—In fact, at other estimates, Senator Joyce, we have had your colleagues complaining about it and its impact.

Senator JOYCE—Can you tell me if Finance is currently undertaking a financial health review of agencies?

Mr Tune—It depends what you mean by 'financial health review'. We work with agencies on a number of bases. There used to be something called a Financial Health Review but we do not undertake those any more. We do work with them whether they are in financial difficulties or not.

Senator JOYCE—Is there anything pertaining to the Department of Climate Change going under any such review?

Mr Tune—Yes, we are doing some work with the Department of Climate Change.

Senator JOYCE—What exactly is going on there?

Mr Tune—We are just having a look at their budget—how it is going and whether it is sustainable into the future. Obviously, that depends on the future of the legislation that is before the parliament at the moment.

Senator JOYCE—'Whether the budget is sustainable into the future'? What is your gut feeling?

Mr Tune—I do not think I am in a position to come to a view at this point.

Senator Sherry—An accountant asking for a gut feeling! These are professional officers, who actually deal with real figures and real budgets.

Senator CAMERON—He's still on training wheels; give him a break!

Senator JOYCE—Do you believe it is sustainable into the future?

Mr Tune—We are in the process of having a look at that.

Senator JOYCE—What would be the factors that will determine whether it is sustainable into the future?

Mr Tune—What their workload might be into the future, the types of functions they have to undertake, whether those functions are likely to change in the future, whether sufficient support services are available to them vis a vis the standard that might be available in other agencies of a similar size and nature. We benchmark them against other organisations and come to a considered view.

Senator JOYCE—So are there discussions that the appropriations might not be sustainable into the future?

Mr Tune—No, there is no suggestion of that at the moment, but they have asked for us to have a look and we said that we are willing to have a look with them. That does not mean that we accept everything they say—far from it, in fact.

Senator JOYCE—I take the interjection from Senator Cameron. What is the actual amount?

Senator Cameron interjecting—

CHAIR—Senator Joyce, I ask you to ignore the interjections and just put your question.

Senator JOYCE—You will have to try to remove him from the room, ultimately.

Senator CAMERON—You know who is going to get removed.

Senator JOYCE—This is the gentleman who I hear on *AM* every morning even though they have never actually asked him a question—I can just hear him.

Senator CAMERON—The Libs are going to remove you. That is what is going to happen. We all know that.

CHAIR—Senator Joyce, do you have a question.

Senator JOYCE—Yes, I do.

CHAIR—Can you put it? I suggest you ignore any interjections.

Senator JOYCE—He is one of your crowd. You have to control him.

CHAIR—Senator Joyce, do you have a question to put? Otherwise, I take it that you are reflecting on the chair.

Senator JOYCE—What is the amount that has been put aside for the Department of Climate Change?

Ms Campbell—We are just getting the budget documentation so that we can read from the budget how much they were given for the outyears.

Mr Tune—The number is in their portfolio budget statement, but we will get hold of that, if you like.

Senator JOYCE—While they are looking for it: what prompted you to investigate the Department of Climate Change?

Mr Tune—The Department of Climate Change approached us.

Senator JOYCE—They approached you?

Mr Tune—Yes, they did.

Senator JOYCE—And they approached you saying, ‘We think we should have more money,’ or did they want less?

Mr Tune—They wanted us to work with them to have a look at the sustainability of their budget, as I said. I guess they were coming at it from the point of view that they thought they may be entering difficulties down the track.

Senator JOYCE—Difficulties?

Mr Tune—They are obviously okay at the moment, but there may be difficulties down the track.

Senator JOYCE—Difficulties that they might need more money for?

Mr Tune—Possibly, but there is no commitment that there will be any more money; there is just a commitment to look at the situation.

Senator JOYCE—Did they say what they might need more money for?

Mr Tune—As I have said, they may come to a view that they need money for their operations and also for their overheads.

Senator JOYCE—Overheads?

Mr Tune—Accommodation and so forth.

Senator JOYCE—Does their increase in money require a decrease in funds somewhere else?

Mr Tune—It may do. The general proposition around new money that goes into agencies is that that is offset from somewhere else.

Senator JOYCE—Did they suggest to you where they might offset it from?

Mr Tune—We would ask them about that, yes.

Senator JOYCE—In their preliminary statements, are they looking at a 10 per cent, 20 per cent or 50 per cent increase?

Mr Tune—It as not got to that level of detail.

Senator JOYCE—Have they suggested to you in any way, shape or form where the offset might be?

Mr Tune—No, they have not.

Senator JOYCE—Do you expect them to do so?

Mr Tune—I do not know. It would depend on the outcome of the discussions that we are having with them. I am just trying to find the numbers for you. It is a total of \$190-odd million.

Senator JOYCE—A total of \$190-odd million for—

Mr Tune—It is \$190 million for 2009-10 for the Department of Climate Change.

Senator JOYCE—So \$190 million for 2009-10?

Mr Tune—Yes.

Senator JOYCE—What is their staffing level at the moment?

Mr Tune—I do not know.

Senator Sherry—It will be on the front of their budget statement. One of the difficulties—and, frankly, I had this difficulty when I was sitting where you are—is that if you want to go to those sorts of details about individual departments, for example, staffing numbers, you have to go to the estimates for that particular department. You get those yellow budget papers. The actuals and estimates of full-time equivalent staffing numbers are contained at the front of each budget paper.

Senator CAMERON—Is this a master class in estimates, is it, for Senator Joyce?

Senator JOYCE—Are you going to control him, Madam Chair?

CHAIR—Continue, Senator Joyce.

Senator JOYCE—If the government's CPRS bill is not passed—and one would have to presume that the numbers in the Senate indicate that it would fail twice, so it is probably going to fail thrice—will this impact on the budget bottom line?

Mr Tune—It depends on how the government responds. At the moment, the government has said that it intends to proceed with the bills. Therefore, they remain as part of the budget papers.

Senator JOYCE—So, if we removed the CPRS from the budget papers as they stand, would that affect the bottom line?

Mr Tune—If you took out the CPRS, definitely.

Senator JOYCE—What would be the effect?

Mr Tune—It depends on year by year, but I think the latest MYEFO had a breakdown of the costs of the CPRS and the revenue raised from the CPRS year by year over the next 10 years or so. I can probably get hold of that shortly. It is page 37 of MYEFO. You can see the impact there from the various elements of the CPRS and the revenue from the sale of permits year by year from 2009-10 through to 2019-20.

Senator Sherry—And presumably we will know by the time of the budget in May whether or not the legislation passes. I think it is reasonable to assume that we will know by May, and that will be reflected in the updated budget figures.

Senator JOYCE—Can you tell me how much stimulus spending remains unspent at this point in time?

Mr Tune—Sorry; I missed that, Senator.

Senator JOYCE—Can you tell me how much of the stimulus spending has been spent to date? Or, more to the point, how much remains not spent? Senator Conroy, who was in the chamber, told us that it was \$21 billion, Senator Sherry said on 17 September 2009 that \$20.5 billion had been spent, and Mr Tanner just refuses to answer that question.

Ms Campbell—The Commonwealth Coordinator-General's progress report to 31 December 2009 on page 6 indicates that \$25.8 billion has been paid across the stimulus plan.

Senator JOYCE—Do we know at this point in time how much remains unspent?

Ms Campbell—At this point in time as in 9 February? This is the best data we have got, which is at 31 December.

Senator JOYCE—Last year?

Ms Campbell—Yes.

Senator JOYCE—What was that figure?

Ms Campbell—It is \$25.8 billion.

Senator JOYCE—Spent?

Ms Campbell—Yes.

Senator JOYCE—Out of the \$42 billion?

Ms Campbell—Yes, \$42 billion.

Senator Sherry—As at 31 December.

Senator JOYCE—That would seem to contradict the answer Senator Conroy gave in the chamber. Roughly speaking, that would mean that \$17 billion is unspent, but Senator Conroy said it was \$21 billion.

Mr Tune—There may be something else that Senator Conroy has added to the \$42 billion. I do not know the context, so I cannot respond.

Senator JOYCE—He said \$21 billion. He is only out by \$4 billion.

Mr Tune—I am sorry but I cannot comment. I do not know where that came from.

Senator Sherry—We would have to check the answer and check the—

Senator JOYCE—I can tell you conclusively that he said \$21 billion.

Senator Sherry—But we would have to check the context as well and the description—

Senator JOYCE—It is quite simple. The question was: how much of the \$42 billion remains unspent? Senator Conroy said \$21 billion. You have just told me that it is \$17 billion—

Mr Tune—We have given you numbers, Senator—

Senator JOYCE—and that those figures were available at the end of last year.

CHAIR—Senator Joyce, I remind you to allow the witness to complete the answer. Interjecting is not helpful for the proceedings.

Senator Sherry—Senator Joyce said that those figures were available at the end of last year. I think it is accurate to say that the figures were as at 31 December. They were not available last year; it was expenditure as at 31 December last year. I do not know when the report was publicly released and I do not know whether Senator Conroy received a copy of it. I am happy to check.

Senator JOYCE—Minister, we asked him this question last week.

Ms Campbell—Senator, we are just trying to determine when that report was released. We think it was released late last week but we are just trying to determine the exact time. But it does take time to get some of these figures together, clearly.

Senator JOYCE—Once more, it starts to show the complete lack of reliability in Labor Party figures.

CHAIR—Is there a question?

Senator JOYCE—Do you want to give me an update on how Operation Sunlight is going?

Mr Tune—Basically, most elements of Operation Sunlight have been put in place and are operational.

Senator JOYCE—What are we getting from it? Are we getting greater transparency in the numbers? Are you happy with the outcome, especially the grants to the states, the transparency of those numbers, the currency of those numbers and the veracity of those

numbers? Are you happy with it? Do you feel that we are delivering a good outcome in transparency here?

Mr Tune—Operation Sunlight is somewhat separate from the Commonwealth-state issues. Certainly one of the big benefits of Operation Sunlight has been improved transparency in the budget documentation. From that point of view, yes, I think it has been very useful. One of the recent changes being introduced is to move to what we are calling net cash appropriations on capital expenditure, which is yet another change that improves transparency. So that is a fairly major element of Operation Sunlight.

In terms of Commonwealth-state issues, it is probably best to ask the Treasury, because that is part of the budget documentation on Commonwealth-state relations. Once again, it is a movement towards trying to focus on outcomes and outputs as distinct from inputs, which has been the case in previous years—for many, many years, in fact. That in itself is also a move towards greater transparency, of trying to—and this will not happen tomorrow, but it will happen over time—measure what has actually been achieved with the dollars that are provided to the states for various functions.

Senator JOYCE—One of the things about the Charter of Budget Honesty Act is that you allow non-government parties to access Treasury and Finance resources 12 months before an election for costing. Will I be able to submit policies for costing?

Mr Tune—The implementation of that particular aspect of Operation Sunlight is still under consideration.

Senator JOYCE—So we have Operation Sunlight and transparency, but we are just going to abscond ourselves from allowing the Australian people to get valid costings on the alternate government's policies.

Mr Tune—I said it is under consideration still. That does not mean it is not going to happen.

Senator JOYCE—How can we have Operation Sunlight when you have completely precluded the capacity of the alternative government to cost their policies?

Mr Tune—Under the Charter of Budget Honesty at the moment there is provision for limited costing by the public service of opposition policies. Operation Sunlight took that further as a policy proposition, and that is the issue that is still under consideration.

Senator JOYCE—When will we get to the conclusion?

Mr Tune—That is a matter for the government.

Senator Sherry—I am happy to take it on notice for the minister.

Senator JOYCE—So you are basically just stacking up the books so no-one can compete against you.

Senator Sherry—I do not accept that. You have referred to a commitment, and the minister is considering the matter. As I said, I will take it on notice and we will give you a response.

Senator JOYCE—Let us go through some of the other aspects of Operation Sunlight.

Senator LUDLAM—I have some questions I would like to ask about government business and ICT. I am looking at software procurement. I am following up on issues that got a bit of an airing in the *Canberra Times*, I think last week, on open-source software and government. Rather than focusing on a specific department, I am interested in the whole-of-government approach. The article left some real ambiguities in terms of what it costs government annually to run IT in a building but across the whole range of Commonwealth departments. I am wondering first whether you can describe for us the institutional set-up that guides decision-making. Is it department by department or is there some whole-of-government coordination?

Ms Steward—In terms of whole-of-government operations for the use of ICT, there are activities that we undertake on behalf of agencies in terms of guidance on policy and standards. We have coordinated ICT activities, but there will be some things that the agencies undertake in their own right.

Senator LUDLAM—Are final procurement decisions devolved to the departmental level or are they taken centrally?

Ms Steward—Where we have central coordinated arrangements they are taken centrally, but we work collaboratively with agencies in developing those arrangements.

Senator LUDLAM—Is there a particular template, guidance sheet or anything that you work from in the context of open source or open document formats?

Ms Steward—A guide to open source software for Australian government agencies was issued some time ago, back in 2005. We continue to work on government procurement requirements that would address value for money et cetera.

Senator LUDLAM—I presume those guidelines are up on a website somewhere?

Ms Steward—That is correct. They are on the AGIMO website. You can get them via the Department of Finance and Deregulation website or through the AGIMO website.

Senator LUDLAM—How many Commonwealth government departments currently have part or all of their software requirements taken care of using open source software?

Ms Steward—A large number of government departments will utilise open source products throughout their environments.

Senator LUDLAM—A large number?

Ms Steward—For example, Centrelink would have representation of open source in their environments. But it is a decision for each individual agency to determine the best fit in accordance with its own existing infrastructure or technology.

Senator LUDLAM—So that is not an issue on which you would be advising departments?

Ms Steward—The guidance that we have provided to those departments asked them, in their assessment of either software or procurements, to look at the suitability of open source.

Senator LUDLAM—All right. This is one of the issues that was left a bit ambiguous in the article that I am referring to: is there any data that would tell us, department by department, what is in use where?

Ms Steward—I do not have that data. Individual departments would be able to provide that.

Senator LUDLAM—Are you not collecting that data or do you not have it here at the table?

Ms Steward—I do not have it at the table but my colleague may be able to help you.

Mr Fry—Some years ago we did do a survey to collect data on the use of open source software in Australian government. At that time 68 per cent of agencies that responded were either piloting or using open source software. Without going into the statistics, generally the disposition was very positive towards it. My assumption would be that in the subsequent years, where there was a good fit to their needs, that number will have increased.

Senator LUDLAM—So it is not completely alien to departmental culture. How long ago was that survey conducted?

Mr Fry—I will have to get back to you on that. I think it was around 2007.

Senator LUDLAM—So it was not that long ago. Were the results of that made public or was that an internal memo?

Mr Fry—I think they were made public. Again, I will get back to you on that, but I am pretty sure they were made public.

Senator LUDLAM—If you could just point us to the location of the study. Is there any intention to conduct follow-up work on that?

Mr Fry—There is no specific intention.

Senator LUDLAM—Could I plant that seed here?

Mr Fry—I am happy to think about it, yes.

Senator LUDLAM—Okay. Pointing to another ambiguity in the article, does anybody have any idea of how much the Commonwealth government spends, across the board, on software and IT support every year?

Mr Sheridan—The government spends over \$500 million on software a year. The level of support would depend on how you described it. But the associated software cost, with all the aspects of that, is just over \$500 million a year.

Senator LUDLAM—Okay. That does not necessarily include support, helplines and after-sales support—it is licensing?

Mr Sheridan—It includes some aspects of that support but not all of them.

Senator LUDLAM—From memory, that was the rough figure quoted in the *Canberra Times* piece. How much of that is a dart and how much is quantified and known?

Mr Sheridan—The \$500 million was collected from agencies across the FMA agencies in the 2008-09 benchmarking survey.

Senator LUDLAM—Does that happen every year? Do we get a bit of an idea of how much we are spending?

Mr Sheridan—We have done it twice. It was an initiative that occurred after Sir Peter Gershon's report was accepted by the government. It occurred in 2007-08 and again in 2008-09.

Senator LUDLAM—Has anybody estimated how much money the Commonwealth would save if all the departments converted to open source software?

Ms Steward—Not to my knowledge, no.

Senator LUDLAM—Is there any intention to conduct such work?

Mr Fry—There cannot be an assumption that we would save by doing that.

Senator LUDLAM—Okay. Do you want to talk us through why not?

Mr Fry—In fact, our position on it is informed neutrality and value for money. In other words, agencies are obliged to consider value for money on each occasion they apply a software, and that means considering value for money between the alternatives of open source and proprietary software. So you would assume that, in many cases, it could be more expensive over the life of the software to move to open source. Open source does not necessarily mean no cost.

Senator LUDLAM—I acknowledge that. But when you are assessing the costs of choosing a closed or a proprietary format, do you audit the costs of exiting that closed format? And do you accrue those costs to the purchase of the proprietary software, or is it considered a cost of transition into open source?

Mr Fry—That would be a decision made on each procurement by each agency.

Senator LUDLAM—But those costs are assessed?

Mr Fry—It would depend on the procurement. If the cost of assessing it was greater than the cost of the software, you would have to think twice.

Senator LUDLAM—You would not bother, okay. It probably sounds like I am splitting hairs a little bit, but if the department has adopted a product which is very expensive to transition out of, then those costs should be assessed at start-up and not accrued to the cost of then transitioning to open source, if you take my point.

Mr Fry—I would agree with that position. The obligation of each agency is to seek the best value for money, and if that was relevant to an understanding of best value for money then they should bring that to account, absolutely.

Senator LUDLAM—You made the point just now—

Mr Fry—That could be true, also, of an open source decision. There could be costs of transitioning out of an open source decision.

Senator LUDLAM—You made the point earlier that the cost of transitioning or establishing open source across all departments is not necessarily going to be zero—but, if that research or study has not been done, how do we know how much it would actually cost? Is there an intention to conduct some kind of review process?

Mr Fry—There is no intention at the moment to do more than what we are doing in benchmarking of software, in general, except where there is volume procurement of some sort. In any other case, the agencies are making the decision on a value-for-money basis. On a case-by-case basis, agencies are in fact making that very assessment; it is just not being done for all software, all the time, from the centre. The agencies make procurement and review

what the costs and benefits are and what the total whole-of-life costs are. Those sorts of decisions go to every procurement.

Senator LUDLAM—Who do you go to for advice? I would understand if you were up against Google—or Microsoft, more likely—who would be pitching a particular platform to departments. Who do you go to for advice on open source alternatives, given that there is not necessarily going to be a large vendor pushing a particular proposal at you? Do the departments, in each of these cases, go and find out for themselves what the open source alternatives are?

Mr Fry—There is not a particular person we go to for advice. We retain a number of accounts with research firms, so we get independent advice from them. We are open to discussions with industry, large and small, about their products, depending on the nature of the discussion and the relevance, and the open source software community is quite active. We watch the literature and various representations as they come up. I would argue, certainly from my experience in my previous job, that you get a great deal of inquiry of that nature, as an agency CIO, as well. So those organisations would both talk to the policy organisations and the people who consume the software.

Senator LUDLAM—Is there a degree to which whole-of-government or whole-of-department deals on these particular platforms are acting at the moment to preserve incumbency? There is a certain path dependence in picking a certain platform maybe 10 or 20 years ago and there are transition costs out of that. To what degree have you assessed the value of that incumbency and the difficulty of shifting to a platform that might be better once the transitions occur?

Mr Sheridan—The cost of the procurement would take into account all aspects of those arrangements. The cost of an alternative platform is often much less likely to be in the licensing, which could be free, than in the cost of supporting a software product over its lifetime. In most cases, to get the degree of software support required in a department, you would expect to have to pay for that support.

Senator LUDLAM—Yes, I guess there are going to be some support costs no matter what platform is chosen, but how do you assess the relative costs of a vendor like Microsoft, for example, versus an open source product like OpenOffice, where there is not a Microsoft hovering in the background proposing that platform?

Mr Sheridan—There are both large and small vendors who support those products and could provide the sort of support that is required by way of installation, training and ongoing support for issues, and that would be costed as part of a procurement.

Senator LUDLAM—Are there any departments that are running purely open source software at this stage that you are aware of?

Mr Sheridan—I am not aware of that.

Ms Steward—I am not aware of those that run purely open source software, because sometimes it will not be suitable for their specific needs, but a number of agencies do use it—the Australian Bureau of Statistics is certainly a solid user of those products and the National Archives of Australia is another example. So it is a matter of each agency looking from its perspective as to where it is most suited to its environment and its strategic direction.

Senator LUDLAM—Are you able to tell us, perhaps on the basis of the 2007 study, how many departments currently recommend that departmental staff save documents to open office formats?

Mr Fry—No, we would not know that and I think it would be very much an agency matter. Presumably people would simply save the documents to whatever the native format of their product was. I am certainly not aware of anyone pursuing a particular platform in that way.

Senator LUDLAM—Are your decisions in these sorts of matters being informed—and it is a shame Senator Lundy is not here—by the Government 2.0 work that that task force is undertaking?

Mr Sheridan—Would you ask the question again, please.

Senator LUDLAM—Senator Lundy is kind of championing the Government 2.0 work; it was a Rudd government initiative of the last year or two. Is that task force informing any of your work or your procurement strategies in these sorts of areas around open source?

Mr Sheridan—The Government 2.0 Taskforce report was delivered to government on 22 December and is currently being considered by government. It made a number of recommendations around open source formats and around the way information is stored and presented on the web. The government is yet to decide what to do with those recommendations.

Senator LUDLAM—You have a certain amount of expertise in those sorts of matters, I would have thought—it is kind of your bread and butter. Are you providing input to the government on the findings of the task force?

Mr Sheridan—My boss, Ms Steward, was the deputy chair of the task force and my division supported the task force in its deliberations.

Mr Tune—The department of finance has taken a lead on providing advice to the government on the response to the report, so we are actively involved in that at the very moment.

Senator LUDLAM—I know these questions are always a bit tricky, but can you tell us when we might expect a response from government on that?

Mr Tune—It is in the hands of the government, obviously, but we are working fairly assiduously to try to get something together now.

Senator LUDLAM—You have not concluded your input?

Mr Tune—No, we do not have a firm view at this stage.

Senator LUDLAM—That is occurring now.

Mr Tune—But, as Mr Sheridan mentioned, Ms Steward was a member of the Government 2.0 Taskforce and there has been a lot of consultation with the agencies, and with us in particular, around the recommendations.

Senator LUDLAM—I will close where I suppose I started, which was trying to assess the benefits to a whole-of-government approach. In the one example of switching to openoffice.org, are there any intentions or plans at all to try to work out, of the half a billion

dollars a year of taxpayers' money that the Commonwealth government spends on software, what the impacts would be if we switched across to open source platforms?

Ms Steward—At this current time I do not have that as an item on the work plan for the group. We are advancing a number of coordinated procurement activities. One that is currently out in the marketplace is a request for tender regarding desktop, so, again, through that we may be able to identify responses et cetera and look at that, but I do not have another formal piece of work or resource to do that at this time.

Senator LUDLAM—Is it too cheeky for me to propose that as an item on your work plan now?

Ms Steward—You are welcome to propose that, Senator, but I am not in a position to respond in terms of taking that piece of work on. I already have a very full work program in implementing the recommendations arising from Sir Peter Gershon, a significant number of coordinated ICT procurement initiatives et cetera. As I have indicated, I think particularly through the desktop one we will be able to provide a further update and understanding of that.

Senator LUDLAM—All right. I will formally propose that to you now, given the fact that half a billion dollars is spent every year for which we seem to be somewhat in the dark as to what the prospective benefits for the Commonwealth would be. It probably is a bit cheeky but I will put that to you and perhaps catch up with you in a couple of months.

Mr Tune—We will take that on board. There may well be logical issues here that are insurmountable—I do not know—but we will have a look at it anyway.

Senator LUDLAM—Thank you.

Senator JOYCE—Mr Tune, part of Operation Sunlight, obviously, was the recoupment of funds that were in depreciation, amortisation and make-good accounts—that is correct, isn't it?

Mr Tune—Correct.

Senator JOYCE—How much did you actually end up recouping?

Mr Tune—We are in the process of implementing this at this very moment, so I do not think we have the detail on that. I will hand to Mr Youngberry, who may be able to assist.

Mr Youngberry—Could I just clarify your question, Senator?

Senator JOYCE—Of the money that is going to be recouped that has been held aside under the accrual based system of accounting in depreciation, amortisation and make-good accounts, what is the quantum that you are intending to recoup?

Mr Youngberry—We only have an estimate of that amount at the moment.

Senator JOYCE—What is the estimate?

Mr Youngberry—We are working through a process with agencies to confirm the amount. It is in the order of \$600 million.

Senator JOYCE—Are you aware of any of the departments using those funds for other purposes?

Mr Youngberry—I think the use of depreciation funding has been discussed at previous estimates hearings, and we do not scrutinise how agencies spend every dollar of their funds. So you would really need to question each individual agency in terms of whether they have spent depreciation funding for other purposes. But certainly that has been one of the concerns that have been expressed at this committee at past hearings.

Senator JOYCE—Is this going to be in any way, shape or form part of the efficiency dividend—the money that has come back from the departments?

Mr Youngberry—No.

Senator JOYCE—But, if the departments can use the funds for other purposes, do we have the capacity to track those funds even if they are being recouped? If we have not actually gone through getting the money back and the departments have used the funds in other ways, is there any way of recouping that amount now?

Mr Youngberry—I am not quite sure I understand your question, Senator, but certainly we are going through a reconciliation process with agencies on how much depreciation funding they have received and how much needs to be removed as part of this process.

Senator JOYCE—So, even if they have used the funds for other purposes, they still have to give that money back to you?

Mr Youngberry—We are working through it case by case. It depends on a whole range of issues because they are funded for employee entitlements, for example, and those funds are remaining with agencies. We need to work through a reconciliation that says how much funding they need for accounts payable and employee entitlements, how much depreciation funding they received, and how much of that is committed on current projects, where there may be obligations to external parties for the acquisition of assets, for example.

Senator JOYCE—So, if a department has used some of that \$600 million that we are going to get back for employee costs—which they are entitled to do; they are allowed to use the funds in other areas if they so choose—how are we going to get the money back from them?

Mr Youngberry—It is part of the reconciliation process.

Senator JOYCE—But we will get it back from them.

Mr Youngberry—It will be agreed with each agency. It will depend on each agency and how much they need for employee entitlements and accounts payable, for example.

Senator JOYCE—So is it that you will get it back or that you might get it back?

Mr Youngberry—We will get unspent depreciation back from agencies.

Senator JOYCE—But if it has been spent for another purpose you will not get it back?

Mr Youngberry—That is right—if it has been spent, it has been spent.

Senator JOYCE—Has there been any order given to the departments to not spend any of this depreciation amortisation and make good the amounts that they are currently holding?

Mr Youngberry—We have not given an order as such. We have certainly given guidance around how the reconciliation process should work. We have reinforced the purpose for which depreciation funding is provided and agencies are cooperating with the process.

Senator JOYCE—But if they wanted to they could use it for other forms and we just lose the money going back into consolidated revenue?

Mr Youngberry—We have a preliminary estimate and we are expecting that amount to be firmed up as part of the reconciliation process.

Senator JOYCE—You gave approval to the War Memorial to reduce its depreciation funding other than its operational expenditure to comply with the one-off two per cent efficiency dividend—is that correct?

Mr Youngberry—The efficiency dividend is not attached to the net cash funding arrangements.

Mr Tune—I am not aware of that.

Mr Youngberry—There was an adjustment to the War Memorial's budget as part of the implementation of the net cash funding arrangements for them last budget.

Mr Tune—Ms Campbell might be able to shed some light on the issue.

Ms Campbell—The War Memorial, on one occasion, was granted approval to do that, but since that time its efficiency dividend has been met from its recurrent operating expenditure.

Senator JOYCE—Can you nominate any departments that have used their depreciation or make good or amortisation funding for other purposes rather than the asset that it was appropriated towards?

Ms Campbell—That is not something we have tracked in the past. Each agency has been given guidance and they have made those decisions. It is probably best to ask each agency.

Senator JOYCE—Of the \$600 million, if they have spent it on employee or other mechanisms of expenditure and that money has gone, the likelihood is that you will not get it back. What you will get is the money that they still have sitting as cash in the account ready to be appropriated towards a replacement asset.

Mr Youngberry—That is right.

Senator JOYCE—Have there been any statements to the departments: 'If you have spent it, we're going to get it from other sections of your budget.'

Mr Youngberry—No, Senator.

Senator JOYCE—The \$600 million that you referred to prior, that is basically doing a sweep of all the appropriation and amortisation accounts in real cash terms and saying that is the real money that is there right now.

Mr Youngberry—Yes, Senator.

Senator JOYCE—When do you expect this process to be finalised?

Mr Youngberry—Before 30 June.

Senator JOYCE—I just want to briefly go into the advance to the finance minister. Are you aware of that? If I am correct, we readvanced to the finance minister in appropriations 3 and 4 the same amounts that were advanced to him in appropriations 1 and 2—\$290 million and \$385 million or so, is that right?

Mr Youngberry—That is right. It is topped up. It only topped up to the extent that it is being used.

Senator JOYCE—How much of that initial \$295 million and \$380 million had he actually used?

Mr Youngberry—I will have to take that on notice.

Mr Tune—Is that in this financial year?

Senator JOYCE—Yes. We just topped it up the other day. I just want to know how much he used out of what he had been given in the budget.

Mr Tune—We will take that on notice and get back to you.

Senator JOYCE—Does anybody have a rough idea how much he used?

Mr Youngberry—We can find out fairly quickly. I just do not have that information with me here.

Mr Tune—Could I get back to you after lunch?

Senator JOYCE—Yes. That is brilliant.

CHAIR—Senator Joyce, could this be your final question so I can go to another senator.

Senator JOYCE—We can go to them now.

Senator CAMERON—This certainly will not be gaffs, goofs and gibberish.

Senator Fifield interjecting—

CHAIR—I just remind committee members that interjections are unhelpful.

Senator Sherry—What happened to the old days when—

CHAIR—Minister! Senator Cameron, I would suggest that you put the question.

Senator CAMERON—Mr Tune, who can help me with the corporate plan—outcomes, key performance areas and targets?

Mr Tune—In relation to the department of finance?

Senator CAMERON—Yes.

Mr Tune—I can help you to some extent, but I think I will need my other general manager to assist. You may start, Senator, and I will see how I go.

Senator CAMERON—You have got four outcomes, two key performance indicators and a range of targets. Outcome 1 is sustainable government finances, outcome 2 is improved and more efficient government operations, outcome 3 is efficiently functioning parliament, and outcome 4 is effective and efficient use of information and communication technologies by the Australian government. The key performance indicators are financial performance, and professional and respected staff. How are you tracking with these outcomes and objectives in each of those areas?

Mr Tune—I think we are going reasonably well. It is always hard to sit there and assess yourself. The performance of Finance as a respected organisation is strong. The professionalism of the staff is very good and the degree to which they dedicate themselves to the jobs at hand is, from my point of view as a newcomer, very impressive. We put a lot of

effort into each of the four outcomes you mentioned. The department is not a large department, as you would appreciate, so we try to work as efficiently as we possibly can in providing advice and assistance to the government of the day. I guess it is probably for others to judge whether the department and I are doing a good job. From my own experience, with five months in the organisation, I do not think we are doing too badly.

Senator CAMERON—As to the outcomes, with your plans out to 2011-12, is there any process in place to make some self assessment?

Mr Tune—We do staff surveys and those sorts of things but they are around one aspect of our performance, such as what staff think about the organisation, how satisfied they are working in the organisation, what they think about their managers or their relationships within their own work units. Those sorts of things happen and we reflect very deeply on the results when we get them. We have been doing those surveys annually for the last few years. It is pleasing to note that the results coming out of them have been improving year by year, so that is a positive. We are going through a process at the moment of thinking through where we are going as an organisation. I guess that is something you do when you come in as a new leader of an organisation—you start that process. It is early days at the moment and there is a bit of reflective thinking going on, so we may actually revise that corporate plan in the not-too-distant future and reassess the role and assistance that we can provide to the government. It is an active process. Whether it will lead to massive change is problematic: our core business will always remain the same core business, whatever the situation, but there may be better ways in which we can do that business. That is the sort of focus of where we might go.

Senator CAMERON—You have concentrated in your response on some of the human resource issues and the interpersonal relationship issues, but your corporate plan goes much wider than that in its effect of delivery, effect of management. How do you judge how you are going there?

Mr Tune—Effective delivery can be judged against who we are delivering to. Among the key people we deliver to are our ministers so we seek feedback from our ministers on our performance. That was one of the performance indicators. There is also delivery to other agencies. We work very closely with every other agency in the Commonwealth so feedback from them on the performance of Finance is always useful. You sometimes have to take that with a grain of salt. Finance has a certain reputation that may not always be seen as helpful by other agencies, so when they say we are not working well with them that may not necessarily be a reflection of how well we actually are performing in terms of what the government wants us to do. We take those sorts of things with a grain of salt. But, yes, there are some feedback mechanisms around who we deliver our services to.

Because we are responsible for the administration of the Financial Management and Accountability Act, financial management within Finance itself is a major issue. We need to be exemplars in the way that we administer programs and in the way we manage our own finances. We put a lot of effort into trying to be best practice in the way we do things on the financial management front so that as well as providing advice and assistance to other agencies, we are actually demonstrating that in our own operations. We attempt to do the same thing in our IT area as well. We want to be world's best practice in IT so that, when the people from AGIMO, who were sitting here on my right a short while ago, are out talking to

other agencies, they are able to say, 'We have done this and we can demonstrate to you that it is good practice.' Setting that example is pretty important for a Department of Finance and Deregulation.

Senator CAMERON—Your key performance area 2 is to have professional and respected staff and 'to attract, recruit and retain high-quality staff'. How is that part being met?

Mr Tune—I think we do very well there, Senator. We have an extremely active graduate recruitment program. We would not be the biggest recruiter of graduates in the Commonwealth—that largely reflects our smallish size—but we do manage to attract very high-quality graduates each year. They are coming through. I have met last year's graduates and I am about to meet this year's intake of graduates and I must say I was extremely impressed by the quality of the graduates in the Department of Finance and Deregulation.

We also run some ICT apprenticeship programs, not just for ourselves but across the Public Service. We are trying there to improve the quality of ICT staff and provide opportunities for young kids who otherwise may not get those opportunities to join the Public Service. I think we have a respected staff. I think they are a very professional set of staff with a very wide range of skills across the organisation. There are accountants, for example, in areas like the Financial Management Group and, in some cases, in the Budget Group. There are economists, IT specialists and people like Comcar drivers, who were mentioned this morning and who provide a very professional service. There are a range of other specialist skills that exist in the Department of Finance and Deregulation.

Senator CAMERON—Outcome 4 is 'the effective and efficient use of information and communication technologies by the Australian government' and the objective is to get value for money. The target is to coordinate procurement arrangements. How is that coordination going?

Mr Tune—That concerns a range of the sorts of things we have been talking about this morning—software, data centres and so forth are key areas of work that AGIMO are undertaking at the moment. That follows on from the work of the Gershon review of a year or so back. We are working very closely with agencies to achieve the savings that emanated from the Gershon review. They are quite substantial savings—a billion dollars of IT savings across the Commonwealth Public Service. Also, these coordinated procurement processes that exist both in the IT area and in the more general procurement area are producing better value for money, I think, as we move through those processes.

Senator CAMERON—There has always been a close relationship between Treasury and Finance. We have recently seen that there has been an absolute breakdown in the ethical behaviour of a senior Treasury officer, Godwin Grech. Have you taken any steps to ensure a similar breakdown does not happen in Finance and, if so, can you tell me what has been done?

Mr Tune—Following the report that was done on that particular issue—this was within the first week of my arriving in the organisation, actually—we had a very long discussion inside the organisation about ethics in the Public Service. We talked about that particular case, what went wrong in the particular case and what we needed to do to reinforce our own procedures to ensure the likelihood of that happening was absolutely minuscule. You can never say that it

will never ever happen, but you want to minimise that risk to the maximum extent that you can.

We have processes in place to ensure that delegations are appropriate in the organisation. One of the issues in that particular case, as I read it anyway, is that perhaps there was too much delegation in that particular area and inadequate management supervision, perhaps, of some of the activities being undertaken. I think that whilst we in Finance have a strong culture of delegating responsibility for work to relevant individuals to ensure they have good jobs and are accountable for those jobs, we also have the right accountability mechanisms in place, I think, to try and ensure that does not occur.

So, yes, I think we have gone back and looked at the outcomes of that inquiry and tried to learn any lessons from that and to adapt our work practices accordingly. We have looked at it and have come to the view that, at this stage, we do not need to adapt the work practices because we do work somewhat differently to the way Treasury works. I have worked in Treasury and I know how Treasury does operate. It is somewhat different from the way the Department of Finance and Deregulation operates.

Senator CAMERON—Work practices is one thing and culture is another thing. Training can assist in both those areas. Do you have specific training programs as to these issues? If so, can you tell me what they are?

Mr Tune—Yes. We do have training programs that extend throughout the organisation. So when a new graduate or a new recruit walks into the organisation they would go through a very extensive learning and development program that is provided internally by the department. As part of that, there will be sections of the courses around ethics and there will be sections of the courses around the code of conduct that applies to all public servants including everybody that works in the Department of Finance and Deregulation. That is an integral part of the training and learning and development processes. We also have follow-up sessions. These things need to be reinforced at various times so there are follow-up courses and follow-up sessions available as well. We also encourage people, where they have particular issues whereby they are feeling uneasy or uncomfortable about particular courses of action, to have mechanisms whereby they can talk to people and work their way through those in a sensible manner.

Senator CAMERON—So if anything good came out of the Godwin Grech fiasco it was about focusing the minds of senior public servants on the issue of ethical behaviour?

Mr Tune—I can reassure you that at least personally it did certainly focus my mind on what needed to be done. We needed to go back and recheck that we were in the right place. I think I can speak for my colleagues in saying that that was the case for them as well.

Senator RYAN—Mr Tune, I was looking at a page in Budget Measures 2008-09 which was headed 'Responsible economic management—Offshore processing centres in Nauru and Manus Province—closure'. Over the three years of 2007-08 to 2009-10 the savings as to that comes to \$34.8 million. I am assuming there has been no particular change to that. This is before I follow up with a line of questioning.

Mr Tune—I do not think there has been. Can I confirm this was the closure of Manus and Nauru?

Senator RYAN—Yes.

Mr Tune—That is correct. It still remains the case.

Senator RYAN—Minister, my attention has been drawn to the Labor savings document of 2007 which projects, from 2006-07 to 2009-10, savings from the closure of the Nauru and Manus island centres of \$91 million. Over the same period the budget papers now show a discrepancy of \$56.2 million. I am wondering if you or your officials have an explanation for why the quite substantial difference, by about 60 per cent.

Senator Sherry—I do not think the officials would because it was a document prepared before the election. What is the date of the document incidentally?

Senator RYAN—I am actually chasing up the exact date now. It is 2007. I am just getting the date.

Senator Sherry—There were a lot of days in 2007 before the election.

Senator RYAN—I believe it was the most recent one prior to the election. What also—

Senator Sherry—Hang on, you are asking a question. I think it is important to clarify. I referred earlier to the definitive document given to the department of finance for the purposes of costing under the Charter of Budget Honesty. That is the definitive document. So that is why the date is important. Secondly, if there is a discrepancy in the figures I would have to take on notice the base calculation of the figures, because the base calculation of the figures may in fact have been on the previous government's own estimates derived from this estimates process. So there is a number of issues to consider there and I am more than happy to take it on notice and refer it to Minister Tanner.

Senator RYAN—I was wondering about this, and this is also a genuine question. I believe, and I stand to be corrected if this is not the case, that this document was post the 2006-07 financial year, so it was in the 2007-08 financial year. I am wondering if it is actually possible for a government, if it were elected in November 2007, to make savings in the 2006-07 financial year.

Senator Sherry—When you said 'this document' what document were you referring to?

Senator RYAN—I am referring to a document that is headed 'Summary of Labor savings'. I am chasing down the exact date.

Senator Sherry—Before we start jumping to conclusions—

Senator RYAN—I will ask a question then: is it possible for a government after the close of a financial year, to make savings in the previous financial year?

Senator Sherry—You provide us with a copy of the document you believe you need a date for and I will refer it to Minister Tanner together with the questions that you ask.

Senator RYAN—I will place those questions on notice so that we can move on. Mr Tune, there was an article in the *Canberra Times* on 25 January 2010 that referred to the upcoming 2008-09 certificate of compliance report. This article outlined that there were substantial numbers—potentially thousands—of breaches of spending in relation to approval and spending of public funds. I was wondering: what sorts of breaches would those entail?

Mr Tune—I might get my colleagues to give you the detail but I can say that the vast majority of them are what we would consider minor.

Senator RYAN—That is what I was wondering. What is the flavour of a minor breach?

Mr Tune—Someone has forgotten to sign the right form—or that sort of thing—on a travel warrant or something like that. So they are not in relation to major contracts. I might ask my colleagues if they can expand; they may have a bit more detail.

Mr Suur—There were almost 15,000 breaches reported in the last financial year. The overwhelming majority are related to what we would call technical breaches—so it was people who were exercising drawing rights on money or depositing moneys in bank accounts without the proper delegations having been executed in relation to them.

Senator RYAN—I was wondering then: what systems—this is easy for you to take on notice—are you putting in place to improve this number of breaches? Presumably if one has a report along these lines the aim is to prevent the breaches occurring in the future.

Mr Suur—That is right. It is the responsibility of agency heads to put in place those procedures. Agency heads report on breaches and agency heads act to improve their internal processes in response to the breaches. The sorts of things that agency heads have done is correct their systems, review internal controls, conduct communication and education campaigns within their agencies, and consult with us about how to put in place appropriate frameworks. In some cases there have been formal investigations of breaches as well.

Senator RYAN—How many breaches did the Department of Finance and Deregulation have?

Dr Ioannou—You will find that the certificate of compliance report to the parliament is actually structured on a portfolio basis rather than an agency basis. Therefore the department of finance instances of non-compliance would be aggregated with those of other agencies within the portfolio as a whole. So you would not find the department of finance results per se in this report. You will find it at a portfolio level.

Senator RYAN—Do you have the number of the departments—

Mr Tune—Yes, we do.

Mr Suur—There were 916 breaches within the Finance and Deregulation portfolio, which is 6.1 per cent of all breaches reported.

Mr Tune—We will provide the break down for the Department of Finance and Deregulation.

Senator RYAN—The article also said that the Department of Climate Change was a particular offender. The period in which it was set up was described as ‘chaos’. Was this one of the reasons that you undertook what was previously referred to as a financial health audit or—

Mr Tune—No, not necessarily. What I was referring to earlier was more a macro view of the way they were operating in the overall budget situation that exists in the Department of Climate Change. It is not so much about going in there and looking at whether they are following compliance processes and so forth; it is a high-level sort of discussion.

Senator RYAN—Before I pass on to my colleague, I have a couple of quick questions before lunch about the various nation building funds. Is this the best place to ask them, or would you prefer me to ask Future Fund after lunch?

Mr Tune—Are they to the Future Fund?

Senator RYAN—That is what I am happy to take your advice on.

Senator Sherry—Future Fund is on after lunch. They are not here yet.

Senator RYAN—These are questions relating to management fees for the Building Australia Fund, the Education Investment Fund and the Health and Hospitals Fund. I would be happy to ask those of the Future Fund later.

Mr Tune—It would probably be best.

Senator RYAN—I am happy to do that.

Senator KROGER—My questions relate to the Education Investment Fund, so I presume I should defer them until after lunch.

Mr Tune—If that is possible, yes.

Senator Sherry—Management of the moneys is carried out by the Future Fund.

Senator KROGER—I am happy to do that.

CHAIR—In that case after lunch we will have the Department of Finance and Deregulation back and then we anticipate, after about half an hour, we will be moving on to the Future Fund.

Proceedings suspended from 12.26 pm to 1.33 pm

CHAIR—Perhaps if Mr Tune was to make those comments now before I hand over to a senator to continue the questioning.

Mr Tune—There were a couple of questions we took on notice, and I have been able to get answers to them in the meantime. I will run through them, not in any particular order. Senator Ryan asked about the number of instances of non-compliance in the Department of Finance and Deregulation as distinct from the total portfolio. The number is 417 instances in 2008-09, out of a total 916 instances in the whole of the finance portfolio.

Senator Ronaldson asked a number of questions around the annual cost to the department for the minister's news clipping services. The department does not provide a separate news clipping service to its ministers. Ministers and their staff have access to the department's electronic media portal, which monitors items of relevance to the department. From 1 January 2009 to 30 November 2009, which is the date of our last paid invoice, Department of Finance and Deregulation spent a total of \$201,523 on media monitoring. This includes all electronic media clips, transcripts and videos.

The follow-up question from Senator Ronaldson was round the annual costs for the department of the minister's requests for transcript services. For the same period, 1 January 2009 to 30 November 2009, a total of \$32,498 was charged for transcripts to the Minister for Finance and Deregulation. The Special Minister of State made no requests for transcripts from the Department of Finance and Deregulation.

Senator Joyce was asking about Commonwealth tenancies. The stratified sample that we did earlier last year of tenancies indicated an average area of 23.7 square metres per work-point—that was the baseline figure you were looking for, Senator. Of the 693 Commonwealth tenancies, approximately two-thirds exceed the target density of 16 square metres at the moment.

I have a correction for the record, if I may. Earlier in the day, Senator Ronaldson was asking some questions around the selection process for two contracts. One was with Grosvenor consultants. We advised, I think, that they were the only member of the panel with the necessary travel expertise. In fact, they were selected directly from the panel of advisers, not from a group of two or three on the panel. The second was Enth Degree, which was selected through a select tender process consistent with the Commonwealth Procurement Guidelines, not from the communications multiuser list.

Senator JOYCE—Mr Tune, maybe you gave these figures and I missed them. How much of the advance to the finance minister—

Mr Tune—Those details have just arrived.

Mr Youngberry—For bill 2, which would be replenished through bill 4, there was no amount used to today. For bill 1, the limit is \$295 million that is provided in AFM. Of that, \$36,115,080 had been used as at today.

Senator JOYCE—Do you know what that \$36 million has been used for?

Mr Youngberry—I do. For the Department of the Treasury administered item in outcome 1, there was \$29.675 million which related to an additional contribution to the International Monetary Fund poverty reduction and growth trust. The second one was the Department of Health and Ageing for \$6.44 million for an administered item in outcome 14 to implement the government's response to the H1N1 influenza pandemic.

Senator JOYCE—What does the IMF poverty reduction fund actually do? What is its purpose?

Mr Youngberry—You would have to ask Treasury.

Mr Tune—Basically, it is Australia's contribution to the fund that is being set up through the IMF for the G20 meetings to provide relief. Treasury can provide all the details for you.

Senator JOYCE—Fair enough. I want to go to the outsourcing and administration of the PSSap. On 26 November 2009, the finance minister announced that the Rudd government will outsource administration services of the PSSap, which is estimated to save taxpayers \$5 million annually.

Senator Sherry—What was that outsourcing announcement?

Senator JOYCE—The outsourcing of administration services. Can you provide further details on this? How is that program of outsourcing going?

Mr Tune—We are in the process of working through the implementation of those announcements that were made by the minister. You will recall there were a number of things announced at that point in time around that program inside ComSuper. This is one element of it. We were benchmarking the administration costs of that scheme with other accumulation schemes that are administered in the private sector. It seemed to us that we could generate

quite substantial savings by outsourcing that, so we are in the process of working our way through implementation. We will obviously be going out to tender at some point in time to find someone to outsource to, but we are in the preparatory stages at the moment.

Senator JOYCE—Will any public servants lose their jobs because of that outsourcing?

Mr Tune—I do not know if anybody will lose their job but there will be efficiencies. Part of this program is to produce efficiencies in ComSuper but we are not expecting redundancies or anything like that.

Senator JOYCE—Will any people have their jobs made redundant by that outsourcing, even if they are moved to another job?

Mr Tune—Yes, there will be jobs that are no longer done inside ComSuper; they will be done elsewhere.

Senator JOYCE—Where do those people go? Just to other sections of the department?

Mr Youngberry—I think the expectation would be that they would be redeployed within ComSuper.

Senator JOYCE—They will be employed within ComSuper?

Mr Youngberry—Yes, the expectation is that they would be. Redeployment is always the first option in these circumstances.

Senator Sherry—I know something about this because I actually initiated the project before the change in portfolio responsibilities in June last year. The officers may be able to give you the figures but of the total number of employees in ComSuper—there are 400 or 500, I think—there is a small proportion involved in the accumulation fund administration. The vast majority are involved in the defined benefit administration, which is much more complex and bigger. Therefore, there is a capacity for ComSuper to employ that small group—and we can get the numbers if we have not got them here and take it on notice—within ComSuper or elsewhere in the public sector.

Mr Tune—That is correct. The other thing is that this will take effect from July 2011, so we have quite a bit of transition time to feed into this.

Senator JOYCE—Won't this lead to a sort of doubling up now? If we outsource it and we are paying people in the process of outsourcing and if the people who were doing it whilst it was done internally are still there, aren't we just employing more people to do the same job?

Mr Tune—No, because the people who would have been administering this scheme will now be going into jobs that were previously occupied by others. You need to take account of turnover in the Public Service when you think through these issues. Turnover varies across agencies but it is something in the order of 10 per cent per annum across most agencies. So these people are backfilling vacancies in jobs that are still needed.

Senator JOYCE—How many jobs are vacant at the moment in the Public Service?

Mr Tune—I could not tell you.

Senator JOYCE—Is there going to be any reduction in the services to the Public Sector Superannuation and its members?

Mr Tune—Absolutely not.

Senator Sherry—What happened is that the overwhelmingly dominant model in superannuation in Australia is defined contribution. The overwhelmingly dominant model in administration is to subcontract the administration to the three or four administration firms in Australia who specialise in defined contribution. That is what will happen: rather than ComSuper developing its own specialists and operating its own specialist defined contribution, it will be subcontracted to an existing operator. But it will maintain the defined benefit under this announcement. It will be focusing on the defined benefit, which is overwhelmingly the largest and most complex area of administration. That area is not affected by this announcement.

Senator JOYCE—Is there going to be any change to the mechanisms of how it operates? Obviously, at the moment it is not paying any commissions to financial planners and members are not charged establishment fees. After it has been outsourced will that change?

Senator Sherry—What is being outsourced is the administration, not the investment of the funds or the ‘distribution’. I think you could safely conclude that this is purely the administration. That is it.

Senator JOYCE—So there is no change to the—

Senator Sherry—No change to benefits or contributions; it is purely the administration of the defined contribution. Frankly, it would be over my dead body if the public sector were ever paying commissions to anyone for selling any sort of superannuation product.

Senator JOYCE—You seem emphatic on that, so I will move on. I will take your word for it. Can you give an update on the Cooper review of Australia’s superannuation system?

Mr Tune—That is not our portfolio.

Senator Sherry—That is Treasury—the retirement incomes group.

Senator JOYCE—What about nation-building funds?

Mr Tune—Yes.

Senator JOYCE—Can you provide an update on the nation-building funds?

Mr Tune—Is there any particular aspect you are looking to—

Senator JOYCE—The portfolio update as at 31 December 2009 show that the Education Investment Fund had a bit shy of \$6 billion in it. At 30 June, the portfolio update showed it as having \$6.490 billion in it. Can you provide details of what measures have been funded from the Education Investment Fund?

Mr Tune—In terms of the amounts in the funds, it is probably best to ask the Future Fund. Witnesses from there will be here shortly. In terms of the investments made by the Education Investment Fund, there was a list produced last year when there was a big announcement made in the context of last year’s budget about all the projects that were being financed from the Education Investment Fund. I will get hold of that for you and provide that to you.

Senator JOYCE—In the process of making these investments, what are the cost control mechanism that you put in place so that the investments are prudent?

Mr Tune—That is managed by the Future Fund. All of the funds—the Building Australia Fund, the Education Investment Fund, the Health and Hospitals Fund and the Future Fund—

are managed by the Future Fund management agency. They basically determine, under their act, how they operate and the controls that they put in place around their investments.

Senator JOYCE—So they are responsible for the minutiae of cost controls within the fund and making sure that we get the best return for our dollars invested?

Mr Tune—Yes. I should mention that under each of the acts we provide a target rate of return that we want to see them achieve over the longish term. It is not year by year, but it is a target that we think that they should be able to achieve.

Senator JOYCE—With the Education Investment Fund, for example, what are the parameters that you look at in determining that?

Mr Tune—That fund is basically being utilised in the short term, as opposed to the Future Fund, which is a very long-term fund looking to fund public servants superannuation by 2019 or 2020—that sort of year. The EIF by contrast is more about short-term disbursement, so the target rate of return that we are seeking from the EIF and the HHF is close to a cash rate. It is not entirely a cash rate, but it is more akin to a short-term rate of return as distinct from a long-term rate of return that you might expect by diversifying into equities and so forth, which the Future Fund can do.

Senator JOYCE—They are obviously managed by the same group that manages the Future Fund. In determining that rate of return, what are the parameters that you look at? Do you look at the benchmark cash rate and add a premium on to it?

Mr Tune—We set this target. It is in the legislation. We look for it being achieved on average. They report on their achievement. They can report on how they have gone when they arrive.

Mr Greenslade—I might add that there is a benchmark return and an investment mandate given to the Future Fund for the Education Investment Fund and the other two infrastructure funds, and that is to adopt a benchmark return of the Australian three-month bank bill swap rate plus 0.3 per cent per annum. That is calculated on a rolling 12-month basis. Further, the board is given guidance that in targeting this benchmark return it should invest in such a way as to minimise the probability of capital losses over a 12-month horizon.

Senator JOYCE—So what was the return? Did you say 0.3 per cent per annum?

Mr Greenslade—It is the Australian three-month bank bill swap rate plus 0.3 per cent. That is the market rate, plus a little bit over.

Senator JOYCE—That is better. I thought that I could do better than 0.3 per cent.

Senator Sherry—The Future Fund can explain how they are doing in detail, Senator Joyce.

Senator JOYCE—Can you provide an update on property and construction?

Mr Tune—It is an ongoing function in the Department of Finance and Deregulation. Some of that we talked about earlier—property management and so forth. But we also act as landlord for a whole lot of government property and buildings.

Senator JOYCE—What is the value of that property at the moment?

Mr Tune—I could not tell you, but I can probably find that for you fairly quickly. It is a very substantial portfolio. It does not include this building, but the building that we occupy as a department is owned by the Commonwealth and a number of other buildings around Canberra. There are also a number of law courts and things like that around the country.

Senator JOYCE—Do we have a rough approximation is of the value of our property portfolio.

Mr Tune—I will get that for you shortly.

Senator JOYCE—It would be in the billions.

Mr Tune—Yes, it is very large. We also get involved in constructing new buildings or acting as the project managers for the construction of new buildings. The one we were talking about earlier this morning, the ASIO building, is one example of where finance is running the show.

Senator JOYCE—And it will own the ASIO building when it is finished?

Mr Tune—I think that is true, yes. Another example is the redevelopment of the Villawood complex for immigration detention. That is being redeveloped. Once again Finance is running that particular project.

Senator JOYCE—So the value of the property portfolio would be in the hundreds of billions?

Mr Tune—Yes, it would be. I will check. I will not commit, but it is large.

Senator JOYCE—Do we lease many buildings?

Mr Tune—Yes, we lease a lot of buildings. We probably lease more than we own, actually.

Senator JOYCE—What sort of tenancy arrangement do we give when we lease?

Mr Tune—It depends very much on the situation of the people seeking the tenancy. Obviously we are looking for value for money in every tenancy we take out. Some will be very long-term leases, because it is a stable tenant that is going to be in there. If it is a department of state we know it is going to continue on and stay in the same place for a fairly long period of time. Others might be for more short-term tasks looking for a shorter term tenancy. But the basic criterion is value for money.

Senator JOYCE—Predominantly in Canberra we are building and owning the projects— or are we leasing the projects?

Mr Tune—Once again, it is a mix. The ASIO building is a build and own. Other buildings have been put up by the private sector in recent times, particularly around the Parliamentary Circle, and have been leased—constructed by the private sector with a precommitment on a lease by the Commonwealth. The Department of the Prime Minister and Cabinet building down the road is an example of a leased building from the private sector.

Senator JOYCE—Who actually owns that building?

Mr Scott-Murphy—ISPT, Industry Superannuation Property Trust.

Senator JOYCE—Centenary House is all finished, isn't it?

Mr Tune—Yes. The Audit Office are still tenants there.

Senator JOYCE—Who owns it?

Mr Scott-Murphy—I do not know the current owner. It sold recently.

Senator JOYCE—What is the tenancy arrangement on Centenary House? Is that still locked in?

Mr Tune—I do not know. I could not tell you. I will take that on notice.

Senator JOYCE—What is the goal of return? In leasing a building do you have any benchmarks of leasing rates which you look at?

Mr Scott-Murphy—We try and emulate a property fund in the management of the Commonwealth's commercial property portfolio. Our target rate is currently 8.3 per cent per annum.

Senator JOYCE—I turn to public service travel. The government requirement that departments and agencies use Virgin Blue or other small airlines for at least 25 per cent of their total work related travel on the Canberra-Sydney route has been scrapped. I read that in the *Canberra Times*. Can you provide further information about this?

Mr Grant—As at the last quarter I think it was 11 per cent, but it may be 10. With that, we have introduced a new policy called the lowest practical fare, and that has superseded previous policies, being best fare of the day and the 25 per cent target. The lowest practical fare makes a few changes which we hope will actually improve the current situation. The first thing that it does is relate to, for comparative purposes, the airfare only, not to the charge by the travel management services company, because it is the airfare that we focus on. The second is that it makes it very clear to public servants travelling that they should only travel where there is a real need to and preferences that are perhaps personal, in terms of memberships of clubs and things like that, should have no role at all in their travel decision.

Senator JOYCE—So that basically outlines the procurement process as it stands now?

Mr Grant—That is the lowest practical fare policy.

Senator JOYCE—What is the total public service air travel budget at the moment?

Mr Grant—In terms of airfare, in very broad terms, around \$240 million—but that is in broad terms.

Senator JOYCE—That does not include parliamentarians, does it?

Mr Tune—No.

Mr Grant—And it does not include accommodation or anything like that.

Senator JOYCE—Does it include anything from the Prime Minister's department—or is that all PM&C?

Mr Grant—It includes all FMA Act departments and agencies.

Mr Tune—Therefore it does include the Department of the Prime Minister and Cabinet.

Senator JOYCE—It does?

Mr Tune—The department, but not the Prime Minister's office.

Senator JOYCE—What would you see as the biggest achievement for the Minister for Finance and Deregulation towards actually deregulating something?

Mr Tune—The government's deregulation agenda is focused a lot on working with the states to try to further the deregulation agenda. Through the Council of Australian Governments, COAG, process, a working group, which is called the BCRWG, has been looking at trying to address 27 areas of, largely, increased competition and deregulation. They range across a wide range of areas, including consumer credit, occupational health and safety, directors' liabilities and so on. I can give you the full list, if you wish, Senator.

That has been a major set of reforms. It has, in effect, trying to in some cases move away from seven or eight sets of regulations around a particular issue that is contained within a state and territory legislation towards a national approach. Consumer credit is an example of that, and occupational health and safety is another one. It is a major push to get standardisation and one regulator rather than seven or eight regulators.

The minister has also been working closely with his colleagues around what we call ministerial partnerships on deregulation, where we are looking at particular areas where we think there is scope to get some deregulation in place. A number of reviews have been done on that. One example I can think of is health technology assessment, where there is a big bureaucratic process around assessing whether new health technology in an prosthetic area or something like that should be acceptable and put on the market. That is quite cumbersome, so we are putting a lot of work into trying to think through how we can reduce that amount of regulation.

They are two things where the government has been quite active. I might ask Susan Page, who is General Manager of the Deregulation Group if she wants to expand on that.

Ms Page—The secretary has already discussed some of the 27 deregulation priorities. We are getting close this year to having the first of those completed. We will have the first phase of the national consumer credit regime, where we will have single consumer credit law across Australia from 1 July. We will have a national trade measurement organisation from 1 July. We will have a national health register, probably in the first half of the year as well. We will have standard business reporting, certainly by 1 July, which will mean that financial institutions will be able to use the same information to report to both state and Commonwealth governments.

We have got the Better Ministerial Partnerships. We did two last year, including the health technology assessment—one which is now complete. We will have a further seven or eight coming up this year which are really areas of microeconomic reform across the Commonwealth, where we should have really quite substantial savings to business.

During the year we have removed 211 redundant regulations—over 3,000 pages of regulation was redundant and there is more to come. We are also doing a systematic review across the Commonwealth at the moment of all subordinate legislation, which totals 30,000 items, to see whether there is scope for removal and further scope for reform.

The government has responded to the first three annual Productivity Commission reviews of regulatory burdens and has accepted in principle or in full 94 of 126 recommendations. The OECD and the government are about to release in the next couple of weeks the OECD's

regulatory reform review of Australia, which will assess the regulatory management health, if you like, of Australia against OECD best practice. That should provide an indication of further directions for reform.

Senator JOYCE—I hear a lot of the things that are coming forward on 1 July. What would you say is the major item of deregulation—removal of regulation—that has happened where we sit right now?

Ms Page—I do not think there is one single area—

Senator JOYCE—Give me a couple.

Ms Page—I think the single national consumer credit reform is a very major reform.

Senator JOYCE—That is the streamlining of the states into one federal—

Ms Page—That is right; into one single piece of Commonwealth regulation.

Senator JOYCE—But have we actually removed a regulation? Apart from streamlining regulations, have we actually deregulated, as in removed, a regulation in any area?

Ms Page—The consumer credit reform gets rid of eight separate pieces of legislation and replaces it with one. Similar things are happening in relation to state and territory based trustee regulation, where about 300 pages of separate regulation will be consolidated into one piece of legislation. States and territories are in the process of enacting legislation to replace 10 principal occupational health and safety legislation into a single national, uniform system. The Commonwealth-state area is really the primary area, and that is the area that the Productivity Commission has continually pointed to as the area where there are greatest costs to business.

Senator JOYCE—So you are saying that the main crux of it so far has just been a concentration on removing state regulations and providing them with an overarching federal piece of legislation?

Ms Page—Not all of them involve removal. In some instances it involves the use of model legislation or consistent procedures. It really depends on what the most effective way of getting a national approach is. Sometimes, particularly in areas where the Commonwealth does not have, or is unlikely to get, referred powers by the states, there are a range of other mechanisms that we use.

Senator JOYCE—So basically what we have got is not that you had a regulation and we removed it but that you had a number of regulations and we reduced it to one?

Ms Page—In the case of those particular reforms, yes.

Mr Tune—But you had a myriad of different forms of regulation in the one area. That was the issue. It was extremely inefficient for business, in particular those businesses that deal across state boundaries. Take consumer credit. There were not eight pieces of the same legislation; they were very different and—

Senator JOYCE—So it is not so much deregulation, it is streamlining regulation?

Ms Page—The deregulation function in the Commonwealth government is very similar to the functions that are now in the majority of OECD countries. It tends to be an umbrella term for a range of activities, generally looking at ways of reducing cost to business through

looking at forthcoming legislation to ensure that it is the most cost-effective form of regulation but there is also a variety of activities—deregulation, removal of redundant regulation, harmonisation. There is a range of activities but the focus really is on reducing costs to business through whatever mechanism is used.

Senator JOYCE—There were 50,000 pages of new regulations and law brought down in Australia last year. How many of these do you see as part and parcel under the auspices of your deregulation?

Senator Sherry—Just before we answer that: you said ‘50,000 pages of new regulations brought down in Australia last year.’ I think they were your words. Is that Commonwealth, or Commonwealth-state or local government?

Senator JOYCE—Commonwealth and state—across the lot.

Senator Sherry—The source of this 50,000 figure?

Senator JOYCE—Its source was a report which, if I recollect correctly, was in the *Australian* prior to Christmas. I can get it for you, Minister. It is available on Google. Are you aware of the report of 50,000 pages of regulations brought down in Australia last year?

Ms Page—No, I am not.

Senator JOYCE—Do you want to hazard a guess at how much new regulation was brought down in Australia last year?

Ms Page—We are only responsible for providing advice to the government in relation to Commonwealth regulation.

Senator Sherry—These officials are highly professional. They are not going to guess. They will take it on notice unless they have got a figure here now.

Ms Page—We do not have a figure.

Senator Sherry—They will take it on notice. I am not sure what we can do about state governments, and I would also toss in local government, Senator Joyce. I am not sure what we could do about those two tiers of government.

Senator JOYCE—You are talking about streamlining across COAG and the streamlining and removal of state regulation. It does not seem to be helping much if we are removing 300 pages in areas and receiving 50,000 pages coming from another area.

Ms Page—I think a helpful way of looking at it is to focus on that which imposes unnecessary cost to business. A lot of areas in which the Australian government regulates are areas that may not necessarily impose unnecessary costs. For example, one of the biggest areas of Commonwealth regulation is aviation safety. Another area is health and food safety; another is competition. There are different sorts of regulation, some of it pro competitive—a lot of it health and safety related, some of it security and border control related at the Commonwealth level—and our task is really to try to identify that which is poorly designed and/or imposes unnecessary costs on business.

Senator Sherry—Just reflecting on the primary industries estimates yesterday—I know you were not there—and on previous occasions, all the demands and questions we get from many of your colleagues, not all, is to increase quarantine regulations, and increase food

safety regulations, and add to the regulation in those particular areas, and probably aviation as well although I have not attended the transport estimates. The obvious reason is regional airline safety, and all airline safety, has to be of major public importance. If you have got some suggestions beyond this figure of 50,000 pages sourced from the *Australian* as to where regulation should be cut—like savings—we are very keen to hear from you, Senator Joyce.

Senator JOYCE—I will get you the report. I believe it was in the *Australian* but it could have been the *Canberra Times*.

CHAIR—Senator Joyce, your final question?

Senator JOYCE—Can you give an update on the commitment to establish a small business advisory council to review and comment on regulatory impact statements?

Ms Page—I think that would be better directed towards the industry portfolio. It is a responsibility of that portfolio.

Senator JOYCE—The OECD was undertaking a review of regulatory settings and policy development processes in Australia, to be completed in 2009. Can you give an update on this?

Mr Tune—The review is due for release within the next month.

Senator JOYCE—Next month?

Mr Tune—Within the next month.

Senator JOYCE—So it will be released in March.

Mr Tune—It will be released before March.

Senator JOYCE—Before March?

Mr Tune—Yes.

Senator JOYCE—Has the government considered the Productivity Commission's *Annual review of regulatory burdens on business: social and economic infrastructure services*?

Ms Page—Yes, it responded to that just prior to Christmas. The responses were in that total that I gave you of recommendations accepted by the government. There are three recent sectoral reviews by the PC that the government has responded to. That was the most recent of the three.

Senator JOYCE—Thank you.

CHAIR—That concludes that area of the Department of Finance and Deregulation. Thank you to those officers.

[2.09 pm]

Future Fund Management Agency

CHAIR—Welcome, Mr Costello. Do you have an opening statement?

Mr Costello—No.

Senator RYAN—Mr Costello, I am just going to ask the questions we regularly ask at these estimates committee hearings with respect to the nation-building fund portfolios and the number of Commonwealth and state government debt securities or similar instruments they hold. I note that you took it on notice at the last estimates hearings and outlined they were

held by external advisers through mandates from the fund. If you had them now I would be happy, or do you need to you can take it on notice?

Mr Costello—Anticipating the question, I do have information which describes the current holding. The situation remains the same: these are mandates purchased through external managers. Essentially, they are part of a mandate with an Australian based manager, Vianova, who we use to try and introduce interest-rate duration into the portfolio. I probably have about 20 names here—they are the same names for each of the funds. Is it better just to provide the information to you?

Senator RYAN—It is probably easier. The quantum of the degree last time was less than one per cent for each of the funds. It is not a material difference from that?

Mr Costello—That remains the same. It is 0.78 per cent for the Building Australia Fund, 0.81 per cent for the Education Fund and 0.78 per cent for the Health and Hospitals Fund.

Senator RYAN—Last time we also had a long discussion regarding the Telstra shareholding of the fund. You have only one batch of Telstra shares remaining in escrow, am I correct?

Mr Costello—No. We have the whole of our holding, which is between 10½ and 11 per cent of the company, under a voluntary lockup—we do not use the word ‘escrow’ because it is a voluntary lockup—and that expires in a few weeks time, on 23 February. So our holding is voluntarily locked up.

Senator RYAN—It is the same as it was last October or about that.

Mr Costello—It is the same.

Senator RYAN—Yes, I thought so. Last October, in response to questions about the potential impact on your shareholding—I am not going to ask what you going to do with it, I appreciate that is commercially sensitive and market sensitive information—we had a long discussion about the impact of various proposals before the parliament upon the share price of Telstra, of which, I presume, you remain the largest single shareholder.

Mr Costello—We do.

Senator RYAN—You said at that time that, in answer to a question on notice, that it was not possible to form a view on the impact of an outline. You also said that you were waiting for some clarification from government. As part of the discussion—it was very wide-ranging—you also indicated that you were working on what you thought the impact might be, and you thought that over the next one to two months some of that work might be concluded. Does the Future Fund now have a view of the impact of the NBN proposals, as they are before the parliament, upon the Telstra share price?

Mr Costello—I hesitate to suggest we might find ourselves in the same territory we were in last time. This has been, as you would be well aware, a moving feast and like all shareholders we are keenly anticipating two things, really. The company provides an update to shareholders, I think, on Thursday of this week and it is expected that at that time it will make some statement about how it thinks it will be affected. Then, I understand, the government will bring back its legislation a couple of weeks after that. Certainly, the expectation in the market is that there will be some statement about where exactly Telstra and the government

have taken their discussions. We are keenly interested in that, as are all shareholders. We are pleased to see that the tone of the comments coming from both parties has changed, perhaps even since we were here last time. There seems to be much more of a positive sentiment being expressed by both the government and the company about where their discussions are going. We have no insight at all into that. We have certainly not met with the government, as I know that is a question that has been asked previously, and we have not met on this issue with the company. I think the company is appropriately trying to ensure that it has a clear and consistent message to shareholders.

To answer the question, as we start to build a picture of where this might go, the ground shifts. I think it is a fair statement to say that there has been quite a shift, at least in temperature, if I could use that word, of the communication between the government and the company on this. Our view remains the same: it depends, it absolutely depends. I know that last time I was perceived by you to be unwilling to indicate a result. What I did say was that the impact on the company would very much depend upon the approach that the government took and on the discussions which are ongoing. As for any shareholder, that could be a very poor result for the company. It could be, as I said at the time, much more positive. Like all shareholders we are very pleased to note that the pendulum does seem to be swinging towards a more positive outcome.

Senator RYAN—Last time we did have that discussion and a number of us here were disappointed that as the largest single shareholder in Telstra you were not willing to express a view on the risk assessment that either you had taken formally or informally on the potential impact of this proposed legislation on the Telstra share price, where much smaller shareholders or participants in the market had. That did disappoint us, partly because you are not here as just an agent of the executive, you are holding funds effectively in trust on behalf of obligations the parliament of Australia has. It is disappointing that you are maintaining that because we are getting closer to the deadline. That is going to require us to make a decision even sooner than last October when it was a few months away. Do you anticipate the Future Fund making any statement at all prior to the passage of the legislation which the government has proposed in parliament? Are you going to provide any advice to the parliament about what the Future Fund, Telstra's largest shareholder, thinks on the impact of the legislation?

Mr Costello—I would like to clarify our position. It is not that we are unprepared or afraid to form a view. Our position has always been, 'Let's see what the situation is and then comment'. I reiterate that. Minister Tanner made it very clear that the role of the Future Fund is exactly as you say: as a shareholder, its interest is as a shareholder. In the legislation there was the ability, as you may be aware, for the government to be able to direct the Future Fund board of guardians on how it would vote on Telstra issues. The minister has clarified that they would not direct the boards. The absolute expectation is that we will behave as any other shareholder.

To answer the question: there is no direct plan to do that. But I think it is fair to say that when there is a situation for shareholders to form a view on then it is incumbent upon the Future Fund to be able to articulate its position clearly. I think that that is a reasonable thing to ask. My position has always been that we think we should wait until it is clear exactly what the proposal is and then that is an appropriate time for us to make a comment, rather than speculate on a range of outcomes.

Senator RYAN—So as senators voting on whatever the legislation may be in the final form that it comes to the Senate, we could expect, if we made inquiries, to hear a view from the Future Fund upon the impact of that legislation on the Telstra price.

Mr Costello—I think that is a reasonable expectation. Once a position has been taken, and as a shareholder we are able to look at that and form a view on it—

Senator RYAN—What do you mean by a position being taken? Obviously it is not after the legislation has passed because then it is of very little use to us.

Mr Costello—I think that is correct. Like the market we are keenly awaiting the progress of these discussions. We have no direct information but we understand from the public media—it is certainly the hope of shareholders—that at around the time that the government reintroduces this legislation there will be some statement, probably from the company and perhaps from the government, that would give some sense of where the two parties have got to on negotiating a value for the assets that the company holds.

I would like to clarify that it is not that the Future Fund is unprepared, unwilling or unable to form a view. It is just that we have always said, and I reiterate here, we think it is much more appropriate for us to wait and see exactly what the position is; to see what the company's view about that is and what the government's view about that is, and to then form our own view. It is reasonable to expect us to be able to do that and should you have interest in that once that situation is clearer, then I think it is appropriate that we would provide that.

Senator RYAN—I appreciate that. I imagine that you will have such inquiries if there is a public announcement of something because presumably it is likely to have to pass through the parliament. Chasing up the point you mentioned—that there had been clarification from the minister that there will be no direction about Telstra's voting in a manner that Telstra shareholders are required—if there were to be a subsequent change in that clarification, are those directions required to be made public? If the minister were to direct you to use the facility that you mentioned to direct the Future Fund to vote a certain way in a Telstra vote, is that direction required to be public?

Mr Greenslade—The minister cannot direct the Future Fund board with respect to disposal of shares.

Senator RYAN—I was chasing it up. Correct me if I am wrong. It was about: if you are still a Telstra shareholder and you had to vote in a Telstra general meeting on a particular issue, can the minister direct?

Mr Costello—I could hazard a guess. We clarified that under the legislation. The minister can direct. The minister said he will not direct. I think your question was: if he changed his mind—

Senator RYAN—If he changed his mind, is such a direction made public?

Mr Costello—Certainly directions in terms of the investment mandate must be made public. Perhaps that is worth clarifying. My immediate assumption would be that it would be treated in the same way. That is probably a question for—

Senator RYAN—I would appreciate it if you took that on notice. You can understand why the question has been asked. Just to clarify: I have not noticed anything. There has been no change to the investment mandate?

Mr Costello—No.

Senator Sherry—No.

Senator RYAN—I would like to ask a technical question on a couple of the funds under management. Just looking at the Building Australian Fund, the fees over the forward estimates came to just over \$8½ million; for the Education Investment Fund the fees came to just over \$6.6 million; and for Health and Hospitals Fund came to just under \$4.9 million. Is the determination of the managers done by open tender or is it done by selection?

Mr Costello—It is not done by open tender; it is done by selection, I think. It is our job, as the board and the agency, to determine an investment strategy for the funds and to be very aware of the guidelines and the directions which go to risk. It is to minimise the risk of capital loss over a year and try and make sure that the return is at least a third of a per cent higher than the bank bill rate. We have to also clearly think about the likely liquidity of the fund, the likely drawdown of commitments from the fund. Managers are chosen by us. Consistent with the strategies determined in terms of risk and return, the managers are chosen by us to try and beat the benchmark.

Senator RYAN—Without revealing any confidential information—I do not want to know how much people are paid or anything like that—is it possible to get a list of the funds that you use?

Mr Costello—We publish on our website all the managers that we use. We have done that for the last year or so and we update that every quarter when we do a quarterly update.

Senator RYAN—I was not sure about those. I appreciate that.

Senator KROGER—I want to direct my interest to the EIF. I do not know whether it is you, Mr Costello, who could answer me. What is the overall value of the Education Investment Fund?

Mr Costello—At the last quarter that we have provided, it was \$5.998 billion. I think there was previous discussion about it being just shy of \$6 billion.

Senator KROGER—That is fine. Of the value of that fund, how much is committed at this point in time to projects?

Mr Costello—That is something I might pass on. What I do know is that there has been one withdrawal. We have made one payment out of the fund of \$0.73 billion.

Senator KROGER—While Mr Tune is looking for that, those committed projects, I presume, are on a grant basis?

Mr Costello—We do not deal with that. We simply act as a fund manager for the government. If they require a transfer out of the fund, we simply make sure it is there on the day and then it is handled by the various departments. That is perhaps a question for someone else.

Senator KROGER—Thank you.

Mr Greenslade—The government has announced infrastructure commitments from the Education Investment Fund of \$4.0 billion.

Senator KROGER—Those infrastructure projects, what areas are they for? Are they solely in the field of education institutions or outside the education domain?

Mr Tune—It is all in the education area. There was a round 1, a round 2 and a round 3 of funds for higher education institutions including, I think—I will confirm this—some TAFE institutions. There is a Super Science package that has been announced as coming from the EIF.

Senator KROGER—I missed the beginning of what you said because the mikes have not been picking it up very well.

Mr Tune—There have been three rounds announced by the Minister for Education out of the EIF, which is a series of grants to particular organisations, largely universities, for capital funding purposes. Then there is a special Super Science package, which was announced last year. There has been a research infrastructure component of the Clean Energy Initiative, which was also announced last year, which comes from the EIF. Then there is the Giant Magellan Telescope, which is also being funded through the EIF. There has been a series of announcements made over the course of the last 12 months that are being sourced from the EIF.

Senator KROGER—So there have been no grants given outside the tertiary sector?

Mr Tune—No, I do not think so.

Senator KROGER—What criteria are used in determining those grants?

Mr Tune—The criteria about what the EIF funds can be used for are set down in the act. They are largely around things like capital expenditure in the university sector, research facilities and those sorts of issues. I will take that on notice and give you more detail, if you like, about the exact eligibility criteria. They are set down.

Senator KROGER—Do you oversee the investment of those funds? Do you seek any reporting back in terms of the effectiveness of the use of those funds and so on? Is there any ongoing management process?

Mr Tune—The ministers announce these projects. Depending on which agency they are associated with, that particular agency would take responsibility for the disbursement and oversight of the funds. In the case of higher education institutions, it would be the Education portfolio. In some cases it would be the Industry portfolio and some of those research ones I mentioned would also be under that portfolio. The Department of Finance and Deregulation itself does not do that. Once the decision about where it goes is made, our role is basically over.

Senator KROGER—In the determination of those grants and where the successful tenderers for them are, is there an endeavour to have a fairly broad geographic spread across the country? Does that come in to the grant application process?

Mr Tune—I am not privy to the processes whereby the advisory boards come to conclusions about the advice they provide to the government. I do not think it is a condition

that there be a geographic dispersion. It may occur, but I do not think it is a condition of the grant process.

Senator KROGER—On what basis are those grants actually considered? Are there consultants involved in that process?

Mr Tune—Generally, as I understand it, particular institutions would make bids to the particular advisory boards. There are advisory boards of experts that have been appointed by the respective ministers around each of those funds. The bids are assessed by those advisory boards. Recommendations are then made to the responsible minister and the responsible minister will either make the decision themselves or go through a cabinet process.

Senator KROGER—You mentioned clean energy. Is that the green research projects?

Mr Tune—No, that is a different part of it. There is a research element of the Clean Energy Initiative, which has got a mix of things, some of which is solar—in fact most of it is solar—which is being funded from the EIF.

Senator JOYCE—What is the total amount you have under management at the moment?

Mr Costello—We have around \$65 billion in the Future Fund and around \$20 billion in the nation building funds.

Senator JOYCE—Are you still aware of the contingent liability of the \$65 billion of public superannuation?

Mr Costello—Not specifically, in that we do not manage to the liabilities; we simply manage to a mandate, which is for us to generate a return over the long term of inflation plus at least 4½. So we do not—

Senator JOYCE—Inflation plus 4½ per cent?

Mr Costello—That is the minimum return that we are expected to generate over the long term.

Senator Sherry—The liability is calculated by the department of finance. They update it every three years, I think.

Senator JOYCE—There was about \$120 billion of unfunded Public Service liabilities. Is it still around that number?

Mr Tune—Yes.

Senator JOYCE—You said four per cent.

Mr Costello—Inflation plus four.

Senator JOYCE—So you looking at around a 7½ per cent return.

Mr Costello—Sure, so we are certainly behind that.

Senator JOYCE—You are behind that at the moment?

Mr Costello—We are. We began investing this money 2½ years ago. You would be well aware of some of the challenges of that. Inflation plus 4½ would, as you say, be around 7½ per cent. Since 1 July the fund has generated around 2.3 per cent per annum, so we are certainly travelling behind that benchmark.

Senator JOYCE—How much of that is invested in cash?

Mr Costello—Of the Future Fund?

Senator JOYCE—Yes.

Mr Costello—It is important to be clear because the nation-building funds are heavily cash funded. The Future Fund is presently around 13 or 14 per cent in cash.

Senator JOYCE—I am just doing this roughly. So we are looking at about \$9 billion or something like that?

Mr Costello—I have our most recent portfolio update—let me confirm that. That is absolutely right: \$9.5 billion.

Senator JOYCE—Why can I get the numbers right here!

Senator Sherry interjecting—

Senator JOYCE—Yes, no cameras, that is why. So you have \$9 billion in cash, and that would be all invested in notes and bonds from Treasury?

Mr Costello—No. Basically we generally use Australian bank bills as our benchmark, so most of it is in mandate, similar to the nation-building funds, which is the Australian banks—

Senator CAMERON—I wish the old Barnaby would come back. This is boring!

Senator JOYCE—We still have the same old Dougie, unfortunately!

CHAIR—Just ignore interjections, Senator Joyce, and continue.

Senator JOYCE—How much of the Future Fund's investment is domestic and how much is overseas?

Mr Costello—That is certainly information that we published in our annual report last year. If you would not mind giving me a moment, someone could track that down.

Senator JOYCE—Do we have 100 per cent ownership of any strategic asset overseas?

Mr Costello—No.

Senator JOYCE—We did have an investment in some motorway in Canada or something, didn't we?

Mr Costello—In our annual report last year, we gave a breakdown that showed that around one-third was in Australia and two-thirds offshore. That excluded the cash, which, of course, is held in Australia as well.

Senator JOYCE—Of the amount that is offshore, does the report break it up between how much is in South-East Asia, how much is in the Americas and how much is in Europe?

Mr Costello—Certainly. Remembering that this is excluding cash and also excludes the Telstra holdings, around one-third is in Australia; in Europe, it is almost 11 per cent; in North America, almost 40 per cent; and in the United Kingdom, 5½ per cent; leaving around 10 per cent for the rest of the world, of which two per cent is in Japan.

Senator JOYCE—Eleven per cent for Europe, 40 per cent for the US and 5½ per cent for the UK—that is 56.5 per cent. Where is the rest?

Mr Costello—Let me read this again in case I have confused you. Rounding up, North America is 40 per cent. The United Kingdom is six per cent. The rest of Europe is 11 per cent. Japan is approximately three per cent. Australia is 33 per cent, which leaves you around eight per cent for the rest of the world.

Senator JOYCE— With exposures in Europe, have we got any exposures to Portugal, Italy, Greece or Spain?

Mr Costello—We have no exposures to the sovereign debt of any of those governments. We do hold some loans to banks in Spain, so a small proportion—

Senator JOYCE—How much do we have in loans to banks in Spain?

Mr Costello—Would you indulge me with a few minutes to find that? Perhaps I will come back to it if there is a break.

Senator JOYCE—I am not prosecutory; I am genuinely curious. Do you want me to go on to another question while you look for that?

Mr Costello—Would you? I am sure I can find it.

Senator JOYCE—Certainly I can do that. With the current investment profile, what is the actual process of devising the investments? No, I will start another one while you are doing that. What shareholding do we have in Telstra at the moment?

Mr Costello—We have almost 11 per cent of the company.

Senator JOYCE—Almost 11 per cent of the company?

Mr Costello—Yes.

Senator JOYCE—Do we trade on a continual basis in Telstra shares or do we just hold them as a block?

Mr Costello—Let me summarise that. Originally, after T3, the government allocated about 16 per cent of the company to the Future Fund under a two-year escrow. That expired in November last year, so there has only been one trade undertaken by the Future Fund.

Senator JOYCE—That was a sale?

Mr Costello—That was a sale and that was of around one third of what we held, so it brought it down from 16 to approximately 11. That has been the only transaction that the Future Fund has undertaken and, as we noted before, when we took that we volunteered to enter into a lockup for a further six months just to settle the market in case there was some sense that there was more to come. That six-month lockup comes off in February. The transaction was undertaken in August last year.

Senator JOYCE—Noting the Future Fund would mark to market the current value of the shares, the return on Telstra would be quite good, wouldn't it?

Mr Costello—It depends on the time period. As Telstra shareholders are aware, there have been particular events, generally relating to regulatory risk and the progress of the NBN discussions, when the share price has been hit very hard, very sharply. There have been other times, and certainly this is one of those times, when the news seems brighter and the price is generally picking up. So it has been a rollercoaster ride. There have been distributions of dividends twice a year—

Senator JOYCE—But we are doing better than that. Our return from Telstra is better than our target and it is also better than the 2.3 per cent per annum which we are at.

Mr Costello—Generally speaking, the return from Telstra over the long term has not been as good as the broader portfolio's return. The most recent portfolio update, which I have copies of here, would address that. I know it has been referenced by some, but I will just read from that. The Future Fund's Telstra portfolio returned 4.8 per cent for the quarter and 5.6 per cent for the current financial year. That compared with the rest of the portfolio which returned 2.9 per cent for the quarter and 8.7 per cent for the year. Certainly for the first half of this financial year that is not a correct statement—the rest of the fund performed better. So it depends. If it is of interest, we can provide it.

Senator JOYCE—How much have we got invested in cash in Spain?

Mr Costello—I know someone will be watching this. Perhaps if they could come through with that information, they will probably get to it quicker than I would find it. I am just not quite sure where I have put it.

Senator JOYCE—So there is nothing in Portugal, Italy—

Mr Costello—There is not a cent to the governments of any of those countries.

Senator JOYCE—Just the banks?

Mr Costello—We do, in our credit portfolio, to try to generate returns, have a range of investments and some of it includes provision of financing to banks—to Australian banks and to banks offshore. Again, this is done through third-party managers. So there is a modest allocation to there and I am sure that that information will be with us very shortly.

Senator JOYCE—What is the approval process for investment in equities? Does it go through a board?

Mr Costello—As you may be aware, the Future Fund Board of Guardians is responsible for both funds, but we are talking here about the Future Fund. The investment strategy, what proportion we would allocate to any market, is really a board decision based on advice and recommendations and work that we do in the agency. In addition to talking with the board and agreeing on a strategy, it is also the job of the agency to identify research and recommend investment managers to use, but that decision is a decision of the board. The amount of money that we allocate to a manager is discussed with the board, generally approved and then within parameters and within delegation that can move up and down a little.

Senator JOYCE—Do they get any bonus structure in their salary or wage package?

Mr Costello—The employees?

Senator JOYCE—Yes.

Mr Costello—Yes, we do. This ranges across the people in the organisation. For anyone involved with the investment process, at least half of any bonus they get is a direct result of how well the fund performs over a three-year period. So we have tried to very much link the performance and the successes of the fund for the government as the board would determine it with how the staff determine it.

Senator Sherry—Those details are on pages 86 and 87.

Mr Costello—We do put quite a lot of information about that in our annual report, which is certainly online. It is also in hard copy.

Senator JOYCE—Are you aware of any other areas with the investment of the cash portion of the Future Fund or the equity portion of the super fund that you think has at this point in time a risk that is substantial?

Mr Costello—As you would be well aware, this has been an interesting and fairly tough ride for investors. Our job is to make sure that the strategy does not take excessive risk—that is part of the mandate—and the way we do that is we think just how badly things could go wrong and we form a view about that. There is a level below which we could not allow things to happen. That is the way we have interpreted it: try to maximise the return but do not take excessive risks. That is really for us, part of diversifying our holdings, so we try to spread that risk—certainly right now. This fund holds less shares than many funds, perhaps there are many superannuation funds in the country. For us that is largely because we have been given a great benefit in that the mandate for the Future Fund is that there is no need to withdraw money from it—there is no expected need to withdraw money from it—for the next decade. So that allows us to invest in longer term assets that do not have the volatility of the share market.

Senator JOYCE—I am interested in your statement ‘how badly things could go wrong’. When you make that statement, what are you visualising? ‘Things going badly’: what is that for you?

Mr Costello—Let me just put that in context to help. We form a view, if you like a central view, about what might happen to equity markets or credit markets or inflation and other things over the long term. You can never have absolute certainty about that, so you need to have some room either side. The way most institutional investing is done is lots of models of lots of different outcomes. Essentially, how bad it could be is that for each expectation—the flipside of how well it could go and the spectacular returns would be if everything went south together. So we look at that and say, ‘Over a three-year period, what kind of outcome would we ensure?’

Senator JOYCE—What are the global things out there that you are saying are bad?

Mr Costello—Right now, for any investor there is uncertainty about inflation in the world: will inflation run away or will we see prices continuing to fall as people reduce levels of debt? So there is uncertainty about inflation. Equity markets have run fairly hard on the back of strong initiatives by governments around the world over recent times. As that is starting to come off, those markets are starting to falter a bit. There is a lot of uncertainty around the position that governments have got in, and your question about Spain and Portugal and Greece is very much about that. So there is uncertainty about where governments around the world have left themselves, and of course there is a great deal focus on the situation for the US and what impact that will—

Senator JOYCE—Focus on the US? What are they focusing on the US for?

Mr Costello—The US is such a large player and the level of debt that the US government has is so substantial. Traditionally the US has been, and remains, something of a safe haven for investors, so when things look uncertain people buy the US dollar. I think we are seeing it

right now. They tend to support it. There is a lot of debate about whether that will continue or not. Of course, the other great opportunity in the world but with some uncertainty is the increasing profile of China, and Australia is linked to that. Our job really, when we talk with the board, is to try to mesh all those themes together.

Senator JOYCE—When you invest in the US, do you also take out credit default swaps?

Mr Costello—There are probably two things to say. The short answer is, yes.

Senator JOYCE—You do take credit default swaps?

Mr Costello—Not directly. All of our investing is done through third-party managers. Part of that really is a range of structured instruments, and a small part of that would be—and that would depend because I do not believe we have any sovereign credit default swaps at all. But in the corporate market there is always activity there. If you were very interested in the detail, it is something I would be very happy to come back to you on.

CHAIR—Senator Joyce, is this your final question?

Senator JOYCE—I am waiting for Spain.

Mr Costello—So am I.

Senator JOYCE—Do you take positions on credit default swaps through your investments in Europe?

Mr Costello—I would need to check the specifics. Again I would say it is not something that is done directly by the organisation, but I would need to check the mandates of those funds. So perhaps if you were comfortable, I could take that question on notice.

Senator JOYCE—Okay. As soon as we get the stuff on Spain—

Mr Costello—Sure.

Senator Sherry—We should have it by dinner at the latest.

Senator CAMERON—Mr Costello, back in November the IMF Managing Director, Dominique Strauss-Kahn, gave a speech in the UK where he spoke about major advanced economies still being extremely fragile and that the:

... banking systems in many advanced economies remain undercapitalized, weighed down by leaden legacy assets and, increasingly, non-performing loans.

Given that we have this international exposure, have you discussed any of these issues in terms of your investment strategies?

Mr Costello—As you might imagine a great deal in fact. A discussion that we try to structure on a regular basis during the year with the board is exactly trying to consider these very material risks that exist: to what extent those risks are present and in our own portfolio and to what extent they represent opportunities. One of the very fortunate things we have had with the Future Fund is that we began investing just as these risks were starting to become clearer, and so often assets that needed to be sold by other owners were sold at very attractive prices, and that has been an important part of the program. We are starting to see these returns come through quite strongly now. So we are very conscious of those risks and are trying to manage a path through that. The short answer to the question is: we do think about those things a great deal and we are trying to form a clear view through it. But as you would

appreciate, when things seem relatively clear, clouds can very quickly appear on the horizon and things can change.

Senator CAMERON—The other issue that Strauss-Kahn raised was that the old model under which households in the US and elsewhere propelled the global economy with their voracious appetite for consumption is dead, or at least on its last legs, and that there had to be a new model. What is the debate internally on these issues?

Mr Costello—You touch on a critical point—that is, the US consumer has been a major driver of the wealth that the world has seen over the last little while, and as those consumers attend to their own personal situations—largely around the value of their houses, which have been falling, and around the pressure of unemployment—then consumers, particularly in the US and further afield, are really bunkering down. It has largely propelled China's growth. The whole question about—it is a fairly grim prognosis that it is dead. I think there is a flutter of life attached to that, but the general expectation is that consumers all around the world, and perhaps in the US in particular, will not be back to their old selves for perhaps a very long time.

Senator CAMERON—This also raises the issue of emerging economies and the drivers that are being created in emerging economies, such as the move from exports to internal domestic demand. Are there opportunities for the fund in this internal domestic demand and, if so, what are they? What are you looking at?

Mr Costello—That story particularly comes home with China, doesn't it? It goes back to the question: if demand for products from US consumers is dropping off will demand by domestic Chinese consumers replace it? That is an opportunity in itself. Australia's relationship with that is critical—clearly, Australia's exports in terms of the likely change in those export patterns for domestic versus export consumption. We are very much focused around Australia's role in that. There has been a lot of work on the kind of stimulus that the Chinese government is deploying, the effect that that will have, and the extent to which they are trying to boost domestic demand but not let it build up too quickly. There have also been steps in controlling credit. So, again, I think these are really critical issues. They are not particularly clear, but they form a critical part of us thinking about how we would reposition the program going forward.

I mentioned before that we try to meet with the board at least a few times a year, more often if it is needed, to sit down and review these issues collectively—the perspective of the board is very valuable here—and then determine how we would reorient the program generally and then specifically what opportunities we would seek within sectors and exposures. We think about these things a great deal.

Senator CAMERON—Do you have discussions about particular countries and investments—Senator Joyce has raised the issue of Spain?

Mr Costello—As a general rule we tend to think more about the very large markets, particularly the situation in the US and China. We think about Europe—more specifically, the pressure on Europe and on its currency. It is still relatively new, as we know, as the euro zone grows. We are starting to see—this week, particularly—some of those pressures emerge and how Europe is handling the disparate membership of the EU under a common currency. We have been thinking for some time about this pressure in Europe which we are likely to see

from exactly the kinds of issues that have been raised here, where we see debt levels rising. In the old days, when each country ran its own currency, these things tended to sort themselves out through a devaluation of the currency. This is still relatively new territory. So we do spend quite a lot of time thinking about Europe and trying to manage the risk there. It is partly why we really are just very cautious about holding sovereign debt there, at least in some parts of the euro zone.

Senator CAMERON—As distinct from sovereign debt, do you have investments in alternate energy technology in Europe?

Mr Costello—Not specifically or directly. It is possible through our current equity program that there would be some exposure. It is also possible through the debt program that there may be some loans there. We have not specifically made an allocation and it has not been part of a theme. It is something we are giving some thought to as we think about major themes in the world of resource scarcity and the changing resources and how we would participate in that. It is clearly a risk and we have to think about exposures which will not do well out of that. There is also an opportunity in trying to come in at the right time. Many investors have not fared as well out of those initiatives as they might have hoped. It is just something that we really are giving thought to this year. We have recruited people to help us with that. That is very much a current issue.

Senator CAMERON—So you are looking at that now. Is it a question of trying to get some certainty in terms of your investments in these alternate energy proposals?

Mr Costello—We are trying to think about it on a theme basis first—risks around scarcity of energy and managing for that. So we go through and say, ‘What kinds of things would we really not hold or at least where we think those risks are not well priced in?’ Conversely, ‘Where do we think there really are well-developed opportunities to participate in likely successful alternative programs?’ That is not straightforward. There is often a lot of enthusiasm for these things and it often does not go anywhere. As I indicated, it is something we are really turning our attention to in our thinking about how we can weave the right path through the risks and opportunities around changing energy models.

Senator CAMERON—Has the board of governors discussed the potential for the fund in relation to global warming and mitigation?

Mr Costello—Again, not specifically. It is something that we are trying to think a little bit about. I think often these conversations can be sort of noisy and erratic. I take the view that it is best for us to think about that in a coherent way.

Senator JOYCE—Senator Cameron can understand that.

Senator CAMERON—That is the pot calling the kettle black, let me tell you.

Senator Sherry—Chair, Mr Costello has a correction to one of the answers he gave Senator Ryan earlier.

CHAIR—Perhaps, just to streamline things, we could just allow Senator Cameron to conclude his question.

Senator Sherry—I am sorry; I thought he had finished.

Senator JOYCE—You were hoping that he had finished.

CHAIR—No. Then we will take the correction and further information for Senator Joyce.

Senator CAMERON—How has your namesake fitted in to the board of governors? Is that going all right?

Mr Costello—He will attend his first meeting in a couple of weeks.

Senator CAMERON—Has he done the training program?

CHAIR—If there are no further questions, Mr Costello, could you correct the record now.

Mr Costello—All investments in the PIGS countries, as you have called them—that is, Portugal, Ireland, Greece, Spain—equity and debt, are less than one per cent of the fund. We do not have more current data, but we can take it on notice. A very small proportion of the 11 per cent allocated to Europe would be allocated to those markets. I do, though, have a list here of the draft exposures to those countries, both in terms what we classify as corporate bonds, which is generally financing to banks in Spain—which is around \$50 million of the Future Fund—and then to corporates in those countries.

Senator JOYCE—You said less than one per cent of the \$65 billion—

Mr Costello—Is invested in those four countries—either in shares held in companies in those countries, which I think is a different issue to debt. We could get this response to you pretty quickly if we could finesse exactly the information you are seeking. I am worried that there is so much information flitting around here, and it gets in the way.

Senator JOYCE—In those four countries, less than one per cent—

Mr Costello—Less than one per cent of the total fund is in those countries, either in shares in companies based in those countries or in debt to either corporates or to banks in those countries. None of it is to the governments themselves.

Senator JOYCE—One per cent is about \$650 million?

Mr Costello—Yes.

Senator JOYCE—That is still a substantial lot of money.

Mr Costello—Less than one and—

Senator JOYCE—Less than \$650 million.

Mr Costello—Yes.

Senator JOYCE—And \$50 million is invested in banks in Spain.

Mr Costello—That is right. It is financing to banks in Spain.

Senator JOYCE—That is still a lot of money invested.

Mr Costello—A large part of the debt program has been around financing companies and banks around the world, particularly at a time when returns on that were very high. You would recall when banks were competing for capital.

Senator JOYCE—In your mind, the cause of the risk in Europe is sovereign debt.

Mr Costello—We had a discussion before about the pressure within the growing—

Senator JOYCE—Was it debt?

Mr Costello—Yes, certainly the debt of some member countries. I think we are seeing this now.

Senator JOYCE—You said there are pressures also in the United States because of debt.

Mr Costello—Certainly the government has debt pressures there as the deficit grows. We also talked about the US consumer, who has really propelled a lot of activity around the world and who is really retreating from that as they deal with their mortgage and insecurity around their job. Certainly the changing position in the US in particular is something that is very present. Within Europe more particularly, we are trying to get a sense of how Europe will respond to the disparate membership under a common currency and the extent to which stronger economies within Europe will step in to help out weaker ones—and I think this is what we are seeing here.

Senator JOYCE—So if the governments of those countries had their debt more under control then there would not be so much of a problem, would there?

Mr Costello—I think that is an absolutely true statement.

CHAIR—There is a further correction from Mr Costello to Senator Ryan.

Mr Costello—The table I was looking at before was about four months old. You asked about the proportion of the nation building funds that are in state or Commonwealth debt. We said for each fund it was less than one per cent. As at 31 January, that has grown to about five per cent of each fund. I think it is important to clarify that for the record. I was looking at October information rather than January.

Senator RYAN—Mr Costello, that is an increase of more than five times in three months. You will appreciate that these questions have been asked regularly to ascertain whether or not the Future Fund is buying state and federal government debt securities. Who undertakes the purchasing of those?

Mr Costello—It is all by a single Australian based manager that we recently hired to try and put interest-rate exposure into the nation building fund. Let me explain that. When we think about the nation building funds we think about credit risk—which is the point that Senator Joyce was raising—and who it is appropriate to lend money to. We have a program around the world for that.

We also have to be conscious of the fact that interest rates can change and to try and not be caught out by that so we have hired a manager particularly to manage interest-rate risk. The most effective way of doing that is to buy long bonds issued by governments and corporates. We focused first on credit. We appointed this manager in the third quarter of last year. As the program has been building up so has the exposure to government bonds around the world. I think your question goes to the extent to which the Future Fund directly would be doing this. I have always been pretty clear on that. It is not something that we in any way do directly or discuss with any government.

Senator RYAN—I appreciate they are done through mandates. The question also goes to the fact that a number of us would be worried if the funds managed by the Future Fund, regardless of whether or not they were done at arms-length, were being used to simply shuffle money around between Commonwealth accounts and shift debt from one government agency

to your trusteeship of money for the Australian people. I asked for the three nation building funds, is it possible to get numbers for the Future Fund itself?

Mr Costello—I think I should take that on notice and get it to you.

Senator RYAN—I am doing some quick sums in my head.

Mr Costello—The mandate for the nation building funds is very different to the Future Fund. In the nation building funds we hold no equities; we only hold fixed interest bonds. Clearly the impact of interest rates on that is acute. It is a very different program. You would expect to see this type of exposure, as a proportion, significantly higher there. Certainly in the Future Fund we do not try and manage this risk in the same way as we do in the nation building funds. In the nation building funds these securities are purchased directly by managers. We try and manage interest-rate risk differently for the Future Fund. I am happy to take the question on notice.

Senator RYAN—I would appreciate that. You mentioned that in such a portfolio you would expect the exposure to government securities being, if anything, a little higher. Would you expect it to continue to grow?

Mr Costello—It is really only to try and just have some protection against changing interest rates because a lot of credit securities are quite short term and so we need to try and build in some longer duration there. The strategy we have got there is settled so we would not expect that to change. The main thing we manage with the nation building funds is the balance between holding enough money in the short term to meet the withdrawals we have talked about and investing enough in the long term to try and generate the excess return that we need.

Senator RYAN—I would appreciate similar numbers for the Future Fund if possible.

Mr Tune—I have one clarification, if I may. A question was asked by Senator Kroger about what the EIF funds would be used for. I think I said higher education institutions, which is correct, but there is also provision in there to provide funds to certain research institutions. Examples might be CSIRO or ANSTO, which are also eligible for funds.

CHAIR—Thank you. I call ministerial and parliamentary services officers.

[3.06 pm]

CHAIR—I welcome the Special Minister of State, Senator the Hon. Joe Ludwig, and officers of the Department of Finance and Deregulation. Officers and senators are familiar with the rules of the Senate governing estimates hearings. In particular I draw your attention to the order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised. The committee has set Friday, 26 March 2010 as the date by which answers to questions on notice are to be returned. Senator Ludwig, do you have an opening statement?

Senator Ludwig—No, thank you.

CHAIR—Secretary?

Mr Tune—No.

CHAIR—I call Senator Ronaldson.

Senator RONALDSON—Could M&PS please provide the usual estimates documentation that is asked for by oppositions, namely the ministerial staff establishment, including officers and classifications and the number of people with personal classifications. Has there been any change in the ministerial staff establishment since the last time we met? Of the people with personal classifications, how many were higher and how many were lower than the substantive classification? How many opposition staff have personal classifications? How many government staff are paid above their nominal salary bands? How many opposition staff are paid above their nominal salary bands? Under part II of the MOP(S) Act, 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 so, would you please provide the committee with the number of these staff and details of what agreement they are employed under.

Ms Clarke—We have the usual information on the numbers of personal staff classifications, which we can hand out. You also asked how many consultants were employed under part II and the answer is zero.

Senator RONALDSON—So I think the outcome of that was that it was the standard information and there are no consultants employed. Is that correct?

Ms Clarke—That is correct.

Mr Tune—We have some documents here; shall we circulate those?

Senator RONALDSON—Yes. I am sure my staff are listening and will race up and have a look at them. Minister, I turn briefly to the new entitlements regime, which was finalised last year on 22 December in ministerial circular 2009/32. I want to have a discussion with you about the definition of ‘party business’, which as you are aware excludes political fundraising. I would like to get an answer on the record as to what that means in practical effect. For example, if I am running a town hall meeting with a gold coin donation to cover costs of hall hire and coffee and biscuits, would I be permitted to advertise that meeting using the printing and communications allowance?

Senator Ludwig—If there are particular circumstances that you want me to look at, we might put them on the record and I might take them on notice to have a considered look. But I might ask you just to clarify it in some respects. When you say ‘some of the information’ I might want you just to expand some particular points so that I understand what the balance is. I may find you saying that one again, because it just struck me as a bit more information you might have to describe.

Senator RONALDSON—That is okay. Basically I am trying to work out whether cost-only functions are captured under this definition. So, if I am having a community town hall meeting and there is a gold coin donation to cover the costs of hall hire or coffee or biscuits, can that be advertised using the printing and communications allowance?

Senator Ludwig—I might just get the department to provide the answer, if they know it. Secondly, if they require additional information as well, it is then an opportunity to clarify. One of the things that struck me when you said ‘a town hall meeting’ was the nature of the meeting or issues that you are likely to discuss.

Senator RONALDSON—A town hall meeting that is not—

Senator Ludwig—I am from Queensland—

Senator RONALDSON—I am sure you have still got town halls up there.

Senator Ludwig—We certainly do.

Senator RONALDSON—But, I refer to community events as opposed to political functions. How about I go through the questions, Ms Clarke, and then you can make a decision about whether you want to take it on notice.

Ms Clarke—You may be raising questions that have already come our way. As the new entitlements regime is getting bedded down, a number of questions have been coming up, including that one.

Senator RONALDSON—Indeed. I would also like to place on the record my thanks to departmental officers who, through no fault of their own, have gone through an extraordinarily difficult time in the latter half of last year. As I have come to expect, both in my portfolio responsibility and personally, it is always done with a great deal of professionalism and I thank you for that.

So we have got the town hall community meeting scenario. What about in the situation where I was holding a breakfast, for example, with Mr Abbott at \$15 per person to cover costs—not a fundraiser, but a meet the community function, like a community cabinet type function. I am assuming that, given that I was not actually raising any funds for the campaign itself, I would not be captured, but I am interested in getting your view on it. Also, in a situation where there was even a nominal profit; for example, if you had budgeted for 40 people to come to a function at five bucks a head and 60 turned up, because it was generally advertised. I am happy for you to take that on notice, because it obviously is important to members and senators on both sides of the political arena. I will leave it up to you, Ms Clarke, whether you want to do it now or later.

Ms Clarke—We will take on notice the detailed questions, but the general principle even before the reforms came into being has been that where you are just covering the costs with a donation it was not considered to be fundraising. That question has come up in the past. But we will take on notice the questions you have asked in those specific instances. I think we will answer them as well, but we will also put them out in the questions and answers document that the minister circulates and that way they will get around to everybody.

Mr Tune—Could I clarify something. In the second example, was that a situation where you were intending to cover costs ex ante but ex poste you may have made a small profit? Was that the distinction you were drawing?

Senator RONALDSON—Yes, the last scenario. You might have budgeted for 40 people, which effectively covered the cost for 62 and they kicked in five bucks each.

Mr Tune—So what happens then.

Senator RONALDSON—Yes. A very nominal profit. Thanks. I was hoping that in their widest sense the old laws would continue to apply, but I would be grateful for something official in relation to that.

Ms Clarke—Certainly.

Senator RONALDSON—Minister, does the department have a policy on the relocation of electorate offices?

Senator Ludwig—When you say ‘relocation of electorate offices’ is this if a member is shifting within the electorate?

Senator RONALDSON—Yes. I do not know whether you can get an office outside your electorate, can you?

Senator Ludwig—Redistributions may come up. You could find yourself outside.

Senator RONALDSON—That is right. You would have to come back in.

Mr Miles—Your question was whether there is a policy on relocations of electorate offices.

Senator RONALDSON—Yes.

Mr Miles—In an election year context or a broader context?

Senator RONALDSON—In a broader context.

Mr Miles—There is a whole range of policies to do with where the electorate office needs to be located—in other words, within the electorate. There are guidelines to do with the size of an electorate office, which is typically about 175 square metres. There are other guidelines about their need to comply with Australian standards. Beyond that, we have a number of guidelines which go to the level of security that needs to be provided for the member and the member’s staff. There are a whole heap of them.

Senator RONALDSON—What if a new MP finds themselves in an office that simply does not suit their purposes or their constituents? Is there a rule in relation to relocation of new members who come into offices that they view as simply not appropriate to their needs?

Mr Miles—There is no rule. We try and structure leases on electorate offices so that we do not run into a situation where a new member comes in and is stuck with the decisions of a past member about the location of the electorate office. We cannot always avoid that situation, unfortunately. Were that to happen—were an incoming member was not satisfied for whatever reason with the electorate office, be it size, location or whatever—we would, in briefing the minister, take into consideration the length of the lease that was still outstanding, how long the electorate office had been there, how much money had been spent recently on its refurbishment, whether in fact it was under the typical size and a whole range of other things. That would be with the intent of trying to avoid running into a dead rent situation where we would have to spend money on two offices within the same electorate.

Ms Mason—There has been a fairly longstanding expectation that when a new senator or member comes to office that they would generally occupy the electorate office of the person that they are replacing. That would be the normal expectation. But, as Mr Miles said, there are circumstances where that may not be considered suitable and we may brief the minister on the reasons and circumstances that surround a particular request.

Senator RONALDSON—That would at least be until the lease came up, I presume.

Mr Tune—That is correct.

Senator RONALDSON—When the lease comes up, what is the generally accepted rule of thumb?

Mr Miles—Again, if it was the first term of a lease, with the office having been established for, say, only three years at considerable expense, we would probably be reluctant to recommend that it be relocated—unless other circumstances were also there, such as a change in electoral boundary and all those sorts of things. In all cases, we have regard to the economics of the situation.

Senator RONALDSON—Clearly, if you are not talking dead rent then the economic circumstances are reduced.

Mr Miles—That is correct. Sometimes it is open to us to relet the premises, although that is becoming something of a rarity these days.

Senator RONALDSON—Is there any precedent for refusing a request to move when it occurs at the end of the lease?

Mr Miles—I am not sure. I will take that on notice. There may be, but I cannot recall any.

Senator RONALDSON—I take it from that, given the number of members and senators who are moved—I think Ms Clarke knows exactly the matter I am referring to—and the fact that you cannot remember one where permission has been refused at the end of the lease, that it is unusual for it be refused?

Mr Miles—I just cannot recall. To see a lot of requests for relocations, but I cannot remember the stage they were at. Were there to be such a case, we would have given consideration to the length of time the current office had been established and when money was last spent on it.

Senator RONALDSON—I take it there is a precedent that if the lease is up then, in the normal course of events, a relocation would be allowed.

Mr Tune—I guess it is more likely—I think that is the answer that is being given. If you have made a substantial investment in a building, that changes the economics somewhat. You need to take account of the exact circumstances. As a general rule, yes, if the lease is up it is more likely that the economics have changed or the position is that it is okay to move.

Senator JACINTA COLLINS—That is not my experience, Chair.

Mr Tune—I am saying ‘more likely’; I am not saying—

Senator JACINTA COLLINS—That was some years ago.

Mr Tune—You are perhaps the exception we were looking for!

Senator RONALDSON—I refer you to your decision to refuse a request from the member for Forrest, Nola Marino, to move her office to Bunbury from a town I gather is called Eaton. Is that case familiar to any of those at the table? Is that a nod, Mr Miles?

Mr Miles—I think that is correct.

Senator RONALDSON—Minister, I have been provided with a letter from my colleague Ms Marino. It was sent to Rosemary O’Hare, the state manager for finance and deregulation in Perth. It was dated 16 November. It says:

I understand that the lease ... expires in April 2010.

It indicates that Ms Marino did not want to have the lease on her current office renewed and wanted to move to Bunbury. I will go through some detail of the matters raised by Ms Marino in relation to this request. I understand that, historically, the office for the federal member for Forrest has been located in the centre of Bunbury and had been for over 20 years. Ms Marino's letter says:

2. Bunbury is the major centre for the South West offering both Federal and State Government agencies and offices as well as general and special health services to South West communities.

Most importantly, in my view—and I am not quoting from the letter—it is where the majority of Forrest constituents are currently located. The letter goes on to say:

3. The current electorate office is in an obscure location, hidden behind light industrial buildings in Eaton, nearly 10 kilometres north of the Bunbury Post Office in the Shire of Dardanup. It is not visible from any major thoroughfare and in spite of advertisements by DOFD—

that is, the Department of Finance and Deregulation—

members of my staff constantly deal with frustrated, angry constituents who cannot find or have had great difficulty finding the office. It is particularly difficult for seniors and those with a disability—two groups who are in frequent need of the services of their Federal Member of Parliament.

I do not need to table this. I presume it will be on file somewhere—is that right? I again quote from the letter:

4. Constituents who do not have their own private transport, must catch a bus into Bunbury, then another bus to Eaton, then walked two blocks to the office. Most constituents flatly refuse to travel to the Eaton office because of the distance from Bunbury. Indeed, many elderly people who need Federal Government assistance are being denied that assistance because of the current location of the office.
5. The Eaton office is in the commercial/light industrial area and the back door to the building only provides access to the side and front. I believe this provides a security risk to staff if someone with threatening behaviour is at the front of the building.

There are a couple of other matters about internal concerns. I will continue:

7. Eaton does not have a Post Office; therefore all postal services have to be delivered to and collected from Bunbury at further expense and inefficiency.

The office needs to move to Bunbury, a more central location in the electorate that is easily accessible by public transport which would provide the constituents of Forrest easier access to their Federal Member of Parliament.

Quickly going through this: historically, the office has been in Bunbury—going back a bit. The lease has expired—so the member is not asking for a lease to be broken and therefore there is not a dead rent situation. The office has been in Bunbury for over 20 years, except, I gather, for the last three. Bunbury is the major centre, where the majority of the constituents are. This electorate office does not provide proper assistance to constituents. It is not easily available to the elderly and the disabled which, as the letter says quite clearly, are two constituent groups who rely heavily on their member of parliament. It is not available easily by way of public transport. There are potential security issues for staff and there are other issues such as the lack of a post office.

On what basis does Ms Marino have to wear the outcome of a decision that was made by her predecessor, on my understanding, with no input from her? I have read your letter, Minister, and I can assure you that there was no discussion, nor was there any tick-off, from my understanding, by Ms Marino in relation to this office. There was a three year lease, is that right, or is this the end of an extended period of lease? How long had the lease been there for?

Mr Miles—The electorate office was established in mid-2007, I think, not long before the last election. It would have been a three-year lease with some options, I think.

Senator RONALDSON—Normally with those options, in my experience, and you can clarify this Mr Miles, people who are leasing or renting premises to the Commonwealth are always pretty keen to get signed up to an extension of the lease. No-one has exercised an option—the department has not, I presume, because Ms Marino said no, and I take it the landlord has not exercised either—is that correct?

Ms Mason—The options we hold over electorate office leases are normally held by the Commonwealth, so it is normally a matter for the Commonwealth to exercise the option to extend or not, as the case may be. In this instance—we are just checking the figures—there was a significant investment made in setting up the office in 2007, not all that long before the election, and, as you have indicated, it was done on the basis of an indication that the incoming member would be content with that accommodation.

Senator RONALDSON—The former member was not in a position to do that. If it was before the election the former member had no idea who the new member was going to be, so how that person could possibly indicate at that stage that it was ticked off is beyond me. Mr Miles, how often do you spend substantial funds on an electorate office when the lease is only for three years? Is that usual? It seems unusual to me but I might be entirely wrong. Is there something unusual about this particular office that I should know?

Mr Miles—The only thing that was unusual, I think, was that it was established so close to an election. That is something that we would not normally have done. Apart from that, the arrangement, of a three-year lease with options, is a fairly normal one. It helps because it does not lock us into a longer period in which there might be boundary changes and those sorts of things. Typically, we would go for three years and a couple of three-year options.

Senator RONALDSON—Minister, are you prepared to revisit this decision and give an in-principle agreement to this member to be able to move? I can see, quite frankly, no justification at all for this attitude. I hasten to add that this female MP—and I am not playing the female card—but this is a female member of parliament who has concerns about the safety of her staff.

Senator Ludwig—With all these things the relevant member is always entitled to ask for a review, to write to me again and lay out the circumstances. I will always take into account the views of the member but I will also take into account the departmental view, particularly around value for money—to ensure that the Commonwealth obtains that. But we can balance the other considerations as well. If they are important considerations then I always encourage members to support their position and send a letter to me to that effect, perhaps highlighting some of the issues that you have highlighted again, or supporting additional information with it. Before we go too much further I also wanted to check whether or not we have the original file and the reasons for the decision, just to make sure we are talking about the same issues

and that all of those matters have been put before us effectively before. I do not want to give anyone any encouragement that these decisions can be changed so I wanted to take advice from the department as well, to make sure that the original decision was made with all of the available information.

Senator RONALDSON—Minister, can I ask you again, and Mr Miles may want to answer this question: my understanding is that under the previous government—and there were three Special Ministers of State—on not one occasion was an end-of-lease relocation request knocked back. I am happy for you to take that on notice. If indeed that is correct—and that is my understanding—then clearly there was a precedent over at least 11 years, I think it was—

Senator JACINTA COLLINS—Senator Ronaldson, my experience previously was different to that. Under the previous government it was not as straightforward as you are suggesting.

Senator RONALDSON—Under this government?

Senator JACINTA COLLINS—No, under the previous government.

Senator RONALDSON—Well, was yours under the previous government?

Senator JACINTA COLLINS—Yes.

Senator RONALDSON—Was it granted? If it was refused—

Senator JACINTA COLLINS—No, I said it was not as straightforward as you are suggesting. It was eventually granted but there were various—

Senator RONALDSON—But yours was granted.

Senator Ludwig—As I have indicated, I am happy to look at it. I have made that plain. I always encourage members to raise the issue if they feel that the primary decision or the decision that was made may not have been to the outcome that they particularly wanted. I encourage them in that instance to write again and contact us if there is additional information. If there is additional supporting material that may underpin their position, it is always very helpful to include that.

Senator RONALDSON—I am pleased that my colleague has confirmed that, while there might have been difficulties, the precedent which I think is there was certainly maintained.

Senator JACINTA COLLINS—No, no, I am saying that was not the precedent. There were other extraneous factors that ultimately impacted.

Senator RONALDSON—The precedent was that you were allowed to move it after the end of the lease.

Senator JACINTA COLLINS—No, that was not the reason.

Senator RONALDSON—Minister, I accept and thank you for your offer from Ms Marino to write to you. I think she probably felt that this might have been the end of the road when your letter to her said:

Given the recent expenditure in establishing the office, I regret to inform you that I am not prepared to approve your request at this time as I find there are no compelling reasons to relocate from an office with a purpose built fitout that is still less than three years old. I would encourage you to contact

M&PS' Western Australian State Manager, Ms Rosie O'Hare, if you feel you have ongoing issues with your office that have not been addressed..

I do not think it was, 'Write to me and I will review it if there are better requests'. It was: 'This ain't happening and if you have got any problems with air conditioning and other things you go off and see Ms O'Hare.' I accept that you have made the offer because it would be unfortunate were this to be viewed as making life difficult for a member of parliament for the wrong reasons, and I am sure this is not why this is being done. It would be unfortunate if that was the perception that might occur.

Senator Ludwig—Are you aware, Senator, whether the member had contacted Ms O'Hare?

Senator RONALDSON—I think the member had been in constant contact with Ms O'Hare prior to her writing to you in relation to this matter. Indeed, she had made I think numerous requests for the relocation—

Senator Ludwig—But you are not sure.

Senator RONALDSON—and had spoken to Ms O'Hare about it.

Senator Ludwig—Do you think she has already spoken to Ms O'Hare about it?

Senator RONALDSON—I don't know. The letter was only sent on 21 January, so I am not too sure whether she has spoken to her since then.

Senator Ludwig—We can check.

Senator RONALDSON—My understanding is that she had been told by the department in Western Australia that it would not be granted and hence she then wrote to you as the minister.

Senator Ludwig—I understand that. I have always accepted that some members are more ready to put pen to paper than others, but in this instance I indicated that I will have a look at it. The department will look at it again. But we do always—and I do not want to mislead the committee in any way in this respect—look for value for money. We do not want to be wasteful of Commonwealth expenditure. In those instances, the letters are designed to ensure that people do follow the proper course. Baring all that in mind, I will, nonetheless, look at the matter again.

Senator RONALDSON—Thank you, Minister. I appreciate that. I have no further questions.

Senator MOORE—I would like to follow-up questions about the management reports that come in. Can you let me know the current status of returns?

Ms Clarke—Certainly, I will get the appropriate person.

Ms Sims—Running through the 2009-10 financial year: July 2009, 88.99 per cent were certified; August 2009, 85.9 per cent; September 2009, 81.94 per cent; October 2009, 76.21 per cent; November 2009, 62.56 per cent; and December 2009, 25.44 per cent.

Senator MOORE—There seems to be a nasty trend there, Ms Sims.

Ms Sims—Yes.

Senator MOORE—I am just interested in terms of the process. We have had this discussion regularly, as you probably know. The process started out very well. Is there any indication that some of the people who are not returning their management reports are the same people? We have got percentage returns, but is there any indication that the people who were not returning their management reports in July—which was 20-odd per cent—were in the almost 80 per cent that have not certified in December?

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

Senator MOORE—I regularly raise this question about management reports. I hope I have not misquoted you, but the last month was December and less than 30 per cent of senators and members had actually had their management reports certified, is that right?

Ms Sims—That is right. The monthly management reports were only sent out on 15 January. That could possibly explain it.

Senator MOORE—To be generous, we will jump back to November. What was the percentage in November?

Ms Sims—That was 62.56.

Senator MOORE—I just say again, in terms of the process particularly in the last couple of years when we have had more focus on this kind of activity, this does not seem to be an effective use of the whole process in terms of an expectation which is clearly spelled out in those management reports, that it is the responsibility of the senator or member to return them within a certain period of time. These questions have now been asked at this particular estimates for six years, and we still do not have over 90 per cent—even at the high point we do not have 90 per cent of members and senators returning them. Unless there is a problem which I do not understand, this does seem to be a process that has not got the full support of the people who are in this place. Could someone have another look at it, and could we see whether, as we found out before, we have people who have never returned their management reports. I think it came out in previous Senate estimates that there were a couple of people who do not, so could we have that looked at.

Ms Mason—You are correct in saying there are some people who do not return their monthly certifications, but if I could just go back to the figures that Ms Sims quoted, for July it was 88.99 per cent, so fairly close to 90 per cent. Then it does trend down there for 2009, but if I turn to the year before, 2008, the monthly proportion of senators and members who have certified is over 90 per cent in every month except for June 2009 and the end of financial year statement, where it dropped to 75.44 per cent.

Senator MOORE—Over 90 per cent is really good. I do not understand why it is not 100, when it is clearly put on the front page that we are supposed to do it. We have asked whether there is any reason given, and what is the interaction between the department and the senator or member. There did not seem to be a great deal of clarification. I just put it on record, and if you go to the year before, which was 2007, I think you will find the percentage was not as high.

Ms Mason—Possibly; I do not have those figures with me.

Mr Tune—As a point of clarification, are you talking about the issue of whether the department follows up with the members concerned? Do you think there is an issue there?

Senator MOORE—That is one element of the question. I am also at a loss as to what the process is. With previous ministers we have had discussion about what is the impact of not returning them, and there is not one from what I can see.

Ms Mason—There are sometimes queries raised by senators and members about the content of their monthly management reports, and where we receive those queries we do work with the relevant office to try to clarify that with them. I should also mention that the certification of management reports is one of the matters that the review of parliamentary entitlements has been asked to look at, so it is something that is under examination. That was announced by the minister from memory on 8 September 2009. That review is due to report to government in the early part of this year.

Senator Ludwig—The range of matters that you have raised about those reports, including the certification, were on my mind at the time.

Senator MOORE—At the end of financial year last year, which is the final process, what was the percentage of returns at that stage?

Ms Sims—That was 75.44.

Senator MOORE—That was the final large one that you put in, which covers the whole year?

Ms Sims—Yes.

Senator MOORE—It was my understanding that the percentage for returns was then published, is that true? That was a document that went to parliament. That could be part of the review as well. It was my understanding that it was published, but I could be wrong.

Ms Mason—Not to my knowledge, Senator. You might be referring to the minister's announcement that details of all expenditure in respect of senators' and members' entitlements that are administered by the Department of Finance and Deregulation will be tabled from June of this year, so that will certainly bring more transparency to expenditure at that point.

CHAIR—I have a question in relation to the certification that senators and members sign off on. For the committee's benefit, can you outline the legal obligations? Even though there are obvious errors that can carry over for six months, that have been highlighted by a senator or member, you certify and sign off on those but the mistake continues for in excess of six months. What is the legal standing of a senator who signed off on that certificate?

Senator Ludwig—Is that where they have put a caveat or raised an issue in relation to the certification? They have made an amendment? They have indicated that there is a dispute in relation to a particular point? They have not just signed off on it without informing the department, I take it.

CHAIR—They have made a number of amendments, that is right. But that query rolls over for six months without being corrected, being raised on a monthly basis—

Senator Ludwig—I understand the point that you are making.

Mrs Baker—There is no legal requirement for senators and members to sign off on their monthly management report or the end of the financial year report. The department promotes it as good practice. As you would be aware, there are two sections to the monthly management reports. There is section A, which senators and members sign off on, which is

signing off on what senators and members would have reasonable expectation that they could sign off on—their own family travel. Part B, which can be signed off by staff members or the senator or member themselves, is more detailed financial information. There can be time lags in some of that information. At times, if there has been a refund come through from our travel services provider, that can take a number of months to show up on a monthly management report. Obviously when the monthly management reports go out we ask senators and members, if they have anything that they are concerned about in a monthly management report, to let us know. Unless we know if there is an error, we cannot follow that up either with internal departmental practices or external service providers.

CHAIR—My understanding of the changes to the entitlements and the introduction of certain budget restraints is that it becomes a reference point for trying to stay within your entitlements. I just want to clarify that point.

Mrs Baker—As the minister announced in September last year, the monthly management reports and, indeed, the tabling document, will table all expenditure paid for by the Department of Finance. Sorry, can you repeat the question again?

CHAIR—In relation to the changes to senators' and members' entitlements it is now fairly obvious that we have to keep a very strict budget on expenditure. If we want to use those management reports as a reference—and that is all they can be used for, as a reference, because the lag time is considerable not only for flights and cabcharges but also for family travel—then it is not a reliable reference point for senators and members to meet their budget obligations under the new entitlements.

Ms Mason—Senator, you are right in saying that there is a lag time in the receipt of information by the department at times. The monthly management reports represent one of the tools available to senators and members to assist them in managing their use of entitlements. The department is not able to know all of the steps that have been taken by a senator or member in managing their office, because obviously we do not have that detailed information available to us in the department. It is a matter for the senator or member to decide when to travel and when to use entitlements. The only thing that we can report back on are the payments or charges that are known to us, and that is picked up in the monthly management reports.

CHAIR—Yes, and there is obviously a lag time in relation to repayment of accounts that a senator or member might be obliged to attend to. An account would have been paid, for instance, more than six months previously and yet the department still sends out a letter requesting payment, when in fact that payment was made in excess of six months before. So I can understand why there is a lag with some senators and members signing off on those management reports.

Senator JACINTA COLLINS—I just want to pick up on Senator Moore's questions, and to a degree Senator Polley's questions also. I am curious from my own experience whether there is any accuracy indicator, whether there is a decline in senators reporting back on management reports because of a frustration over the level of accuracy? Certainly my own staff refer to that as a significant factor currently. Are you aware of there being an indicator as to how accurate these reports are and whether that is declining? My examples are pretty obvious: I am forever getting Julie Collins's accounts.

Ms Mason—Senator, apologies if that is happening to you. Obviously that ought not happen, but I guess that mistake is somewhat understandable. I am not aware of any accuracy indicator of the nature that you refer to—I am just looking at my colleagues for confirmation.

Senator JACINTA COLLINS—How often, for instance, are the reports sent back with the need for a caveat? That would be one example that you could look at.

Mrs Baker—I do not believe that we have any statistics on that, but anecdotally I am not aware of senators and members reporting an increase in the inaccuracy of the information that goes out.

Senator JACINTA COLLINS—It only just came to my mind as Senator Moore was indicating that there may be a decline in the response—

Mr Tune—It is worth having a look. We might do a sample and see if anything emerges from that.

Senator JACINTA COLLINS—Just from my experience it seems that almost every month I have caveats.

Mr Tune—I see the point.

Senator RYAN—I have a query about program 3.1, table 2.1.3: there is a \$10,000 cost in revised estimates for 2009-10 for medallions.

Ms Mason—I think that estimate refers to the life gold pass medallions that are provided to former senators and members who meet the qualifying criteria.

Senator RYAN—I assume you buy in bulk, or are they expensive?

Ms Mason—We get them from the Royal Australian Mint, and there is a minimum requirement in terms of the order size. I am not sure whether that exactly matches the \$10,000 estimate, but it is there to cover that cost.

Senator RYAN—Okay, that was what I was wondering. I have some questions with respect to the wireless services that members and staff can access. I am asking this on behalf of a colleague who has had some issues with the particular Optus dongle which only works in some parts of some of our states because of network coverage. What criteria do you use to assess different service providers for that because a number of colleagues have indicated that it is not necessarily particularly useful for them outside the major capital cities? There is an imbalance between regional and urban members.

Mr Burton—We have a contract with Optus to provide wireless services to senators and members. There have been some issues recently where we have been asked to investigate whether an alternative wireless service provider might be useful for particular people who are having communication difficulties in particular areas of the country. But different providers have different coverage and it is very much—for most senators and members, the Optus service works satisfactorily, but there are one or two instances that we have been trying to address recently for some members who have problems with Optus wireless in particular areas.

Senator RYAN—The only network that would have a larger footprint would be Telstra, I would presume.

Mr Burton—Yes.

Senator RYAN—And I have been informed that in Tasmania the Optus service is only available in Hobart. Is that the case?

Mr Quester—Unfortunately I would have to get some information from the department on Optus's coverage within Tasmania. I do not have that with me. I can add to Mr Burton's response that the selection of Optus was under a current contract. When we introduced the air cards or the wireless service was around the last election and there was a push to have that for the election period. To be able to provide that to another provider at the time would have been an open market tender process because of the cost of providing those wireless services, which would have had a six-month delay in providing those services. So the ability to utilise the current contract to be able to provide those services promptly for senators and members was the justification behind that.

Senator RYAN—Is that ongoing? Does it have a fixed term?

Mr Quester—The current contract expires, from memory, in July this year. With the coordinated procurement activities the department is undertaking, those sorts of services are actually going to be covered, so we do have an option to extend that contract. While we are waiting for that coordinated procurement we can actually procure off those services. We will be looking at the services then as being able to provide an option for senators and members to procure from different providers.

Senator RYAN—So there will be that choice for members and senators and you will be contacting members and senators about that?

Mr Quester—We would. As soon as that coordinated procurement process is finished and we have a range of providers, we can then provide the options for senators and members to procure those services.

Senator PARRY—Minister, has there been any consideration within your portfolio of global budgets for information technology for senators and members to manage themselves, as in opting out of the current system and moving on to a global budget?

Senator Ludwig—There has been work around the integration of information technology but not in relation to global budgets, although I would have thought that would be a matter that the Belcher inquiry would also have been able to look at.

Senator PARRY—Do you know if that is a matter that has been considered by the inquiry?

Senator Ludwig—As to what the inquiry is considering, I wait for their report. I would not have a knowledge of the issues they are currently canvassing.

Senator PARRY—Would you consider, in your opinion, that having senators and members controlling their own budgets and purchase procurement service providers for information technology would be more efficient?

Senator Ludwig—What I would be keen to do is see what the Belcher inquiry said about this issue. In my view, the terms of reference are broad enough to cover issues such as that. We will see what those recommendations are around this particular issue. Perhaps after that we could come back to the particular issue, depending on the recommendations that might be

made. I do not want to get into a position of trying to second-guess the outcome of the inquiry, nor do I want to get into a position of trying to resolve issues that might be covered within the Belcher inquiry. You would not want to head down a particular path and then find that there are alternatives to be canvassed as well—or recommended.

Senator PARRY—Has the department made a submission to the inquiry?

Mr Tune—It has.

Senator PARRY—Did that include the issue of more autonomy for senators and members using information technology?

Mr Tune—I do not think so. In fact, the submission we made to the inquiry was largely a descriptive submission, so it was designed to assist the committee come to a reasonable understanding of how the current system works.

Senator PARRY—Does the department have a view as to whether senators or members should be managing their own information technology budgets, purchasing and so on?

Mr Tune—I do not think I would like to commit myself either way at this point in time.

Proceedings suspended from 3.59 pm to 4.18 pm

Australian Electoral Commission

CHAIR—Welcome representatives from the Australian Electoral Commission. Are there any opening statements?

Mr Killesteyn—Yes, I would like to make an opening statement if you will allow.

CHAIR—Please go ahead.

Mr Killesteyn—2010 is clearly a year in which the AEC's preparations for the next federal election will reach a heightened level of intensity in comparison to the preceding two years. I am pleased to report that many of the logistical foundations of conducting a federal election are already in place. This includes matters such as the completion of the production of cardboard polling equipment, contracts for the production and delivery of many election related services and products, testing of centralised postal voting, the identification and inspection of most polling places and so on. Other important preparations, such as engaging polling officials and provision and testing of computing equipment and computer systems in preparation for the national and virtual tally rooms, continue.

We also continue to focus on getting an election-ready electoral roll in place. As I have reported to the Joint Standing Committee on Electoral Matters, the roll now stands at a participation rate of 90.9 per cent in comparison to 92.3 per cent at the time of the last election. In absolute numbers that represents more than 1.3 million eligible electors not on the roll as at today. The AEC is stepping up activity to address this shortfall over the next six months. Individuals in the 18 to 39 age cohorts are being targeted because our analysis suggests they represent some 70 per cent of the 1.3 million shortfall.

This year, 2010, will also see a redistribution of electoral boundaries in the state of Victoria, as required by the Electoral Act, because seven years have elapsed since the last redistribution. The commencement of this redistribution has attracted some comment given its potential proximity to the federal election. The AEC is sensitive to issues that arise as a

consequence of this proximity and is therefore taking a number of steps to better inform interested parties about the process. This includes special seminars to explain the process, the timetable and the issues associated with delimiting boundaries, to which interested members and senators will be invited. Similar seminars will be held for the media and other public commentators. These seminars will be held during March.

A timetable for the Victorian redistribution has been published on the AEC website. The timing of redistributions is strictly prescribed by the Commonwealth Electoral Act. The timetable prepared for the Victorian redistribution is consistent with the time frames which have been applied to other federal redistributions. For example, the New South Wales and Queensland redistributions commenced in February last year and were determined in December last year. Similarly, the Victorian redistribution began this month and is scheduled to be completed in December 2010. Speculation about the relationship between the redistribution schedule and the timing of the federal election is therefore just that, pure speculation.

Finally, I would like to comment on one other matter raised at the last estimates hearing involving allegations about funding of the 2007 federal election campaign by the member for Dobell. The AEC has concluded its examination of the issues surrounding these allegations. We are willing to detail our reasoning on this matter, but in summary I make the following points. The AEC is primarily tasked with ensuring that a disclosure return is lodged and made available for public inspection under the Electoral Act. The key outcome is the lodging of a disclosure return that meets the requirements of the Electoral Act and not the provision of reports instigated by the HSU.

On 13 October 2009, the national office of the HSU lodged a donor return for 2007-08 and third-party electoral expenditure returns for 2006-07 and 2007-08. The AEC has concluded that these three returns do not provide the AEC with reasonable grounds to believe that any person has evidence in relation to a contravention or possible contravention of the act and to require the provision of additional information. The fact that the national executive of the HSU has failed to lodge a third-party political return is a matter of public record and in itself is a breach of the requirements of the Electoral Act. The particular official of the HSU who failed to lodge the required return is therefore at risk of criminal prosecution. A brief is being prepared for consideration by the Director of Public Prosecutions. The AEC maintains a watching brief in relation to inquiries by Fair Work Australia. The results of those inquiries will be considered by the AEC at the time to determine whether any further action is necessary or available under the Commonwealth Electoral Act.

Senator FIFIELD—My questions go to election preparations. You might recall that at the previous estimates hearing we had a discussion about provisions for secret ballots for blind and vision-impaired electors. I think at the last estimates you indicated that the AEC would be giving out the report or recommendations to government in December. I commend the commission on the discussions that I know you have been having with the Disability Discrimination Commissioner and others to try to find a way to provide a secret ballot for these electors. Is it correct that that report, or the recommendations, went to government in December?

Mr Killesteyn—Yes, it is. Essentially, as I mentioned at the last hearing, the basis of the AEC’s view about how to deal with independent and secret voting for the blind and vision-impaired community is as I described. That is, there is a preference for an electronic method of voting, preferably using the telephone—which is certainly consistent with the way the community transacts most of their business, whether it is banking or otherwise—and an interim phase, if that is necessary, to allow electors to come into a divisional office or other designated site at which they could contact a call centre which would take their ballot. At this point we continue preparations on the basis that we will have a facility but, as I also mentioned at the last hearing, the legislation still does not provide me with any further scope than what is currently available under section 234.

Senator FIFIELD—That report was to the Special Minister of State, I assume?

Mr Killesteyn—Yes, it was.

Senator FIFIELD—Has the government responded to that report in a formal sense?

Mr Killesteyn—That report, along with a range of other matters, is being considered by government in the context of its response to the Joint Standing Committee on Electoral Matters. You would be aware that that was one of the recommendations from JSCEM—that further work be done—and so that has rolled in to the consideration of a whole range of other recommendations.

Senator FIFIELD—Is a copy of the recommendations you made to government publicly available?

Mr Killesteyn—That is really for the minister to answer. I think my views are clear, and I think I described in quite an amount of detail at the last hearings what those views were. Certainly they were the views that had been developed in consultation with the BVI community.

Senator FIFIELD—Minister, would you be prepared to make available a copy of the AEC’s report and recommendations to you from December last year?

Senator Ludwig—I will take that on notice and have a look at it. I just need to refresh my mind as to the contents. If I can see my way clear to making it available I certainly will.

Senator FIFIELD—Also, minister, do you have a time frame within which you are looking to respond to the AEC or to announce government decisions in relation to those recommendations?

Senator Ludwig—The timing is a matter for the government.

Senator FIFIELD—Which is why I am asking you.

Senator Ludwig—I understand the question, and it will be one that we meet in due course.

Senator FIFIELD—In due season, perhaps even, as the Prime Minister is fond of saying.

Senator Ludwig—Well, in due course.

Senator FIFIELD—I prefer ‘due course’ to ‘due season’, I must confess. ‘Due season’ is a bit Chauncey Gardner for me—for those who are Peter Sellers fans.

Senator Ludwig—I thought of Jerzy Kosinski.

Senator FIFIELD—Sorry?

Senator Ludwig—I was merely commenting that it is the author of the book.

Senator FIFIELD—The author of the book with Chauncey Gardner as the character?

Senator Ludwig—That is right.

Senator FIFIELD—Commissioner, as you indicated at the last estimates, you went into quite some detail as to the options that were available. At that time, when I asked the minister if he was able to give a guarantee that there would be an option for a secret ballot for blind and vision-impaired voters, the minister said, ‘I cannot give you a commitment that there will be.’ Are you, as Commissioner, able to give a commitment that there will be an option for blind and vision-impaired people to give a secret ballot?

Mr Killesteyn—No, I cannot, because at this stage all I have is the current provisions under the Commonwealth Act, under section 234, which provides for assisted voting. Without legislation, I cannot do anything.

Senator FIFIELD—So you need legislative change?

Mr Killesteyn—Absolutely.

Senator FIFIELD—Minister, in that case—given that the commissioner has confirmed that he cannot guarantee a secret ballot for blind and vision impaired people, and at last estimates you unable to—with the benefit of the report and recommendations of the AEC and having had some time to consider those, are you able to give a commitment on behalf of the government that it is the government’s intention to ensure that there will be the capacity for a secret ballot for blind and vision impaired electors at the next election?

Senator Ludwig—I will consider that. I will take it on notice. It would depend on two issues, in terms of the answer I provide. One is dealing with how we intend to respond to the report, and the second is when I can make the report available. I want to deal with those first. But I am not able to provide that commitment.

Senator FIFIELD—Thank you for your frankness, Minister. I hope that the government is able to give the AEC the legislative support that they need to provide that option for blind and vision impaired voters. I will leave it there.

Senator RONALDSON—Welcome. Would it be fair to say that the AEC would prefer a longer lead time or as long as possible before an election if the parliament were to change the electoral funding and disclosure laws?

Mr Killesteyn—Frankly, I am not sure how to answer that question. I guess one would have to say it would be dependent upon what the change is. With any legislation, whether it is funding disclosure or the matter we were just talking about, I would need to look at the implementation issues and work that through.

Senator RONALDSON—I would assume the larger the reform the longer the lead time the AEC would prefer for implementation. That makes sense.

Mr Killesteyn—As a generality, that is probably the case with any sort of legislative change, whether it is in electoral matters, social security or whatever.

Senator RONALDSON—If the change is going to be made, I assume that you would prefer to see them enacted sooner rather than later, given it is an election year?

Mr Killesteyn—I would prefer to have lead times which enable whatever the change is to be done properly.

Senator RONALDSON—Minister, I only have one question in relation to this, and that is to ask you about an article in the *Age* which follows up other articles, including an article in the *Australian* yesterday. I will quote from the *Age* on 13 January. I would be utterly gobsmacked if you have not seen these. In the event that you have not, I am happy to provide them to you. This was a report by the *Age* investigative unit, by Royce Millar, titled ‘No reform for political funding’. It says:

The *Age* understands that broad agreement had been reached between the major and minor parties, including the Greens, about the need for key reforms, including controls on donations to political parties and campaign expenditure, regulation of third parties such as lobby groups and unions, and increased public funding for elections.

However the talks appear to have been derailed after lobbying by unions and party machines, in particular Victorian Labor. Unions are upset that one proposal on the bargaining table was a ban on union affiliation fees to the Labor Party, a major source of income for Labor which also gives unions a key role in party decision-making.

Minister, I accept and support that this is an ongoing consultative process, but are you prepared to give this committee an undertaking that the views of the union movement, while they may be taken into account, will in no way derail the reform process?

Senator Ludwig—What I can say is this, and let’s be plain about this. The Commonwealth Electoral Act has only had one major rewrite in the last 90 years. It is true our democracy does face new challenges including spiralling costs—you have seen me talk about that, no doubt—and the arms race that has resulted from that. What we are also committed to is to restore integrity to our electoral system. It is about comprehensive reform in this area, and I would encourage all parties to consult and talk about that because that is the driving issue. We have already introduced a bill—and you would be familiar with this one, I have got no doubt—to lower the disclosure thresholds of donations from over \$11,200 to \$1,000 plus to ban foreign donations and prevent profiteering from public funding.

We are also engaged, as you have indicated, in the public discussion on the green paper process for electoral reform. We are determined to see legislation and regulation remain appropriate and effective. That is the overriding issue. We are currently preparing our response to that green paper, which looked at donations, funding and expenditure. These matters are under active consideration by government and announcements will be made concerning our plans in due course. But one of the things that you could do to assist today is to commit to transparency in relation to donations. You could say that in terms of the threshold, when the previous government put that back in—

Senator RONALDSON—Is this in general or is this me? What is the context?

Senator Ludwig—Those around the table, this committee and the Liberal Party could commit. Certainly you could commit on behalf of the Liberal Party to reduce that threshold from \$11,200 to \$1,000. That would certainly be a commitment about ensuring there was transparency in this area. I digress.

Senator RONALDSON—You do, Minister.

Senator Ludwig—We are going to ensure that we will consult with all parties to gain a workable solution on campaign financing reform.

Senator RONALDSON—I was not reflecting on the consultation, Minister, as you are aware and I made that quite clear. I am asking you to give an undertaking that this process will not be derailed by the substantial influence that the union movement has over the Australian Labor Party. That was my question. If you are telling me that it will not then I will accept that at face value. But you have not answered the question yet.

Senator Ludwig—The government has not taken any plans to abandon electoral reform. The overriding issue will be the national interest in terms of the electoral system we have. That is the overriding drive in this.

Senator RONALDSON—For the record, disclosure levels will not be of any relevance at all if there is a commonsense outcome in relation to donation limits, which certainly the coalition is committed to, and I would hope that you would commit to that today as well, Minister. There is silence.

Senator Ludwig—Was there a question? I was not sure if there was a question.

Senator RONALDSON—Yes, there was.

Senator Ludwig—What was the question?

Senator RONALDSON—Will you commit to caps on donations?

Senator Ludwig—What we have already indicated is that I am determined to see comprehensive reform. We have introduced a bill to ensure there is transparency around donations. What I am keen to do is to ensure that there is transparency and accountability in this area. I am working with all parties to achieve this including consulting widely on this. That is the underlying notion.

Senator RONALDSON—I could not agree more, Minister—and you have my full support in that, as you well know. But the question has not been answered. I will not labour that point.

Minister, I take it—it is a given, I presume, but I need to ask question—that you would view electoral fraud as a serious matter?

Senator Ludwig—It certainly is.

Senator RONALDSON—Do you believe, Minister, that people who have been named as electoral rorters should be in any way rewarded for their misdeeds?

Senator Ludwig—I think I would need you to put it in context as to what you are talking about. I am not going to answer hypotheticals.

Senator RONALDSON—I do not think it is a hypothetical, but I will refer you to Mr Tony Mooney, who I think is a member of your own faction. I presume he is known to you. Am I correct in saying that Mr Tony Mooney was a person named by the Shepherdson royal commission as a person who had carried out electoral rorting?

Senator Ludwig—I would have to go back and have a look at that inquiry, but I will take your word that you have looked at it.

Senator RONALDSON—Come on! Deary me! You cannot remember Mr Mooney being named in the Shepherdson inquiry?

Senator Ludwig—No. What I cannot recall is the context, what was said about it and what the actual issues were around. That is reasonable, given the time lag between.

Senator RONALDSON—I am stunned that you do not remember the context in which he was named in the Shepherdson inquiry.

Senator Ludwig—What I would also say is that—and I will take your word that it is true—with all of these matters I always like to check myself.

Senator RONALDSON—It beggars belief, Minister. He is a member of your own faction, who I am sure you are acutely aware of and know well. I am completely and utterly amazed that you are unaware of the references to him in the Shepherdson inquiry. But, if you don't, I suppose I have got no choice but to take that at face value. I asked the question about—

Senator Ludwig—What I said was that I would prefer to be informed myself by having a look at the inquiry to go through the detail to refresh my mind about the circumstances and context rather than you make the statement. Let us be clear about this.

Senator RONALDSON—You see, someone like Mr Mooney, who has been named by the Shepherdson royal commission, is someone who is potentially going to be rewarded—and I do not know whether it has actually happened yet. He might be rewarded, absolutely remarkably, I have got to say, with Labor preselection for the seat of Townsville. Are you aware that Mr Mooney has been named as a potential candidate for the Australian Labor Party for the seat of Townsville, Minister.

Senator Ludwig—I am generally aware of these things, yes.

Senator RONALDSON—Is it appropriate, do you think, that someone who has been named in the Shepherdson royal commission as an electoral rorter is the sort of person that should be representing your party in the federal parliament?

Senator Ludwig—Townsville is not a seat.

Senator RONALDSON—Sorry?

Senator Ludwig—Townsville is not a seat.

Senator RONALDSON—Herbert is the seat.

Senator Ludwig—You are using what I would call pejorative language as well. I am not going to respond to your pejorative language.

Senator RONALDSON—All right, okay, I will just make sure the record is right: the seat of Herbert, of which Townsville is a part of. If we are going to be pedantic, okay, the seat of Herbert.

Senator Ludwig—If you are going to use pejorative language in your description then I am going to correct you if you do not get the facts right.

Senator RONALDSON—You are absolutely right. I should put it in the right context and I will do that now. Do you, Minister, believe it appropriate for someone who has been named in the Shepherdson royal commission as an electoral rorter should be an endorsed ALP candidate for the federal seat of Herbert?

Senator Ludwig—Ultimately it is a matter for two things—the ALP members in the seat of Herbert and the ALP itself. The third matter is the pejorative language you use. I would prefer to go back and have a look at the inquiry and its findings myself rather than take at face value your slur.

Senator RONALDSON—If indeed what I have said is correct—and I am pretty confident that it is, that Mr Mooney has been named in the Shepherdson royal commission in relation to electoral rorting—and if indeed when you have a look at that and satisfy yourself that that was the commentary in the Shepherdson royal commission, if you come to that conclusion, I ask you again: do you believe it would be appropriate for a person who had been so named for such activities to be an endorsed candidate for the Australian Labor Party in the federal seat of Herbert and to take up a position in this national parliament were they to be elected?

Senator Ludwig—Again, clearly if people commit offences then, if they are found guilty, they should be punished. That is the usual course of events in this country. But in terms of the detail, as I said, rather than take your pejorative assessment of the circumstances, I will go back and refresh my mind about the report itself and what it said and what occurred. Obviously what I think you are doing, ultimately, is asking me a typical hypothetical question, which you seem to choose to do. If you want to ask a factual question, I will seek to find an answer to it. In this instance—

Senator RONALDSON—There is nothing hypothetical about the fact that you said you have heard rumours that he is potentially a Labor Party candidate in Herbert. That is fact; that is not fiction. The second part is that this so-called gentleman was named in the Shepherdson royal commission. I say that is not hypothetical. You say it is. You say you are going to have a look at it. When you do I think you will find that it is not hypothetical. So we have two realities. On the back of that I again ask the question: do you believe it is appropriate for someone who has been named in the Shepherdson royal commission to be the endorsed candidate for the ALP for the federal seat of Herbert?

Senator Ludwig—And what I indicated was that these matters you refer to are over 10 years old. I would rather make an assessment after having a look at that report myself. Ultimately it is a matter for the ALP. It is a matter for the ALP members in the seat of Herbert and also for the electorate at large.

Senator RONALDSON—He is your faction. Don't you get any say over the preselections?

Senator Ludwig—I have given you an answer.

Senator RONALDSON—Would you personally have any say in the preselection for the federal seat of Herbert?

Senator Ludwig—I have given you an answer in relation to the matter.

Senator RONALDSON—Is it an AWU seat?

Senator Ludwig—I have given you an answer in relation to the matter. I would rather go back and have a look at the report and refresh my mind in relation to it. Matters of preselection, as you well know, are matters for the party. They are not a matter for me in my capacity as Special Minister of State.

Senator RONALDSON—I have been talking you up.

Senator JACINTA COLLINS—Point of order, chair. This is a tedious repetition. Ask the senator to move on.

Senator FIFIELD—It is not tedious at all.

CHAIR—Senator Ronaldson, you have the call. The question has been put and answered. Can you move on.

Senator RONALDSON—I have been travelling around the country talking you up, Minister, because I have been saying that you are one of the most powerful men in Queensland. And you are telling me you are not. I think you are and I think you would be able to influence the outcome or be directly involved in the outcome of the preselection in the federal seat of Herbert.

Senator JACINTA COLLINS—This committee is not really that interested in what you think, Senator. Can you just move on.

Senator RONALDSON—With the greatest respect, I take my marching orders from the chair, Senator, not from your good self.

CHAIR—Senator Ronaldson, just move on with your questioning.

Senator Ludwig—I think you have just got your marching orders.

Senator JACINTA COLLINS—Senator, you are not listening to the chair.

CHAIR—Senator Ronaldson, just ignore the interjections.

Senator RONALDSON—In the unlikely event that you are rewarded for your inactivity in this committee and get the chair then I suppose I would be forced to do so as well. At this stage, fortunately we are not—

CHAIR—Senator Collins, Senator Ronaldson, time is limited. Can you please move on with your next question.

Senator RONALDSON—I am trying to, thank you very much. Mr Killesteyn, can you please go back over the matter that you raised earlier in relation to the discussions we have had about Mr Thomson, the member for Dobell, and the Health Services Union and the outcome? Did I hear you say that there have been briefs sent to the DPP?

Mr Killesteyn—I will ask Mr Pirani to go through it, but if it would also help the committee we would be happy to table a document which outlines our reasoning for the conclusions that we have reached. That would perhaps help you with some of the detail.

Senator RONALDSON—That would be very useful, if you would not mind.

Mr Pirani—I have a document that we have prepared that briefly goes through the allegations that, as we understand it, were made in the *Sydney Morning Herald*. As we understand it, the requirements of the act and the status of the Fair Work Australia inquiry are also continuing in relation to some aspects of these allegations. In essence, the position of the AEC at the moment is—

Senator RONALDSON—I am sorry to interrupt: it was not just the *Sydney Morning Herald*; there was quite substantial discussion at these estimates about this matter as well.

Mr Pirani—Yes, but the three major sets of allegations were from the articles of Mark Davis in the *Sydney Morning Herald*, which we have gone through in detail. We have examined them in relation to the two main provisions of the act: firstly, the definition of ‘gift’ in section 287(1) and, secondly, the exemption provision in relation to both donors and candidates reporting amounts that they have received and given under section 304(5), which in essence says that if the gift is made for personal purposes or is not wholly or substantially used for the conduct of a federal election, then they are not reportable. So some of the allegations that were made in the *Sydney Morning Herald* article in relation to a person being engaged in the Health Services Union and working in the Dobell electorate do not appear to fall within the definition of a gift. Other matters in relation to credit cards being used for dinners and matters in the Dobell electorate again do not appear to fall within the definition of ‘gift’, and it also raises issues in relation to the disclosure threshold at the relevant time as to whether they need to be disclosed.

This is not to say that the AEC has finalised its consideration of this matter. We are aware of the ongoing inquiry that Fair Work Australia are undertaking and the results of that inquiry may well result in the need for either the existing returns that have been lodged by the Health Services Union to be amended, and they may also lead to a requirement for an additional donor declaration and possibly a candidate return as well. But at this stage we do not believe we have any powers to access the BDO Kendalls report that was mentioned in our first discussion. At this stage, while we are in the process of preparing a brief to go to the DPP, one of the issues will be who within the national office of the Health Services Union is regarded as the financial controller and the person would have had the reporting obligation. That is going to be a major issue in relation to the late returns that have been lodged.

Senator RONALDSON—Could Mr Thomson be one of those people potentially, given his position within the organisation?

Mr Pirani—It will be a matter which we will put in the brief to the DPP to identify who had the reporting obligation. That is a matter that is yet to be resolved. Certainly the returns that have been lodged were lodged by the national secretary, Cathy Jackson, and my understanding of the structure of the Health Services Union is that Mr Thomson had that position previously. But then again there are other returns that have been lodged by the Health Services Union where it appears there were two other officers who were involved in lodging those returns, so it is an issue that we would need to look at.

Senator RONALDSON—I have been very careful in my choice of words. The question was not: was he the person? The question was: was he one of the people potentially who could have had that responsibility given his position within the union?

Mr Pirani—He was in the national office of the union at the time. We have not identified who within the national office would have had the reporting obligation.

Senator RONALDSON—Minister, were you aware of these matters in any briefing from Mr Killesteyn prior to today? Were you briefed about this privacy statement today?

Senator Ludwig—My recollection is that I had clearly seen those matters that you mentioned in the *Sydney Morning Herald*.

Senator RONALDSON—I understand that, but the matters that have been raised today about the brief to the DPP, were you aware of those matters before today?

Senator Ludwig—Yes, I have been briefed in relation to those matters, but I could add that ultimately you are aware that the AEC is an independent commissioner and those matters are for the AEC to consider.

Senator RONALDSON—Yes. Minister, Mr Pirani's answer to my question was a lawyer's answer, and probably one, quite frankly, I would have given if I was sitting on the other side of the table. I put it to you that Mr Thomson, the member for Dobell, an elected representative in this national parliament, potentially is one of the people who has breached this act, and I would say in a most heinous fashion. Have you or will you ascertain from Mr Thomson whether indeed he was the person who had responsibility? Has the Prime Minister spoken to Mr Thomson in relation to these matters? If he has, what response has he required from Mr Thomson? What questions has he put to Mr Thomson to ascertain whether he is indeed a person who may well fall under the banner of the person with responsibility to lodge these returns?

Senator Ludwig—As I indicated, this is a matter that the independent commissioner has currently under investigation and is dealing with. It seems clear to me, and should be clear to you, that it is a matter that is currently on foot with them. I am not about to trample all over their matter, nor am I going to substitute in their shoes either. This is a matter that you can direct questions as to what course of action the independent Australian Electoral Commission is undertaking in relation to this. Clearly they have provided an update to you as to the actions that they are currently contemplating and undertaking, and it really is a matter that should remain with the Australian Electoral Commission. They are the appropriate authority to investigate these matters and come to concluded views about.

Senator RONALDSON—Mr Killesteyn, if a sitting federal member of parliament was charged with these offences and found guilty, are you aware of whether that would preclude them from maintaining or retaining their position in the Australian parliament?

Mr Killesteyn—Can I defer to my legal adviser, please?

Mr Pirani—My recollection from when we discussed this last time is that the issue is the qualifications of the candidate under section 44 of the Constitution. I do not have my copy of the Constitution with me, but one of the provisions that does disqualify a person is in relation to a certain length of a jail sentence. Again, I would need to refresh my memory with section 44 of the Constitution. But there is nothing automatic that I am aware of, and there is certainly nothing in the Electoral Act or any legislation we administer, that would disqualify a person from continuing to sit in the parliament. The only issue or potential issue I could see or think of would be the qualifications of candidates under section 44 of the Constitution.

Senator RONALDSON—What is the maximum penalty for this?

Mr Pirani—The penalty for a breach of section 315 is, I think, \$1,000. In the case of a return that is put in by any other person, in section 315, subsection 1, paragraph (a), the penalty is a \$1,000 fine. So it is a summary offence; it is not an indictable offence. That would be the only offence that that we would be currently looking at in the brief to go to DPP.

Senator RONALDSON—Minister, in the light of that answer, would it be fair to assume that the Prime Minister would become involved in this matter? I acknowledge the ministerial code of conduct. I do not for one minute say that I think it has been adhered to, but I do as a matter of principle acknowledge that the current government put that ministerial code in place. You have requirements for your ministers. Do you have similar requirements for your backbenchers in relation to honesty and integrity and the perception of an acceptable community standard, which, from my recollection, is the word in the ministerial code?

Senator Ludwig—There is a ministerial code which applies to ministers—

Senator RONALDSON—Indeed, but—

Senator Ludwig—That is what this current government has done. If there are matters—

Senator Jacinta Collins interjecting—

Senator Ludwig—You invite me to go there, but I will resist.

Senator Fifield interjecting—

Senator CAMERON—You are boasting about it.

Senator Jacinta Collins interjecting—

Senator Fifield interjecting—

CHAIR—Thank you, Senators.

Senator Ludwig—In any event, it seems to me that if there are matters that might go to the conduct of members, there is one for both the Senate and the House. Privileges committee is one that comes to mind as a place where matters of their conduct could be raised. That would be the appropriate place, from my recollection, to raise a complaint if you have one.

Senator RONALDSON—So the Prime Minister, from what you are saying, would not intervene in this matter. On what basis is there an acceptable standard for ministers but not the same standard for your backbenchers?

Senator Ludwig—No, do not put words in my mouth. What I have indicated, firstly, is that the matter is currently with the Australian Electoral Commission, which is appropriate. It is quite appropriate for them, independent of government, to undertake a proper investigation into the matters that were raised in the *Sydney Morning Herald* and come to a concluded view about it. You are entitled to ask questions of them about it. Secondly, it is not appropriate for me to second-guess or look at what that outcome could potentially be, which is what you are inviting me to do. What I will do is wait to see what the outcome actually is.

I also answered the further question. It dealt with the ministerial code of conduct, which applies to ministers. You asked whether or not it applies to backbenchers. By its very name, it applies to ministers, but if there are issues that you want to raise in relation to backbenchers about their standing, about issues that might impact upon their being members, then that is a matter that you can in the first instance take to privileges if you so wish.

Senator RONALDSON—Minister, this is not about privileges; this is about your government's attitude to the behaviour of its backbench. I acknowledge that due process has to be followed, and—

Senator Ludwig—I am pleased to hear that.

Senator CAMERON—It does not sound like it, Senator Ronaldson.

Senator Ludwig—I will say it again, though, just in case you missed it: privilege is the appropriate body to regulate membership of the House and the conduct of its members. You should know that. I am sure you could reflect upon that statement and accept that.

Senator RONALDSON—You are cabinet secretary. I was shadow cabinet secretary. You still have your position. You have responsibility for the behaviour of the ministers. Do you accept that the behaviour expected of ministers under that code should also, as a matter of principle, be expected of your backbench?

Senator Ludwig—The facts are these. There is a ministerial code. You have matters that it seems you want to raise in relation to privilege issues. There is an appropriate place to raise them. It strikes me as patent that you have a limited understanding of the separation of powers doctrine in this place but nonetheless—

Senator RONALDSON—I do not think I am confused about what I would view as integrity and honesty and appropriate behaviour. If a member of parliament was to be found guilty of breaches of the Electoral Act then I do not think that that person is meeting what I would expect to be the requirements of a federal member of parliament. So I think I understand it fully, Minister. What concerns me is that you are pulling out the ministerial code of conduct as a defence for inexcusable and indefensible behaviour, potentially, of one of your backbenchers. Why does openness, transparency and honesty stop at the blue carpet? Why doesn't it go out the other side or come out this side?

Senator Ludwig—This is the most absurd questioning I have had.

Senator RONALDSON—Well, how about you answer it?

Senator Ludwig—You raised the issue of the ministerial code of conduct, not I. And I am answering you in relation to the broader issue, which you just fail to understand, quite frankly. Nonetheless, you are now seeking to make unsubstantiated statements on the record. I am open to questions if you want to ask about this portfolio but if you want to make statements then perhaps you could go outside and have a try.

Senator RONALDSON—Are you prepared, personally as cabinet secretary, to immediately approach the Prime Minister and ask Mr Thomson now to detail fully in a statement to parliament his involvement in this matter?

Senator Ludwig—I indicated in the first instant that this is a matter that is currently before the Australian Electoral Commission. That is clear. They are currently investigating the matter and preparing a brief. They are independent of government—if you had not heard me the third time! They are currently investigating the matter and I have full confidence in the Australian Electoral Commission and in their ability to investigate these matters and come to a concluded view about them. When they have reached that view we will have a look at that view. I am not going to answer hypotheticals about issues that may or may not arise. That would be inappropriate, particularly while an investigation is under way.

Senator RONALDSON—There is one thing that I do not have any doubt about, and that is your personal honesty and integrity, I have to say, but it must not be a proud day for you when there are questions about—

Senator Ludwig—Is there a question there or are you making a statement?

Senator RONALDSON—There most certainly is. You surely cannot be proud of events over the last hour where you have the potential candidate for the federal seat of Herbert who has been named by the Shepherdson inquiry and one of your own colleagues, Mr Craig Thomson, with a very big question mark hanging over his head about his honesty and his integrity.

Senator Ludwig—Let us be clear about this. You want all parliamentarians who are not ministers to be regulated by a code to be drafted by me?

Senator RONALDSON—No. I want your Prime Minister to impose on his ministers the same requirements, which might actually involve Mr—

Senator Ludwig—I was just trying—

Senator RONALDSON—standing up in parliament and saying ‘I did’ or ‘I did not’ do the following. That is what I am asking of you, Minister.

Senator Ludwig—I was just trying to make sure—

Senator Ronaldson interjecting—

CHAIR—Order! Senator Ronaldson, I have called the committee to order. Do I have to remind committee members that the process is a simple one? You put a question to the witness and then you allow them to respond. It is unhelpful for me and for the recording of these proceedings by Hansard to have interjections and for you to try to speak over the top of either the witness or the minister in their attempt to answer your question. The minister has the call.

Senator Ludwig—Thank you. I think we can use this example: the Lindsay pamphlet may be the most recent example of where there was a successful prosecution of these matters. That is the appropriate place for these to be dealt with, and we can have a look at the outcome from that. I take it from your outburst that you do want me to draw up a code of conduct for members and senators—or you do not? I think you said yes, but I am open to—

Senator RONALDSON—What a remarkable question. I have asked you—

CHAIR—Senator Ronaldson, can I just remind committee members—

Senator RONALDSON—If you want to go and draw up a code that is entirely up to you.

Senator JACINTA COLLINS—Point of order, Chair.

CHAIR—Senator Collins.

Senator RONALDSON—Good luck with your back bench!

CHAIR—Senator Ronaldson, there is a point of order.

Senator RONALDSON—If you want to draw it up, you go for it. Let’s see what happens with it.

Senator JACINTA COLLINS—Chair, on a point of order, can I ask you to warn Senator Ronaldson that if he persists in talking over you as chair that we should convene a private meeting of the committee?

CHAIR—I remind all committee members to keep their questions relevant to the estimates and the financial matters and positions relating to the Australian Electoral Commission. I think a long bow is being drawn here, and I remind all committee members, as we had a private meeting this morning, after last night's performance, that standing orders apply in estimates. I do expect the same respect as chair as you would afford the President of the Senate. If there are any further outbursts we will go into private session and have a private meeting of the committee. Senator Ronaldson, you have the call.

Senator RONALDSON—If I was talking over you, I apologise.

CHAIR—Senator Ronaldson, have you got a question? Move on with your questioning, please.

Senator RONALDSON—No, because I respect your position and you personally. I have no further questions in relation to this matter, thank you Madam Chair.

Senator RYAN—Mr Killesteyn, I would like to ask some questions about various industrial ballots the AEC conducts. In May last year, in answer to a question, the AEC indicated that the total cost of protected action ballots for 2008-09 is expected to be \$432,000, GST exclusive. Is that in line with the final outcome?

Mr Killesteyn—I will take on notice the final outcome for the financial year, but I would expect that that figure would be pretty close to the final outcome.

Senator RYAN—I imagine there are a few of these that you will have to take on notice, so feel free to indicate if that is the case. Could you also indicate what you are budgeting for in 2009-10? I would also be interested in the answers to these questions, if you can answer them: the total number of ballots for industrial elections and for protected action ballots in 2008-09; how many non-union industrial elections the AEC funded in 2008-09, because there are different types of employee and employer associations that I understand you undertake; and how many protected action ballots you funded in 2008-09.

Mr Killesteyn—We will take those on notice.

Senator RYAN—On the same area but a more specific issue, in November last year there was an article in the *Sunday Age* by Michael Bachelard that referred to the Health Services Union elections, which I understand the AEC was overseeing as part of its role overseeing industrial elections. The article outlined some fairly significant allegations. I understand that Mr Tony King from the AEC was the returning officer for this election. Am I correct in that?

Mr Killesteyn—That is correct.

Senator RYAN—This was relating to the Victoria No. 1 branch. I understand that there were allegations—and the fact that there were allegations was confirmed by Mr King; I am not going to the fact that he stated that this occurred—that there had been potential misappropriation of ballots along the lines of ballot boxes being placed in work places to effectively try to trick people into putting their ballot papers there rather than using the reply paid envelope for the mail service you utilise. Is that also correct?

Mr Killesteyn—I cannot confirm the nature of the allegations, unless Mr Pirani can.

Mr Pirani—Yes, those were some of the allegations.

Senator RYAN—Did the AEC undertake an investigation into those allegations either during the ballot or after its conclusion?

Mr Pirani—Under the two pieces of fair work legislation—both the registered organisations act and the Fair Work Act 2009—we have no investigative powers per se. There is an approach where, for any investigation, you either go the Industrial Registrar, as it was prior to the Fair Work Act, but it is now the general manager of Fair Work Australia, or you go to court seeking an order in relation to there being an irregularity, or various orders from the court in relation to conduct that should be restrained in relation to threatened breaches of the act. In the matter with Health Services Union branch No. 1 in Victoria, there were several applications made to the Federal Court. They were heard before the Federal Court and no orders, in my understanding, were made. But I will take on notice to give you the exact outcome of the two hearings that occurred in the federal court, where these matters were ventilated, where affidavit evidence was put on by one of the parties in the Health Services Union election. But my clear recollection is that no orders were actually made by the court in relation to either of the hearings and the allegations.

Senator RYAN—I assume from what you said—and again you can take this on notice—that those actions were taken by parties involved in the election.

Mr Pirani—That is correct.

Senator RYAN—When you manage or oversee these ballots, does the AEC have the capacity to refer issues to the general manager of Fair Work Australia or to take court legal action in its role as a returning officer? Does the AEC have that ability?

Mr Pirani—We certainly can refer matters and we do refer people to Fair Work Australia in relation to specific complaints. Indeed, I did one of the letters that Mr King signed that went back to the lawyers who were acting for one of the candidates in that particular election. Also—and I will have to take this on notice; I think it is under section 200 of the Fair Work (Registered Organisations) Act—if we become aware of an irregularity and we have probative evidence we are actually required to make application to the Federal Court.

Senator RYAN—Did you make any such application in this election?

Mr Pirani—No.

Senator RYAN—So I can then assume that, because you are required to take action if you find evidence of a probative value, to use your words, that you discovered no such evidence, or were you beaten to the punch.

Mr Pirani—That is correct; no probative evidence was actually provided to the returning officer of something that amounted to an irregularity in terms of the provisions of the act.

Senator RYAN—I understand that you are funded externally to conduct these ballots. Are you funded by the Department of Education, Employment and Workplace Relations? Is that what pays for these ballots?

Mr Pirani—In relation to protected action ballots, yes. In relation to other industrial elections, no.

Senator RYAN—Can you tell me what it cost for you to run this ballot?

Mr Pirani—We will take that on notice.

Senator RYAN—Again, I assume you will have to take this on notice: was the AEC involved in any legal action, either someone taking you to court or involving the AEC in some way in this election?

Mr Pirani—There were two series of allegations and two matters put before the court and we were a party in both of those matters. We were served as a party. We were made aware of it. We did what is known as the *ex parte* Hardiman approach—that is, we submitted to jurisdiction and provided whatever evidence we had to assist the court.

Senator RYAN—I would also appreciate the costs that you undertook in engaging in those legal actions.

Mr Pirani—Yes.

Senator MOORE—I have a question about your opening comments. You talked about the strategy for ensuring that people come onto the roll and quoted some numbers. Would you be able to provide to the committee in the future details about exactly what process you are looking at to increase the number of people on the roll, whether it is directed at males, using the internet or whatever?

Mr Killesteyn—My roll manager is here and can provide you with that answer now, if you wish.

Mr Carpay—In essence, what we are going to do for the next six months is increase our mail-out volumes. We are anticipating dispatching across Australia to fairly targeted groups an estimated 3.5 million letters. The commissioner mentioned the fact that we have an 18- to 48-year-old age group that is largely underrepresented, so they are our focus for the next six months in particular.

Senator MOORE—Is there consideration of any other form of advertising to encourage people onto the roll, whether it is over the internet or through a media process? Is that part of the current strategy?

Mr Carpay—We have a smart form at the moment. It is a fairly recent addition. I think it went live at the end of September. With regard to media advertising and strategy, that is probably more a matter for Ed and our media and comms area.

Mr Killesteyn—Ultimately, that is a question of value for money. We know from previous experience, particularly in the lead-up to the 2007 election, that the Australian Electoral Commission spent many millions of dollars. The campaign was undoubtedly a success. It generated considerable numbers of enrolments and led to a participation rate—that is, a percentage of enrolled electors as a percentage of total eligible—that I think is the second highest that has ever been experienced. However, the cost was some \$30 million. Some of it was provided by the government, but a large amount of that \$30 million came from the AEC's own funds. The question is whether that leads to a sustainable result. It is quite clear that it does not because, as I have already indicated, the electoral roll is now at 90.9 per cent.

The real question is: how do you effectively lead to increases in the electoral roll without large increases in expenditure which are ultimately unsustainable? As Mr Carpay has explained, our current strategy is to focus on tried and true measures. They are somewhat tedious. They are based on continuing to remind individuals that they have an obligation and an entitlement to enrol. We use third-party databases. This time around, the 2010 strategy will

be slightly different in that the databases that we will be using will be much more oriented towards the cohort that we think are the largest share of the unenrolled—that is, the 18- to 39-year-old group. For example, we will use information from Centrelink, based on the databases that it has about young people, to generate information that we can use. We match the information they provide to us with the electoral roll that we have, determining who is not on the roll. Then we use that to send out reminders to individuals. It is a different strategy from what we have endorsed and used in the past, albeit still relying on mail processes.

Senator MOORE—Has there been any consideration of using the other parts of Human Services? For example, using not only Centrelink and Medicare databases but also their offices as a place where people can sign forms and submit them?

Mr Carpay—We currently have arrangements in place with both Medicare and Centrelink for the ongoing display of forms. They are at post offices as well. At election time, we normally turn those arrangements into a collection point as well.

Senator MOORE—So they can do the whole thing. I have seen the signage; I was just wondering whether people can fill the form in while they are waiting in those areas.

Mr Killesteyn—We have what we call partnerships with many, many organisations, including Centrelink and Medicare Australia—particularly in terms of application forms being available. Australia Post also provides forms. We work through state government instrumentalities, particularly road and transport authorities as far as licences are concerned. If you provide us with an outlet which we can use, then we will use it because essentially this is a very difficult task against the current requirements as set out in the current Commonwealth Electoral Act—that is, a paper form needs to be signed by individual; therefore we need to get paper forms into the hands of these individuals in whatever way we can. That is what we do, and that includes provisions for forms to be downloaded from the internet. The most recent innovation, which we introduced in September of last year, was that individuals can now complete their enrolment forms online and send that information to us electronically, albeit that before the enrolment can be completed we still need a paper form signed by the individual.

Senator MOORE—And with a witness when the paper form is signed.

Mr Killesteyn—A signature is all that is required, plus some other form of identity. In most cases people provide their drivers licence details, which we then confirm with the national database of drivers licences.

Senator MOORE—I will not take too much this afternoon, but I would like to get some information about the Indigenous strategy. In one of the other committees I work on we received significant evidence from your agency about the programs for Indigenous enrolment, but I will not take the time this afternoon.

Senator RONALDSON—Mr Pirani, I am just looking at your printed document. What are the details of that inquiry by Fair Work Australia? What are they looking into?

Mr Pirani—When the matter first arose in the *Sydney Morning Herald*, and it goes back to the very first report by Mark Davis in April 2009, our understanding is that it was caused by the current executive of the national office of the Health Services Union raising some concerns. They then briefed their lawyers, Slater and Gordon, to do some work and provide

them with advice. Through Slater and Gordon they then got the independent report from BDO Kendalls, and our understanding is that part of the matter is with Fair Work Australia. Indeed, I have spoken to the officers at Fair Work Australia in Melbourne and confirmed they have an inquiry under Section 330 of the Fair Work Registered Organisations Act 2009 that is still underway.

Senator RONALDSON—Thanks.

Senator CAMERON—Mr Killesteyn, the Australian Electoral Commission covers general elections, state elections and union elections. What other areas do you cover?

Mr Killesteyn—We are responsible for federal elections and maintaining the federal roll. We are responsible for also providing the electoral roll for a number of states with the exception of Victoria and Western Australia, who maintain responsibility for their own rolls, and soon the New South Wales Electoral Commission as a consequence of their Smart-roll legislation, which is now giving responsibility for the electoral roll to the New South Wales Electoral Commission. Beyond that, for state governments it is the responsibility of the relevant state electoral commissioner to conduct the election per se, albeit that the Australian Electoral Commission supports them when they ask. For instance, in Tasmania we generally provide the staff to conduct the Tasmanian elections. For the most recent Western Australia referendum, the daylight savings referendum, we provided many of the returning officers in relation to that.

We do not do any local government elections; that is all managed by state electoral commissioners. We also then do fee-for-service elections, so any organisation if they are conducting a ballot on whatever matter can utilise our services on a fee-for-service basis. We also conduct protected action ballots, which are mandated under the Fair Work Australia Act as the AEC's responsibility and we receive funding in relation to the conduct of those ballots.

Senator CAMERON—There is one area that you do not have any involvement in and that is ensuring the integrity of the voting system for shareholders at AGMs.

Mr Killesteyn—Not unless an organisation comes to us and asks us to conduct an election in relation to that, which would be unusual. I do not recall that we have done those sorts of elections on a fee-for-service basis; but they are matters for a company to determine, not the AEC.

Senator CAMERON—Are you aware of the Productivity Commission report *Executive remuneration in Australia* in which the Productivity Commission raised a number of issues in relation to shareholder votes at AGMs? They talk about lost votes, illegible proxy forms, processing errors and a lack of confidence in the voting procedures. Would it be possible for the AEC to bring some order to this area of importance to the Australian business community?

Mr Killesteyn—I have no authority to engage or to impose the AEC's resources—

Senator CAMERON—No, that is not what I am asking. I am not asking for any imposition, but if there was a legislative framework for business, similar to the legislative framework that applies to the trade union movement, then the AEC could oversee the process, couldn't it?

Mr Killesteyn—If I am required by legislation to do so then, yes, the AEC could do that, as long as it is suitably resourced to do that. I would have to say with some pride that the AEC

has particular expertise in conducting elections in a manner which meets integrity standards, but ultimately it is a matter for government to determine whether it wants the AEC to do that or not.

Senator CAMERON—So if the AEC were involved in shareholder voting, you would be pretty confident that you could deal with the issue of lost votes, illegible proxy forms and processing errors?

Mr Killesteyn—I am confident that the AEC can exercise its professionalism in whatever manner the government asks it to undertake.

Senator JACINTA COLLINS—Who does the AEC do fee-for-service elections for?

Mr Killesteyn—It ranges from organisations that might be interested in conducting ballots for their local president or whatever. I am just trying to recall the organisations that have been on the list for fee-for-service. It covers organisations such as Telstra—very large organisations—right down to local churches when they are conducting ballots for their leaders. I think there was a ballot for the RSPCA at one stage, by my recollection, so it is quite a mixed group of agencies that seek the services of the AEC. Bear in mind that we are not the only provider of this service. There are a number of other agencies—private-sector agencies—that are also conducting ballots on a fee-for-service basis for the private sector.

Mr Dacey—I think, from memory, that the largest one we conducted was for the NRMA some two or three years ago.

Senator JACINTA COLLINS—So what Senator Cameron is talking about is not out of your field of experience.

Mr Dacey—No.

Senator JACINTA COLLINS—Thank you.

Mr Dacey—It is just out of our field of powers.

Senator JACINTA COLLINS—Compulsion.

Mr Killesteyn—We do not have the authority.

Senator JACINTA COLLINS—I do not think Senator Cameron was suggesting that it is necessarily needed to be compulsion.

Mr Killesteyn—No.

CHAIR—Are there any further questions to the Australian Electoral Commission? If not, thank you, officers, for attending. You are now free to leave.

[5.35 pm]

HUMAN SERVICES PORTFOLIO

In Attendance

Senator the Hon. Joe Ludwig

Core Department

Outcome 1, Output 1

Mr Finn Pratt, Secretary
Ms Kerri Hartland, Deputy Secretary, Service Delivery Reform Implementation
Mr Jeff Popple, Deputy Secretary, Delivery Policy and Compliance
Ms Jennifer Gale, Chief Financial Officer
Ms Marie Johnson, First Assistant Secretary, Chief Technology Architect
Mr Patrick Hadley, Departmental Chief Information Officer
Mr Neil Skill, Acting First Assistant Secretary, Corporate Operations
Ms Barbara Bennett, First Assistant Secretary, Social Policy Delivery and Planning
Ms Di White, Acting First Assistant Secretary, Strategic Support
Mr John Kilner, Acting First Assistant Secretary, Service Delivery Reform Strategy and Planning
Ms Joanne Talbot, Assistant Secretary, Portfolio People Integration Taskforce
Dr Gary Rumble, Acting Chief Legal Counsel, Legal Services

Child Support Program

Outcome 1, Output 2

Ms Philippa Godwin, Deputy Secretary
Ms Jennifer Cooke, First Assistant Secretary, Program Management
Mr Chris Dainer, First Assistant Secretary, Business Strategy and Projects
Mr Bill Lodge, Acting Chief Operating Officer
Mr Bruce Young, National Manager, Customer Services and New Customers

CRS Australia

Outcome 1, Output 3

Ms Margaret Carmody, General Manager

Centrelink

Outcome 1, Output 1.1

Ms Carolyn Hogg, Chief Executive Officer
Ms Aurora Andruska, Deputy Chief Executive Officer, Corporate Support
Mr John Wadeson, Deputy Chief Executive Officer, Information and Communication Technology
Mr Gary Dunn, Acting Deputy Chief Executive Officer, Customer Service
Mr Grant Tidswell, Acting Deputy Chief Executive Officer, Business Development
Mr Trevor Burgess, Chief Financial Officer
Ms Michelle Cornish, Acting General Manager, People Division
Mr Tony Gargan, Acting General Manager, Forecasting, Information and Performance Division
Mr Graham Maloney, Acting General Manager, Network Operations Division

Ms Sheryl Lewin, General Manager, Network Performance Division
Ms Roxanne Ramsey, General Manager, Indigenous and Remote Servicing Division
Ms Vicki Beath, Acting General Manager, Education, Employment and Support Programs Division
Mr Paul Cowan, Acting General Manager, Seniors, Families and Carers Division
Mr Mark Withnell, General Manager, Business Integrity Division
Mr Brendan Jacomb, Legal Counsel, Public and Corporate Law; Procurement
Ms Kathryn Johnson, Legal Counsel, Administrative Law and Privacy
Mr Rick Maloney, National Manager, Marketing, Online and Customer, Communication Division
Mr Scott Anderson, Acting National Manager, Media, Network and Corporate, Communication Division
Ms Jenny Thompson, Portfolio Manager, Emergency Management Branch

Medicare Australia**Outcome 1, Output 1.1**

Ms Lynelle Briggs, Chief Executive Officer
Ms Malisa Golightly, Deputy Chief Executive Officer
Ms Lynne O'Brien, Acting Deputy Chief Executive Officer
Mr Colin Bridge, General Manager, Customer Service Design Division
Ms Fiona Knight, Acting General Manager, People and Enabling Services Division
Mr Graham Gathercole, General Manager, IT Operations and Projects Division
Mr Mark Jackson, General Manager, Compliance and General Programs Division
Mr Geoff Mutton, Chief Operating Officer
Ms Linda Holub, General Manager, Health Programs Division

[5.38 pm]

Department of Human Services

CHAIR—I would like to welcome officers of the Department of Human Services. Officers and senators are familiar with the rules of the Senate governing estimates hearings. In particular, I draw your attention to the order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised. The committee has set Friday, 26 March 2010 as the date by which answers to questions on notice must be returned. Are there any opening statements?

Mr Pratt—No, thank you, Madam Chair.

Senator KROGER—I want to turn straightaway to an update on the audit report on the Child Support Agency. I will quote one part of that report because it leads into my questions:

In 2007, CSA identified 21 000 customers with invalid addresses. These customers had a total outstanding debt of \$93.5 million, and 75 per cent of those customers did not lodge tax returns. In the same year, CSA identified an additional 28 000 customers with invalid addresses; increasing to 49 000 the number of customers for whom CSA did not have valid addresses.

Can I ask how many customers you have identified who do not have valid addresses now?

Mr Pratt—The CSP team will no doubt be able to enlighten us around that issue.

Ms Godwin—I do not have those updated figures with me. I would have to take that on notice.

Senator KROGER—That would be great. Could you also take on notice what the total value of outstanding debt would be for those that have invalid addresses and so have not fulfilled their obligations. What action is the CSA taking to track down those parents who are not fulfilling their obligations?

Ms Godwin—I think there are a variety of things to talk about here. We have recently instituted an early intervention program, so that immediately someone misses a payment we now have dedicated teams of staff who try to contact that parent and try to get them back on to their payment arrangement. We are also putting a fair bit of effort at the front end into getting paying parents into arrangements where their payments are deducted by their employer, because that is obviously a fairly routine transaction. There has been a small but positive increase in the number of parents whose payments are made through employer withholdings.

We use data analysis to try to identify defaulting parents and we undertake investigations, of course. We have automatic interception of tax returns for those parents with debts. So, when they submit their tax return, if there is any refund we can intercept that. We also issue notices to banks and other third parties—under section 72 of the act, I think it is—to try to ascertain whether a parent with a debt has other assets that we might be able to access. If they do, we can then issue a notice to that institution or third party to withhold money from bank accounts or other assets—for example, sales of property or things of that sort.

We take people to court for non-payment. Last year, I think, 550 or so people were taken to court and we are on track for a similar number this year for non-payment. In a small number of cases, as we have reported in other contexts, we will undertake optical surveillance if we think there is a reason to believe that someone has assets that we need to try and identify.

Senator FIFIELD—So that means you are hanging around watching them?

Ms Godwin—That is right. Actually watching what they are doing.

Senator KROGER—Physical observation of individuals.

Ms Godwin—Yes, to see if someone is working, for example, and where they are working and those sorts of things.

Senator FIFIELD—Current affairs style. Hidden camera. I am just being cheeky. I am sorry.

Ms Godwin—It is only used in a very small number of cases, and only if we think there is reason to believe there might be assets we are not able to identify otherwise. As I say, we have reported on that in the past.

Senator KROGER—Thanks for that overview. Are those various elements that you outlined in addition to or separate from the income minimiser investigations—or is that a very separate element to it?

Ms Godwin—No, income minimisers are one of the types of investigations we would undertake. If there is reason to believe that someone has capacity to pay for reasons of other assets or income that we have not otherwise identified, we would undertake an investigation of that person and try to establish if there is further capacity to pay, and that would be reflected in their assessment and in our attempts, then, to collect any revised assessment.

Senator KROGER—Given the number of cases that you are dealing with, how many investigations would be involved? Using those income minimiser investigations for instance, how many would be undertaken in a given year? I am just trying to get across the significance of the task that is underway to try and address the very real issue that so many parents face.

Ms Godwin—To give you a snapshot, in the period July 2006 to December 2009 we finalised 15,375 income minimiser investigations, and that resulted in the collection of almost \$45 million.

Senator JACINTA COLLINS—Why a three-year period?

Ms Godwin—I am sorry. That is what the brief gives me. We could break that down for you but that was just to give you a bit of a flavour of the size.

Senator KROGER—What would be an average time frame, if there is such a thing, for an investigation? How long would it take an investigation?

Ms Cooke—It would really vary according to the particular circumstances of the case. Sometimes some of these investigations require quite complex investigation and forensic accounting. Sometimes it is reasonably straightforward in terms of being able to access material that is freely available. We could take it on notice to look at the overall amount of time and break it down, but it really is quite variable depending on the circumstances of the case, which go from quite straightforward to sometimes quite complex.

Senator KROGER—So would your straightforward ones be six months or three months? What sort of time frame would we be looking at?

Ms Cooke—A straightforward one should be a matter of weeks, because it is a matter of finding the available information. Obviously we give the parent whose information it relates to an opportunity to comment on it, verify what we found and discuss it with us. It is not a process that happens in days, but in reasonably straightforward ones it would be a process that happens over weeks.

Senator KROGER—What sorts of triggers would lead to initiating an investigation?

Ms Cooke—Sometimes the investigation is initiated because we are actually contacted, often by one of the parents who says to us that they have information or they believe that the other parent has income that is not being taken into account properly and should be for child support purposes.

Senator KROGER—So a phone call from a father or mother indicating their concern about the other parent would be sufficient for you to look into that?

Ms Cooke—Yes. Now we of course would ask that parent what the basis of their belief is, do they have any information they could guide us to. So we make an assessment about whether an investigation is going to be viable, but that certainly can be a trigger. We also have the capacity to initiate our own investigation if, through the course of managing that child support arrangement—so it might be through our debt collection activities, it might be through a range of interactions—we come to the belief that there may be some indications that perhaps we are not getting access to all of the information we require. On that basis we will initiate the investigation ourselves.

Senator KROGER—In the report I think I saw somewhere that it referred to possible high risk categories, and I am just quickly looking for groupings, such as business owners. Is there an endeavour to look at whether there is an incidence of a particular group who are high risk, whether they are business owners or otherwise, and dealing with them in a separate way?

Ms Cooke—It would be fair to say that it is taken into account in the course of the investigation and in the decisions that we make about those cases that we investigate. Clearly where we have access to tax returns and we have people who are straightforward in employment arrangements, it is a much easier basis for sorting out somebody's financial affairs. Where somebody has their arrangements organised through trusts, through self-employment or through other complex financial arrangements around their income, clearly that means that it is going to be potentially an area where there may be some indications. Of course people can do that entirely legitimately. It is high risk in the sense that it means that we have to put more effort into getting the information, and clearly the more complex people's arrangements are in relation to their income, there is potentially more opportunity in organising their arrangements to minimise child support. But it is not to say that we target that group specifically; it is that it is taken into account in our investigations.

Ms Godwin—Clearly one of the things we need to do in any compliance environment is to try to identify what our risk factors are and how we might then address those. It is an area that we are putting a fair bit more work into to work out what sort of risk factors we should be trying to address, because as you point out we have a big case load and it is not possible to pursue every single individual with the same intensity. So making some sort of careful decisions about which cases are most likely to be the ones that we need to pursue rigorously is obviously something we need to do in our risk profiling and case selection work. I think the audit pointed to the fact that that was an area where we need to do more and we have accepted that recommendation and are putting in place arrangements to pick up our risk identification, risk profiling case selection processes.

Senator KROGER—So how many people do you have working in this area? I guess it is determining what the classifications are. I am not sure how you classify them in terms of investigative area or what.

Ms Godwin—If you wanted it broken down into investigators and so forth, I would need to take that on notice. Of our about 3,200 service delivery staff, about 450 or 460 from memory—we have that figure there—are specifically working on noncompliant cases. So that would range from the early intervention teams that I mentioned through investigations, through people who issue departure prohibition orders, who are involved in litigation work—that sort of thing. So that 450 or 460 are engaged in the full range of compliance activity right from early intervention through to the more serious investigation work.

Ms Cooke—The exact figure is 487 staff.

Senator KROGER—It seems a lot, but across that number of cases I do not know that it is such a lot. You mentioned earlier that 550 individuals had been taken to court—is that right?

Ms Godwin—Four hundred and fifty were completed last year. I think the exact figure in the annual report is 559.

Senator KROGER—That does not seem very many.

Ms Godwin—No, because generally speaking our objective is to try to arrive at a payment arrangement with the individual. It is obviously much better if we can enter into a voluntary arrangement of some sort. One of the other underlying pieces of information which is improving—gradually and modestly but nonetheless moving in the right direction—is that the number of people with a child support debt but without a payment arrangement is reducing. As I say, they are not massive numbers but they are moving in the right direction. Our objective is to try and get people linked to a payment arrangement, whether through employer withholdings or regular payments to us. So we would only take someone to court when we have tried a variety of other things and still had not been able to arrive at a payment arrangement.

Senator KROGER—How many people would there be who have a partner who is defaulting on child support obligations and are unemployed?

Ms Godwin—I do not know the answer to that.

Senator KROGER—Full-time carers of children who have no personal income other than their—

Ms Godwin—Are you talking about receiving or paying parents?

Senator KROGER—Receiving.

Ms Godwin—I think we would have that information, but I do not have it with me. The one thing I would say is that I am not sure whether we could break it right down to their being unemployed, because it would be linked to whether they are the recipients of Centrelink payments, and we do have information on that.

Senator KROGER—If you could take it on notice, that would be good. I would like you to expand on one other thing in the report. It discusses customer fraud at some length. Would you expand upon that. It indicates that it has been investigated that 0.01 in every 1,000 customers, for instance, had committed fraud. It also refers to a fraud control plan but does not actually say what it is. What is that referring to? Do you know?

Ms Godwin—I do not, specifically.

Senator KROGER—I might show it to you a little later. I was hoping you could enlighten me because I could not understand it myself.

Ms Godwin—If you give me the page reference, we will look at it and see if we can give you any further information.

Senator KROGER—I do not have a page reference here, but I am happy to give it to you on notice and you can explain it to me. In terms of improving compliance with child support obligations, do you believe we are moving in the direction of improved compliance procedures? Are there ways we can strengthen those procedures to reduce these astonishing numbers that we have before us?

Ms Godwin—I think the short answer to your questions is yes and yes. Yes, I think it is improving. As I said before, the indicators are modest at this stage but moving in the right direction. Is there more we can do? Yes, and we are continually looking for better ways to engage with paying parents to ensure that they meet their obligations. One of the indicators that shows it is moving in the right direction is that the number of paying parents without a

debt is going up, so the number of paying parents with a debt is reducing. That is good because it means that, increasingly, families that are relying on that child support payment to be made are receiving that payment.

One of our obvious objectives is to increase the current number of parents paying without a debt. We are looking at better ways to do that. As I said, most recently we have instituted these early intervention teams. I guess it is common sense that the more entrenched a debt becomes the harder it is to recoup it, so our objective is to try to assist families and paying parents if we possibly can to not get into a situation where the debt is entrenched. Even if they are in debt, we try to come to some sort of payment arrangement if we can so we start to recoup that. We continue to look at that. We have just rearranged our organisational structure to try to give us a better focus specifically on how to engage with parents who are non-compliant.

Senator KROGER—Thank you very much for that.

Senator FIFIELD—I have some questions about the department in general, but Senator Kroger has also prompted some questions for me about the CSA. At the outset, does the CSA have a handle on the percentage of separated or divorced parents with children that are clients of the CSA? I am wondering whether 95 per cent of families in that situation are or are not clients of the CSA. I know it might not necessarily be an easy thing to put a number on.

Ms Godwin—It is not. I think there has probably been research in this area in the past. Of course, it is hard for us to speculate on the number of people who are not registered who could be if they chose to be, because it is not compulsory to register with the Child Support Agency.

Senator FIFIELD—And the fewer clients the agency has the better, in an ideal world where people can reach agreements amongst themselves without needing the CSA.

Ms Godwin—Indeed. Even if they do register with the Child Support Agency, we still have that objective of encouraging cooperative arrangements. The rate of what we call private collect cases—that is, people who have private arrangements in place where we are not engaged in the collection activity—is going up, so that is a good indicator as well. As to the number of families that could otherwise register but have not, I would have to take that on notice to see if there is any research that might indicate that.

Senator FIFIELD—If you could, that would be interesting. It might be a source of good or bad news. Senator Kroger may have already been asked some of the other questions I have as I have been out of the room, so please tell me if you have answered already. What is the total figure for outstanding debts?

Ms Godwin—The figure as at the end of December is \$1.103 billion.

Senator FIFIELD—That is a big number.

Ms Godwin—It is a big number.

Senator FIFIELD—I guess that reflects a lot of unhappiness.

Ms Godwin—I guess there are a couple of points to make. That reflects the total debt since the beginning of the Child Support Agency, which goes back 21 years now.

Senator FIFIELD—Do you ever forgive a debt, or is there no hiding from the CSA?

Ms Godwin—We obviously do not want to create an expectation that, if you hold out long enough, your debt will be forgiven, so we are very careful about that. Sometimes families come to an agreement that the receiving parent will agree to discharge the debt. That therefore comes off the figure. The other important contextual point to make is that, over the 21-year life of the program, although that figure is large—and I am certainly not complacent about that figure—92 per cent of total liabilities have been transferred between paying parents and receiving parents. That figure is increasing, which is also a good indicator of improved compliance.

Senator FIFIELD—So what is the fresh debt accrued in the last financial year? Just to give me a handle on the—

Ms Godwin—The actual number I will just have to quickly try to—

Senator JACINTA COLLINS—Just before you go on with these statistics, is there a way that you can relate them per child or to the number of children with respect to whom we are actually considering the debt?

Ms Godwin—I imagine there is, except that, as I say, given that some of the debt goes back 21 years and some of those children are now themselves adults—

Senator JACINTA COLLINS—I am just wondering in terms of the ongoing statistics—

Ms Godwin—In terms of ongoing liabilities, we certainly have a bit of a sense of that. I would need to take it on notice because that is a high level of detail.

Senator JACINTA COLLINS—I understand. If you would not mind taking it on notice, that would be good. Thank you.

Ms Godwin—Yes, of course. Going back to the change in debt, what period are you interested in, Senator?

Senator FIFIELD—Let us just say the last full financial year.

Ms Godwin—So in the year from December last year to now?

Senator FIFIELD—Yes, sure.

Ms Godwin—In December 2009, the figure was 1.032, so the number increase is about \$70 million.

Senator FIFIELD—Seventy million dollars since December last year?

Ms Godwin—Yes, because we are now at 1.103, so about \$69 million.

Senator FIFIELD—So you are talking about a \$100-plus million increase over a 12-month period?

Ms Godwin—No, that is the 12-month period. That is December 2008 to December 2009—that 12-month period.

Senator FIFIELD—Okay.

Senator KROGER—How much did you say? I missed that totally, I am sorry. What was the amount of the increase?

Ms Godwin—The total increase in that period is \$69 million.

Senator KROGER—Okay.

Senator FIFIELD—How many payers and how many payees are there on your books?

Ms Godwin—Could I just add one thing?

Senator FIFIELD—Sure.

Ms Godwin—The other important distinction, of course, is that a significant proportion of that increase is international debt—that is, debt transferred in when a payer from another country comes to Australia. That is one of our ongoing challenges, because, just to give you some background, in the six-year period to the end of 2008-09, domestic debt contributed \$61 million to the total debt but international debt contributed \$185 million to the total debt. International debt is in a sense a disproportionate contributor to that overall debt picture, so one of the other things that we are focusing on is how to better manage international debt. In terms of paying and receiving customers—

CHAIR—While you are finding the information, with the indulgence of the committee, my understanding is that CRS Australia will not be needed tonight. In light of that, we will excuse them. Enjoy your evening, representatives of CRS Australia. Over to you, Ms Godwin.

Ms Godwin—At the moment, there are 648,667 paying parents, there are 648,200 receiving parents and there are 11,705 parents who are both paying and receiving.

Senator FIFIELD—I will not ask you to reconcile those three figures. Is there any statistical data you can point me to that shows the trends in payers and payees? Is there something in the annual report or website?

Ms Godwin—I have to confess that I have not actually looked at the website. I am not sure if it is there but we regularly report on it, including in the annual report.

Senator FIFIELD—That is okay, perhaps you could take it on notice. I do have some other things I could ask but I will pop those on notice.

Mr Pratt—Madam Chair, if I might just check, are we complete on CSP? Will others have questions on the Child Support Program or can I retire, so to speak, those people?

Senator KROGER—I am interested in following up the international debt you were talking about, because that is something that had not entered into the equation. I will put some questions on notice in relation to that.

CHAIR—As there are no further questions, those officers may leave.

Senator FIFIELD—I might move on to the subject of the merger of Human Services with Centrelink and Medicare, which is described in Mr Bowen's letter to members and senators. As I am sure you are aware, Mr Pratt, he says:

We will cut red tape for those who require a government service and those who provide it. It will be easy, high quality and work for all Australians.

Them's fightin' words! Best wishes in achieving that, Mr Pratt.

Mr Pratt—Thank you, Senator.

Senator FIFIELD—I would like to start with the co-location of agency offices, which I know is part of this rationalisation, for want of a better word. How many offices does each of

the agencies currently operate from—how many Centrelink, Medicare, CSA, CRS and Australian Hearing offices are there?

Mr Pratt—While someone is pulling out the exact figures I will give you some approximations. Of significant offices—leaving aside rural service delivery locations and the like—Centrelink has around 330 customer service centres; Medicare, from memory, has around 200 to 220 offices; CRS has probably 170 to 180; the Child Support Program operates from 27 locations, from memory. Someone will correct me if I have got those figures wildly out, but it is of that order. Some of those locations are already co-located offices, where the Child Support Program and Centrelink operate together or Centrelink and Medicare et cetera.

Senator FIFIELD—What about Australian Hearing?

Mr Pratt—No, I have not covered Australian Hearing offices. I do not have that figure to hand so we will take it on notice.

Senator FIFIELD—Maybe it can be taken on notice for all of those and also for those which are already co-located.

Mr Pratt—Just to clarify, Senator: you would like a list of where we have co-located offices. Is that correct?

Senator FIFIELD—Correct, and also if those numbers are different for any of the stand-alone sites.

Mr Pratt—We will give you the exact figures.

Senator FIFIELD—Where did the idea of co-locating first come from? Is it something that predated this proposal to combine the agencies and the department?

Mr Pratt—I could not tell you exactly where the idea originated, but it is certainly something which would result in significant improvements in service and convenience for customers. It has been something that we in the portfolio have been very focused on in the last couple of years and we have already in place a number of co-locations, which we will get you on notice.

Senator FIFIELD—So it is something you have been doing and it is something which is being furthered as part of these new arrangements for departments and agencies?

Mr Popple—Perhaps I could add to that. The idea around co-location was drawn in part from overseas experience but also from some trials we did here in Australia a couple of years ago where we co-located Centrelink and Medicare offices. They were not offering full services but we put them in eight different locations around Australia. The response to that was quite positive. So that fed into the thinking that led to the ideas around co-location.

Senator FIFIELD—At this stage do you have a time frame for co-location? Do you have a target for the number of offices which will be co-located at the end of 2010 or 2011-12?

Mr Pratt—Mr Bowen announced that we would have at least another 20 co-located offices by the end of 2010 and 40 offices by the end of 2011.

Senator FIFIELD—And in 2012? Or has it not gone out that far?

Mr Pratt—No, he has not announced a target.

Senator FIFIELD—Do you have a handle on the costs of co-locating at the moment—things like moving, fit outs and things of that nature?

Mr Pratt—It varies considerably. We could give you, I guess, the cost of the co-location of one of the trial sites or something of that sort. We would do that on notice.

Senator FIFIELD—That would be helpful.

Mr Pratt—But there are, of course, a variety of different types of co-location. For example, there is what was done in Narooma very recently where we have taken the opportunity to create a single office with both Centrelink and Medicare operating from that office. Then there are co-locations at the other end of the spectrum where there might be staff from Medicare ‘outposted’ in a Centrelink office and vice versa. So you can see that the range of costs will be quite different.

Senator FIFIELD—Indeed. Are you anticipating having to pay out any leases in order to facilitate the co-location?

Mr Pratt—I would not rule it out but typically we look to do co-locations where the contractual arrangements are convenient to do so.

Senator FIFIELD—Could you take on notice whether there is a requirement to pay out any leases to facilitate co-location and what the cost of that might be.

Mr Pratt—Yes.

Senator FIFIELD—How many staff are involved in the planning of the co-location and the rationalisation of the offices? Do you have a dedicated group to do that?

Mr Pratt—Yes, we have a team which has been established to focus on this, but it is difficult to give you a precise figure as at different times the team will draw on expertise from across each of the agencies, so, really, it is hard to give you a full-time equivalent figure for that.

Senator FIFIELD—Sure, but are you doing that from within existing resources?

Mr Pratt—That is correct.

Senator FIFIELD—Just to go back to the issue of leases and things of that nature, will there be any situations where agencies may leave vacant office space rather than paying out a lease in order to co-locate?

Mr Pratt—That is highly unlikely. It is not impossible, I guess, but I think it is unlikely for purposes of co-location. If we were to consider such a thing we would of course be examining ahead of time the opportunities for subleasing.

Senator FIFIELD—Are you also able to provide, again probably on notice, each of the locations which you intend to co-locate at and which agencies will be co-located at each of those sites?

Mr Pratt—That is not possible presently. We are working through possible locations for co-locations and as yet we have not briefed the minister on that. That will happen over the course of the year.

Senator FIFIELD—You might not have briefed the minister on that but does that mean that a decision has not been made as to those things?

Mr Pratt—There has been no decision as to where we will be doing future co-locations.

Senator FIFIELD—Who will make the decision as to where co-location occurs?

Mr Pratt—Ultimately we will make recommendations to the minister.

Senator FIFIELD—So that will ultimately be a decision of the minister as to where those sites are?

Mr Pratt—That is correct.

Senator FIFIELD—Are there criteria that human services have drawn up to assist the minister in making that determination?

Mr Pratt—There was a set of criteria in operation last calendar year, pre the minister's announcement. Those criteria are being examined in the light of the service delivery reform announcement made by the minister late last year. There are currently no criteria applying, because they are being reworked.

Senator FIFIELD—So the existing criteria will not apply; there will be new criteria?

Mr Pratt—That is correct. We will base the future criteria on the pre-existing ones, but they are being revised to take into account the extent of the reforms.

Senator FIFIELD—Could you provide the committee with a copy of the current criteria?

Mr Pratt—Yes, Senator.

Senator FIFIELD—And of the new criteria when that is—

Mr Pratt—We will provide those criteria once they are signed off.

Senator FIFIELD—Thank you. It might not be within the time frame of this estimate period—

Mr Pratt—I can guarantee that.

Senator FIFIELD—I thought you might be able to guarantee that. Who decides or has decided how many sites will be co-located? Was that a decision of the minister on the advice of the department?

Mr Pratt—That is correct.

Senator FIFIELD—Were there targets nominated by the department as to how many co-locations there should be?

Mr Pratt—The department and the agencies provided advice to the minister about the options for co-location and numbers. Essentially, that is standard practice. We provide advice to the minister and the minister responsible—

Senator FIFIELD—Has the department had any negotiations with the CPSU or the ACTU over the staffing impacts of co-location?

Mr Pratt—The minister announced that we would form a joint working party with the CPSU to consider the entire range of implications arising from the service delivery reform program and, yes, we have met with the CPSU.

Senator FIFIELD—Are those discussions being held against the backdrop of enterprise bargaining or any other industrial discussions?

Mr Pratt—It is fair to say that collective agreements are always a consideration in discussions of that sort, but at this stage each of the agencies has an existing collective agreement. They are not up for renegotiation for a period. Inevitably we will discuss these things in the context of a future negotiations, but at this stage those would be very preliminary.

Senator FIFIELD—Have any co-locations occurred over the last two years?

Mr Pratt—Yes.

Senator FIFIELD—How many over the last two years?

Mr Popple—Over the past couple of years there have been a number of co-locations, mainly between Centrelink and the Child Support Program as the Child Support Agency moved some of its regional offices into Centrelink offices. I do not have the numbers with me on how many occurred in the last two years, but in total there were 27. There has also been some movement in co-locating Medicare and Centrelink and, most notably, recently, at Narooma on the South Coast which is a fully-operating co-located office. Others have been of varying degrees, but I have to get numbers as to what happened in the last two years.

Senator FIFIELD—Could you take those co-locations on notice—where they occurred and the agencies which have come together. I assume, Mr Pratt, from what you said before, those would also have been ministerial decisions as to where the co-locations—

Mr Pratt—Typically that would be the case—yes.

Senator FIFIELD—According to the criteria which is currently in place.

Mr Pratt—The criteria that applied at the time. The criteria that I discussed with you before were established in 2009.

Senator FIFIELD—What were the criteria before that? Could we have a copy of that as well, if there were any?

Mr Pratt—I would have to take that on notice. That is before my time.

Mr Popple—I do not know that there were any specific criteria. Some of the co-locations occurred as a response to budget measures. For instance, the Child Support Program regional offices moving within Centrelink was a budget initiative of, I believe, 2006-07.

Senator FIFIELD—So there are the 2009 criteria, which we will be getting a copy of, and there are the new criteria, which in the fullness of time we hope to have the benefit of, but pre the 2009 criteria there were no formal criteria in place?

Mr Popple—That is my understanding. I would have to check it, but that is my understanding.

Senator FIFIELD—So it would just have been on the basis of—

Mr Popple—Opportunity.

Senator FIFIELD—a recommendation to the minister outlining the reasons why it was a good idea?

Mr Popple—Yes.

Mr Pratt—I imagine, though—

Senator Ludwig—Or would it have been the minister's choice?

Senator FIFIELD—Would it have been the minister's choice?

Senator Ludwig—Yes, prior to 2007, if there were no criteria?

Senator FIFIELD—It may well have been, but, as you are fond of telling us, you hold yourself to a better and higher standard—and who are we not to apply that!

Senator Ludwig—Thank you for that endorsement.

Senator FIFIELD—Are there any constraints to further co-location other than those that are currently planned—the additional 20 for 2010 and another 40 for 2011? Is that 40 a cumulative figure or—

Mr Pratt—It is a cumulative figure.

Senator FIFIELD—It is cumulative. So it is 20 for 2010 and then another 20 for 2011?

Mr Pratt—That is right. But there are no constraints there. We will be attempting to do more co-locations if possible.

Senator FIFIELD—Please take on notice the details for the physical locations of each of the separately located entities—Centrelink, Medicare, CSA and CRS—in the first instance and also some of the lease details.

Mr Pratt—I am sorry, that was not clear to me.

Senator FIFIELD—Sorry, could you provide the physical locations—the addresses of—

Mr Pratt—Existing offices?

Senator FIFIELD—of existing offices and also some of the lease details—so what the term of the lease is at each of those sites and when they might expire.

Mr Pratt—I am sure we can provide the details of locations of the offices without too much trouble. In fact, we will probably be able to direct you to a website or websites which provide that information. In terms of actual lease details, I will have to take that on notice. That could be quite a large body of work to look at.

Senator FIFIELD—Perhaps just provide the dates that the leases expire.

Mr Pratt—I will take that on notice.

Senator FIFIELD—Thank you. This may be commercial-in-confidence, but, if it is not, could the annual cost of the leases for each of those sites be provided as well?

Mr Pratt—We will examine whether or not we can do that.

Senator FIFIELD—As I say, it may be commercial-in-confidence, but, if it is not, please provide it. You have already undertaken to provide on notice information about those sites where there may need to be a lease paid out as a result of co-location. That would be useful, too.

Mr Pratt—Yes.

Senator FIFIELD—Do you have a time frame within which decisions will be made as to the co-location sites? There are going to be 20 by the end of 2010. We are in February, so for

that to happen I imagine that the minister's decision would need to be taken fairly soon as to whether co-locations would take place.

Mr Pratt—I would not like to speculate about time frames.

Senator FIFIELD—But there is no time frame that has been stipulated by the minister to make a decision?

Mr Pratt—No. Essentially, the target is 20 by the end of 2010. We will try to get them in place as quickly as we can.

Senator FIFIELD—Thank you for that.

Senator ABETZ—Are you on track to achieve that?

Mr Pratt—Yes.

Senator FIFIELD—I do not have anything else on the collocation of offices. I am not sure if any colleagues have anything else on that, but that is all I have for general questions. I do have one last question: Mr Pratt, I am aware of the process that the Treasury has for pre-budget submissions and that typically those submissions can cover any and all portfolios. Does your department have its own independent budget submission process?

Mr Pratt—We are part of the government's—

Senator FIELDING—So the Treasury process covers whole-of-government; there is nothing that your department does in addition to that?

Mr Pratt—We participate in the government process.

Senator FIFIELD—Other than calling for pre-budget submissions, is there any other element to the government process?

Mr Pratt—I am not sure what you mean, Senator.

Senator FIFIELD—The Treasury process is basically that they put out a press release calling for pre-budget submissions. Then submissions come in, the things are collated in whatever way they do it. There is no initial element from you?

Mr Pratt—Each year we also make submissions in the additional estimates process.

Senator FIFIELD—Sorry, I meant submissions from outside of government into government. I did not mean your own internal submissions to the process; I meant external submissions.

Mr Pratt—We are not running any submission processes for the budget.

Senator FIFIELD—So you do not call for public input as to—

Mr Pratt—We consult quite extensively on different things but we do not call for submissions for budget proposals.

Senator FIFIELD—Sorry for the confusion. Thanks, Chair.

CHAIR—There being nothing further in this area, we will move on to Centrelink.

[6.32 pm]

Centrelink

Senator ABETZ—Centrelink was given a hospital pass courtesy of the Department of Infrastructure, Transport, Regional Development and Local Government in relation to the Tasmanian Freight Equalisation Scheme. I have some questions about the administration of that scheme, especially about the processing backlog. Could I be advised what the greatest day delay has been in relation to processing invoices before payment from submission to payment. I understand October last year had a particularly unattractive figure, but I await to hear what Centrelink tells us what it believes it was.

Ms Hogg—Could I just clarify your question? Are you after the longest period that a claim has been left undetermined for the whole time or, just currently, what the longest period is?

Senator ABETZ—What it was in October—

CHAIR—Could I just interrupt for a minute. We are having great difficulty hearing you.

Senator ABETZ—Sorry—you wanted some clarification, Ms Hogg?

Ms Hogg—Yes, please, Senator. I just wanted to clarify whether you were asking for the oldest claim that we had in recent times or just currently—the length of wait—

Senator ABETZ—Can you confirm that in October 2009 there was a substantial backlog in processing claims?

Ms Hogg—We certainly have had a substantial backlog in processing claims. I can tell you—

Senator ABETZ—Was it worst in October 2009?

Ms Hogg—In August 2009 it looked like we had the biggest number of claims on hand, which was 1,695.

Senator ABETZ—That is good—the number of claims. If you are processing them quickly, that is all well and good. It is the delay in processing that I am interested in.

Ms Hogg—We have a number on hand now, so I will try to work through these figures for you. The number on hand as at 5 February was 601. So we have—

Senator ABETZ—That still does not tell me how long it is taking you to get them in and out of—I was going to say the sausage machine, but that is not necessarily appropriate—to get them paid.

Senator Jacinta Collins interjecting—

Ms Hogg—The decision has not been made.

Senator JACINTA COLLINS—For whatever the period is.

Ms Hogg—Yes, since we received the claim. I can give you some figures. In December, 51 per cent of claims were processed within 15 days and 67 per cent were processed within 30 days.

Senator ABETZ—And the other 33 per cent—can we split that up further?

Ms Hogg—I think we will have to take that on notice, in order to tell you the oldest.

Senator ABETZ—Perhaps you could. I refer you to the Infrastructure, Transport, Regional Development and Local Government questions from October 2009. Question No. 1 was taken on notice. I asked: ‘Can you take on notice how many invoices are currently awaiting assessment, how many of those have been awaiting assessment for seven days, 14 days’—and I went right through to 63 days, on a weekly basis. In fact, I went up to in excess of 70 days. Ms Riggs told me she would seek to discover whether those numbers were easy to extract from the system that Centrelink runs on our behalf. Having made that promise to seek to discover, the written answer I got was that the question is best referred to Centrelink. They are a very help department, that other one! That is why I am here seeking whether it is able to be discovered.

Mr Tidswell—I have a rundown of those 601 outstanding claims, if you want those figures now. I am happy to give them to you.

Senator ABETZ—Yes. Do you have them as well for October 2009?

Mr Tidswell—No, I do not have those with me, but we can take that on notice.

Senator ABETZ—Could you take that on notice, please—just in December 2009. I am very interested.

Mr Tidswell—For the 601 claims that we currently have on hand—that is as at 5 February—198 of those—

Senator ABETZ—Sorry?

Mr Tidswell—That is dated 5 February.

Senator ABETZ—Not the December figures?

Mr Tidswell—We cannot give you the December figures. I do not have those here. The most recent data is: 198 of those claims have been with us for between zero and seven days; another 129, between eight and 14 days; 85 were between 15 and 21 days; 35 were between 22 and 28 days. We have a smaller number of other figures: from 29 to 35 days, 14 claims; 36 to 42, eight—

Senator ABETZ—I am starting to lose track, but it will all be in *Hansard* for me, I am sure.

Mr Tidswell—Do you want me to keep going with that?

Senator ABETZ—Yes, please.

Mr Tidswell—I think I was up to 43 to 49 days, for which there are 15; for 50 to 56 days, there are 29; for 57 to 63 days, there are 23; for 64 to 70 days, there are 14; and for 70-plus days, there are 51. You may well ask about the 51 at the top end of the scale. They are the more complex claims, where we are after more information from claimants. It is a process whereby we have to go back and seek further information.

Senator ABETZ—Do you have a guideline or a contracted request from the other department as to how quickly you are supposed to be processing these claims?

Mr Tidswell—Our standard is 28 days.

Senator ABETZ—Your standard is 28 days?

Mr Tidswell—That is right.

Senator ABETZ—You are not measuring up too well on that, are you?

Mr Tidswell—We are trying to do the best we can. We have tripled our staffing levels and we are trying to look at the process to get on top of it.

Senator ABETZ—I was just going to get to that. I understand you have increased your staff level and I understand that the current figure of 601, which you have given the split on, may well be a lot better than it would have been in September, October and November last year. If you would take that on notice as well and give me a similar split-up, the figures will speak for themselves.

Mr Tidswell—We also suspect that for a good number of the ones that are outstanding over the 28 days there may well not be a claim that will be paid in that sense.

Senator ABETZ—A claim that is payable at the end of the day?

Mr Tidswell—That is right. It is complicated—we have to seek further information and go back and talk to people to do that—but we are completely at one in trying to re-engineer the process to get it better.

Senator ABETZ—Is part of that re-engineering going to include dealing with these claims electronically? As I understand it, you can lodge electronically but you have to send to Centrelink the original paper document plus a photocopy, which are then looked at and verified and the original is sent back. Is that correct?

Mr Tidswell—I am not sure if all of those steps are correct; however, we are required by the department that pays us the money to do this work to have the original documentation before us to make the claim. We are looking to investigate how we can improve that process and put in better electronic ways of doing that.

Senator ABETZ—Can you confirm that the requirement for the original documentation to be presented to you is not because of some quirky Centrelink desire that that would be a good way of doing business but rather as a result of the Department of Infrastructure, Transport, Regional Development and Local Government requiring that of you.

Mr Maloney—I will confirm for the record that that is correct, but my understanding is that while customers can lodge a claim electronically there is a requirement from the department for the original invoice to be provided to Centrelink.

Senator ABETZ—Thank you very much for that. The other department was trying to tell me, just a little while ago, that they were going to be in discussions with you about this quirky way of doing business and not revealing that they were the department requiring business to be done in that particular way. Undoubtedly Ms Riggs will be reading the *Hansard* of the Centrelink hearing as well. I look forward to the May estimates.

Senator BOYCE—I have questions over five or six different areas, but in the main they are all related to pensions and pension supplements. I will start with the changes to the laws that affect same-sex couples from July 2009. Your website, in fact, says, 'Couples are couples—Centrelink customers must declare same-sex relationships from 1 July 2009.' I want to explore that a bit further—how it has happened and what is happening. Is it not the fact that

some same-sex couples would be financially disadvantaged if they told Centrelink they were a same-sex couple rather than two individuals?

Ms Hogg—I will kick off on that, though Ms Beath is the expert in this area. As the website says, we treat couples as couples, so income that either partner in a relationship has would be taken into account if people are being treated as a couple. Obviously, if people did not need to declare themselves as a couple previously, any income earned by either partner would not necessarily impact on rates of payment. But once you look at both partners in a couple, whichever sort of couple, they can potentially have that income maintained against the total payment.

Senator BOYCE—From some figures I have pulled out I see that the difference in the maximum level available to two singles and a couple could in fact be over \$300 a fortnight. Is that right?

Ms Beath—I would have to take the exact amount on notice, but there is a significant difference between the rates—

Senator BOYCE—I was working on \$671.90 as the maximum for singles and \$1,013 as the maximum for couples.

Ms Beath—It depends, as you know, on individual circumstances and income and assets.

Senator BOYCE—Yes. Are there any circumstances in which a same-sex couple would end up financially advantaged by telling Centrelink they are a couple?

Ms Beath—There are a small number of circumstances, and those are in relation to some of the bereavement payments and some other things that couples receive that individuals do not necessarily receive.

Senator BOYCE—So they would be supplements—

Ms Beath—Yes.

Senator BOYCE—like the bereavement payment and a few other things. How many same-sex couples have declared their relationship to Centrelink from July to the end of last year—whatever date is suitable?

Ms Beath—As at 31 December 2009?

Senator BOYCE—If that is a convenient stopping point for you.

Ms Beath—There were 3,979 couples, which is 7,958 individuals, in a same-sex, de facto or registered relationship who have had their records linked. This includes customers who may have a partner who is not a Centrelink customer but they have to declare their relationship.

Senator BOYCE—Do you have that broken up by couples who have dependent children in the relationship?

Ms Beath—No, I do not have that.

Senator BOYCE—Would you be able to take it on notice?

Ms Beath—I will take it on notice and investigate if we can do that.

Senator BOYCE—Can you tell me what the government has saved from those couples declaring themselves to be couples rather than singles?

Ms Beath—No, I do not have those figures. That information is probably available from the Department of Families, Housing, Community Services and Indigenous Affairs.

Senator BOYCE—How many couples would you anticipate are within the cohort of same-sex couples who would receive Centrelink benefits?

Ms Beath—That is a very difficult question. Again, you might wish to raise it with FaHCSIA. It was very difficult to estimate that as those couples had not been required to notify Centrelink about their relationship, so we did not have any data on that. I believe that FaHCSIA did some work with the ABS, the Australian Bureau of Statistics, to try and do an estimate—

Senator BOYCE—Obviously, it is pretty important for trying to budget what this measure is going to cost, isn't it?

Ms Beath—That is right. The initial figure we are looking at is around 11,000 people, but, as I said, close to 8,000 people have now told us that they are in a same-sex relationship.

Senator BOYCE—Could you repeat that last bit?

Ms Beath—To date, 7,958 individuals have told us that they are a couple for Centrelink purposes.

Senator BOYCE—But those 7,958 individuals are part of those 3,979 couples plus the ones—

Ms Beath—Yes.

Senator BOYCE—I think I understand that point. Apart from saying on your website, 'The law says you must tell us that you are a couple,' what else has Centrelink done to encourage same-sex couples to comply with the law?

Ms Beath—Prior to 1 July, as you may have been aware, there was a Couples are Couples campaign that involved information going to communities on radio and in a wide variety of media. It promoted to the community that this was a change that people needed to take account of. There is a further community campaign that is being launched at the moment that will reinforce this message.

Senator BOYCE—That is primarily running in the gay media and the like?

Ms Beath—Yes, whereas the Centrelink campaign ran across all media. It was a very general campaign. Our current information and letters going to customers includes reminders that couples include same-sex couples.

Senator BOYCE—Given that there is a financial disincentive, in fact, for people to comply with the law here, what else is Centrelink doing to ensure that as many people as possible are declaring themselves?

Ms Beath—Generally we have a compliance regime that looks at anyone. We do a lot of work to check out that people have correctly declared their circumstances to Centrelink, and that applies to any person who becomes a partner. It is not just about same-sex couples.

Senator BOYCE—But how would you know whether they have a partner or not?

Ms Beath—There are a range of methods by which we actually ask people to declare. There are also a range of other techniques by which we encourage people to tell us, including things like our tip-off lines. It is part of our normal compliance regime.

Senator BOYCE—Do you have an estimate of how many singles you anticipate would come into this scheme over the next six months or more?

Ms Beath—How many people might—

Senator BOYCE—How many singles would come in as same-sex couples in the next six months or 12 months.

Ms Beath—No, I do not have an estimate of that.

Senator BOYCE—You have no projections at all?

Ms Beath—No.

Senator BOYCE—We were talking earlier about child support agencies and about visual inspections of houses, workplaces and that sort of thing to verify people's income information and the like. Are you conducting any checks of any sort on people that you suspect are same-sex couples but are not saying so?

Ms Beath—That is part of our general compliance activities, so I might ask one of my colleagues to discuss it with you.

Mr Withnell—We have a standard procedure for members-of-a-couple assessments. It is largely a desk based activity where we look at a range of issues around whether there is interdependence or co-dependency, either financially or in terms of residence.

Senator BOYCE—So you have broadened this oversight now to include single individuals of the same gender who may be a same-sex couple?

Mr Withnell—That is correct.

Senator BOYCE—Could you tell me a little more about what you have done there. Have you found people who are not complying? What has been the next action?

Mr Withnell—I do not have the exact figures on that breakdown with me.

Senator BOYCE—Would you be able to provide those on notice, perhaps just from July to 31 December or 31 January, depending on what is convenient.

Mr Withnell—Yes, we can do that.

Senator BOYCE—What sanctions are applied to people who are shown to be not singles but a couple?

Mr Withnell—The sanctions essentially fall into two categories. One is that any debt owing because of the period of noncompliance is recovered. Secondly, if it is long term and ongoing and there seems to be deliberate intent that may be considered a fraud—

Senator BOYCE—If it is considered fraudulent.

Mr Withnell—then it may go to prosecution.

Senator BOYCE—As part of your oversight and surveillance and checking on compliance, do you have people who would physically check where people live, what their neighbours say about them and that sort of thing?

Mr Withnell—Not as a general rule. We do have an optical surveillance program in some instances, but it is not generally applied in this situation.

Senator BOYCE—I am thinking particularly of same-sex couples who may not have publicly told people that they are a same-sex couple and what could happen if there was an investigation going on that was making inquiries to that end. Has there been any special training done for the investigators, now that they are handling same-sex as well as opposite-sex relationships?

Mr Withnell—Yes. All of our review and fraud investigators received training at the implementation of the measure. The reviews we might get from a tip-off, for example, through our tip-off line are channelled to a particular team who have had additional training—

Senator BOYCE—Was this extra training that was done before 1 July last year?

Mr Withnell—Yes. That is right.

Senator BOYCE—Could you briefly outline what it was?

Mr Withnell—It was a training package that was used across Centrelink. My understanding is that it was agreed broadly with various community groups. We did not develop it ourselves; it was developed more broadly for the organisation.

Senator BOYCE—You mentioned the tip-off line. Can you tell us how many tip-offs Centrelink has received about singles living together who claim to be same-sex couples?

Mr Withnell—I will just check, but I do not think I have information on the tip-off line down to that level of detail. The only detail I have is a very much aggregated level in terms of totals. We could probably provide the information you have asked for on notice.

Senator BOYCE—If you could, that would be useful. In the last few days the potential consequences were raised with me for a couple living in a Queensland country town if a tip-off was sent to Centrelink about this couple being a same-sex couple and they had not publicly declared this. What can you tell me to perhaps reassure people in that situation that things are okay?

Mr Withnell—All our reviews and investigations are done sensitively. Often they are done as desktop review without contacting third parties. If there is contact with third parties it will be in terms of confirming particular information rather than a particular relationship, by and large. As I mentioned earlier, we have channelled those particular issues to teams that have been trained specifically to do that.

Senator BOYCE—How many of these teams are there—how many full-time-equivalent staff are working on them?

Mr Withnell—There would be one team. I do not know the exact size of the team. They would do other than same-sex couples as well. We have three teams doing this work, most of them with around 20.

Senator BOYCE—Twenty to a team.

Mr Withnell—Approximately.

Senator BOYCE—Full-time equivalent.

Mr Withnell—Yes.

Senator BOYCE—That is all my questions in that particular area.

CHAIR—Now might be a timely opportunity to take the break.

Proceedings suspended from 6.58 pm to 8.01 pm

CHAIR—Welcome back. Senator Boyce, you may continue.

Senator BOYCE—My next lot of questions relate to the Household Assistance Scheme. Centrelink is now offering some customers under this scheme a free purchase and installation of high-definition digital set-top boxes. How long has that offer been publicised?

Mr Cowan—It was a budget initiative of the 2007-08 budget, I am pretty sure. We started to contact customers earlier this year with respect to determining their entitlement.

Senator BOYCE—So it is basically since 1 January. Could you tell me how many people have accepted that offer, to whatever date is convenient.

Mr Cowan—The letter went out in the week beginning 18 January, so we do not have figures of the flowthrough yet from that sort of activity.

Senator BOYCE—Does that only apply to people who are in parts of New South Wales and Victoria that are going to come on line before June 2010 or has the letter gone out Australia-wide?

Mr Cowan—It is a phased rollout. It is affecting Mildura at the moment. Mildura-Sunraysia is the first target group, but it will cover all of Australia in a phased approach.

Senator BOYCE—Would you be able to provide me on notice the plan as it is going to be worked through, when the deadlines are for particular areas and how many eligible Centrelink recipients are in those areas.

Mr Cowan—I can actually give you the dates now. We are expecting there will be around 8,000 potential eligible customers residing in the Mildura-Sunraysia area. The Mildura rollout is in the first half of 2010, and regional South Australia and Broken Hill is in the second half of 2010.

Senator BOYCE—How many people are there?

Mr Cowan—I do not have those figures. I just have the sequence thing. It rolls through regional Victoria, regional Queensland, southern New South Wales and ACT, and then it moves into the urban centres in 2013.

Senator BOYCE—Can you provide me with, where it is relevant for the next few ones, the number of recipients because obviously that will change radically by the time we get to 2013.

Senator MOORE—Is the way you are rolling it out based on an area structure or a postcode structure?

Mr Cowan—It is just defined by the policy department.

Senator BOYCE—It is where the digital TV is going.

Senator MOORE—It is not linked to your areas? Parts of an area of management will be covered by this and parts will not?

Mr Cowan—It is to do with TV licensing and what we call the aggregation areas at some point. It is focused on that. We are just a conduit.

Senator MOORE—It has no link to Centrelink boundaries at all?

Mr Cowan—No.

Senator BOYCE—Has that caused any confusion or problem that you are aware of?

Mr Cowan—Not so far. It is a relatively simple process. We are asking customers to contact us so we can determine their eligibility. They indicate their interest and we put them in contact with a service provider.

Senator BOYCE—Eligibility is based on customers receiving the full pension in certain particular areas. Is there anything else that would affect eligibility other than their receiving the pension as set out?

Mr Cowan—There are eligibility criteria but they just have to be a maximum-rate pensioner and have a television.

Senator BOYCE—How much have you allowed for the rollout to those 8,000 recipients in Mildura-Sunraysia to cost?

Mr Cowan—In this year we would be looking at \$11.3 million.

Senator BOYCE—Is that for this calendar year?

Mr Cowan—It is for the financial year.

Senator BOYCE—Are you talking about 2010-11?

Mr Cowan—Yes.

Senator BOYCE—That covers more than just Sunraysia; is that right? Would it cover the second rollout as well?

Mr Cowan—Yes that would involve the contract with the others as well.

Senator BOYCE—Are you able to give me an average figure? Can you tell me what a set-top box costs and what the average installation cost will be?

Mr Cowan—We are not involved in that aspect of it.

Senator BOYCE—Who does that?

Mr Cowan—There is a contracted provider that has been contracted by the policy department, which is the broadband department. They have contracted the provider directly.

Senator BOYCE—Is it one provider?

Mr Cowan—At this stage, yes. After we have confirmed with the customer their eligibility and interest, we then provide the information to the provider.

Senator BOYCE—We would need to ask questions around the costs of the boxes and the costs of the installation. Are you aware at this stage if there is planned to be only one national provider, or is this one provider for that area or what?

Mr Cowan—I think it is just this area at the moment. The outsourcing and contracting arrangements will be done by broadband, not by us.

Senator BOYCE—I will put questions on notice to them. How do you check eligibility other than the fact that I receive the pension? If I borrow my son's old TV for the day and get it upgraded for him, what would be the governance and accountability issues around this?

Mr Cowan—There is no compliance regime around this. We are not visiting houses to determine that.

Senator BOYCE—Is it one box and installation per household?

Mr Cowan—That is correct: one per household, plus, if they need an antenna as well to make sure they are getting optimum reception, that is also included.

Senator BOYCE—So they may get an antenna or a new improved antenna—an upgraded antenna—as part of the deal?

Mr Cowan—Yes.

Senator BOYCE—I will obviously be interested in asking more questions about that as the year rolls on and we see how it pans out.

Senator FIFIELD—Forgive me if some of my questions were covered by Senator Boyce before I arrived. I specifically want to focus on the first area where the switchover is going to take place, which I think is Mildura—the Sunraysia district. At the last estimates we were advised, I think, that letters were not sent out to, say, people on the DSP until six months before the switchover to advise them of the assistance that was available. The Mildura switchover is now within six months. Have letters been sent to DSP recipients, for instance, in the Mildura/Sunraysia area?

Mr Cowan—We did not distinguish between the various pension recipients. They all went out at the same time. The delay may have been a regional delay. There is a phased rollout around the country.

Senator FIFIELD—To the Mildura/Sunraysia area?

Mr Cowan—No, they all went out at the same time.

Senator FIFIELD—They all went out at the same time regardless of when the switchover date was happening?

Mr Cowan—No, within that region.

Senator FIFIELD—Within that region they all went out at the same time?

Mr Cowan—All the customer groups were sent letters at the same time.

Senator FIFIELD—When were those letters sent?

Mr Cowan—The week commencing 18 January.

Senator FIFIELD—Do you know how many letters were sent?

Mr Cowan—We have got 8,250 potentially eligible customers in the area.

Senator FIFIELD—Would you be able to provide the committee with a copy of that letter?

Mr Cowan—Sure.

Senator FIFIELD—How many responses have been received?

Mr Cowan—We do not have a report on that as yet seeing that it was only just a couple of weeks ago that the letters were going out.

Senator FIFIELD—When do you expect that you would?

Mr Cowan—I expect we will have regular monthly reports, probably pretty soon. At the end of February we will start to indicate the flow. We will of course monitor it to see whether we need to do some follow-up contact if the response rate is very low.

Senator FIFIELD—So given that it went out on 18 January and the responses are still coming in there would not be any in-home assistance actually being provided to date?

Mr Cowan—No, we do not have any data on that.

Senator FIFIELD—Are there mechanisms in place to advise people who may become eligible for a benefit, and therefore eligible for this scheme, after 18 January but before the switchover happens? Do you have arrangements in place?

Mr Cowan—Yes, we do. We have that as part of the process.

Senator FIFIELD—So those will go out as a matter of course?

Mr Cowan—Yes.

Senator BOYCE—Is it coming out of the local office or is it happening from head office? I am talking about each region.

Mr Cowan—The mailout has been going out centrally. We work in a matrix organisation around the organisation. So there would be some people in South Australia who may be involved in this activity, but the letters would have gone out centrally.

Senator BOYCE—And the local office has what level of involvement?

Mr Cowan—Just in liaising on targeting customers and those sorts of things. The contents are done centrally. The people can respond to the letter to the local office.

Senator BOYCE—I have some questions about the Disability Support Pension and Age Pension. Is this the time to ask those? I think in the last estimates we looked at the fact that the Disability Support Pension is between.

Ms Hogg—Mr Cowan can do age pension but not disability support. If you want to do age pension we can go—

Senator BOYCE—I just have some other areas, but this is one I wanted to move onto now. Perhaps if we do age pension first. Some questions were asked last time as well as some questions on notice on what was a relatively new system whereby some pensioners were being required to report fortnightly. Could you give us an update on how that system is working and how many people are now reporting fortnightly?

Mr Cowan—At the end of January it 52,000 people were reporting.

Senator BOYCE—52,000 individuals?

Mr Cowan—Yes. They have irregular income, so therefore they are only reporting fortnightly. We have four methods that allow them to report this income: it is online; through an interactive voice recognition platform that they would phone; they can ring a call centre and talk to a person; or, they can walk into an office and report it.

Senator BOYCE—They cannot report their income before their reporting day, is that correct? They choose a reporting day and then the earliest they can report is on that day, is that correct?

Mr Cowan—We are quite flexible about when they can report their income. It will depend on their work arrangements. They can even vary their payment date to suit if it is going to be an extended period. If, for example, they do not know what their income is going to be at the start of taking up a job, they can advise us that they are working and that their income is going to be variable. They can then tell us when they get paid. Say they work for a month and then they get paid at the end of that month, if they have advised us up-front we will then do a retrospective balance when they are actually paid.

Senator BOYCE—So they will have received what was their previous pension entitlement up until the end of that month when they tell you what they actually earned?

Mr Cowan—Yes. Then we will do a retrospective balance. Not everybody knows exactly how much they are going to be earning, so—

Senator BOYCE—And that retrospective balance applies just to that month? You could not lose more than your pension payment over that month? Say I worked for a month and got paid \$50,000—I know it is good pay for a month! Is it feasible that someone on a part pension could end up losing more than their pension?

Mr Cowan—It is unlikely that we would send them a bill if they earned more than that amount of money in a fortnight. Our calculations are based on the time at which the income is earned; it is for the finite period in which the income is earned.

Senator BOYCE—What feedback have you had from any of these 52,000 individuals, or others, around the fortnightly reporting system?

Mr Cowan—We have not had much feedback, frankly. We have not had a lot of traffic on this issue from that customer group. Their contact with us to report their income has been along the lines we probably would have predicted with respect to channel usage.

Senator BOYCE—Sorry—what do you mean by that? What did you predict?

Mr Cowan—I will tell you what they are actually doing. About 18 per cent are actually going online and doing it. About another 18 per cent are going by way of the interactive voice recognition arrangements. About 20 per cent are walking into CSCs and the rest are ringing call centres. That is about 45 per cent, if my maths is correct.

Senator BOYCE—And the number of complaints received around this regime?

Mr Cowan—A couple of issues have been raised, but not a significant number of complaints.

Senator BOYCE—What are the issues?

Mr Cowan—Just that it is new and different and novel, and they are just coming to grips with how it is working.

Senator BOYCE—There were some concerns raised at the last estimates about people who might work in remote locations and so forth. Have you had any concerns or complaints raised around that?

Mr Cowan—None at all; none of those specifically at all.

Senator BOYCE—That is all I wanted to check on in that particular area. There are two other issues that I want to raise; one is the disability support pension. In the last estimates hearings we talked about the fact that disability support pensioners between 16 and 21 received a generic letter telling them they were going to get an increase, along with other pensioners, but in fact they did not. I then had a fascinating conversation with FaHCSIA around when is a pensioner not a pensioner. One thing that we did not appear to clear up at the last estimates hearing was how many people between 16 and 21 receive the disability support pension.

Mr Cowan—In that particular group—under 21 with no dependants—which is the group at issue, there were 19,000 or 20,000—it was that sort of magnitude.

Senator BOYCE—Would you take it on notice and give me an exact figure on it?

Mr Cowan—Yes, we would be happy to give you a precise answer.

Senator BOYCE—That would be good—to 31 December or whatever suits. There were some conversations after that period. Has Centrelink had any conversations with FaHCSIA about this group and about how you might better explain to them where they fit in the system?

Mr Cowan—We did. We had a number of conversations and we took action.

Senator BOYCE—Could you explain what the action was, please?

Mr Cowan—We took the opportunity in December for a number of reasons, including indexation issues—people were experiencing a minor change in the payment. We sent a follow-up letter to this particular group—the under 21s with no dependants—explaining to them what their entitlements were and what might happen if they changed their circumstances—if they took on a dependant or, as is probably more likely, turned 21. We sent a letter in December explaining this arrangement to them.

Senator BOYCE—Have you had any feedback from that letter?

Mr Cowan—No.

Senator BOYCE—I suppose that is good, is it?

Mr Cowan—It was good. I must say we did not get a lot of feedback from the first letter either. In this case there was no feedback—positive or negative.

Senator BOYCE—This group is yet to have an increase in their payment, is that correct? When is that likely to occur?

Mr Cowan—That is an entitlement matter. The entitlements of that group are something that you should really take up with FaHCSIA.

Senator BOYCE—They did not get an increase in September last year and they still do not have one. We will have to wait and see how much longer it will be before they get one. All right, I am happy to talk to FaHCSIA about that. I have no more questions on DSP. Senator Fifield, have you any questions on DSP?

Senator FIFIELD—Yes, if I may. I want to check when the annual *Characteristics of disability support pension recipients* report will next be released. If that is a question for FaHCSIA I shall ask them in a day or two. I have nothing else for DSP.

Senator BOYCE—I have some questions that relate to a report that was in today's *Courier Mail* regarding the truancy trial that Centrelink and the Queensland government are doing. Would someone give me the details so that we can confirm the facts and figures in the *Courier Mail* are correct, please?

Ms Hogg—That would be the report on the number of families that are a part of this?

Senator BOYCE—The truancy trials. The report said that 121 families had been formally warned that they had to send their kids to school or their benefits could be affected. Out of these, 15 families had ignored, I think was the word used in the report, the Centrelink requirements. Could you confirm those figures and tell me where this trial is at at the moment?

Ms Beath—Those figures are correct in that 121 people were identified by the schools as being in scope for this study.

Senator BOYCE—Is that in the Logan, Mornington, Doomadgee area?

Ms Beath—It is in the Logan, Mornington, Doomadgee area. Being in scope means that we said they were receiving the appropriate payment for the study. Of those, 15 families were identified with ongoing problems; they were not able to respond to the school's attempts to get them to improve their children's attendance. We now have social workers and other staff working with those families to try to identify if there are any barriers to them being able to improve their children's attendance. No-one yet in that area has been sent letters saying their payments will be suspended because they are continuing to work with our social workers.

Senator BOYCE—The report this morning said that school principals identified attendance problems. What criteria are there? What constitutes an attendance problem?

Ms Beath—That is with the individual school and with the state and territory departments. They will identify someone who has an ongoing problem with attendance and where the parents are not engaging with the school in trying to address that problem. It will vary from school to school.

Senator BOYCE—Who would the principal of that school notify if they were of the view that nothing was being done within the family?

Ms Beath—There is a formal agreed process under a memorandum of understanding where, through the school, they can send a form to Centrelink that identifies the family. We identify whether the family is on a payment that would apply in this trial and, if they are, then our staff make contact with the family.

Senator BOYCE—Sorry, does the school principal know if the family is involved in the trial initially?

Ms Beath—Not until they have had the check from us will the school know that they are involved in the trial.

Senator BOYCE—Do they send this to their local Centrelink?

Ms Beath—No, they send it to a specialist team based in Logan. There will be other specialist workers based in the area where these trials are happening.

Senator BOYCE—You mentioned whether the family was engaging. Do I take from that there might be some children who, irrespective of their parent's best efforts, are not intending to go to school and are not being involved with social workers and others?

Ms Beath—In each case it is an individual circumstance. We look at what is happening in the family. There could be a variety of circumstances. It may be that the parents are having some problems, which are making it difficult for them to engage their children in schooling. There could be a case where the child is refusing and the parent has run out of options. That is why there is not an immediate move to suspension of payments until we have explored all of the support services that could be put in place.

Senator BOYCE—When you talk about suspension of payments, what are you talking about?

Ms Beath—I am talking about the family's income support payments. The parent may be on a parenting payment or a Newstart payment. If they persist in not engaging, have no reasonable excuse and we have made all the offers that are possible, there would be a point at which we would write to them and advise them we will suspend that payment until they re-engage in addressing their child's attendance problems.

Senator BOYCE—Would it be 100 per cent of the payment that would be suspended?

Ms Beath—It would be 100 per cent of the income support payment though if they are on a family tax benefit payment, they would still receive that payment.

Senator BOYCE—If that were to happen and then the family behaved in such a way that it was repaid, would they receive benefits they had missed?

Ms Beath—Yes.

Senator BOYCE—Is it possible to get the number of families overall involved in these programs split into Logan, Mornington, Doomadgee?

Ms Beath—We can certainly do the split but, usually, when the numbers are less than 20, we do not identify that because it can lead to an ability to identify people at a local level.

Senator BOYCE—Okay. If it is possible to provide that, it would be good. Another Queensland push at the present time is a number of anti-crime lobbies that are advocating for fines of Centrelink benefits to parents of children who truant or are violent. This includes if a child does not explain their absence from school then \$100 should be deducted from the parents' fortnightly payments. Has Centrelink had any discussions about punitive measures other than the one used in this trial?

Ms Hogg—No, that sort of conversation would not be likely to be had with Centrelink; it would be a policy issue for the government and the department.

Senator BOYCE—I have no other questions around truancy, but, in view of the new legislation which will widen income management because of the Racial Discrimination Act no longer applying, what has Centrelink done in the area of resources and training of people for this much broader group that we are now talking about?

Mr Tidswell—We are still in the stages of working out the full construct of what we have to deliver. We know what is proposed and we are in the planning stages and doing the thinking about it, but logically there is still a passage of legislation and other matters for us to consider. We are well advanced. Obviously we have a good track record with doing this work across the Territory because we have been there for a couple of years now, so we will apply the same disciplines and understanding and thinking in broadening out this piece of work. It will be a hard piece of work; it will not be an easy thing to do; so we will have to put a lot of effort into training our staff and working out how all the connections are going to move forward.

Senator BOYCE—What will be hard about it?

Mr Tidswell—Income management is a difficult thing for us to do and always has been. We are going into a broader catchment area and that will mean that we will have to work very hard and put our best efforts to this task.

Senator BOYCE—Are you anticipating that would require more staff?

Mr Tidswell—In the forward years there are some dollars for us. There is money for the first year of the operation of this scheme, so we can get on top of the training aspects and put more effort in. Some people come off; some people go on.

Senator BOYCE—Some people would come off? Are you talking about staff?

Mr Tidswell—No; customers who have been on income management. In that context we are planning for all those contingencies.

Senator BOYCE—To this point income management has only applied to people in the Indigenous community. We are talking now about a broadening of that. What training and what differences are you anticipating there?

Ms Ramsey—The target group will change. People on an age or disability pension are not collected into the group that are income managed as the proposals are on the table at the moment. But, really, the process remains very much the same. It is a matter of sitting down with people whose income is to be managed and having a discussion with them about what proportion of their income will be managed and how the BasicsCard works. As we understand the proposed legislation at this point, the processes remain the same but the target groups are different. So staff within the Northern Territory do not really need to be trained any differently except for understanding the target groups and the people who are collected by the new legislation. The process very much remains the same.

Senator BOYCE—But one imagines that there would be significant need for more staff and, therefore, the likelihood that you will have significant numbers of staff who are new to this area—I will not say inexperienced but not experienced in this particular area.

Ms Ramsey—There is a training component that we will be rolling out amongst all of the staff in the Northern Territory.

Senator BOYCE—All Centrelink staff?

Ms Ramsey—All Centrelink staff. But most staff in the Northern Territory have been exposed to income management because, even whilst it was targeted to Indigenous communities, people travel and move and so have exposure to the notion and know how it works. Most Northern Territory staff will have been trained around the BasicsCard and income management.

Senator BOYCE—You say that you have provided training for all current staff. Just talk me through it: who is trained and who is going to be trained?

Ms Ramsey—Under the current scheme all staff have exposure to income management, with the remote servicing teams having more extensive training because they are the ones who go out to the communities and need to do most of the talking. As you would be aware, people move quite a lot from communities into Darwin, Katherine, Alice Springs et cetera and so the staff in those centres know how to work through with the BasicsCard. Certainly those staff are aware of the new scheme that is being proposed. We will be going out and training all Centrelink staff in the Northern Territory.

Senator BOYCE—When will that happen?

Ms Ramsey—We are developing training packages now; but, as you would be aware, the legislation has not yet been passed, so I guess we are on standby at one level.

Senator JACINTA COLLINS—What is the basis of the training packages that you are developing? Where are you receiving input on what should be in them?

Mr Tidswell—I will start and Ms Ramsey will finish. The training we put in place for the Northern Territory emergency response was around income management, and we are building the training package for the broader application of it based on that. So we have already got a good basic training approach. One of the things that will be different here is that we will be going into communities more largely concentrated in urban areas and so we will not have the need to move as many people around the Territory as we have had to do with the remote Indigenous communities—and that will help us in that way. We have a good fundamental basis for the training that we have already had.

Senator JACINTA COLLINS—Are you engaging with providers of income management for other populations such as the various state authorities? There is the Victorian State Trustees and the New South Wales Protectorate where income management has been applied to various other groups for a long period in time?

Mr Tidswell—I am sorry, Senator, income management has been applied to?

Senator JACINTA COLLINS—It is a different concept of income management to what has been applied in the Northern Territory to Indigenous communities, but the notion that certain members of the population need assistance in income management has been in place for many, many years on a state government level.

Mr Tidswell—All I can say is that, with the first income management training, we got a lot of involvement from our Indigenous experts and community members about the best way to explain to people how this would work, including looking at Indigenous languages and the like. We will take advice from community members to move forward.

Senator JACINTA COLLINS—This is where I am wondering whether you have engaged with the state authorities that have applied income management to, for instance, people with orders in relation to their psychiatric health or other circumstances that have meant that they have been under income management for other reasons.

Ms Ramsey—I am unaware of any direct engagement and certainly the staff who report to me have not reported any direct formal engagement. However, there is a group—I do not have the name—of financial management people that is meeting today, actually, in Melbourne. I have senior staff attending that conference, so I am assuming that there will be some beginning contacts through that particular meeting.

Senator JACINTA COLLINS—It is just a suggestion. There is a body of knowledge about income management for various other at risk groups that may be helpful as we broaden these principles beyond the Indigenous community in the Northern Territory across a broader population.

Ms Ramsey—Thank you, we will take that on.

Senator BOYCE—On the same topic but a different aspect of it: could you tell us what else you have done regarding other resources—IT systems et cetera—that you will need for this broadening of the income management in the NT?

Mr Tidswell—We are in the process of, obviously, seeking help.

Senator BOYCE—What else are you planning to do?

Mr Tidswell—We are planning to build the systems that we will need to apply this more broadly. We started in the early days with the income management system. We have developed it and improved it. The next tranche of this piece of work will have better systems and better capabilities. Teams are working hard on this. Obviously it will be a close run thing, with getting the legislation passed and making sure we apply the rules consistent with the legislation, but we are well placed to do that.

Senator BOYCE—What are the difficulties around applying the rules? Do they relate to your system capabilities?

Mr Tidswell—It is usually the time it takes to pass legislation and get things built. The sooner the legislation is passed and everything is sorted out for us, the better we are able then to put the training in place, talk to community stakeholders, explain a media campaign and the like, and then, obviously firstly, build our IT systems accordingly.

Senator BOYCE—Will the current IT system need a rebuild or a new IT system—what will have to happen there?

Ms Ramsey—There is work under way at the moment. I do not have a lot of the technical detail with me but the IT people are certainly working on developing the systems that need to be built—building on the systems that are currently there but incorporating the changes that we anticipate will come with the legislation. The information I have at the moment is that it is on track for our being able to deliver for the date required. We are, of course, dependent on the legislation going through as we anticipate. If there are significant changes they will have to be incorporated.

Senator BOYCE—What other changes to the system, other than its ability to deal with higher volume, are you anticipating?

Ms Ramsey—Because of the changes in the customer target groups, as I have said before, the proposal is that disability and aged people will not be collected. There are a range of discretionary decisions that will be made by social workers about people being referred into the scheme as it is currently proposed.

Senator BOYCE—So is it software changes that are needed?

Ms Ramsey—Some will be software changes but also, as we have already discussed, there will be the need to train staff for them to understand who is now eligible and how people would be referred if they sit within groups that are at risk. There is a range of training.

Senator BOYCE—What are you changing about the IT systems?

Ms Ramsey—The software system.

Mr Tidswell—It is true to say that we are building on the system all the time. When we put it in place, under the previous government, it was done pretty quickly and we have continued to improve it. This gives us the capability to improve it again.

Senator BOYCE—This is a more radical reworking than you might otherwise have undertaken in staying up-to-date, isn't it?

Mr Tidswell—Absolutely. The other thing we have, subject to legislation being passed, is that it gives us the continuity of a funding source over a number of years to embed our systems and capability.

Senator BOYCE—Thank you.

Senator FIFIELD—I might return to the *Characteristics of disability support pension recipients* report for a moment, Ms Hogg. It helpfully pointed out that it is a FaHCSIA publication but it gave me a moment to think that surely all of the data and information in it would come from Centrelink. Is that true?

Ms Hogg—Try a few questions and we will see if we can help you with some of the answers.

Senator FIFIELD—That was a question.

Ms Hogg—I suspect, yes, some of the information would come from Centrelink.

Senator FIFIELD—Where else would the data for that report come from?

Ms Hogg—I am not sure what sorts of things they have in that report, but they may well come from disability representative groups—I do not know, Senator.

Senator FIFIELD—I am sorry, the title of the report is *Characteristics of disability support pension recipients*, so the characteristics of disability support recipients would be information from Centrelink about the characteristics of recipients of the disability support pension, which Centrelink would have.

Ms Hogg—That we have, yes, but there may be the characteristics that other people may have. We have some of them, yes.

Senator FIFIELD—Help me here. There is something I am missing, surely.

Ms Hogg—Sorry, I am just thinking if I took that question broadly—the characteristics of a disability support pension—we would certainly have information about disability support pension recipients that we are asked to keep.

Senator FIFIELD—Correct.

Ms Hogg—There may be other characteristics of disability support pensioners that other interest groups may have, but we can certainly tell you—

Senator FIFIELD—Surely Centrelink would be the only source of information on the characteristics of people on the disability support pension. I cannot think of—

Senator Ludwig—A range of support groups might deal with a range of medical issues as well and they would then have characteristics of that particular group. That comes to mind. There are many support groups, depending on the types of disabilities that exist, and they would obviously have membership and would understand some of the issues that surround disability support and the needs. There are employment issues. I am reminded by Mr Pratt that there may be employment support groups that have placements as well, which would also encourage people in particular areas. There would also be support in those areas. It also goes across education, where there would be educational institutions. They would have various characteristics—I am not keen on using the word ‘characteristics’—for a range of matters that may deal with disability support. That comes to mind for me, but I leave it to you.

Senator FIFIELD—Let’s try and make this easy. Could Centrelink take on notice the information that it has on the characteristics of disability support pension recipients for 2009 and provide that to the committee?

Ms Hogg—I am not trying to be difficult, Senator.

Senator FIFIELD—There is a very passing impression of it.

Ms Hogg—No, I am not. If we were to talk to FaHCSIA about the sorts of characteristics they want for their report, would that be what you would be after? We could supply that to you.

Senator FIFIELD—I will talk to FaHCSIA about their report. Given the overwhelming balance of information on the characteristics of disability support pension recipients which FaHCSIA would receive would come from Centrelink, could the committee please be provided with the information that Centrelink has on the characteristics of recipients of the disability support pension—by medical category, by gender and whatever other information you have on the characteristics of recipients of the disability support pension.

Ms Hogg—Yes, we will give you whatever we can on the characteristics of disability support pension recipients. It might be lines and lines and lines of data. If I cannot narrow it down, it will be a lot of data.

Senator FIFIELD—By gender—that would be handy—by medical category—that would be handy.

Ms Beath—Perhaps we could identify in that report—I believe that FaHCSIA uses our data to complete that report.

Senator FIFIELD—I am sure FaHCSIA uses your data.

Ms Beath—If we could come back to you and identify which of those elements arise from Centrelink data, and if there is anything else—

Senator FIFIELD—That is right—that is what I am asking for. The minister and Ms Hogg have indicated that there are other characteristics which they do not know, which may well be provided from other sources, so I am asking for those characteristics which Centrelink knows. I am a bit perplexed as to why this is so difficult.

Mr Pratt—The issue is not one of there being anything problematic here. Essentially, this is solely FaHCSIA's responsibility. Yes, Centrelink provides data to them, but they are the ones who analyse it and they are the ones who determine what categorisation happens and all the rest of it. Ms Hogg has indicated that they will attempt to give you whatever they possibly can and we will discuss with FaHCSIA and try to coordinate our efforts to reduce any confusion between their department and the agency.

Senator FIFIELD—Thank you. You will forgive the frustration, but so often when we go to FaHCSIA they say, 'It would be much easier and more appropriate if you asked Centrelink, for instance, for the relevant data.' So, given that it is Centrelink that compiles the data and given it is Centrelink that has the data and given it is Centrelink that provides it to FaHCSIA, if the information which is in the possession of Centrelink, which Centrelink provides to FaHCSIA about the characteristics of people with a DSP, could that be provided to the committee. That would be helpful. I do not accept that it is a FaHCSIA responsibility, because we are talking about the data which Centrelink itself provides and which FaHCSIA frequently refers to this committee to try and obtain.

Senator Ludwig—Senator, without being frustrated about this, the answer is they will take it on notice and provide what they can.

Senator FIFIELD—That would be lovely. I am actually a very calm person.

Senator Ludwig—I was not trying—

Senator JACINTA COLLINS—We prefer you to Senator Macdonald.

Senator Ludwig—And former Senator Kemp.

Senator FIFIELD—Thank you.

Senator JACINTA COLLINS—And Senator Colston as well.

Senator FIFIELD—I hope this is not further testing or trying. This is a question I asked at the last estimates of FaHCSIA and they very kindly offered to seek information from Centrelink and respond in a question on notice, which I appreciated. My question to them was: are there any figures which indicate how many DSP recipients have a legal guardian and how many of those DSP recipients who have a legal guardian and who move overseas would lose their pension as a result of staying overseas for more than 13 weeks? FaHCSIA replied, having obtained the information from Centrelink, that, no, Centrelink does not collect information regarding a customer's legal guardian and that no such data is available. Now that I am here with Centrelink, can I confirm that no such data is available and that there would be no way of ascertaining the number of DSP recipients who have a legal guardian?

Ms Hogg—We do not believe that we hold data on legal guardians, but we keep data on nominees. If somebody is a nominee for a customer, we could give you that if that is of interest.

Senator FIFIELD—That would be helpful.

Ms Hogg—They may not be a legal guardian.

Senator FIFIELD—I appreciate that.

Senator BOYCE—Also, could that be split up into age recipients somehow?

Senator FIFIELD—Would you have figures as to the number of DSP recipients who lose their pension as a result of staying overseas for more than 13 weeks regardless of whether they have a guardian?

Ms Hogg—Yes, I am sure we would.

Senator FIFIELD—Thank you. It is with trepidation I ask this, but how many staff are employed by Centrelink? I realise this is information that may also be provided to FaHCSIA on occasion.

Mr Pratt—To be helpful, Senator, are you looking for a headcount or the full-time equivalent figure?

Senator FIFIELD—Give us both; let's go crazy.

Ms Hogg—The headcount as at 31 December 2009 was 27,404.

Senator FIFIELD—And the FTE?

Mr Burgess—Another term for full-time equivalents is average staffing level, which, at 31 January 2010, was 24,875.

Senator FIFIELD—Thank you. You may have to take this on notice; what were those figures for 2007?

Ms Hogg—I can start with the headcount: at 31 December 2007 it was 27,263.

Senator FIFIELD—Thank you.

Mr Pratt—It would be in the same ballpark.

Mr Burgess—The issue we have is the actual dates and points in time. So, for 2007—if I look at around September 2007—the average staffing level was about 25,365.

Senator FIFIELD—Maybe you could take it on notice and give us those numbers for 31 January this year and 2007. You seem to be quoting 31 January as a marker point. Also for those two times, how many of those were executive or senior executive level. Of the staff you employ, how many would you categorise as being front-line, front of office? I think you do have a policy of rotating senior executives through the counter from time to time to make sure they have some face time.

Ms Hogg—Just a rough break up: as at 31 January for our areas, which would include our officers and area management officers, we had approximately 17,827; there were 4,997 call centre staff; and there were 4,368 national support staff.

Senator FIFIELD—Thank you. What is the staff turnover like?

Mr Burgess—Our staff turnover or attrition rates do vary throughout the year as well, but, again, if I try to give you a point in time, it is anywhere between five and six per cent.

Senator FIFIELD—Thank you. How many people with a disability are currently working in Centrelink?

Ms Cornish—We currently have, at 31 December 2009, 1,241 people with a disability and that represents about 4.5 per cent of our total workforce.

Senator FIFIELD—Do you keep figures on how many people with a disability would have either voluntarily or involuntarily left Centrelink over the last financial year or calendar year?

Ms Cornish—I am not sure that we have that, but we can look into it to see if we do.

Senator FIFIELD—If you are aware of that, if you are also able to categorise the reasons for departure, that would be helpful. Does Centrelink actively recruit people with disabilities through the Disability Employment Network?

Ms Cornish—We are members of the Australian Employers Network on Disability, with Suzanne Colbert as the CEO.

Senator FIFIELD—You might be aware of an article from late last year in the *Canberra Times* headed ‘Number of disabled workers in public service falling’. This is the wording of the article:

The largest job cuts took place at Defence Centrelink, and the Australian Taxation Office.

That refers to the previous year. I think it cites the *State of the service* report from the Public Service Commission. Are you able to put that in context for the committee? I appreciate that the word ‘cuts’ that the article uses is probably not the right word, but what is the trend in Centrelink in relation to employment of people with disabilities?

Ms Cornish—I do not recall the actual article, but certainly in relation to the *State of the service* report for 2008-09, yes, as you said, the proportion of people with a disability employed in the APS fell to three per cent. The number of Centrelink employees identifying with a disability fell to five per cent.

Senator FIFIELD—From?

Ms Cornish—I am sorry, I do not have that figure, but we will provide it to you. We certainly do try to have above-average representation for that group amongst our people employed.

Senator FIFIELD—Let us take the last four years. Would you be able to take on notice what the trend has been over the last four years?

Ms Cornish—Yes.

Ms Hogg—I notice that one of our colleagues in FaHCSIA is starting to investigate, and indeed start, traineeships for people with disabilities. We are watching that very carefully because that is something we are very interested in doing from a portfolio perspective as well.

Senator FIFIELD—Indeed. In fact, about a month or two back, I had morning tea with Parliamentary Secretary Shorten and those trainees in FaCSIA. They are a very impressive group of people. Does Centrelink have a similar traineeship?

Ms Hogg—We do not—

Senator FIFIELD—Or are you observing that?

Ms Hogg—We are watching that. Over time, obviously, as we change our technologies into ones that are more automated as far as paper goes, we will particularly try to recruit more people with disabilities into the organisation because we will be able to create jobs that will probably be more appropriate. As we change our processing methodologies around, there is quite a bit of opportunity to require contractors et cetera to recruit people with disabilities.

Senator FIFIELD—That is good news. Does the nature of Centrelink's work enable it to contract out any work to Australian Disability Enterprises?

Ms Hogg—Yes. We have a number of opportunities where that happens.

Senator FIFIELD—Can you take me through the sorts of activities that are contracted out to ADE?

Ms Cornish—We recently met with Vision Australia and are looking at how we might better partner with that organisation. Certainly, as Ms Hogg indicated, we are currently redeveloping our disability action plan. As Carolyn said, from the perspective of Centrelink as a purchaser of lots of services and as an employer, and also as a provider of services to people with disabilities on behalf Commonwealth departments, we are looking at all those action areas. That is currently out for consultation with community groups.

Senator FIFIELD—If you could take on notice to provide those activities which Centrelink does contract out to ADE, that would be helpful. I did ask the department of finance, in light of their procurement guideline exemption to tendering, where departments and agencies obtain services from ADE, if they maintained any record for the whole of government. They said they do not, which necessitates us asking agency by agency and department by department. So that information would be helpful.

Does Centrelink have a budget, or can you identify specifically the amount of money that is spent on fraud protection and fraud detection each year? Or is that something that is just part of the general responsibility of Centrelink? Is there a particular allocation for that activity?

Ms Hogg—We can certainly give you some indication of the amount of staffing et cetera in those activities which would lead to a dollar figure. But, by and large, we are funded by initiative. If we are able to group that together for you, we will.

Senator FIFIELD—Is it more initiative by initiative and incorporated in—that is, trying to prevent and reduce fraud rather than having a—

Ms Hogg—Yes.

Mr Withnell—That is correct, yes.

Senator FIFIELD—So there is not a separate—

Mr Withnell—Not as such.

Senator FIFIELD—Within each initiative there would be staff who would be dedicated to fraud prevention and detection?

Mr Withnell—Certainly there are staff who are dedicated to fraud and would be dedicated to administrative review.

Senator Ludwig—Not exactly dedicated to fraud, I suspect!

Senator FIFIELD—Just like the Cancer Council is not for cancer; they are against it.

Mr Withnell—That can often be made up of a number of initiatives. I do not have the total number of staff, say, who are involved in fraud investigation at this point in time.

Senator FIFIELD—Would you be able to take that on notice?

Mr Withnell—Certainly.

Senator FIFIELD—If you would not mind taking that on notice, maybe go back to 2007, 2008 and 2009 regarding people who are involved in that. Again, this is something that you probably should know and you might direct me to a website or an annual report. In terms of the numbers of cases of fraud which are detected, is that something which is in the annual report, on a website or—

Mr Withnell—There are some figures in the annual report. I can tell you the number that we refer to the Commonwealth Department of Public Prosecutions. In 2008-09, we referred 5,082 cases to the CDPP for consideration of prosecution action.

Senator FIFIELD—Obviously that would not represent the total number.

Mr Withnell—No, that is a proportion of the investigations that we would do. Of the investigations we do, not all of them, obviously, lead to a fraud outcome.

Senator FIFIELD—So that is with respect to the money, with a penalty or—

Mr Withnell—And for some we would say that, after investigation, there is no case to answer. In terms of the number of investigations we did in 2008-09, we did 26,084 investigations.

Senator FIFIELD—Would you also be able to give us that data for the previous two years?

Mr Withnell—Certainly. I can give you figures for 2007-08. We did 35,885. There was a drop obviously and that drop is related to the way in which we dealt with identity fraud and some business processes that led to greater assessment rather than things going straight through to investigation. I do not have the figures for 2006-07, but we could get those for you.

Senator FIFIELD—Do you keep a record of tip-offs that you receive?

Mr Withnell—We only keep them for a certain period in line with the Archives Act. They are then deleted. There is a schedule of deletion, depending on the information that is in the tip-off.

Senator FIFIELD—But you keep a record of the number of tip-offs?

Mr Withnell—Yes. I can provide the number of tip-offs that we received last year. It was 96,121.

Senator FIFIELD—Ninety-six thousand—heavens! That sounds like a lot of people who are either very civically minded or have an axe to grind of some sort. I am sure it is the former in all cases. Are all tip-offs investigated and dealt with?

Mr Withnell—All tip-offs are assessed. Some will go to investigation, some will go to administrative review, some are referred to other agencies, some are not pursued further—the other person may not be a customer at that time, for example.

Senator FIFIELD—But they are all assessed in some way.

Mr Withnell—Yes.

Senator FIFIELD—Could you provide the number of tip-offs for the previous two years as well?

Mr Withnell—I can provide that for 2007-08 for you now. There were 101,595, and we will have to take on notice the 2006-07 figure.

Senator FIFIELD—Thank you for that. Do you also have figures for how many of those tip-offs were substantiated?

Mr Withnell—I have the number of reviews we did that arose from the tip-offs. How many of those actually—

Senator FIFIELD—The reviews do not necessarily—

Mr Withnell—Yes—some may have been: current rate to continue or no further action. I do not have a breakdown beyond that at this point.

Senator FIFIELD—You do not have a breakdown beyond reviews?

Mr Withnell—I have a number that led to a payment reduction.

Senator FIFIELD—Give that to us—it would be handy.

Mr Withnell—For 2008-09, 9,070 led to a payment reduction, and for 2007-08 there were 12,311.

Senator FIFIELD—Do you also have dollar figures as to what the total payment reductions amount to?

Mr Withnell—Yes, I have it in two categories: debts that were raised and savings against future outlays. For 2008-09 savings against future outlays amounted to \$2.8 million—that is fortnightly—and for 2007-08 fortnightly savings against future outlays were \$3.6 million. Debts raised as a result of tip-offs: in 2008-09 it was \$46.6 million and in 2007-08 it was \$54.5 million.

Senator FIFIELD—A big year.

Mr Withnell—There were a number referred to the CDPP as well.

Senator FIFIELD—Could we have that for the previous year as well.

Mr Withnell—Yes.

Senator FIFIELD—When a tip-off or an allegation of fraud is received, who assesses it? Is there a unit that does that or is it the people in the particular initiative who are responsible?

Mr Withnell—We have a fraud analysis unit. They look at tip-offs. That is one of the activities that go through them. They then determine if it warrants going for further investigation or if it might go for an administrative review, it might go for referral to another agency or there is no further action at that time.

Senator FIFIELD—Are there any external contractors who are engaged to do that or is it all in-house?

Mr Withnell—It is all internal.

Senator FIFIELD—I was going to ask if there are criteria that are used, but I guess it just varies so much from case to case, payment to payment. You have just got to suck it and see.

Mr Withnell—No, there is no overarching guidelines in that sense.

CHAIR—It might be timely at this point to indicate that the committee will push through the scheduled break in an endeavour to expedite tonight's proceedings. We do that in good faith.

Senator FIFIELD—I have a few questions in relation to parenting payments.

CHAIR—In relation to investigation, obviously you rely on tips as to people who are doing the wrong thing. Regarding the family law courts and our court system in general, are they monitored in relation to cases coming before the courts in relation to breaches of Centrelink benefits?

Mr Withnell—Regarding the family law courts as such, what we may do is look for other information if we receive either a tip-off or some data matching activity on, if you like, a person of interest. Then we may look for further information at that time.

Senator FIFIELD—Some questions on parenting payments will probably need to be taken on notice. How many people who are currently receiving parenting payments have a youngest child aged six years or older?

Ms Hogg—We will take that on notice.

Senator FIFIELD—Also those who have a child who is older than five years but younger than six years, those who have a youngest child who is aged five years, those who have a youngest child aged four years, those who have the youngest child aged three years, those who have the youngest child aged two years and a those who have the youngest child aged one year or younger? I am just wondering—and, again, this is probably one you would need to take on notice—on how many occasions ministers have sought and been successful in having a letter from themselves included in correspondence as part of a Centrelink client mail-out?

Ms Hogg—Yes, we will take that on notice.

Senator FIFIELD—That is: how many separate mail-outs and what occasion that was, but also the number of individuals to whom letters went to in each of those mail-outs, over the last two years.

Ms Hogg—Our general manager of communications has a fairly long memory

Senator MOORE—If we could get that over, say, five years it might be useful.

Ms Hogg—We will try.

Senator FIFIELD—That would be lovely. Thank you, Senator Moore. That is all I have for Centrelink.

CHAIR—I believe there are no further questions. Thank you, Centrelink officers—you are excused. We will ask Medicare Australia to come forward.

[9.16 pm]

Medicare Australia

CHAIR—Good evening, Ms Briggs. I welcome you and your officers. Do you have an opening statement?

Ms Briggs—No, I do not.

Senator RYAN—There is probably a simple answer to this question but I have not gathered it myself. In 2008-09, there was a nearly 90 per cent increase in the number of Medicare cards issued. Why was that?

Ms Briggs—There is a fairly simple answer to that. When I read the draft of the annual report it was about my first week on the job and I asked a similar question. It is largely to do with the timing associated with the access card and the decision not to proceed with that. When the access card was in preparation we were only issuing Medicare cards for a maximum of a couple of years. When decisions were taken not to proceed with that we had to cover the backlog with the normal arrangements around cards.

Senator RYAN—Let us turn to complaints against Medicare Australia. There was an increase from 1,877 in 2007-08 to 2,616 in 2008-09, which is a nearly 40 per cent increase in complaints received by Medicare Australia. Is there an explanation for that?

Ms O'Brien—During the last 12 months we have changed our processes and introduced a new register method of reporting and recording complaints. Part of the increase is the improvement in our processes for recording feedback from the public.

Senator RYAN—So you are recording more complaints.

Ms O'Brien—That is correct.

Senator RYAN—There was also a 30 per cent increase in the number of approaches to the Commonwealth Ombudsman. I know they are small numbers, and if this is in the range bouncing around from year to year I would be happy for you to tell me, but there was an increase from 125 in 2007-08 to 161 in 2008-09. Is that within a normal range of movement for the number of approaches to the Commonwealth Ombudsman or is there a reason for that?

Ms O'Brien—I would have to take that on notice.

Senator RYAN—Sure. Just going to the research you undertook on satisfaction, dealing with your clients—as I assume you call them—in this case, page 79 of your annual report records a quite dramatic decrease in the level of satisfaction from practitioners, who I assume are medical practitioners of various varieties who are eligible to access the Medicare schedule. In the last year of the Howard government it was just under 90 per cent—it was 89 per cent. It stayed at 86 per cent in 2007-08 and it has dropped quite dramatically to 74 per cent in 2008-09. Is there an explanation for what I would imagine would be quite a worrying trend downwards?

Mr Bridge—Those numbers have been generally pretty high and we have just got the results of the most recent survey. I have not been able to go through that in much detail—

within only a week or so—and the data does look like some of that has recovered, but I cannot be precise on particular measures in that.

Senator RYAN—Can you take on notice, then, what the results of the most recent survey would be?

Mr Bridge—Most definitely.

Senator RYAN—I understand if that does not come back before the notice period—

Mr Bridge—It has literally just come in.

Ms Briggs—Senator, these numbers do tend to bounce around a bit, and it is dependent on some of the interactions on policy matters that the profession might have. We are taking a particular interest in what we can do to provide better support to general practitioners. We have got a number of things under consideration that we believe will assist in improving those relationships from these recorded data here, but they are currently under consideration and I could not divulge what they are at this stage.

Senator RYAN—What sort of policy matters can cause such a significant change?

Ms Briggs—Generally it is when negotiations are occurring over particular things to do with Medicare schedules and so on.

Senator RYAN—Are those negotiations undertaken by the Department of Health and Ageing rather than yourselves?

Ms Briggs—Yes, of course.

Senator RYAN—You simply implement; you do not play any role in the negotiations.

Ms Briggs—That is absolutely right. But we are under the banner of Medicare and we are the government, hence that is where you typically see some of this feedback coming through.

Senator RYAN—So cuts to schedules, increases not as high as people would like, can lead to dissatisfaction.

Ms Briggs—Yes.

Senator RYAN—So the debacle over the cataracts rebate could lead to some dissatisfaction amongst practitioners.

Ms Briggs—Problems of that nature can lead to dissatisfaction, yes.

Senator RYAN—As part of your survey do you collect any data about what drives that dissatisfaction?

Ms Briggs—The survey we collect has some information in that regard, yes.

Senator RYAN—Do you have a summary or a table or any form of tabulation of what may have driven that decline in the satisfaction rate with Medicare Australia?

Mr Bridge—Not here with us but we certainly can provide some of that on notice.

Senator RYAN—That would be appreciated. I have got a question now—please feel free to direct me to the department of health if it is more appropriate—about pharmaceutical agreements between the Commonwealth and the states. This relates to public hospitals. You administer the PBS, but I am not sure if this is the appropriate place to ask that question.

Ms Briggs—It is the Department of Health and Ageing that you should address that to.

Senator RYAN—I will chase that up tomorrow then.

Senator FIFIELD—Ms Briggs, I was asking Centrelink before and I will ask Medicare as well: does Medicare have a particular allocation for fraud prevention and fraud detection?

Mr Bridge—Yes, we do. We have a fairly extensive compliance program that looks quite broadly at general compliance, including criminal fraud issues.

Senator FIFIELD—Is there a dollar figure that covers that?

Mr Bridge—I do not have the exact figure but I can tell you that it is in the order of about 450 staff across the board looking at both our audit programs, our investigation, and our health and education services around this territory. That is in the order of about \$50 million annually, but I do not have the precise figure.

Senator FIFIELD—Could you provide that figure and the number of staff for 2009, 2008 and 2007?

Mr Bridge—Yes, certainly.

Senator FIFIELD—Thank you. How many cases of fraud are detected in a typical year?

Mr Bridge—I will start by putting on the table that, if we are talking about outright criminal fraud—

Senator FIFIELD—There is fraud and then there is—

Mr Bridge—There is fraud, there is fraud and then there is fraud. I am sure you understand that. We undertake in the order of 3½ thousand to 4,000 active compliance cases per annum. That ranges across the whole ambit of the mistakes that might have occurred—misinterpretations through to outright criminal fraud.

Senator FIFIELD—How many of those would lead to prosecutions?

Mr Bridge—Fairly small numbers. I have some numbers on that. For example, in the year to date, the number of cases that we have referred for prosecution is four. What we find is that getting to a criminal case in this particular territory is very complex. There are many factors that influence that. Our general finding over a number of years is that outright criminal fraud is not a major issue. It is a concern—there is no doubt about that—but it is not the major driver or major issue of non-compliance that we encounter.

Senator FIFIELD—The dollar figures involved for an individual are not as large as they would be in Centrelink.

Mr Bridge—Precisely. It is not necessarily in the public interest, for example, to prosecute a \$50 incorrect claim. We are very conscious of that. We seek to target the referrals of matters for prosecution to the cases that will really have an impact.

Senator JACINTA COLLINS—Could I just clarify with Mr Bridge: in the cases that go to prosecution, what is the nature of the fraud that we are dealing with?

Mr Bridge—Generally, it comes down to where services have been claimed that have not actually been provided.

Senator JACINTA COLLINS—So where general practitioners claim but are not actually providing?

Mr Bridge—Practitioners or patients, for example. One case I recall in detail is an identity fraud case where we had a member of the public who had constructed 60 individual identities and health records and had made claims over a period of time. Again, even in that instance, where they had been active for about 12 months, the total of the outcome they received was about \$20,000. There are a number of reasons why that is difficult: because of the structure of the system, the requirement that they have two-party involvement—doctor information and patient. There are natural checks and balances in the system.

Senator FIFIELD—Sounds like he or she had a serious work ethic problem, doing that for \$20,000.

Mr Bridge—I do recall, because this was quite interesting at the time, that he probably would have got more money out of a legitimate job.

Senator FIFIELD—Do you get many tip-offs?

Mr Bridge—Certainly not in the range of 90,000-odd, like Centrelink, but we do get some. We get something in the order of 3,000 or 4,000 a year. They are notoriously low value, in terms of their outcomes. We tend to find that our tip-off line is a bit of a ground for complaints about doctors—‘The doctor charged me X amount of money,’ which is quite appropriate and reasonable and they say, ‘This just cannot be right.’ We get a lot of that.

Senator FIFIELD—So it is more about doctors than claimants.

Mr Bridge—A lot of it is like that. We find that—and I do not have this year’s exact number with me, although I can get it for you—in the order of 40 per cent of the tip-offs we get are actually worth doing some further inquiry on. Around 60 per cent are clearly nonsense. An even smaller proportion flows through to an actual investigation and result. It is a pretty low proposition.

Senator FIFIELD—How much money do you recover?

Mr Bridge—In the order of \$6 million to \$7 million a year, although in the year to date we are in that order already. The cash recoveries in our compliance programs have always been relatively small amounts, in comparison to things like the impact we have on planning behaviour across the medical profession. Traditionally, our compliance programs have been able to generate in the order of \$250 million a year of reductions in the system, but cash recoveries is a very small portion of that.

Senator FIFIELD—Would you mind providing the figures for the cash recoveries and the reductions for the last three years?

Mr Bridge—Yes, I will do that.

Senator FIFIELD—All of that compliance work is done in-house? You do not have any external contractors?

Mr Bridge—That is correct. We have no external activities. Our officers are all trained for that. Our investigators are all trained at certificate IV level et cetera. It is all in-house.

Senator Jacinta Collins interjecting—

Mr Bridge—No, we do not. We do not find that likely to demonstrate anything, other than the number of people going in and out of the doctor's surgery.

Senator JACINTA COLLINS—It is just a new phrase we learnt today!

Senator FIFIELD—Regarding recovery and compliance, we have been talking mainly about things from the point of view of someone who has a Medicare card. On the other side of things, looking at the medical profession, the Medical Indemnity Protection Society Limited 2009 report said:

We have had a number of contacts from members following police and Medicare investigators arriving at their practices with a search warrant.

Mr Bridge—Correct.

Senator FIFIELD—I wonder if you could advise, and you will probably need to take this on notice, the number of practices which were subject to a search warrant and its supported raids.

Mr Bridge—I do not have the current figures, but we do report that every year in our annual report. That is one of our statutory obligations. However, the numbers are not huge.

Senator FIFIELD—Could you provide those for 2005-06, 2006-07, 2007-08, 2008-09 and year to date for 2009-10?

Mr Bridge—I can do that. Just to give you some indication, I have the 2008-09 report. The number of warrants we executed was 11 in that financial year, and that is a fairly standard kind of flow. It ebbs and flows a little bit around that, but it gives you the scale.

Senator FIFIELD—Thank you. In addition to the number of raids, could you also advise the number of practitioners involved. There may have been multiple raids.

Mr Bridge—Yes, often there are.

Senator FIFIELD—That would be helpful. And also, for the years I have mentioned, the number of practitioners arrested by police in or as a consequence of a raid. There might be none.

Mr Bridge—Off the top of my head, I am pretty sure there were no arrests, but I will confirm that. Certainly, there have been none in my time.

Senator FIFIELD—That would be interesting. Also, the number of practitioners subject to further penalty actions as a consequence of those raids.

Mr Bridge—The only option is formal criminal prosecution. There are no other penalty propositions. I can give you all the prosecution data.

Senator FIFIELD—Yes—the number of criminal prosecutions. Also, for the same years, the number of practitioners who have successfully appealed against any conviction, and also the total cost to taxpayers of the activities for those years. Obviously, that is just the costs that relate to Medicare Australia, including legal and other costs. I appreciate there is a whole range of other costs—police or whatever—which would not be from your budget.

Mr Bridge—Those numbers are fairly small.

Senator FIFIELD—I am sure they are. Also, in relation to electronic Medicare claiming, what work has Medicare done to cost the administrative and financial impact on medical practices for processing Medicare claims on behalf of the patients? Is that doable?

Ms O'Brien—When the Easyclaim system was first implemented or first planned to be implemented two to three years ago, we commissioned some research into the impact on practices. The results indicated that there were efficiencies to practices in bulk-billing, using the electronic channels. There were quite significant efficiency gains there. There was not significant additional time and effort associated with patient claiming channels. I do not have the exact details with me, but I can go back and look at that research again and bring that forward.

Senator FIFIELD—Thank you. That would be good. Also, what savings have there been for Medicare in terms of reduced number of staff? I guess fewer shopfronts have maybe been realised as a result of that sort of processing.

Ms Briggs—I can help you with that. We have achieved savings in the order of \$246 million since we have gone into this field.

Senator FIFIELD—Is it about five years or so that it has been in place?

Ms O'Brien—The Easyclaim trial has been in place since late 2007, but before that we had a second electronic claiming channel which had been in place for a number of years, and both are now being utilised within the profession for claiming purposes and both contribute to greater efficiencies.

Ms Briggs—In terms of 'has it resulted in offices closing', no it has not. Our volumes of work have continued to increase and we have developed some quite smart systems for redistributing work to our regional offices so the staff there are fully occupied.

Senator FIFIELD—Could you take me through the Transitional Support Package. What was that actually aimed at achieving?

Ms O'Brien—The Transitional Support Package supported providers and practices in implementing electronic claiming. It provided for an up-front payment of either \$750 for a metropolitan practice or \$1,000 for a country practice to assist with the costs of implementing the system. Then it provided practices with a payment of 18c for each transaction that they submitted electronically to Medicare Australia and that covered both bulk-bill transactions as well as the patient claiming transactions that were processed.

Senator FIFIELD—That is an ongoing payment?

Ms O'Brien—That program lapsed at the end of December 2009. It was meant to be a transitional payment to assist with the—

Senator FIFIELD—But the 18c payment was part of a transition and that has finished as well?

Ms O'Brien—That is correct.

Senator FIFIELD—So that has all been expended. Was it \$6 million-odd for the package?

Ms O'Brien—The total amounts that were paid under that program amounted to \$42 million over the period of the program which included the establishment grants as well as the 18c.

Senator FIFIELD—Over what period was the transition?

Ms O'Brien—It was introduced on 20 September 2007 and lapsed on 31 December 2009, so it was a two-year period.

Senator FIFIELD—Ms Briggs and colleagues, you are in the process of being absorbed?

Ms Briggs—We are in the process of preparing to be merged.

Senator FIFIELD—I was just wondering what the phraseology was, because there mergers, there are takeovers, there are absorptions, I am just wondering what the word is.

Mr Pratt—The service delivery reform integration of the department and the two agencies is referred as a merger.

Senator FIFIELD—That is how I will refer to it in future.

CHAIR—I thank the officers and the minister for attending. I also thank the senators, Hansard and the secretariat.

Committee adjourned at 9.39 pm