



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

FINANCE AND PUBLIC ADMINISTRATION LEGISLATION  
COMMITTEE

ESTIMATES

**(Budget Estimates Supplementary Hearings)**

TUESDAY, 4 NOVEMBER 2003

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**SENATE**

**FINANCE AND PUBLIC ADMINISTRATION LEGISLATION COMMITTEE**

**Tuesday, 4 November 2003**

**Members:** Senator Mason (*Chair*), Senator Murray (*Deputy Chair*), Senators Brandis, Faulkner, Forshaw and Heffernan

**Senators in attendance:** Senator Mason (*Chair*), Senator Murray (*Deputy Chair*), Senators Abetz, Brandis, Faulkner, Ferguson, Forshaw, Harradine, Hill, Lundy, Mackay, Minchin, Moore and Sherry

**Committee met at 9.05 a.m.**

**PRIME MINISTER AND CABINET PORTFOLIO**

Consideration resumed from 3 November 2003

**In Attendance**

Senator Hill, Minister for Defence

**Department of the Prime Minister and Cabinet  
Executive**

Mr Andrew Metcalfe, Deputy Secretary

Ms Patricia Scott, Deputy Secretary

**Office of National Assessments**

**Outcome 1. Enhanced government awareness of international political and leadership developments, international strategic developments, including military capabilities, and international economic developments.**

**Outcome 2. Enhanced intelligence support for Defence planning and deployments, in peacetime and conflict, to maximize prospects for military success and to minimize loss of Australian lives.**

Mr Kim Jones, Director-General

Mr Derryl Triffett, Assistant Director-General, Corporate Services

Dr Doug Kean, Assistant Director-General, Strategic Branch

Dr Bill O'Malley, Assistant Director-General, Southeast Asia Branch

Mrs Margaret Bourke, Senior Executive Officer

**Office of the Prime Minister and Cabinet**

**Executive:**

Mr Andrew Metcalfe, Deputy Secretary

Ms Patricia Scott, Deputy Secretary

Mr David Borthwick, Deputy Secretary

**Economic policy advice and coordination**

Dr James Horne, First Assistant Secretary, Industry, Infrastructure and Environment  
Division

Mr Stephen Clively, Assistant Secretary, Infrastructure and Regional Policy Branch

Ms Jenny Goddard, First Assistant Secretary, Economic Division

**Social policy advice and coordination**

Ms Kerry Flanagan, First Assistant Secretary, Office of the Status of Women  
Ms Jill Farrelly, Assistant Secretary, National Policy and Programs Coordination  
Ms Jenny Bourne, Assistant Secretary, Strategic Policy and Development  
Ms Joanne Cantle, Adviser, Corporate Strategies  
Ms Joanna Davidson, First Assistant Secretary, Social Policy Division  
Ms Helen Hambling, Assistant Secretary, Health Branch  
Ms Fifine Cahill, Acting Senior Adviser, Health Branch

**International policy advice and coordination**

Ms Gillian Bird, First Assistant Secretary, International Division  
Mr Miles Jordana, First Assistant Secretary, National Security Division  
Ms Julie Yeend, Assistant Secretary, Ceremonial and Hospitality

**Support services for government operations**

Ms Barbara Belcher, First Assistant Secretary, Government Division  
Mr David Macgill, Assistant Secretary, Parliamentary and Government Branch  
Mr Paul O'Neill, Assistant Secretary, Awards and National Symbols Branch  
Mr Peter Hamburger, First Assistant Secretary, Cabinet Division  
Mr Chris Taylor, Assistant Secretary, Government Communications Unit  
Dr Susan Ball, Assistant Secretary, Information Services  
Ms Judy Costello, Assistant Secretary, People and Resource Management  
Ms Trish Corbell, Senior Adviser, Official Establishments  
Ms Marina Belmonte, Senior Adviser, Financial Management

**CHAIR**—I declare open this public hearing of the Finance and Public Administration Legislation Committee. This morning we welcome back Senator Hill, the Minister for Defence and the Minister representing the Prime Minister; Mr Metcalfe; and officers of the Department of the Prime Minister and Cabinet. I remind officers that the Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise. I further remind officers that an officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. Evidence given to the committee is protected by parliamentary privilege. I also remind you that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate. I invite the minister or the department to make any statements or provide any additional information relating to the evidence given yesterday. Minister?

**Senator Hill**—No.

**CHAIR**—In that case, I call back the Office of National Assessments. Good morning, Mr Jones and Mr Triffett.

[9.07 a.m.]

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**Office of National Assessments**

**CHAIR**—I think Senator Faulkner had the call and we will resume with his questioning.

**Senator FAULKNER**—Last night, Mr Jones, we were talking about the internal procedures of the Office of National Assessments in relation to reports—I think it is fair to say classified reports— which are distributed to a range of recipients. You outlined those procedures to the committee, which was helpful. I assume there are also procedures, are there, Mr Jones, which go to when reports might be distributed after the usual time that the reports are broadcast to the original list of recipients? If I can explain further: there obviously would be procedures in ONA—and you have outlined them—for when a report is developed and sent to a list of addresses. But I am sure that very often requests are made for reports outside the time frames. That is pretty common practice, isn't it?

**Mr Jones**—People do ask us if they can see a report that has been distributed earlier, yes.

**Senator FAULKNER**—So you would be able to assure the committee in those circumstances that the same or a similar approach is taken to keeping records of any such requests?

**Mr Jones**—Yes, we keep records of distribution.

**Senator FAULKNER**—Are you able to outline briefly to the committee how that process works?

**Mr Triffett**—We apply the same procedure for follow-up copies as we do the originals that go out. The reports are delivered by hand to the recipients. There are signed receipts and more often than not the recipients will then return the reports to ONA after they have read them. We then destroy the reports, log them off our system as having been received and destroyed. In cases where some of the recipients may wish to hang on to the reports for a bit longer, we agree to that and then we do musters or audits about quarterly on those people who are still holding reports to ascertain whether they still have them. If they no longer require them, they return them to ONA and the same process applies. We also fax copies occasionally—we have a secure fax. A manual accounting system applies to those. But for the reports that go out through hard copy delivery there is an electronic bar coding accounting system that applies for audits of their movements between ONA and the address. The movements, once they are with the addressee, are subject to the addressee's agency or department's handling procedures.

**Senator FAULKNER**—Is it the case that the secure fax process is the main difference between, say, the original distribution process and any subsequent distribution, or are some of the original processes also secure fax?

**Mr Jones**—Yes, that is correct. Some of the original distribution is sometimes by secure fax; other times, by hard copy. Follow-up distribution can be either hard copy or secure fax.

**Senator FAULKNER**—The key thing is that you can assure me that the procedures for follow-up copies of ONA reports are as rigorous as is the case with the original distribution processes.

**Mr Triffett**—They are the same.

**Senator FAULKNER**—I identified last night the report entitled *Iraq: humanitarian dimensions*. You have indicated that there is an AFP investigation into the leaking of that report. I gather that is the current status, isn't it, Mr Jones? That is effectively what you told us last night.

**Mr Jones**—Yes, there is an AFP investigation under way.

**Senator FAULKNER**—That is because of apparent leaking of that material into the public arena, I gather?

**Mr Jones**—It is because it was a press article which quoted some apparent excerpts from it, yes.

**Senator FAULKNER**—Can you identify that press article?

**Senator Hill**—It was allegedly quoted.

**Senator FAULKNER**—This is Mr Andrew Bolt's article. Would that be correct?

**Mr Jones**—Yes.

**Senator FAULKNER**—Putting aside the processes of the police inquiry, I just want to talk about ONA procedures here. Could you outline to the committee when you became aware of that article? I assume it was pretty much contemporaneous with it being published. Could you just step through for the committee what action you undertook in your responsibilities in ONA as a result of that publication—in other words, in the lead-up to this case being passed to the Federal Police, which, as you indicated to us yesterday, was at your initiative?

**Mr Jones**—After the article appeared I consulted ASIO as is required by the Protective Security Manual in cases where classified material appears to have been misused. I took advice from ASIO on the day on which the article appeared. I had further discussions with ASIO on the following day and the conclusion I drew from their advice was that the correct course was to refer the matter to the AFP. So we then did some preliminary preparation for referring the matter to the AFP by establishing details of the recipients and the distribution of the document. Three days later we asked the AFP if we could speak to them about the issue. Subsequently we had a meeting with them at which we explained the circumstances and asked them if an investigation would be the appropriate course.

**Senator FAULKNER**—You asked them if an investigation would be the appropriate course?

**Mr Jones**—We asked them for their view on an investigation of that.

**Senator FAULKNER**—And what was their view?

**Mr Jones**—They considered our request and subsequently decided to carry out an investigation.

**Senator FAULKNER**—Could you indicate the amount of time that had elapsed by the time the AFP determined to conduct an investigation?

**Mr Jones**—I am not quite sure at what point they decided to carry out a formal investigation.



**Senator FAULKNER**—They do inform you formally, don't they, when they have determined to do that?

**Mr Triffett**—They did inform us, Senator.

**Senator FAULKNER**—Are you able to say when they did that?

**Mr Triffett**—I cannot remember the exact date. We had a number of discussions, following our formal request to them, about distribution lists and things like that, which were provided to them. They went through those and then advised that an investigation would be undertaken. I cannot remember the exact date of that.

**Senator FAULKNER**—Perhaps you could take that on notice. You indicated, Mr Jones, that you consulted ASIO. I think there is effectively a statutory or legislative requirement that you do that, isn't there?

**Mr Jones**—It is provided for in the Protective Security Handbook.

**Senator FAULKNER**—Did you consult any other individuals or agencies, apart from ASIO, prior to contact with the Australian Federal Police?

**Mr Jones**—I do not recall any other consultations.

**Senator FAULKNER**—Was any direct contact made by ONA with the journalist, Mr Bolt?

**Mr Jones**—No.

**Senator FAULKNER**—Has any direct contact been made by ONA, from the time of publication to the present day, with the journalist concerned?

**Mr Jones**—No.

**Senator FAULKNER**—If there are concerns—and there clearly are—that it is possible or probable that parts of a classified report, or a classified report in its entirety, has found its way into the hands of a journalist, are efforts not made to retrieve that material? If efforts are made, who makes them?

**Mr Jones**—It is not a normal situation, so I cannot speak in terms of normal practice.

**Senator FAULKNER**—I thought the manual might deal with issues like this where there is concern that classified material has found its way into the hands of someone, not necessarily a journalist, who is not authorised to have it—in other words, someone who is not on the distribution list. Does ONA make attempts to retrieve such material?

**Mr Jones**—As I said, it is not something that happens commonly, so I cannot talk in general terms, but in this case we considered the reference to the police as the appropriate course.

**Senator FAULKNER**—So you have no guidance in relation to retrieval of such material. I am trying to move away from the specifics. I accept—and I think we would all be thankful—that it is not a common occurrence. When something like this occurs, do you have any processes for retrieval? I thought you would have; I am surprised to hear that it is not the case.

**Mr Jones**—I suppose it would depend on the circumstances of the case. As I said, we have not, in my memory, had a similar case before, so there is no standard procedure of which I am aware.

**Senator FAULKNER**—So ONA does not have internal procedures or guidelines that go to the retrieval of ONA reports or reportage that fall into the hands of individuals who ought not to have such material?

**Senator Hill**—That is not quite what Mr Jones said. He said he has not experienced the situation before.

**Senator FAULKNER**—I do not think that is what he did say. He certainly said that, but I am asking—

**Senator Hill**—But you like putting words in witnesses' mouths. Perhaps he might like to consult the manual—

**Senator FAULKNER**—I would just like to hear what the witness might say.

**Senator Hill**—or speak to the security staff at ONA.

**Senator FAULKNER**—I am asking Mr Jones what ONA's procedures are when classified material finds its way into the hands of someone who is not authorised to have it. I would have thought even you, Minister, would have thought that is a serious situation. I am wondering whether ONA, in those circumstances—

**Senator Hill**—Mr Jones thought that the instance you are referring to warranted reference to the Federal Police.

**Senator FAULKNER**—I am not referring to any instance. I am asking if there are any procedures in place for the retrieval of material. I stress that I am asking about established guidelines or procedures that go to the retrieval of such material if it finds its way into unauthorised hands. If there are none, that is the answer.

**Senator Hill**—Mr Jones is not aware of any established process, probably because each instance would be very different. If you want Mr Jones to go away and search the manuals then he will do so.

**Senator FAULKNER**—There is no need. I am sure Mr Jones would be able to tell me if there were such procedures.

**Senator Hill**—He has told you that he is not aware of any.

**Senator FAULKNER**—Mr Jones, has any thought been given since the publication of Mr Bolt's article to establish such procedures for the retrieval of classified material that falls into unauthorised hands?

**Mr Jones**—I do not think that it is really necessary to establish formal procedures. If a situation arises then we will take a decision on how to retrieve the material depending on the circumstances. Writing that down does not change anything.

**Senator FAULKNER**—In general there are no procedures—you have told us that. In the specific case in relation to Mr Bolt's article, you can confirm that no contact has been made with Mr Bolt by ONA—

**Mr Jones**—That is correct.

**Senator FAULKNER**—and no efforts have been made to retrieve any material, if in fact he is in possession of any.

**Mr Jones**—Because we referred the matter to the police.

**Senator FAULKNER**—Do you know if the police have retrieved any documentation?

**Mr Jones**—I do not know.

**Senator FAULKNER**—If that were the case, given that this is an ONA classified document, and you say you do not know, but assuming that the original documentation would come back to ONA for safekeeping—or we hope it is safekeeping—

**Mr Jones**—When the police finished their investigation, yes.

**Senator Hill**—If the police find the document, they might keep it for evidentiary purposes.

**Senator FAULKNER**—They may do; that is right.

**Senator Hill**—You are asking him to interfere in a police investigation.

**Senator FAULKNER**—No, I am not. I am asking whether the police have retrieved the document.

**Senator Hill**—Have you received any documents from the police?

**Mr Jones**—I have answered that. No, we have not, but the police investigation is still under way.

**Senator FAULKNER**—You can confirm that there has been no ONA internal investigation around this issue? I think you have indicated to us that there is only a police investigation. I think that is what you said last night. I want to confirm that.

**Mr Jones**—We carried out a check of all our records in relation to the document and reviewed what had happened to it and so on. So in that sense there was a review of the processing of the document and the distribution of it.

**Senator FAULKNER**—And that preceded the police investigation?

**Mr Jones**—Yes.

**Senator FAULKNER**—Has there been any review of procedures in ONA as a result of this occurrence? I hear what you say about the review that took place. I am talking about a broader review of procedures in terms of trying to identify if there were any inadequacies or any improvements to be made.

**Mr Jones**—We have looked at our process for recording distribution of documents and keeping track of them, yes.

**Senator FAULKNER**—Is that an examination or review that has been initiated as a result of the Bolt article?

**Mr Jones**—Yes.

**Senator FAULKNER**—Has that been concluded?

**Mr Jones**—Yes.

**Senator FAULKNER**—Are you able to say when it was concluded?

**Mr Jones**—It was not a formal process starting on one day and finishing on another day. Mr Triffett looked at the processes we use for recording distribution, recording returns, mustering documents which are out on distribution and so on.

**Senator FAULKNER**—Are you able to say what the outcome of those investigations has been, Mr Triffett? In other words have you been able to make some improvements to this document handling process that is internal to ONA?

**Mr Triffett**—We were satisfied that our procedures and our accountability arrangements are appropriate. Following the review we decided that we were able to account for movements of the material in and out of ONA. We provided the details of all that to the police, as part of their ongoing investigation. But there was no need for us to change any of our procedures for handling material. We believe they are all appropriate.

**Senator FAULKNER**—I may have misunderstood you. Are you suggesting in some way that that work was given as an input to the police investigation?

**Mr Triffett**—We looked at our procedures at the time we did an audit of the movements and, as part of the police investigation, they asked for access to the audits we did on the movements of the material. So it was done in conjunction. The police were not given the details of our review of our procedures but they were given the details of the distribution audits.

**Senator FAULKNER**—Do you accept, Mr Jones, that it is a serious concern, it is very unsatisfactory, that such a classified document—

**Senator Hill**—This is pre-empting the investigation.

**Senator FAULKNER**—No, it is not. It is not pre-empting any investigation.

**Senator Hill**—There has not been any finding that any classified document has in fact gone astray. That is what is being investigated—and if it has, how it occurred.

**Senator FAULKNER**—Let me rephrase the question, seeing that it is of such concern to Senator Hill.

**Senator Hill**—Well, it is. I don't believe in finding guilt before the trial, so to speak.

**Senator FAULKNER**—There are a lot of things you do not believe in. Mr Jones, I assume that ONA treats seriously—and would treat seriously—any classified material that would go beyond an authorised distribution list. That is something that I would assume you, with your responsibilities, would need to take very seriously. Am I correct in understanding that?

**Mr Jones**—Yes, we want to ensure that our documents are protected. That is correct, yes.

**Senator FAULKNER**—And for ONA I assume a lot of effort would go into ensuring that your documents are protected. It is a high priority, isn't it?

**Senator Hill**—We explained all that last night.

**Senator FAULKNER**—If that is the case, Minister, you can leave and go and read last night's *Hansard*. I do not think that what you have just said is accurate. We know that you

spend your time here running interference, but you do not have to be here. You can happily leave.

**Senator Hill**—I just cannot see the point of asking the same questions over and over again.

**Senator FAULKNER**—You can happily leave and go and read whatever material you want to. Mr Jones, in relation to the ONA report *Iraq: humanitarian dimensions*, are you able to say whether any material in the report was sourced from foreign intelligence agencies?

**Mr Jones**—I would have to review the report, but I think it is most likely that some of the material was.

**Senator FAULKNER**—Does that also bring with it a set of other concerns—I appreciate that this would be the case with the vast majority of ONA reports and I think your answer is unremarkable and expected—for ONA in terms of processes, our relationship with our intelligence partners and the like?

**Mr Jones**—Yes, it does.

**Senator FAULKNER**—Can you briefly explain to the committee why that is the case and what it means?

**Mr Jones**—The essence of it is that, where we believe that it is possible that a report containing intelligence material, whether of foreign origin or Australian origin, has been compromised, we notify the collection agencies which provided the material so that they are aware of the possible compromise. The Australian collection agencies are the avenue for the foreign material to come to us, and they would notify their foreign partners where they judge that to be appropriate.

**Senator FAULKNER**—So, with the audit that you have conducted in relation to this particular document, you have been able to establish whether or not this document was requested by a member of a minister's office, as you have been able to determine all recipients of the document. Would that be correct?

**Mr Jones**—We have provided to the police the details of the distribution of the document, yes.

**Senator FAULKNER**—And the distribution of the document would include the original distribution list—that would be correct, wouldn't it?

**Mr Jones**—Yes.

**Senator FAULKNER**—And, if there were any subsequent requests for access to the document, that would also be included?

**Mr Jones**—Yes.

**Senator FAULKNER**—So we can be satisfied that—

**Senator Hill**—What does that mean?

**Senator FAULKNER**—Do you have a problem, Senator Hill?

**Mr Jones**—If they are on the initial distribution list—

**Senator Hill**—I do not understand the second part of it.

**Senator FAULKNER**—That is because you have not been listening.

**Senator Hill**—I actually have been.

**Senator FAULKNER**—You have not been listening closely enough. We have been dealing with the distribution of documents from the original list—

**Senator Hill**—But how does somebody get a subsequent reference to it if—

**Senator FAULKNER**—I will let Mr Jones explain that to you, because you have not been listening. Then we will get on with the questions.

**Mr Jones**—Sometimes people ask for a copy of it subsequently.

**Senator Hill**—A second. But they are already on the original list.

**Mr Jones**—Yes, or somebody who did not get it originally might hear about it and ask for it. If they are entitled to have it, we would give it to them. The material we gave to the police on the distribution list included the original recipients and any subsequent distribution.

**Senator FAULKNER**—Are you happy, Senator Hill?

**Senator Hill**—Yes, it is clarified.

**Senator FAULKNER**—As I said, if you had listened in the first place, we could have saved a little time there, but anyway.

**Senator Hill**—I was listening.

**Senator FAULKNER**—We do not want to eat into your Melbourne Cup time. We do not want to cost you time later on in the afternoon, or so the chairman tells me. In terms of the procedures, again, in relation to a secondary request, Mr Jones, are secondary requests limited to people on the original distribution list?

**Mr Jones**—Not necessarily. It is possible that somebody who did not receive it originally could become aware of it and ask for a copy of it. If we believed that they were entitled to see it, we would send it to them.

**Senator FAULKNER**—Who would make that decision?

**Mr Jones**—Either me or, perhaps, the head of our executive secretariat. Normally it would be me.

**Senator FAULKNER**—But certainly you can say to the committee that it is done at a senior level of the agency.

**Mr Jones**—Yes, the same level that decides the distribution of product initially.

**Senator FAULKNER**—In relation to the report *Iraq: humanitarian dimensions*, are you able to say whether there were secondary requests beyond the original distribution list?

**Mr Jones**—I think that is one of the issues that the police are looking into.

**Senator FAULKNER**—I am sure it is, but are you able to say to the committee whether that is the case?

**Mr Jones**—I think it is a matter for the police.

**Senator FAULKNER**—When such a secondary or subsequent request is made, is it commonplace or expected that reasons are provided to the officer who is authorised to make such a decision about why such a request is being made?

**Mr Jones**—Not necessarily, no.

**Senator FAULKNER**—Is it just a case-by-case—

**Mr Jones**—Yes. An original recipient, for example, could ask to see it again. We would not regard that as a surprising or unusual thing.

**Senator FAULKNER**—If such a request is accompanied by reason or justification for the request, does ONA record the reason?

**Mr Jones**—I would not think so in the normal course of events. As I say, if somebody who is entitled to have it asks to see it again, we would not regard that as something unusual or something requiring some form of formal recording.

**Senator FAULKNER**—But you have just said to us that at times you have requests—and we all understand that this might well be the case—from people who were not originally entitled to have it. I am just asking about the process here. If a request is made from someone who was not on the original distribution list—if such a person asks for a copy of such a report and provides a reason—is the reason recorded? You have not limited your answer, I believe, to someone who might be on the original distribution list—who might well be refreshing their memory or whatever.

**Mr Jones**—No. With an additional person, as long as, on the face of it, it was perfectly reasonable for them to have it, we would not record it. We would record the fact that they had received it. That would tell us what had happened.

**Senator FAULKNER**—Do you have any indication from the police at this stage about when their inquiries are likely to be completed?

**Mr Jones**—I do not know.

**Senator FAULKNER**—Has anyone been removed from the distribution list as a result of this particular incident?

**Mr Jones**—From our normal distribution list?

**Senator FAULKNER**—Yes.

**Mr Jones**—They are different for every report. We are awaiting the outcome of the police investigation.

**Senator FAULKNER**—And there are effectively no changes to the procedures that applied at the time?

**Mr Jones**—No.

**Senator FAULKNER**—I do have a number of other questions for ONA. Because we are running comparatively short of time, if it would assist the committee, I might place some of those on notice.

**CHAIR**—There being no further questions I thank Mr Jones and Mr Triffett for their assistance.

[9.43 a.m.]

**Department of the Prime Minister and Cabinet**

**CHAIR**—I welcome Mr Metcalfe and officers of the department. Mr Metcalfe, you indicated that you have a statement to make.

**Mr Metcalfe**—I thought it might assist the committee if I briefly mentioned some organisational changes that have occurred within the department since we last appeared before the committee. For the information of senators, those changes are outlined in more detail on pages 21 to 23 of the department's annual report, which I think you have. The department underwent a reorganisation, which effectively took place on 1 July last year, but there had been a transition into that process in the previous months. The key changes are that my colleague the deputy secretary, Mr Borthwick, now heads a group of divisions that comprise the industry, infrastructure and environment division, the economic division and the cabinet secretariat, which includes the new implementation branch.

Ms Patricia Scott heads a group of divisions as deputy secretary. They include the Office of the Status of Women, the Social Policy Division and the new People, Resources and Communications Division, which subsumes our branches dealing with information technology, support, people management and government communications. Ms Scott recently transferred to the department from the Department of Industry, Tourism and Resources, replacing Mr Whalan. Mr Whalan of course is now the head of the Health Insurance Commission. Finally, reporting through me to the secretary are the Government Division, the International Division and the new National Security Division. The International Division, headed by Ms Bird, now also has responsibility for the ceremonial and hospitality branch within the department.

**CHAIR**—Thank you, Mr Metcalfe. I will call for general questions.

**Senator FAULKNER**—You might need to bear with us, Mr Metcalfe, because it seems to me that the outputs in the annual report are now a little outdated, aren't they?

**Mr Metcalfe**—That is correct.

**Senator FAULKNER**—We are one iteration behind the current date.

**Mr Metcalfe**—We attempted in the annual report to provide forward-looking information but of course the annual report reports on last year. Of course, we will assist the committee as much as we can.

**Senator FAULKNER**—Yes. But as I say I think we are one iteration behind the play. An issue that was raised by my colleagues Senator Moore and Senator Crossin last night was in relation to the women's suffrage monument. I was disappointed that we did not seem to be able to get any information on costs that had been borne by the department in relation to this matter. Are you able to assist us?

**Mr Metcalfe**—I cannot assist any further because it was my understanding that our colleagues from the Office of the Status of Women had essentially dealt with their issues last night so they are not present here this morning. If there were further questions, I could see whether they could join us again through the course of this morning.



**Senator FAULKNER**—My question goes to costs borne by the department. That is why I thought you might be able to assist us.

**Mr Metcalfe**—I think the specific question being pursued by Senator Crossin was in relation to where the \$600,000 for the proposed structure came from. A table that had been provided did not seem to indicate a sum greater than, from memory, about \$300,000. I do not know if Ms Costello can help us; otherwise, I will see if we can provide that information during the morning. If I can ask for your indulgence, I will see whether officers from OSW have been able to do some further work on the issue, and will come back to you during the course of this morning.

**Senator FAULKNER**—What I am interested in having as well as information on that issue that was raised by my colleagues last night is whether that actually represents the totality of costs borne by the department in relation to this matter.

**Mr Metcalfe**—That was certainly my impression. I must say I do not—

**Senator FAULKNER**—It is my impression but I am not certain that it is the case, and I would just like to be clear.

**Mr Metcalfe**—Sure. I will make inquiries as to whether Ms Flanagan, the head of OSW, could join us again, perhaps following morning tea. I am sure she would be happy to provide any further advice that she can.

**Senator FAULKNER**—In terms of authority in the department on this issue, was this handled within the Office of the Status of Women? You are saying that in the broad it was but, in terms of decision making authority in the department, where did the buck stop?

**Mr Metcalfe**—My understanding is that it was a matter dealt with primarily by OSW. There may have been some accounting or administrative support provided by the corporate services area of the department but essentially it was an issue dealt with by OSW.

**Senator FAULKNER**—If you are able to provide us with that information I think it would assist. On another matter, I have received an answer to a question on notice that I asked in relation to the requirements for corporate branding—in other words, the logos issue. There are a significant number of agencies that have been exempted and 10 have been allowed to co-brand. This is clear from the answer to my question on notice about agencies that had sought exemption from the requirements, and they are the figures that were provided.

**Mr Metcalfe**—Do you have the number of that question, Senator?

**Senator FAULKNER**—Yes, it is 1705 to 1722.

**Mr Metcalfe**—It was on the Senate *Notice Paper*, was it, rather than—

**Senator FAULKNER**—Yes.

**Mr Metcalfe**—Okay, thank you.

**Senator FAULKNER**—Can you briefly outline to the committee what the criteria are for allowing full or part exemptions.

**Mr Metcalfe**—I will ask Mr Taylor to respond.

**Mr Taylor**—The decision as to whether or not departments were exempt from the decision really rested with the Prime Minister. He made those decisions. My understanding is that the main criteria related to whether the particular program was funded fully by the Australian government. Where there was state and federal government funding, for instance, it was exempted from the requirement. So as far as I am aware it related to a funding issue.

**Senator FAULKNER**—I assume the coordination work on this was done in PM&C, wasn't it? I accept that the Prime Minister may have signed off on the decision, but surely the work in relation to exemptions would not have gone directly to the Prime Minister's office; it would have been coordinated through your department?

**Mr Metcalfe**—There was certainly work done within the department in terms of coordination.

**Senator FAULKNER**—Did officers of the department make recommendations on requests for exemption?

**Mr Taylor**—The recommendations that came in from the various portfolios seeking exemption or otherwise were supported or not supported on the basis of that funding issue, as far as I am aware. I was not directly involved in it. My understanding is that it was really a matter of whether it was funded or not funded, fully funded or part funded by the Australian government. If it was fully funded, the recommendation or the support for the application for exemption was supported or not supported on that basis.

**Senator FAULKNER**—Someone in the department must have coordinated this. Can you tell us how it worked?

**Mr Metcalfe**—My understanding is that the officer who was most closely involved with this issue was the head of the division, Mr Williams. I mentioned to you—

**Senator FAULKNER**—I was just trying to find out who it was. So this falls within Mr Williams's area?

**Mr Metcalfe**—It does fall within that broad area. As I explained to you—

**Senator FAULKNER**—I know; he is not here. Now I understand. So that work is coordinated in Mr Williams's branch. You may not be able to assist me with this, Mr Metcalfe: in this case I assume that a brief for the Prime Minister is prepared in Mr Williams's division? Effectively, is this how it worked?

**Mr Metcalfe**—I think that is a fair assumption. If I am incorrect in that assumption, I will correct that advice, but that is my understanding.

**Senator FAULKNER**—I suspect you are going to have to take this on notice because Mr Williams is not here today: could you give us a copy of the internal guidelines or criteria, if there are any, to be applied?

**Mr Metcalfe**—I will take that on notice, Senator.

**Senator FAULKNER**—I would appreciate that. Also, what material or evidentiary support or basis is a department or agency required to provide for an exemption?

**Mr Metcalfe**—I will take that on notice.

**Senator FAULKNER**—So that in these circumstances we get the full picture, you might also take on notice the departmental processes—assuming this would have been coordinated by Mr Williams—and whether it went to the departmental secretary before the decision by the Prime Minister. Please outline those.

**Mr Metcalfe**—I will take that on notice.

**Senator FAULKNER**—Are you able to say—and you may well not be able to, Mr Taylor, because of these circumstances—whether any additional exemptions have been granted since the time this question on notice was completed?

**Mr Taylor**—No, none have. The response to your question mentioned at part 3 that there were 39 exemptions and the exemption request was declined by 59 agencies. That remains the same.

**Senator FAULKNER**—Has any work been done in in the broad in relation to government wide savings that might be generated by this initiative?

**Mr Taylor**—No, none has.

**Senator FAULKNER**—The answer I have received to my question on notice indicates that significant savings will be achieved as departments and agencies will no longer require frequent refreshing of corporate logos. I wondered if you had an understanding of how that statement could be made.

**Mr Metcalfe**—I think it is a matter of commonsense. There were all these logos and they were updated from time to time. The coat of arms is extremely well known. It is a matter of commonsense that, being able to simply use the coat of arms as opposed to a multitude of logos, people will not be out spending money developing new logos.

**Senator FAULKNER**—Wouldn't there have been a certain amount of money flushed down the toilet over the last few years with very recent logo development from departments and agencies? That money certainly would have been wasted, wouldn't it?

**Mr Metcalfe**—Money was spent in the past, obviously, for a purpose at that time, but savings into the future will accumulate quite rapidly. From my own experience, in agencies that I worked for logos were changed every few years—modernised and whatever. I think that process would have gone on, in any event, had this decision not been made, so the expense still would have been there. But this process now brings a clear, common understanding to Australian government agencies.

**Senator FAULKNER**—Are you able to say whether there are plans to standardise the Commonwealth government web sites?

**Mr Taylor**—Yes, there are. The National Office for the Information Economy has been working with various departments and agencies to assist them in applying the standard design logo to the front pages of their web sites.

**Senator FAULKNER**—Do you know who is doing that work on behalf of the Commonwealth?

**Mr Taylor**—NOIE is, but I cannot give you any names, I am sorry.

**Senator FAULKNER**—Is this coordinated out of NOIE as opposed to PM&C?

**Mr Taylor**—The basic guidelines in terms of the design and the application of the design are being coordinated by PM&C, but NOIE's assistance has been sought in coordinating the technical aspects of applying it to web sites and working with the various agencies in applying it.

**Senator FAULKNER**—Can you tell me whether there are any exemptions in relation to web sites, similar to those applying in relation to the broader branding question?

**Mr Taylor**—My understanding is that exemptions of agencies and departments from using the standard design would apply. There would not be an inconsistency between what applies to an agency's design in the normal sense and what applies to their web site. In other words, it is a consistent rule.

**Senator FAULKNER**—Does this mean that all home pages will be standardised?

**Mr Taylor**—For those who are required to apply the design it will be standardised to the extent of the Commonwealth coat of arms and whatnot, but I do not believe there is intended to be any standardisation of colours and information layout. I could take that on notice and get back to you. I know that, in the agency that I was in at the time that these guidelines came out, we were applying the standard design to the web site but we had the freedom to apply various corporate colours to it—so that was not standard.

**Senator FAULKNER**—I do not quite understand what you are saying.

**Mr Metcalfe**—I think Mr Taylor is saying this: you talked about 'standard' and we are assuming that you meant, by your question, that are all web sites would look the same in presentation and layout. Our understanding is that the crest and the way that the name of the agency is depicted—which is now a standardised item—would be standard across the web sites but in other respects they may look quite different, with different colours and different ways of achieving links—with different pictures, graphics and various other things.

**Senator FAULKNER**—Do you know how much change there will be to the web sites, given that it seems to me that many are just catching up to the recent reshuffle? Again, that is another change that will apply across the whole raft of web sites.

**Mr Metcalfe**—It would have happened anyway, Senator. One of the beauties of living in this electronic age is that these sorts of things can be achieved much more simply than they were previously.

**Senator FAULKNER**—Can you say who is actually doing the work?

**Mr Metcalfe**—Our advice is that NOIE is coordinating the work and then it is up to agencies to implement those arrangements.

**Senator FAULKNER**—So the implementation is occurring under the auspices of NOIE, not the auspices of PM&C?

**Mr Taylor**—NOIE would be providing assistance in terms of technical advice and applying it to that electronic environment but the actual design of the logo has been stipulated and provided to NOIE to assist departments to apply it to the web sites.

**Senator FAULKNER**—Are you aware whether PM&C has engaged any outside consultants to assist with this work?

**Mr Taylor**—The only consultant I am aware of is the consultant that was engaged to provide the graphic design guidelines, and that was Swell Design Group. They were already on contract to PM&C for graphic design purposes and we utilised them to assist us in providing the design guidelines for the coat of arms et cetera.

**Senator FAULKNER**—So their work has extended, effectively, into the web sites as well? You are saying they had been working more broadly on the branding exercise and now, additionally, on the web sites—is that right?

**Mr Taylor**—No, they provided the graphic design only. They put it on hard copy but they also put it onto a CD. That was distributed to departments, and the departments in conjunction with NOIE were applying it to their web sites. The technical specifications or intricacies of that I cannot go into.

**Senator FAULKNER**—What is the value of the contract with Swell Media?

**Mr Taylor**—\$150,000.

**Senator FAULKNER**—That is the \$150,000 was identified earlier in—

**Mr Taylor**—At 7(b) in the answer, yes.

**Senator FAULKNER**—Have we got a time frame for this work on the web sites?

**Mr Taylor**—Agencies and departments have been asked to have it done by 31 December. Where they are unable to do that for any particular logistical or practical reasons we have asked them to advise us of that. I have not heard yet of any department that is unable to apply it by that time. That does not mean departments will not be able to do it; I have just not heard of any yet.

**Senator FAULKNER**—Mr Metcalfe, the original branding exercise appeared to go down like a bit of a lead balloon with some of the agency heads and departmental secretaries, I think is fair to say. Are you aware of any responses or reaction to these requirements in relation to government web sites?

**Mr Metcalfe**—I would not agree with the first suggestion you make, and you would not expect me to. I am not aware of any further commentary. If you are interested in my personal view, I think it looks terrific.

**Senator FAULKNER**—I knew you would say that.

**Mr Metcalfe**—We are not alone in this. The Queensland government has undertaken a similar exercise. Canada has got an iconic descriptor as well.

**Senator FAULKNER**—You would be aware if there had been any complaints at this stage from agency heads?

**Mr Metcalfe**—I am not personally aware. I suspect that that information would have come into Mr Williams's area and been dealt with. Essentially, this is a decision of the government and people are expected to get on and implement it.

**Senator FAULKNER**—Complaints or otherwise. We might check at a subsequent round about how happy the agency heads are.

**Mr Metcalfe**—We are certainly happy, Senator.

**Senator FAULKNER**—I knew you would be. I would be very, very disappointed if you were not over the moon about it, overjoyed about every decision that was made. Thanks for that.

I want to ask about the planning for the visit of President Bush. Which divisions had primary responsibility for this and what arrangements in the broad you put in place for coordinating the planning of the Bush visit?

**Mr Metcalfe**—The primary responsibility for the matter within the department rested with the International Division, both in terms of the foreign policy objectives associated with the visit and, as I mentioned earlier, because the Ceremonial and Hospitality Branch is now within the International Division, so it played a crucial role in coordination of the visit.

**Senator FAULKNER**—Was there any particular task group set up internally in the department, or an IDC or equivalent, to assist?

**Ms Bird**—I chaired two IDCs, one on the Bush visit and one on the Hu visit. That was designed to ensure that various departments and agencies who were involved were coordinated, particularly on the program and policy side of the visits.

**Senator FAULKNER**—Can you say when they were set up?

**Ms Bird**—We set them up a few weeks before the respective visits—I do not have an exact date but it would have been about three to four weeks out.

**Senator FAULKNER**—Perhaps you could take on notice for us the membership of those two IDCs.

**Ms Bird**—Sure. I can get back to you on that.

**Senator FAULKNER**—Thank you for that. Mr Metcalfe, internally in the department was there any task force type approach? Was that necessary or was it felt that you could handle it within the division?

**Mr Metcalfe**—To a certain extent the department undertakes this sort of work from time to time. As I indicated, there was a very heavy concentration of work within Ceremonial and Hospitality and elsewhere in the International Division in particular, and on the actual days of the visits additional officers were seconded in to assist as ushers, guides and that sort of thing. The core work was done within International Division, with others helping out as required. I would not describe that as a task force or whatever; it is what we do.

**Senator FAULKNER**—What is the key point of contact for the department? Is it the US embassy for the Bush visit? Is that how it is mainly coordinated?

**Mr Metcalfe**—There are a number of contact points. There was liaison occurring in Washington between the Australian embassy and the White House. Within Australia, International Division was working closely with a whole range of people associated with the visit in relation to both the security arrangements and the logistical and ceremonial arrangements. That group of agencies extends from parliamentary officers—Joint House and others—to the Protective Security Coordination Centre, the Department of Defence, the Australian Federal Police and so on, and of course the US embassy was closely involved.

**Senator FAULKNER**—Are you able to say now what the departmental budget was—what costs were borne by government for the visit?

**Ms Bird**—We do not have an overall cost for either of the visits. PM&C's costs were mostly to do with staff costs, and they are part of our normal running budget.

**Senator FAULKNER**—Only staff costs?

**Ms Bird**—For PM&C, yes.

**Senator FAULKNER**—What about, say, the costs of the barbeque lunch at the Lodge? What is the correct terminology for that one, Mr Metcalfe?

**Mr Metcalfe**—That informal function was essentially organised with support from the official establishments part of the department, which comes under Ms Costello's area. Functions at the Lodge or Kirribilli are dealt with as part of the normal business of the official establishments area of the department.

**Senator FAULKNER**—But were the costs for that function borne by official establishments? You can call it official establishments; I was just calling it the department.

**Mr Metcalfe**—Yes, it is a separate vote within the department but it is correct to say that those costs were borne by that area over and above—

**Senator FAULKNER**—Are they just staff costs? Ms Bird has told us that the costs borne by the department were basically limited to staff costs.

**Ms Bird**—Sorry—I meant primarily staff costs, which are absorbed by a running cost. There were the costs for the functions as well.

**Senator FAULKNER**—I just want to get the broad picture, if I can. I accept what you are saying about staff costs. There were also function costs. Can you identify any other broad categories?

**Ms Costello**—The final costs for the function are not in, but the function costs that we bear within official establishments are for the hiring of the marquee, tables, chairs et cetera; floral arrangements; food and beverages for official guests and others; casual staff; and the band. Costs for those are borne by official establishments.

**Senator FAULKNER**—That is function costs. We will get to that a little later, but were there any other costs?

**Ms Bird**—There were some guest of government costs, particularly for the Hu visit.

**Ms Yeend**—There is a state occasions and official visits program. Costs for guests of government visits such as the working visit by President Bush and the state visit by President Hu come from that vote.

**Senator FAULKNER**—Let us go first to the staff costs that you identify, Ms Bird. What were additional staff being used for?

**Ms Bird**—I used officers within my division who would normally work on issues to do with relations with the US and with China. They were involved in preparation of the briefing for the visit. Because they were quite important and large visits, I also deployed some other officers to assist from within my division who would not normally work on those issues, but

that was basically internal organisation within the division. Also on the day, as Mr Metcalfe was explaining, to assist with various logistical aspects, we asked other divisions if they could supply officers to assist with those logistical issues, and they very kindly volunteered a number of staff to assist. That was essentially internal redeployment of staff to make sure that we had enough staff to deal with the visits.

**Senator FAULKNER**—When you identify staff costs, are you saying these are staff costs which are all internal to the Department of the Prime Minister and Cabinet?

**Mr Metcalfe**—Essentially what we are saying is that a lot of the work is done by ongoing employees within the department whose job it is to deal with these sorts of issues. Whether they are within the Ceremonial and Hospitality branch hosting visits on state occasions or whether they are within the International Division in terms of liaison and policy advice on these matters, that is what they do and that is part of their normal work. On the days of the visits, some additional staff were seconded for short periods of time, largely to assist in Parliament House as ushers and guides. Again, that is something that the department does as part of its normal work. Beyond that, some additional staff would have been brought in in relation to the catering and other arrangements, and CERHOS may have boosted its numbers by some temporary contract employees.

**Senator FAULKNER**—I would like to understand the status of Mr Bush's visit. I gather it was not categorised as a state visit—I am not sure of this, but I think I read that somewhere. Can you confirm that that is the case, please, Ms Bird?

**Ms Bird**—It was a working visit.

**Senator FAULKNER**—So it was not a state visit?

**Ms Bird**—No. President Hu Jintao's visit was a state visit; President Bush's was a working visit.

**Senator FAULKNER**—Can you briefly explain the significant difference between these two categorisations?

**Ms Bird**—My colleague Ms Yeend might be able to assist, but I can perhaps start. There are ceremonial trappings to do with a state visit, such as a formal welcome. It involves hospitality hosted by the Governor-General and hospitality hosted by the Prime Minister. A working visit is a more informal, flexible visit. It is typically a shorter visit too.

**Ms Yeend**—In addition, with a working visit the Australian government pays for the costs of 10 of the party for only one day, and that day generally is in Canberra. For a state visit, the Australian government pays for the cost of up to 10 for up to five nights and six days.

**Senator FAULKNER**—So it is all about money, Ms Yeend?

**Ms Yeend**—As Ms Bird says, there is a degree of ceremonial and hospitality trappings also attached to a state visit that generally does not appear for a working visit.

**Senator FAULKNER**—Understanding now, as I do—I cannot admit that I understood that distinction before I asked you but, now that we are aware of that—is there any significant difference between this categorisation of a working visit as opposed to a state visit in terms of ceremonial functions and the like? You have said that a working visit tends to be a shorter



visit, and I appreciate that point. Are there any other differences in terms of obligations or functions?

**Ms Yeend**—Generally speaking, for a state visit the host is the Governor-General, and he has obligations of meeting the visitor and of providing hospitality. It has been the practice that a function be hosted by the government, and there is a prime opportunity for the visitor to speak at that function. The Prime Minister and the Leader of the Opposition also customarily speak.

**Senator FAULKNER**—But the Prime Minister is the host?

**Ms Yeend**—The Governor-General is for a head of state.

**Senator FAULKNER**—But for a working visit is the Prime Minister the host? You made it clear that the Governor-General is the host for a state visit. Who is the host for a working visit?

**Ms Yeend**—Generally speaking, it would be the Prime Minister, but for a head of state there would always be a meeting with the Governor-General, because there is contact between the two similar levels.

**Senator FAULKNER**—Who was the host for Mr Bush's visit to Australia? Let me go back a step. You can confirm for me that the host for President Hu's visit was the Governor-General.

**Ms Yeend**—Yes.

**Senator FAULKNER**—That is correct?

**Ms Yeend**—Yes.

**Senator FAULKNER**—Who was the host for Mr Bush's visit to Australia? It looks like he did not have a host.

**Mr Metcalfe**—I think that part of the protocol associated with working visits is that there may not be, as such, a formal host, but in practical terms the Prime Minister was the person who spent most time with the President—

**Senator FAULKNER**—I know that.

**Mr Metcalfe**—There is a disjunction between terms of art associated with state and ceremonial occasions. Where you are trying to go—which is who was responsible and so on—

**Senator FAULKNER**—I am not trying to go anywhere. I am merely asking who the host was for President Bush's visit. That is a simple enough question. I am still awaiting an answer. I am very pleased that we know that President Hu had a host in the Governor-General. I am sure that is a relief to all of us. Now I want to know who the host was for President Bush's visit.

**Mr Metcalfe**—And what I am saying is that the word 'host' can have a term of art meaning in terms of protocol, but in practical terms—and I am giving you an answer—the host was the Prime Minister.

**Senator FAULKNER**—So he was the practical host but there was not a host. Is that what you are saying?

**Mr Metcalfe**—In terms of the terms of art that go with state occasions, there was no host as such because it was a working visit, but in practical terms the Prime Minister was the key Australian leader in relation to the visit.

**Senator FAULKNER**—Are there protocols that go to the arrangements for a state visit as opposed to a working visit? Are these things actually written down anywhere?

**Ms Bird**—With a state visit, as we have set out, there are a number of elements that are typically part of a state visit. Working visits vary considerably. It depends on the length of stay and who is in the country at the time. So yes, for the state visit there are certain particular elements. A working visit is really done on a case-by-case basis.

**Senator FAULKNER**—So there are state visit protocols?

**Ms Bird**—Yes, that is right.

**Senator FAULKNER**—Can they be made available to the committee? Are they in that sort of form?

**Ms Yeend**—They certainly are. They are handed out to the relevant embassy when we hear. I will provide it to the committee.

**Senator FAULKNER**—And for a working visit? Is there any guidance at all?

**Ms Yeend**—Other than what I have stated, no, not really; it is as Ms Bird has stated.

**Ms Bird**—It is just case by case on a working visit. It does not have the same ceremonial and hospitality aspects.

**Senator FAULKNER**—When a working visit is being planned, is part of the task of your division to establish this guidance for each individual visit? For example, was this established for President Bush's visit?

**Ms Bird**—With each visit, it is, in a sense, an iterative process. We work with the government of the incoming guest—liaise with them on what their interests are, what they might want to do. We liaise with the Prime Minister's office and other ministers. In that way, a program is developed. That varies for each visitor.

**Senator FAULKNER**—Is there anything that you could provide to the committee that might be, as best you have them, guidelines established for Mr Bush's visit?

**Ms Bird**—As I said, it was an iterative process. We talked to the Americans. We had to determine how long—

**Senator FAULKNER**—I accept that. I am just asking whether the iterative process ended up in something in black and white.

**Ms Bird**—A program, yes—the eventual program that President Bush undertook.

**Senator FAULKNER**—Apart from the program, are there any guidelines?

**Mr Metcalfe**—If you are asking whether there are some guidelines somewhere that say, ‘This is what you do on a working visit,’ I do not think that there is such a thing. It is really developed on a case-by-case basis.

**Senator FAULKNER**—I have accepted that. What I wondered was, in the case of each working visit, whether effectively the department might get to that point. But I think what Ms Bird is saying to us is ‘No, not really. The point you get to is an official program.’

**Mr Metcalfe**—That is right. The point you get to is what actually happens.

**Senator FAULKNER**—Who actually decides whether a visit will be a state visit or a working visit?

**Ms Yeend**—The Prime Minister.

**Senator FAULKNER**—That is a formal decision of government?

**Ms Yeend**—Yes.

**Senator FAULKNER**—At what point is that established? Is it pretty early in the process?

**Ms Yeend**—Yes.

**Senator FAULKNER**—I assume that it would be, because I think you are saying to us that some of the arrangements are guided by the categorisation of the visit. Is that true?

**Ms Yeend**—Yes.

**Senator FAULKNER**—When was the Department of the Prime Minister and Cabinet informed that President Hu’s visit would be a state visit?

**Ms Bird**—The Prime Minister made an offer when he was up in Beijing a few months ago. He invited the President to come down. It was made clear there that we were hoping to host a full state visit for the President. Typically I think there is normally only one visitor at state visit level by a head of state. He is an incoming Chinese president, and that was extended. With President Bush, it was a somewhat different case. We knew from the US side that it would be a much shorter visit. They were not looking for a major state visit.

**Senator FAULKNER**—When was the decision made that President Bush’s visit would be a working visit?

**Ms Bird**—Pretty much from the beginning of the planning process.

**Senator FAULKNER**—It requires a formal decision by the Prime Minister, though, doesn’t it? That is what you have told us.

**Ms Bird**—If it is going to be a formal state visit, yes. The recommendation did not go up seeking that. It was not the expectation of the US side. They were looking for a working level visit. We were perfectly comfortable to accommodate a working level visit.

**Senator FAULKNER**—So you are saying that the Prime Minister decides whether a visit will be a state visit or not, effectively. In other words, either he decides it is a state visit or it falls back to being a working visit. Is that what we are talking about?

**Ms Bird**—Yes.

**Senator FAULKNER**—Are there any other categories of visits in between the two or outside the two for visiting dignitaries or heads of government?

**Ms Bird**—The only other category I can think of is a special category for visits by crown princes and princesses. That is a category.

**Senator FAULKNER**—So effectively, when a head of state or a head of government comes to Australia, an early decision is made as to whether such visits are state visits or not, and, if they are not, they are defined as working visits?

**Ms Yeend**—If I can clarify something, ‘state visit’ is a term we use for a head of state. For a head of government, with the equivalent level of ceremonial, we would call it an official visit. The other category for a head of government would be a working visit.

**Senator FAULKNER**—Are you drawing a distinction here between a state visit and official visit just on the basis of whether it is a head of state or a head of government?

**Ms Yeend**—Yes.

**Senator FAULKNER**—There is a great deal more to ask on these matters, but I can see you, Mr Chairman.

**Proceedings suspended from 10.28 a.m. to 10.50 a.m.**

**Senator FAULKNER**—Mr Metcalfe, just before the break we were working through the issue of the hosts of the visits by President Bush and President Hu, and Ms Yeend had just told us about another category of official visit. I want to be clear on this: the host of a state visit is the Governor-General—that is correct, isn’t it?

**Ms Yeend**—Yes.

**Senator FAULKNER**—Who is the host of an official visit?

**Ms Yeend**—The Prime Minister.

**Senator FAULKNER**—Who, in our departmental guidelines, is the host of a working visit?

**Ms Yeend**—The guidelines do not state who the host would be.

**Senator FAULKNER**—What happens when the working visit is a visit by a head of state, which is the case of course with President Bush? Doesn’t that mean that the Governor-General would be the host?

**Mr Metcalfe**—I think we replied earlier that the Governor-General would be the host if it were a state visit but on this occasion, although we had both in the one person—head of state and head of government—it was a working visit and therefore the Governor-General was not the host.

**Senator FAULKNER**—I find it frankly incredible that someone cannot tell me who the actual host is.

**Mr Metcalfe**—The point I was trying to make before is that, as I understand it, there are no guidelines as such for working visits; they are essentially developed bilaterally between the government of the incoming visitor and the Australian government. So when using the technical term ‘host’ as it applies to a state visit or the technical term ‘host’ as it applies to an

official visit, there is no equivalent when it comes to a working visit. But I have already said that, in practical terms, the host for the visit of the US President was the Prime Minister.

**Senator FAULKNER**—So do I read into that that the Governor-General is the technical host and the Prime Minister, Mr Howard, was the practical host?

**Mr Metcalfe**—No, because it was not a state visit. If it had been a state visit, as President Hu's visit was, then the Governor-General would have been the host. But on this occasion, being a working visit, it was not hosted by the Governor-General in a practical or a technical sense; it was hosted in a real sense by the Prime Minister.

**Senator FAULKNER**—Have we ever had a situation where a head of state has visited Australia previously and that visit has been defined as a working visit?

**Ms Bird**—I am sure there would have been.

**Senator FAULKNER**—Well, I am not, you see.

**Mr Metcalfe**—We will take that on notice because the knowledge of officers at the table does not extend that far back.

**Senator FAULKNER**—Does anyone know of a previous occasion where a head of state has visited Australia and it has been defined as a working visit?

**Mr Metcalfe**—We will check and let you know, Senator.

**Senator FAULKNER**—No-one at the table can answer that?

**Mr Metcalfe**—No-one at the table has a direct knowledge of that right now, so we will advise you when we have been able to check.

**Senator FAULKNER**—I just want to be assured that the Governor-General was not sidelined by redefining the nomenclature of this particular visit.

**Mr Metcalfe**—I think that is absolutely not the case.

**Senator FAULKNER**—I have heard nothing that allays any of my concerns.

**Ms Bird**—I have recollected that we have a forthcoming visit by a head of state in November and that is also categorised as a working visit.

**Senator FAULKNER**—Whose visit is that?

**Ms Bird**—That is the visit of the President of Romania.

**Senator FAULKNER**—This is, I am sure, a new pattern that has been established.

**Mr Metcalfe**—I do not think we are sure about that, Senator. We will check and come back to you. I would just add that, as the committee heard yesterday, President Bush did call on the Governor-General and spent some time at Government House, and the Governor-General was included as part of that visit. At around the same time the Governor-General had significant responsibilities relating to a major state visit by the President of the People's Republic of China.

**Senator FAULKNER**—Mr Bush is the head of state of the United States of America. Major General Jeffery is, to all intents and purposes, our head of state. Some would argue the

Queen is our head of state, not without some basis for such an argument. I just wonder if, under the usual circumstances that have applied, he would have been the host.

**Mr Metcalfe**—I did not think we could have been clearer in what we have said, but we have undertaken to check.

**Senator FAULKNER**—You are quite clear that he was not defined as the host. The Prime Minister has determined that it would not be a state visit and that therefore the Governor-General would not be the host of the visit. Was the Governor-General invited to the barbecue at the Lodge?

**Mr Metcalfe**—I do not recall seeing his name on the guest list.

**Senator FAULKNER**—Could someone check that for me please?

**Mr Metcalfe**—The answer is no.

**Senator FAULKNER**—Do we know why not?

**Ms Bird**—It was an informal lunch hosted by the Prime Minister.

**Senator FAULKNER**—It was an informal lunch hosted by the Prime Minister and paid for by the Commonwealth.

**Ms Bird**—Official establishments, yes.

**Senator FAULKNER**—Paid for by the taxpayers. It was attended by the head of state of the United States of America but not Australia's Governor-General. I think that is the situation, isn't it? You can confirm that, can't you, Mr Metcalfe?

**Mr Metcalfe**—I think I can confirm that the Governor-General was not at this particular function. The Governor-General had otherwise been involved in the program. As I said, it was a particularly intense time. You have to realise that having two heads of state in the country at the one time is quite unprecedented, and both the Prime Minister and the Governor-General were extensively involved through those two visits.

**Senator FAULKNER**—I think we heard from the Office of the Governor-General yesterday that he was not extensively involved in Mr Bush's visit.

**Mr Metcalfe**—There was a call on the Governor-General by President Bush.

**Senator FAULKNER**—The actual call on his time was something under 19 minutes. I do not describe that as an extensive involvement.

**Mr Metcalfe**—No, I was describing the fact that there were two visits under way at the same time.

**Senator FAULKNER**—In relation to working visits from heads of government or heads of state, how many of those have we had over the past few years?

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

**Senator FAULKNER**—Can you bring any to mind?

**Ms Yeend**—There was a working visit, I think last year, by the Prime Minister of Malta. They happen regularly at the head of government level.

**Senator FAULKNER**—Can we move to one of the functions surrounding the working visit of President Bush, and that is the barbecue at the Lodge. I think that is a fair enough description—you understand what I am talking about: the barbecue luncheon?

**Mr Metcalfe**—I do.

**Senator FAULKNER**—If there is a better way of describing it, please let me know. Can someone tell me who issued the invitations for that particular function?

**Ms Yeend**—I understand that invitations were extended by telephone by the Prime Minister's office.

**Senator FAULKNER**—So there was not an official invitation sent out?

**Ms Yeend**—I think there was something subsequently, once the acceptance had been secured.

**Senator FAULKNER**—So official invitations were only sent to those who it had been confirmed would actually be going to the function—is that right?

**Ms Yeend**—That is my understanding but I would have to check with the officer concerned.

**Senator FAULKNER**—It is a good way of ensuring that you do not get any knock-backs, isn't it? You get 100 per cent agreeing to go if you have already checked it out on the telephone.

**Mr Metcalfe**—It is very usual for contact to be made and then a card sent to remind.

**Senator FAULKNER**—These telephone calls were made in Mr Howard's office—is that right?

**Ms Yeend**—Yes.

**Senator FAULKNER**—Did the department have any involvement in the guest list?

**Ms Yeend**—How do you mean?

**Senator FAULKNER**—Was the department asked to provide a suitable and representative list of Australians who might go to the function?

**Ms Yeend**—No.

**Senator FAULKNER**—Did the department have any involvement in deciding the number of people who might be invited to the function?

**Ms Yeend**—No.

**Senator FAULKNER**—When did you find out how many people were invited?

**Ms Yeend**—I think it was when we were informed by the Prime Minister's office.

**Senator FAULKNER**—When was that?

**Ms Bird**—We would have known a few days out from the function. I do not know exactly what day.

**Senator FAULKNER**—Can you be more specific? What did the Prime Minister's office tell you—'We've got X number of people coming to a function at the Lodge'?

**Ms Bird**—As Mr Metcalfe was saying, they were ascertaining who was in a position to accept the invitations and then we were told how many would be coming.

**Ms Yeend**—I think it was the Friday before the visit.

**Senator FAULKNER**—What were you informed? What were you told? Was this in a telephone call to your section of the department?

**Ms Yeend**—We were informed that the Prime Minister wanted to have a certain number of people at an informal function and the department was asked to assist in putting together a formal menu. We were told what was actually on the menu but we were to put together a menu and assist with seating plans and those sorts of arrangements, which is standard.

**Senator FAULKNER**—Who contacted you? Were you the contact person, Ms Yeend?

**Ms Yeend**—I was initially contacted, yes, and then I delegated it to one of my officers.

**Mr Metcalfe**—As we explained earlier, at that stage the responsibility for the issue moves away from Ceremonial and Hospitality and across to the official establishments part of the department, which is involved in supporting those functions.

**Senator FAULKNER**—I appreciate that. We are advantaged by having officers from both elements of the department at the table, so no doubt I will be able to be fully briefed on all the details. Ms Yeend, you have not yet identified which member of the Prime Minister's office staff rang and told you this.

**Ms Yeend**—I am trying to recall. I think it was Stephen Brady in the Prime Minister's office.

**Senator FAULKNER**—And Mr Brady was able to tell you the menu that the Prime Minister's office had decided on?

**Ms Yeend**—Not at that stage; that came a little later.

**Senator FAULKNER**—Who did that come from?

**Ms Yeend**—It would have come from someone at the Lodge.

**Senator FAULKNER**—You said that you were contacted and told what would be on the menu.

**Ms Yeend**—Certainly.

**Senator FAULKNER**—All I am asking is: who contacted you? If someone had rung me and told me that I was expected to organise a function for them and this was what would be on the menu—it is very unlikely that they would ring me if they knew anything about my cooking skills—I think I would remember who it was.

**Ms Yeend**—I was informed that my branch would be asked to put together the formal menu once the actual menu had been decided on and to assist with a seating plan. I understand that the menu was chosen by the Prime Minister or Mrs Howard. I expect that she communicated that to the chefs at the Lodge in the normal way. The officer concerned would have been contacted by someone at the Lodge to tell them what the decision was, and we would then have produced the menu.

**Senator FAULKNER**—So your real responsibility was printing the menu?



**Ms Yeend**—Yes, and doing the seating plan and doing the place cards.

**Senator FAULKNER**—When was the department informed of who had been invited to the Lodge barbecue?

**Ms Yeend**—I think we saw an initial list on either the Friday before or the Monday.

**Senator FAULKNER**—Can you say how many people were formally invited?

**Ms Yeend**—I am not sure; I would have to check on the actual numbers that were invited. But 72 accepted.

**Senator FAULKNER**—There were 72 attendees.

**Ms Yeend**—Yes.

**Senator FAULKNER**—Were those 72 guests—to use the definition of ‘guest’—as opposed to others? Does that include, for example, Mr and Mrs Howard and Mr and Mrs Bush?

**Ms Yeend**—It includes everyone.

**Senator FAULKNER**—There were 72 seated guests in total.

**Ms Yeend**—Yes.

**Senator FAULKNER**—Thanks for that. Were guests asked to arrange their own transport to and from this barbecue?

**Ms Yeend**—No. There were special transportation arrangements made because of the security around the Lodge.

**Senator FAULKNER**—Can you briefly outline what they were?

**Ms Yeend**—Certainly. I know of at least one bus that went from Parliament House for guests who were also attending the address at the House by President Bush, and I think there was another bus from another location.

**Senator FAULKNER**—So guests were given two options. Those that were here at Parliament House who had attended the speech were bussed to the Lodge. I assume other guests were asked to marshal in a particular area, and they were bussed to the Lodge for security reasons—was that the system?

**Ms Yeend**—Yes.

**Senator FAULKNER**—What about interstate guests? I suppose they had to pay their own way to Canberra, did they?

**Ms Yeend**—Yes.

**Senator FAULKNER**—Were parking arrangements made at the marshalling area?

**Ms Yeend**—I am not aware of what arrangements were made.

**Senator FAULKNER**—But what you do know is that certain guests were asked to be at a particular place at a particular time—is that true?

**Ms Yeend**—Yes.

**Senator FAULKNER**—So they could be ferried to the Lodge, effectively.

**Ms Yeend**—Yes.

**Senator FAULKNER**—Did the wine consultant get a guernsey for this barbecue, Mr Metcalfe?

**Mr Metcalfe**—I do not think he was on the invitation list.

**Senator FAULKNER**—I did not expect him to be one of the 72 seated guests, Mr Metcalfe.

**Mr Metcalfe**—Is the question was he consulted?

**Senator FAULKNER**—I used the vernacular. I should not have been so flippant in my question. Was the wine consultant consulted in relation to the menu?

**Ms Costello**—Yes, he was.

**Senator FAULKNER**—So he did get a guernsey, you see, Mr Metcalfe.

**Mr Metcalfe**—In that sense he got a guernsey.

**Senator FAULKNER**—What did he have to say, Ms Costello?

**Ms Costello**—He provided advice on the wines that would suit the menu. He advised on a sparkling wine, a white wine and a red wine.

**Senator FAULKNER**—And how much did that advice cost the Australian taxpayer?

**Ms Costello**—We have not got the final invoice, but it is approximately \$200.

**Senator FAULKNER**—And what did he recommend?

**Ms Costello**—I will have to check that final wine selection for you.

**Senator FAULKNER**—That would be on the menu, wouldn't it, Ms Yeend?

**Ms Yeend**—Yes.

**Senator FAULKNER**—And you printed the menus, didn't you, Ms Yeend?

**Ms Yeend**—Yes.

**Senator FAULKNER**—Do you have a copy of the menu?

**Ms Yeend**—Yes.

**Senator FAULKNER**—Could you table a copy of the menu, please?

**Ms Yeend**—Yes.

**Senator FAULKNER**—I thought the wine consultant—Mr Bourne, isn't it, from memory; we have talked about him here from time to time; he often gets a run around the track—was on a retainer.

**Mr Metcalfe**—I think that was essentially the content of Ms Costello's advice—that he is on a retainer and he was obviously asked to provide what I imagine was a short piece of work in terms of advice on this matter.

**Senator FAULKNER**—He is on a retainer, but also, when he gives additional—

**Mr Metcalfe**—He gets paid an hourly rate if we ask him. He is not there getting paid a large sum of money to do nothing. When we need him, we ask him to do something and he charges us by the hour.

**Senator FAULKNER**—What is his annual retainer now?

**Ms Costello**—He is no longer on an annual fee. He is just consulted on an event-by-event basis.

**Senator FAULKNER**—Let us get it clear. Either he is on a retainer or he is not.

**Mr Metcalfe**—If you want to find the retainer costs, I have given you the wrong impression. We retain his services in the sense that we can access his services and we pay him for them on an hourly rate. I think we made that clear in answers to questions on notice.

**Senator FAULKNER**—But you are expecting to be invoiced \$200 in relation to the advice for this function.

**Ms Costello**—Correct.

**Senator FAULKNER**—How does this work with Mr Bourne? Does someone shoot through the menu?

**Ms Costello**—Yes.

**Senator FAULKNER**—Of what food is going to be prepared. What does he do? He chooses appropriate wines to accompany the food?

**Ms Costello**—Yes, he does—to complement the food.

**Senator FAULKNER**—I am out of my depth, Mr Chairman; I admit that. That is how it works, is it?

**Ms Costello**—Yes, it is.

**Senator FAULKNER**—Who was responsible for shooting the menu over to Mr Bourne? That fell to you, did it?

**Ms Costello**—My staff, yes.

**Senator FAULKNER**—How quickly was he able to come back to you?

**Ms Costello**—He provided advice within a couple of hours.

**Senator FAULKNER**—Were the wines that were used part of the very substantial wine cellar that we have at our official establishments?

**Ms Costello**—The wines that we used were ordered for the day.

**Senator FAULKNER**—How many bottles of wine were ordered for the 72 seated guests?

**Ms Costello**—I would have to check that for you.

**Senator FAULKNER**—I am sure you have it there, don't you?

**Ms Costello**—I will have to check the actual numbers, but I can get that for you now.

**Senator FAULKNER**—Do you know what the costs were?

**Ms Costello**—The costs for food and beverage—I have approximate costs—were about \$4,500, but I do not have that split at this stage.

**Senator FAULKNER**—Was the seating plan something that fell to your office to do, Ms Yeend? Were you given any advice or suggestions from the Prime Minister's office about who he would like to see sitting next to who or did you just do the whole thing yourselves?

**Ms Yeend**—No, it was done in consultation with the Prime Minister.

**Senator FAULKNER**—So there was a bit of a pecking order there, was there?

**Ms Yeend**—It was done in consultation with the Prime Minister.

**Senator FAULKNER**—You said that there was a marquee hired for the occasion?

**Ms Costello**—Correct, there was.

**Senator FAULKNER**—That often happens at these sorts of functions. What did that cost?

**Ms Costello**—Again, final costs for that are not in, but it is the majority of the cost for the function. As you can imagine, we were setting up quite quickly. Final costs are coming in now.

**Senator FAULKNER**—I thought you would be able to tell us what the cost of the marquee hire was. I am surprised you cannot do that.

**Ms Costello**—We are still reconciling, because there were additional parts that were ordered on the day. There was some equipment that was provided by the people who provided the marquee—such as lighting and ramps—and we are still reconciling all the elements of that.

**Senator FAULKNER**—What sort of additional elements?

**Ms Costello**—As I said, ramps to the marquee. There were the actual establishment costs, the number of staff in the setting up and pulling down, and the lighting.

**Senator FAULKNER**—Did you put a big effort into ensuring that the grounds looked at their best?

**Ms Costello**—We did try to make the grounds look their best.

**Senator FAULKNER**—How did you do that?

**Ms Costello**—There is a contract for gardening staff. They were very aware that it was an occasion, and they did their normal work and made sure it looked good.

**Senator FAULKNER**—What about security costs for the barbecue function? Are you able to say what they were?

**Ms Costello**—Security is a matter for the PSCC.

**Senator FAULKNER**—But I assume that for a function like this, to be held with President Bush attending, there would be quite substantial costs. I am not doubting that it is someone else's responsibility; I am not suggesting for a moment that it is your responsibility. But I thought you might have some sort of idea about, firstly, what the requirements were in terms of any additional infrastructure at the lodge. Are you able to tell us about that at all?

**Ms Costello**—No, I am not.

**Senator FAULKNER**—Are you able to tell us about numbers of security personnel who were at the Lodge?

**Ms Costello**—No, I am not. As I said, it is a matter for the PSCC and it is arranged through them.

**Senator FAULKNER**—I now have a copy of the menu. Thank you for that. I am a bit surprised. If you can give us a copy of the menu, you must be able to give us some idea of the costs of the marquee and the set-up for this.

**Ms Costello**—As I said, I do not have the final costs. I can give you approximate costs, but I do not have the final costs.

**Senator FAULKNER**—The approximate costs would be helpful. Mr Chairman, I note that perhaps the department can provide final costs at a later stage. I understand—

**Mr Metcalfe**—We will try to give you a ballpark figure if we can, and we will confirm it on notice.

**Senator FAULKNER**—You understand that, when we receive figures like this, we accept that they are calculated with the best available information you have to hand. Thank you, Ms Costello.

**Ms Costello**—The approximate cost at this stage for the marquee and associated equipment is about \$19,000.

**Senator FAULKNER**—Food was \$4,500?

**Ms Costello**—Approximately. Again, I do not have the final figures on that.

**Senator FAULKNER**—What about the band? What was the band, by the way? What was the name of the band? It was not the Rolling Stones or anything like that, was it?

**Ms Yeend**—No. I know it was a bush band. I am not sure of the name. I would have to check.

**Senator FAULKNER**—How much did the band cost?

**Ms Yeend**—I am not sure. I would have to check.

**Senator FAULKNER**—What did the printing of place cards and the menu cost?

**Ms Yeend**—I would have to check for the menu. The place cards are done in house.

**Senator FAULKNER**—What other costs are you able to identify for us for this Lodge barbecue function? I appreciate that there are a lot of security costs and other costs that are not met by the Department of the Prime Minister and Cabinet. Let me say that I understand that that is the case. I think every member of the committee does. I am merely trying to identify all the costs in relation to this particular function borne by your department—either in your section, Ms Yeend, or in official establishments, Ms Costello. Are you able to identify any other costs or areas of costs borne by the department?

**Mr Metcalfe**—I do not think we can, unless Ms Costello has anything further.

**Ms Costello**—There were eight casual staff hired for the day, so there was an additional staffing requirement.

**Mr Metcalfe**—I think we have covered the—

**Senator FAULKNER**—The key areas.

**Mr Metcalfe**—The food, the marquee, the band and, as I mentioned earlier, the number of casual staff to supplement the Lodge staff.

**Senator FAULKNER**—But we do not have costs for the band or the staff.

**Ms Costello**—Not finally, no.

**Mr Metcalfe**—Not at this stage, no.

**Senator FAULKNER**—What about the transport arrangements that we spoke of?

**Mr Metcalfe**—The two buses?

**Senator FAULKNER**—Yes.

**Ms Yeend**—We do not have costs yet.

**Senator FAULKNER**—You do not have costs for the transport? Were there any other areas of expenditure that were borne by the department?

**Mr Metcalfe**—None that come to mind, but, as is usual, I will take that on notice and, if there is anything more that we can assist you with, we will.

**Senator FAULKNER**—Was the department given a budget in relation to this particular function to work within, or was it just open-ended expenditure—open slather?

**Mr Metcalfe**—It clearly was not open slather. I think we have been describing quite a modest affair. But these costs are borne within budgets that exist within the ceremonial and hospitality and official establishments groups.

**Senator FAULKNER**—This is a private function. It is publicly described as a private function.

**Mr Metcalfe**—An informal function.

**Senator FAULKNER**—So it is no longer defined as a private function?

**Mr Metcalfe**—I have always described it as informal.

**Senator FAULKNER**—You may have, but it has often been described in the media—including, I think, in the name of some government spokespersons—as a private function. That is the reason given for the non-invitation of, for example, the Leader of the Opposition, Mr Crean—that it was a ‘private function’. So it was not a private function?

**Mr Metcalfe**—What I am saying is that it was an informal function.

**Senator FAULKNER**—And the guest list was wholly and solely the responsibility of the Prime Minister—is that right?

**Mr Metcalfe**—Of the Prime Minister’s office, that is correct.

**Senator FAULKNER**—Did any of your protocol people have any input at all into the guest list?

**Mr Metcalfe**—I think we went over that earlier.

**Senator FAULKNER**—Did anyone in the department pick up the fact that the Governor-General was not invited to the function? Did anyone in the department pick up the fact that the Leader of the Opposition was not invited to the function and think: maybe this is something that ought to be raised with the Prime Minister or the Prime Minister's office?

**Mr Metcalfe**—We worked on the basis that it was an informal luncheon and that the invitations were being prepared in the sense of people being identified by the Prime Minister's office. We were not asked for advice, and we gave none.

**Senator FAULKNER**—So there were not any flowers? Senator Hill can assist us here because he was one of the lucky 72. Congratulations, Senator Hill—as always, on the inside.

**Senator Hill**—No, this was a rare occasion.

**Senator FAULKNER**—Lucky you.

**Senator Hill**—But on the inside this time, yes.

**Senator FAULKNER**—You can tell us whether there were flowers and decorations in the marquee.

**Senator Hill**—Yes, it was very attractive.

**Senator FAULKNER**—It is a pity that the department did not tell us about the cost of the very attractive decorations, if there were any. Senator Hill has just told us how attractive it was. He wants to get an invitation back again. He has got more chance than Mr Crean, I'll bet, or anybody from the Labor Party. Were there any costs borne by the department in relation to decorations, flowers and the like?

**Ms Costello**—Normally we do not have the costs of those—

**Senator FAULKNER**—What I am asking is for those categories of expenditure to be identified. If it was not for Senator Hill, we would not have even known about it.

**Ms Costello**—I did advise that category earlier when you asked what categories there were.

**Mr Metcalfe**—And I have already undertaken to provide you with further information.

**Senator FAULKNER**—I am just asking for the categories of expenditure. We know about the marquee at \$19,000; we know about the food; we know about the wine; we know about the band; we know about the staff hire; we know about the transport; we know about the decorations and flowers. I just wondered if there are any other categories of expenditure that fall to your department. Mr Metcalfe, I appreciate that there are a range of matters that are not your department's responsibility, and I do not intend to go there.

**Mr Metcalfe**—As I said earlier, I do not think we can identify anything. If we can, we will attempt to assist the committee.

**Senator FAULKNER**—In an informal function, you would not have a flag, for example, would you? There would be no Australian flags present or anything like that.

**Mr Metcalfe**—I think a flag flies at the Lodge every day.

**Senator FAULKNER**—At the function itself—in the marquee or anything like that. It is an informal function. You would not have that, would you?

**Ms Yeend**—I am not sure, Senator.

**Senator FAULKNER**—Well, it is informal. It is not a formal function.

**Mr Metcalfe**—I do not think the fact whether something is formal or informal means that you would or would not have a flag. I am just not sure on that.

**Senator FAULKNER**—You would not have an Australian coat of arms because it is an informal function, would you?

**Mr Metcalfe**—I do not think there is a causal connection between the two things. I did not have information as to whether there were flags.

**Senator FAULKNER**—The link is: it is informal so no-one from the Labor Party or outside the approved guest list of the Prime Minister can get in there.

**Mr Metcalfe**—But the suggestion that, if there was a member of the Labor Party there we would fly the flag—

**Senator FAULKNER**—I am not suggesting that. You are using the terminology ‘an informal function’.

**Mr Metcalfe**—That is correct.

**Senator FAULKNER**—I am trying to find out what that means. I would assume that if the place was adorned with Australian flags or a coat of arms there might be a question as to how informal the function actually was. Informal means not official, doesn’t it? That is the distinction you are drawing.

**Mr Metcalfe**—That is correct.

**Senator FAULKNER**—Let us be fair: that is the distinction.

**Mr Metcalfe**—I accept that.

**Senator FAULKNER**—So if it is not an official function I assume there would not be flags or coats of arms and that sort of thing at the function.

**Mr Metcalfe**—I just do not have information on that. No-one with me can assist on that.

**Senator FAULKNER**—We could ask Senator Hill because he was there.

**Senator Hill**—What is the question?

**Senator FAULKNER**—We are asking whether the Australian coat of arms or Australian flags were there at this informal function—or, for that matter, the American flag and coat of arms.

**Senator Hill**—I cannot remember.

**Senator FAULKNER**—That is handy.

**Senator Hill**—I would be surprised if there were not flags, but I cannot remember.

**Mr Metcalfe**—Speaking in general terms, I do not think the existence or the presence or absence of flags would go to the issue of whether a function is official or informal. I do not think the absence of a flag means it is informal or the presence of a flag definitely means it is official. I just do not think there are any set rules around this issue.



**Senator FAULKNER**—It has been described as a private function. Has it ever been described as a government function or official function?

**Mr Metcalfe**—Our view is that it has been an informal function.

**Senator FAULKNER**—And it is so designed or so described so that none of the usual people who are invited to more official occasions make the guest list, but it is still paid for by the taxpayers. That is the significance of it, isn't it?

**Mr Metcalfe**—I think I have described the event quite fully.

**Senator MURRAY**—There is one category you have not explored, Senator Faulkner.

**Senator FAULKNER**—There are a lot of things I have not explored yet, Senator Murray, I can assure you, but over to you.

**Senator MURRAY**—I just remark that I read today about Steve Irwin's fees, and I wondered if he was charging an appearance fee.

**Senator BRANDIS**—I think we should leave the jokes to Senator Faulkner.

**Senator MURRAY**—It is something like \$364 a minute.

**Senator FAULKNER**—I am not treating that as necessarily a very serious intervention on this occasion by Senator Murray. I do not suggest for one moment there was an appearance fee for anyone there. There were certain people on the guest list for the function. The guest list has been made public, hasn't it, or it was winkled out eventually?

**Mr Metcalfe**—I read it in the papers, I think.

**Senator FAULKNER**—Who made it public?

**Mr Metcalfe**—I am not sure.

**Senator FAULKNER**—Do you have a copy of the guest list there?

**Mr Metcalfe**—We would have a copy, but I do not know whether we have got one here. Yes, we do.

**Senator FAULKNER**—Thank you. Could we have that tabled for the benefit of the committee, please?

**Mr Metcalfe**—I will have to take that on advice. I am just not sure whether it has been released—whether it has been released in its totality.

**Senator FAULKNER**—I thought you told us you read it in the newspaper.

**Mr Metcalfe**—I have read about names of people who attended and I have seen footage of people who attended. But I do not have instructions as to whether the list has been made public or not and I would like to check before I reply to the committee.

**Senator BRANDIS**—It was in Margo Kingston's web diary in the *Sydney Morning Herald*, Senator Faulkner.

**Senator FAULKNER**—You would know that, but as I am not a regular reader I am not aware of it. You are taking that on notice, Mr Metcalfe?

**Mr Metcalfe**—I will take it on notice. If I can provide an answer during the course of the proceedings, I will do so. I personally am not sure about that, nor are my colleagues. I think it is only fair that we have the opportunity to check.

**Senator FAULKNER**—So we have no idea about how this guest list, or people apparently on the guest list, got into the public arena?

**Mr Metcalfe**—I do not have knowledge of that.

**Senator FAULKNER**—Were selected journalists able to go to the function?

**Mr Metcalfe**—Again, on the issue of who was on the guest list, I just do not have an answer at this stage.

**Senator FAULKNER**—You don't know? Senator Hill, you can help us; you were there.

**Senator Hill**—I am not sure that they would want me to do them in.

**Senator FAULKNER**—Sorry?

**Senator Hill**—You didn't hear what I said?

**Senator FAULKNER**—No, I didn't.

**Senator Hill**—I am not sure that they would want me to do them in. There was a representative of the press corps, as I understand it, who was invited.

**Senator FAULKNER**—Were any gifts provided to the visiting dignitaries, Mr and Mrs Bush?

**Senator Hill**—A Wallaby jumper was presented to Mr Bush. Do you call it a jumper?

**Mr Metcalfe**—A jersey, in fact.

**Senator Hill**—I am learning about rugby.

**Mr Metcalfe**—My understanding is that it was half Wallaby and half American.

**Senator FAULKNER**—Is that another cost that was borne by the taxpayer that you have not identified? I certainly saw a still photograph of a gift being presented—and I am not necessarily critical of that, either, but I want to get the full picture here. Frankly, it is—

**Senator Hill**—We can go on all morning. Perhaps I can say a word on the subject because obviously Senator Faulkner believes that there should have been one of these grand, formal lunches in the Great Hall for Mr Bush.

**Senator FAULKNER**—No, I have never said that, Senator Hill. What I have said—

**Senator Hill**—I am assuming that is the case.

**Senator FAULKNER**—is that if you are going to have a private barbecue, paid for by the taxpayers—

**CHAIR**—Senator Faulkner, let the minister finish his response.

**Senator FAULKNER**—If you were doing your job as chair, you might stop words being put into my mouth by Senator Hill, who has been asleep all morning and has finally woken up when he realised he was there to see the gifts presented to Mr and Mrs Bush. I am interested

to hear from him, but I am not interested in having the minister tell me I would rather see a major, formal dinner.

**Senator Hill**—I am just trying to provide—

**Senator FAULKNER**—I wouldn't. I would like to see a function to which perhaps the Leader of the Opposition was invited, amongst the 72 invited guests.

**CHAIR**—I know you never put words in witnesses' mouths.

**Senator FAULKNER**—No.

**CHAIR**—Senator Hill?

**Senator Hill**—I was just trying to provide a bit of context. As I understand it, Mr Bush provided informal hospitality for Mr Howard when he was in the United States. I understand that Mr Bush has a preference for smaller, less formal occasions. This was an effort by our Prime Minister to reciprocate the hospitality that was extended to him as our Prime Minister in the United States. That is why it was decided that it would be an informal luncheon. You can argue about the guest list but, as I said, this was one of those rare occasions on which I was invited, and it seemed to me to be a reasonable cross-section of the Australian community.

**CHAIR**—Thank you, Minister, for that context.

**Senator FAULKNER**—Well, of course, he would say that, wouldn't he? Ms Yeend, in relation to the guest list, were representatives of the Australian press gallery invited as some sort of afterthought? Are you aware of when the representatives of the fourth estate were invited, because a very small number went to this barbecue lunch? It was a bit of an afterthought, wasn't it, after there were a lot of complaints from the press gallery here in Parliament House about none of their number being included on the invitation list? That is right, isn't it?

**Ms Yeend**—I am not aware of that, Senator.

**Senator FAULKNER**—You are responsible for sending out the invitations—or it was your section of the department that sent out the invitations. Did they all go out at once or were there any later ones sent?

**Ms Yeend**—That was the responsibility of one of my officers. It was organised in a week when we had two head of state visits. I do not have those details at the moment; I can ask about it.

**Senator FAULKNER**—But anyone following this in the press knows that they were a late inclusion. Can someone tell me whether any representatives of the United States press corps were allowed in?

**Ms Bird**—I understand that there were some US media at the Lodge. They were not guests at the lunch.

**Senator FAULKNER**—Were they able to roam freely around the marquee?

**Ms Yeend**—They were not.

**Senator FAULKNER**—So there were no US press representatives at that function at any time?

**Ms Yeend**—I understand that the original arrangement that there would be no media opportunity at the Lodge luncheon was changed on the day and that a very small pool of US and Australian media covered the function at a particular time, including the presentation of the jersey.

**Senator FAULKNER**—Who was able to attend the presentation of the jersey?

**Ms Yeend**—The pool that was organised jointly by the White House media and our media liaison.

**Senator FAULKNER**—For what period of time were they able to be there?

**Ms Yeend**—It would as usual be a very small period of time—probably just for the presentation. I would have to check that.

**Ms Costello**—That is correct. They were given a minimal amount of time to take those photos.

**Senator FAULKNER**—Were any ministers of religion or clergy there?

**Mr Metcalfe**—We have talked about the guest list. If we can assist, we will.

**Senator FAULKNER**—I am just asking whether any ministers of religion or clergy were there.

**Mr Metcalfe**—I do not know. The guest list will presumably make that apparent, if it is available.

**Senator FAULKNER**—The costs of this function were at least \$330 per head and going north—is that correct, Ms Costello?

**Ms Costello**—They are the approximate costs. As I said, most of that is for the marquee—the infrastructure for setting up.

**Senator FAULKNER**—That does not include any of the security or associated functions, just the costs borne by the Department of the Prime Minister and Cabinet?

**Ms Costello**—Correct.

**Senator FAULKNER**—And the figure was \$330-plus per head?

**Ms Costello**—Our costs were approximately that amount.

**Senator FAULKNER**—They were at least that amount. You have identified those costs, and we know that there are other costs that you have not yet been able to identify still to come in; so it is somewhere upwards of \$330 a head.

**Ms Costello**—As I said, the prices are approximate. We do not know the final prices—whether that figure will go up or down.

**Senator FAULKNER**—We also do not know the costs for the band, staff hire, transport, decorations and the like.

**Ms Costello**—True.

**Senator FAULKNER**—So it is at least \$330 per head and likely to be considerably more.

**Mr Metcalfe**—Clearly the biggest cost was the cost of the marquee. The minister made the point earlier that essentially this was a reciprocal function to hospitality that had been hosted in Crawford, Texas, by the President. I heard you talking yesterday about Canberra's inclement weather. The Lodge has very small internal areas and so some sort of marquee becomes the way to do it, particularly if there is a risk of rain. The food and beverages costs were very modest.

**Senator FAULKNER**—What you say about Canberra's inclement weather is perfectly reasonable. If only the same amount of reason had been brought to bear on the miserable way the guest lists for these official functions or informal functions were organised—with the deliberate, snide approach to excluding Mr Crean, the Leader of the Opposition—I would be much more generous about worrying about the inclement weather.

**Senator BRANDIS**—Mr Chairman, I raise a point of order. There has to be a limit on the extent to which Senator Faulkner's questions can descend into freelance commentary. That was not a question; that was a very rude freelance remark.

**CHAIR**—It was quite outrageous.

**Senator FAULKNER**—If you are going to say it is quite outrageous you have to learn, Senator Mason, to do so without that smirk on your face. Stop laughing. You know what I am saying is correct and I am sure that privately you and Senator Brandis agree with me.

**CHAIR**—That is also outrageous, Senator Faulkner.

**Senator BRANDIS**—I join in the outrage.

**CHAIR**—Mr Metcalfe, we heard yesterday from the Joint House Department that the Department of the Prime Minister and Cabinet made some decisions about guests in the House of Representatives chamber. I understand that that is what has occurred in relation to other state visits—not, of course, in relation to working visits—where the President of the United States of America has addressed a joint meeting of the Commonwealth parliament. Could you or one of your officials quickly outline the approach that was taken to seating in the chamber?

**Ms Yeend**—The Department of the Prime Minister and Cabinet worked very closely with the Serjeant-at-Arms office in relation to seating in the chamber. One of my officers worked with someone from the Serjeant-at-Arms office to ensure that the central gallery had sufficient space for the official party—guests of the Prime Minister, Leader of the Opposition, President and Speaker. Very few were individually labelled—that was for the spouses of the two principals coming in. Then the arrangement was for open seating in the other galleries.

**Senator FAULKNER**—I understand that PM&C basically decides the numbers of representatives in categories in the galleries. Is that correct? This appears to have been the practice that has applied in previous visits by heads of state, where there has been a joint meeting.

**Ms Yeend**—That is not quite correct. The previous practice has been that each senator and member had one guest. The Speaker, the President and the Leader of the Opposition, were given a certain number of guests whom they could invite. Then there was a range of other

categories which was approved by the Prime Minister—including the diplomatic corps and other such categories.

**Senator FAULKNER**—Ms Yeend, can you nail down for us what, if any, was the change on this occasion? We had parliamentary officers before us yesterday indicating to us, I think, that identical—but if not identical, then at least very similar—arrangements had been employed on previous occasions. So what, if any, were the changes that were made on this occasion?

**Ms Yeend**—There was none that I am aware of, Senator, in relation to the department's role. We did exactly for this visit what we did for the previous visits.

**Senator FAULKNER**—Mr Metcalfe, the department decided to engage someone as a media consultant for the Bush visit.

**Mr Metcalfe**—Yes.

**Senator FAULKNER**—Have you made some assessment of how effective that decision was?

**Mr Metcalfe**—It is a very routine thing for us to do. I will put it in a little context. The Ceremonial and Hospitality Branch is not a large branch but it clearly has to build up staff numbers depending on the intensity of the workload at any particular time. Frankly, we had been through a fairly extraordinary two or three weeks because of the branch's involvement with the Bali memorial services—particularly here in Canberra but also in Bali—followed by the state funeral of Dr Cairns and then the visits of the US and the Chinese presidents. So it was a particularly intense period of time. It is the standard practice for the branch to take on additional staff as temporaries or contractors through such times because we do not need them for the bulk of our time, when we are not in visits. So on this particular occasion, as on many other occasions, a media coordinator was appointed by the branch to work on that aspect of the arrangements.

**Senator FAULKNER**—Thanks for that background. It is helpful. We heard yesterday that this media consultant was someone by the name of Daniel Bolger. Is that correct?

**Ms Yeend**—Yes, Senator.

**Senator FAULKNER**—What was the dollar value of his consultancy?

**Ms Yeend**—He is a contractor and his final report and invoice have not been received.

**Senator FAULKNER**—On what basis was he engaged? It would not have been some open-ended arrangement. You must have a reasonable indication of what his charging regime would be. You are not going to just engage someone and then wait for the bill to come in a few months later.

**Ms Yeend**—No, Senator. There is an hourly rate.

**Senator FAULKNER**—What is the hourly rate, please?

**Ms Yeend**—It is a competitive environment. We have different contractors that we come to with media arrangements. I am not sure that it would be doing a service to him—

**Senator FAULKNER**—No, not good enough on this one. This has been an issue about which there has been a lot of dissatisfaction about how this matter was coordinated and organised by the Department of the Prime Minister and Cabinet. You have engaged someone from outside. As is always the case with contractors and consultants, we are entitled at this committee to know about those sorts of costs. I do not think there can be any argument to the contrary. I have not yet got to the level of competence of this operation or at the department's efforts in this regard. I come here with no fixed views about it but certainly with some questions to ask about it. I do not believe it is acceptable for the department not to provide the committee with that information.

**Mr Metcalfe**—I understand this contractor, as with other contractors, is paid an hourly rate. That is provided for in the contract. Ms Yeend does not have that figure. We could obtain that figure but, in providing that figure to the committee, I think we would make the point that Ms Yeend was beginning to make that, essentially, we operate in a competitive environment and, if these rates become publicly known, then to a certain extent the competition and the Commonwealth's negotiating position alter. Having said that—

**Senator FAULKNER**—That is true surely of any consultant or person who is contracted to the Commonwealth. On that basis no figures would ever be made available to the committee.

**Mr Metcalfe**—Having said that, Senator, I will ask that we check that figure and we will come back to you.

**Senator FAULKNER**—Thank you. Have you received any feedback, Mr Metcalfe, about the effectiveness of the department's efforts in relation to this media management strategy?

**Mr Metcalfe**—No, Senator.

**Senator FAULKNER**—None at all?

**Mr Metcalfe**—No.

**Senator FAULKNER**—In relation to Mr Bolger I assume there would be a listing of this contract, wouldn't there, in the annual report of the department and probably including a money value depending on whether it reaches a certain threshold?

**Mr Metcalfe**—I am not sure whether it does reach that threshold. A value above \$2,000 would normally be gazetted.

**Senator FAULKNER**—I do not think we should be too cute about this, Mr Metcalfe.

**Mr Metcalfe**—I am not being too cute. I am just saying that Ms Yeend was making a valid point. But I have undertaken to provide that information to the committee.

**Senator FAULKNER**—So you have had no feedback about the efforts that were put in in relation to this particular consultant?

**Mr Metcalfe**—No, we have not.

**Senator FAULKNER**—What was he tasked to do?

**Ms Yeend**—Senator, the usual media liaison role—and it was quite standard here—is to coordinate arrangements between the visiting media and Australian media to work with the

White House and the embassy in putting together what would be agreed media opportunities and pooling arrangements.

**Senator FAULKNER**—Was there a media consultant for President Hu's visit?

**Ms Yeend**—Yes.

**Senator FAULKNER**—Are you able to say who that was?

**Ms Yeend**—Yes, it was Ms Nina Fudala.

**Senator FAULKNER**—Does the department engage any other consultants or other people for specific tasks in relation to visits such as this? In this case I am speaking specifically of the visits of President Hu and President Bush. Obviously Mr Bolger was engaged, and we know certain additional staff were engaged. I am not thinking about that sort of assistance, but whether any contractors, consultants or advisers were engaged by your department to handle specific elements of either of these visits.

**Ms Yeend**—The specific elements were just the media. Other staff were looking after general arrangements. We do not have media expertise in the branch, and when we require it we contract it in. That is generally the level of assistance that we look for. We have on occasion in peak periods engaged other people to look after specific events, such as the funeral of Dr Cairns.

**Senator MURRAY**—Can I intercede here?

**Senator FAULKNER**—Please.

**Senator MURRAY**—I recognise the point you make—that you cannot be expected to hold media expertise in your division—but what parliamentary expertise does this media consultant, Mr Bolger, or any other person used for these occasions have when he or she has to liaise with the parliament?

**Ms Yeend**—I understand that Mr Bolger is a member of the press gallery. In every instance when there is any engagement by a head of state or head of government working within the terms of the parliament, the media liaison officer works very closely with all officers of the parliament in relation to any media opportunities.

**Senator MURRAY**—The question I am searching out is about parliamentary expertise: knowledge about the nature of the relationships between standing orders, the Speaker's and President's rulings and rules pertaining to the media, and the precedents which exist for the way in which Australian media is treated vis-a-vis the department—the formality, if you like, of the relationship between the Senate and the gallery and the House of Representatives and the gallery. What expertise does Mr Bolger bring to that relationship?

**Ms Yeend**—I can say categorically that Mr Bolger was aware of the standing orders. He in fact handed them over in relation to the address by the President to the White House media advisers and advised repeatedly that no cameras were allowed. He was aware of that and he communicated that. The fact that a camera was in the gallery was a flagrant disregard of all of the advice that the media adviser put quite strongly to both the embassy and the White House media.



**Senator MURRAY**—Would Mr Bolger be aware that the parliament has traditionally recognised a pecking order in its relationship with the gallery so that, if a quota is applied, senior journalists will automatically have access?

**Ms Yeend**—I believe so.

**Senator MURRAY**—So why did Mr Paul Kelly, who even the most junior, newly appointed cub reporter would know of, have such difficulties?

**Ms Yeend**—Once the set pool arrangements had been organised, Mr Bolger's responsibility on the day was to travel with the visiting White House and American media. He had no responsibility in relation to the access or otherwise, as I understand it, of members of the Australian press gallery into the gallery. That was not something that he had any input into, as I understand.

**Senator MURRAY**—He took his marching orders from your department, didn't he, not from the Speaker?

**Ms Yeend**—He is responsible to me, but he was working very closely with the Speaker's office, with parliamentary security and with all others at that time.

**Senator FAULKNER**—So why didn't they pay him? Why does it pass to PM&C?

**Ms Yeend**—Because it is a coordination arrangement.

**Mr Metcalfe**—The visit was bigger than the joint sitting. The visit extended over a period of many hours and several events. His role was a facilitator, bringing together a whole range of different people, and that is what we do. The point, I think, that Ms Yeend is making to Senator Murray is that this particular issue, which there was some discussion in this committee about yesterday, is not one that we had anything to do with.

**Senator MURRAY**—The newspaper articles that I have seen that cover this matter—and they directly draw on the experiences of the journalists concerned in being refused or having their access made difficult—directly implicate Mr Bolger in matters of liaison and determination of these instances. It seems to me that those press articles are stating far greater involvement of Mr Bolger than you imply. Your answers seem to me, Ms Yeend, to give him a background role. Those articles that I have read seem to give him very much a foreground role.

**Ms Yeend**—Mr Bolger was media liaison officer. I understand the arrangements within Parliament House were the subject of long and protracted negotiations between all players, including the press gallery. Mr Bolger would have been the face of the department in relation to media arrangements. Mr Bolger has served the department extremely well on a number of other high-profile visits. If there was something that did go wrong, he is the logical person for people to point to. But we have not yet received the report from Mr Bolger. I am certainly aware that he has drawn to the attention of the White House and the embassy the very strict parliamentary rules in relation to what happens in the gallery. I have confidence that that actually happened. I do not have an explanation for some of the other instances in the article to which you refer. I am waiting on that final report.

**Senator MURRAY**—Will that report be made public?

**Mr Metcalfe**—Not ordinarily, I do not think. It is an internal report to us from, essentially, a contract employee. We were asked earlier whether we had received any feedback. The advice that I have is that we have not. If there is a view amongst anyone that the actions of an officer, employee or contractor of the department was anything other than exemplary then I would like to hear about it, and I would like to hear about it directly rather than reading newspaper articles about it. If that is the case then we investigate the matter and that is an issue that goes to the effective performance of that person. In the absence of a complaint—and awaiting, to a certain extent, a report from the officer who was the subject of the complaint about the overall arrangements—we are aware that there may or may not be an issue there but it is a bit hard for us to actually grab on to it at this stage.

**Senator MURRAY**—But you are not the proper person for the complaint to go to, Mr Metcalfe. You see, the press gallery's relationship is with the parliament, not with the executive.

**Mr Metcalfe**—But if the allegation, putting it bluntly, is that it was some action by a contractor of our department then I would have thought that we would want to hear about it. If it goes to their relationship with the parliament or whatever, then clearly we would work very carefully with the Serjeant-at-Arms' office or whoever the appropriate authorities are in this building. But if it is an allegation against our contractor we have an obligation to investigate that matter.

**Senator MURRAY**—I put my question to you this way because, as I understand it—and I have no brief from them and I do not speak for them—the representatives of the press gallery have made submissions to the Speaker. The President yesterday did not say that representations had been made to him; nor did the Clerk, who sits on one of the two committees that will be examining this matter. So there may well be official representations of which you are not aware, and certainly to this moment of which I am not aware.

**Mr Metcalfe**—Senator, in that case, if those allegations did go to the performance of a contractor of the department, I would certainly hope that the authorities investigating that matter would contact us. In relation to the specific issue that Ms Yeend mentioned and which was the subject of considerable discussion here yesterday—that is, the so-called rogue camera—we obviously checked that point and are convinced that the appropriate protocols and arrangements were communicated. In relation to the inquiry that the Speaker has established, we of course will fully cooperate with an inquiry in terms of what our staff did in relation to providing appropriate advice to the White House and the embassy media people.

**Senator MURRAY**—I consider the matter, certainly as written up, to be serious. It affects sovereignty issues, frankly, in the way it has been expressed. As to whether it works out that way once the inquiries have been made, I am not going to prejudge the matter, but certainly in the way it has been expressed it does. The question then comes back to why wouldn't a report from the consultant, which now has a public dimension of this kind, be made public. I cannot see on what possible grounds it would not be public, except with respect to the obvious security areas which I would acknowledge you cannot make public.

**Mr Metcalfe**—Ultimately, whether or not a report of that nature is made public is a matter for the responsible minister. Not having seen the report—in fact, not having received the

report—we are speaking hypothetically. Were there to be a request for a copy of the report, when it is achieved I will obviously raise that matter and it will be considered.

**Senator MURRAY**—You would gather from what I am saying that I am giving you advance notice that certainly through this committee I would want to see such a report.

**Mr Metcalfe**—Thank you, Senator.

**Senator FAULKNER**—I want to touch on another matter where I assume the department had a coordinating role. I want to check that first, if I can. It goes to the ceremony at the War Memorial involving President Bush on 23 October. Did the department have a coordinating role in that regard?

**Ms Bird**—We were involved in the arrangements for that, yes.

**Senator FAULKNER**—Did the Governor-General attend that ceremony at the Australian War Memorial?

**Ms Bird**—No.

**Senator FAULKNER**—Was the Governor-General invited to attend that ceremony at the Australian War Memorial?

**Ms Bird**—No.

**Senator FAULKNER**—Can you say why not?

**Ms Bird**—My understanding is that the wreath laying ceremony was conducted in line with usual arrangements for a head of state wreath laying at the War Memorial. They do not usually involve the Governor-General.

**Senator FAULKNER**—Of course, our current Governor-General is a former head of the SAS, isn't he?

**Mr Metcalfe**—That is correct, Senator.

**Senator FAULKNER**—Did anyone give any thought to that, in the circumstances of this particular wreath laying ceremony?

**Mr Metcalfe**—I think as has been indicated the arrangements were quite standard.

**Senator FAULKNER**—Can you explain then why Mr Crean was not invited to the War Memorial ceremony?

**Ms Bird**—Again, I understand it is not usual practice to have the opposition leader invited when a head of state is laying a wreath at the War Memorial.

**Senator FAULKNER**—It is not the usual practice?

**Ms Bird**—That is correct.

**Senator FAULKNER**—Are you saying that it has not occurred in the past?

**Senator Hill**—She did not say that; she said that it is not the usual practice.

**Senator FAULKNER**—What is the usual practice?

**Senator Hill**—Ask her what she means by that.

**Ms Bird**—The usual practice is that the head of state goes along. The Minister for Veterans' Affairs is there and possibly the Minister for Defence and sometimes the Prime Minister. I am not saying that it has not happened—

**Senator FAULKNER**—And sometimes the Governor-General.

**Ms Bird**—I do not know; I would have to check.

**Senator FAULKNER**—You keep saying 'the head of state'.

**Ms Bird**—The head of state of an incoming government—in this case, President Bush.

**Senator FAULKNER**—Yes. You also keep talking about 'the usual practice'.

**Ms Yeend**—I spoke to the Director of the War Memorial about this issue. He advised me that, in the eight years that he has been director, the Leader of the Opposition has not been involved in head of state wreath laying.

**Senator FAULKNER**—Mr Crean is going to the war memorial function in London on 11 November, and Australia's head of state, Her Majesty the Queen, will be there. Can you tell me when the plans were made for President Bush's visit to the War Memorial?

**Ms Bird**—It was one of the issues we discussed when we were planning the iterative process between the Australian and the US sides. It was one of the elements that we suggested. I cannot recall whether we or the US side suggested it, but it was willingly accepted as part of the program.

**Senator FAULKNER**—But can you say when?

**Ms Bird**—The plans for the visit were made over the course of some weeks. There was not a specific date when specific elements fell into place.

**Senator FAULKNER**—So you cannot say when?

**Ms Bird**—Not specifically, no.

**Senator FAULKNER**—Are you able to say when you became aware that President Bush would lay a wreath for Sergeant Russell? Are you able to indicate that to the committee?

**Ms Bird**—We knew in the planning for the visit that he would be laying a wreath. The first I or my colleagues knew that it would be dedicated to Sergeant Russell was when the President announced that in his address to parliament.

**Senator FAULKNER**—Are you able to say when the Prime Minister's office actually received a copy of the President's speech to the parliament? These things are usually done in advance, aren't they?

**Ms Bird**—I would have to check with the Prime Minister's office.

**Senator FAULKNER**—You do not know when?

**Ms Bird**—I am not sure; I would have to check with the Prime Minister's office.

**Senator FAULKNER**—Are you able to say when a copy of that speech was made available to the department?

**Ms Bird**—We did not have a copy of the speech in the department until it was being delivered.

**Senator FAULKNER**—When you talk about the background to the wreath laying, did it include a wreath being dedicated to the troops in Iraq?

**Ms Bird**—Not that I was aware of. I just thought that he would be laying a wreath to the Australian war dead. We also organised for him to meet at the War Memorial some of the ADF troops who had been involved in the Iraq conflict.

**Senator FAULKNER**—With regard to the speech to the parliament, doesn't the department ordinarily get a copy of such a speech so that you can run your eye over it?

**Ms Bird**—No.

**Mr Metcalfe**—No, Senator. To be absolutely accurate, we had some inkling a couple of days beforehand in an informal communication of the very broad areas that may be covered in the speech. It was literally a short paragraph in an email reporting on a conversation between a foreign affairs officer and someone from the embassy. It said that part of the speech would be about Iraq and part of the speech would be about free trade et cetera, but there was absolutely no detail as to the words that would be said.

**Senator FAULKNER**—The key point in relation to the wreath laying ceremony at the War Memorial is that the speech did mention laying a wreath for Sergeant Russell.

**Mr Metcalfe**—That is correct. We had no knowledge of that until the speech was delivered.

**Senator FAULKNER**—No knowledge at all?

**Mr Metcalfe**—That is correct.

**Senator FAULKNER**—Are you aware of whether the Prime Minister's office had knowledge of it? When you say 'we', you mean the department.

**Mr Metcalfe**—I speak for the department. Ms Bird has already indicated that we would need to check with the Prime Minister's office as to their state of knowledge. But on that particular point, I think the Prime Minister has had something to say. He said that it was an oversight and responsibility has been accepted. I think the Prime Minister has written to the soldier's widow to that effect.

**Senator FAULKNER**—You did not receive a call from the Prime Minister's office about content of the speech or anything like that? That is just not the way it works?

**Ms Bird**—No.

**Mr Metcalfe**—No.

**Senator FAULKNER**—In fact, you are saying to us that you do not necessarily know that that speech had been provided to the Prime Minister's office.

**Ms Bird**—We would need to check.

**Senator FAULKNER**—You do not know?

**Ms Bird**—I would need to check.

**Senator FAULKNER**—It is the case, isn't it, that normally visiting heads of state and heads of government do, as a courtesy, provide copies of speeches in advance?

**Ms Bird**—Not in my experience. As Mr Metcalfe said, we had some indications of the general themes that would be covered, and I recollect that that was the same for President Hu Jintao's address—we had some indication of the general themes. But certainly I did not have copies of either of those in advance.

**Senator FAULKNER**—When did the department realise that Sergeant Russell's widow had not been informed about the speech or the ceremony at the War Memorial? Are you able to indicate that to us?

**Ms Bird**—When we heard President Bush mention his name in his address to parliament, we realised then that he would be dedicating the wreath to Sergeant Russell.

**Mr Metcalfe**—We had no knowledge as to whether or not there had been any communication with Sergeant Russell's widow. That was the first we heard of it; we were not aware of what else may or may not have been done.

**Senator FAULKNER**—Was any action taken by the department when you became aware of this at the time of delivery of the speech in the parliament?

**Ms Yeend**—The officers who were doing the logistics and all of the arrangements did not even hear the President's address because they were busy outside the chamber. They were not even aware of the issue until some hours later—it could even have been as late as at the ceremony at the War Memorial.

**Mr Metcalfe**—I certainly heard the speech. I watched it from my office down the hill and it did not occur to me that by mentioning Sergeant Russell there was any action required by me in terms of communicating anything to anyone. My assumption—incorrect—was that if the President was going to say that, then the appropriate arrangements would have been put in place. That is now clearly not the case.

**Senator FAULKNER**—Are we able to identify where the breakdown occurred? I think we know that Kylie Russell, the widow of Sergeant Russell, was neither aware of the fact that her husband's name would be mentioned in the speech nor of the wreath-laying ceremony. Think it is fair to say that.

**Senator Hill**—The Prime Minister has accepted responsibility for what you refer to as the breakdown. He regrets she was not invited in the circumstances. He said so in the parliament yesterday.

**Senator FAULKNER**—But the department would have known who was invited to the wreath laying ceremony at the Australian War Memorial. That is something the department surely would have been aware of—that would be right, wouldn't it, Ms Yeend?

**Ms Yeend**—Yes.

**Senator FAULKNER**—Can you tell us when that was finalised?

**Ms Yeend**—A couple of days beforehand. There were two parts to the arrangements at the War Memorial: one was the standard wreath laying; the second was, as Ms Bird has said, a meeting with select troops involved in Iraq. That element was organised by the Department of Defence.

**Senator FAULKNER**—But in relation to the wreath laying ceremony at the War Memorial, one assumes that, well in advance of the actual ceremony, the Department of the Prime Minister and Cabinet and therefore the office of the Prime Minister would have been aware of whom it was proposed would attend this ceremony.

**Ms Yeend**—Yes.

**Senator FAULKNER**—Can we focus on that? Can you be clear about how far in advance of the wreath laying ceremony it became clear who would be present?

**Ms Yeend**—We put together an order of arrangements which outlined the step-by-step process of that particular element. It would be finalised when they were sent out for final distribution, and that was a couple of days in advance of the visit itself.

**Senator FAULKNER**—As far as the Department of the Prime Minister and Cabinet is concerned, no-one twigged to the fact that Mrs Russell was not an invited guests?

**Mr Metcalfe**—I think you are absolutely right there. We had no forewarning of a reference to Sergeant Russell in the speech or of the fact that the wreath laying would be dedicated to Sergeant Russell. The officers who were directly involved in the arrangements for the visits did not hear the speech because they were at work doing other things at that time. They are probably the only officers who may have said, ‘Oh, gee, there’s been a reference to Sergeant Russell. Is Kylie Russell involved in the wreath laying ceremony?’ By that stage of course it would have been too late because she was in Perth. I and I am sure a number of my colleagues saw the speech on television but it did not occur to me personally that the reference to Sergeant Russell in the speech would impact directly or should have impacted directly on the arrangements. As the minister has indicated and as the Prime Minister indicated yesterday, this particular oversight was very regrettable. I do not think that this particular issue rests with any individual; it was just a regrettable breakdown in communication.

**Senator FAULKNER**—I understand that you have had no advance knowledge of the speech, but can you indicate to me what the situation was in relation to the understanding about the wreath laying ceremony and the dedication for the wreath itself? When did that become apparent to the department?

**Ms Yeend**—That there was to be a dedication at all?

**Senator FAULKNER**—Yes.

**Ms Yeend**—During the speech. My understanding from discussions with the War Memorial director is that a dedication, when a head of state is laying a wreath, is unprecedented. It is normally just for Australia’s war dead without any specific reference to any particular person.

**Senator FAULKNER**—I see. I appreciate that you cannot answer for the Australian War Memorial—I understand that—but, as far as the department is concerned, you did not know of it?

**Ms Yeend**—We were unaware, until the reference in the President’s speech that morning, that there was to be a particular dedication of the wreath. Up until that time all arrangements for the wreath laying ceremony had been exactly as countless wreath laying ceremonies have been before.

**Senator FAULKNER**—Is anyone aware—you might be in the best position to answer this, Minister—of why it appears to have taken so long for apologies to be forwarded to Kylie Russell? Is there any indication of why this seems to have taken so long after the events at the War Memorial? Are you able to assist us there?

**Senator Hill**—I do not know that it did take so long as I recall. There were expressions of regret the following day.

**Ms Bird**—I would need to check but I know that the Prime Minister wrote personally to Mrs Russell to apologise for her not being there.

**Senator FAULKNER**—Senator Hill, was any thought given to someone picking up the phone and ringing Sergeant Russell's widow, which seems to me perhaps to have been the most sensitive and appropriate thing to do in the circumstances?

**Senator Hill**—During the day?

**Senator FAULKNER**—Soon after it became apparent that there had been a terrible omission.

**Senator Hill**—I do not know the answer to that. As has been said, the Prime Minister wrote to her and apologised for the omission. There was clearly a breakdown of communications.

**Senator FAULKNER**—I am asking why the Prime Minister did not call her to apologise as soon as the omission was realised.

**Senator Hill**—As I have said, the Prime Minister wrote to her.

**Senator FAULKNER**—I will probably need to come back to some of these matters, but I have faithfully promised Senator Harradine that I would cede the call to him and he will hold it against me forever if I do not do that.

**CHAIR**—Senator Faulkner will return to these issues after Senator Harradine has finished.

**Mr Metcalfe**—Could I let the committee know that—further to Senator Faulkner's initial questions this morning about funding for the suffragette project—I have asked the officer from the Office of the Status of Women to return today so we are at your disposal in relation to that line of questioning as well.

**Senator FAULKNER**—We appreciate that, Mr Metcalfe. Thank you for your cooperation.

**Senator BRANDIS**—Mr Chair, could I beseech Senator Faulkner through you for enough time to be left for me before the end of the day to direct a series of questions to the AEC.

**Senator FAULKNER**—There is no need to beseech me on that Senator Brandis. I think both of us intend to question the Australian Electoral Commission and obviously things are getting tight.

**Senator BRANDIS**—I will need about 25 minutes.

**Senator FAULKNER**—I think we plan to have those elements of the department of finance after the dinner break, as you would be aware, and while that might get pushed to a little later in the evening I am sure it will happen. I am expecting on this occasion that the



program elements of the department of finance are not going to take anywhere near as long as they might have if Senator Conroy were sitting at the table.

**Senator BRANDIS**—Because your questions are more focused, Senator Faulkner.

**Senator FAULKNER**—It will probably come as a relief to all of us.

**Mr Metcalfe**—On indulgence, I have a pressing commitment to judge a Melbourne Cup hat competition at a certain time.

**CHAIR**—Is it the Prime Minister's department hat competition, Mr Metcalfe?

**Mr Metcalfe**—It is a gala affair, let me assure you. Obviously our first responsibility is here but if there is any indication as to when PM&C may be through this afternoon, I would be interested to know.

**CHAIR**—I would not have let that slip out Mr Metcalfe because the next thing you know is that Senator Faulkner will be asking a series of questions about the Prime Minister's department hat competition.

**Senator FAULKNER**—Do not worry; I am sure they foot their own bill. We certainly can fit in with Mr Metcalfe. I am sure we can make the appropriate arrangements. Mr Metcalfe knows that we are always flexible on those matters.

**Mr Metcalfe**—Thank you.

**Senator Hill**—Can I get some guidance as to the program this afternoon?

**CHAIR**—I am in the committee's hands. Senator Faulkner, can you assist the minister?

**Senator FAULKNER**—I think we should have a quick meeting in the luncheon break—Senator Harradine could join us too, because there are some issues he wishes to raise—and try to work through the remainder of today's program then. I suggest that we do not waste any more of Senator Harradine's time. While he is at the table, can I suggest that we have a brief meeting in the break?

**CHAIR**—Yes, and then we can let the minister know after the lunch break.

**Senator FAULKNER**—If he hangs around for a minute I am sure he can—

**Senator Hill**—I will just wait in the wings.

**Senator FAULKNER**—You are better off in the wings.

**CHAIR**—Are you agreeable to that, Minister Hill?

**Senator Hill**—Yes.

**CHAIR**—That is probably the best way.

**Senator HARRADINE**—Mr Metcalfe, is it a fact that there is a vote on the crucial issue of human cloning at the United Nations the day after tomorrow, on the 6th?

**Mr Metcalfe**—I will ask colleagues who are experts on these issues to join me at the table.

**Ms Davidson**—I had understood that there was a possibility of a vote last night, but I rang this morning to check and no-one had any indication of whether or not there had been a vote

then. I am not sure exactly when there will be a vote on that international convention on human cloning.

**Senator HARRADINE**—Is it a fact that Australia's position was under consideration by the department and that the PM&C was in a coordinating role?

**Ms Davidson**—No, the Department of Foreign Affairs and Trade have taken the lead on this issue. They have kept us informed from time to time as there have been different motions to be put forward, but they are taking the lead role.

**Senator HARRADINE**—Do you mean to say that there has been no meeting involving PM&C?

**Ms Davidson**—There was a meeting called by the Department of Foreign Affairs and Trade that we attended in September, but I was saying that we are not taking the lead on it. The Department of Foreign Affairs and Trade has been taking the lead.

**Senator HARRADINE**—But you were part of the meeting.

**Ms Davidson**—Yes.

**Senator HARRADINE**—What other departments, agencies or statutory authorities were represented at that meeting?

**Ms Davidson**—I would have to check that. I did not attend the meeting; one of my officers did.

**Senator HARRADINE**—Is there anybody here who can tell me?

**Ms Davidson**—No, I would have to check that for you. As I said, the Department of Foreign Affairs and Trade has been organising the meetings. While we have been taking an interest and keeping the PM informed, we have not been responsible for keeping all of the departments that are interested informed.

**Senator HARRADINE**—In other words, on this very crucial issue the Department of the Prime Minister and Cabinet has not been taking the lead role; it has been taken by the Department of Foreign Affairs and Trade.

**Ms Davidson**—Yes, but they do keep us regularly—

**Senator HARRADINE**—Then how come the first statement with regard to this matter at the United Nations was delivered by Professor Pettigrew, the CEO of the NHMRC?

**Ms Davidson**—I am not sure. I understand that our delegation included some people from Health who were there because of the technical nature of some of the issues, but we did not make the arrangements as to who would deliver the statement of the Australian delegation.

**Senator HARRADINE**—Isn't this a matter of huge importance to the public and to the future of society?

**Mr Metcalfe**—Senator, I do not think anyone here is disagreeing with you in any way, but it is very common for very significant issues such as this to be taken forward by the responsible department, the department of foreign affairs in relation to overseas treaty matters, and that department plays the coordination role. It does not mean we are not interested or that the Prime Minister does not have a keen policy interest in the matter. It is a

fact of life that there are many crucial issues under way, that ministers take responsibility for those issues and that PM&C contributes to the process but does not lead on the process.

**Senator HARRADINE**—Isn't it a fact that the Australian government proposes to vote for a proposition which enables states members of the UN to deliberately clone human embryos for destructive research projects?

**Ms Davidson**—My understanding is that we do not have a firm position, that there have been a number of propositions on the table which have changed over time and that there have been negotiations between the different parties in trying to come up with a compromise. We have instructed our people to leave our position open at this stage because we have been watching the progress on this issue.

**Senator HARRADINE**—But the NHMRC, which is experimentally oriented, certainly made it clear as to what preference the Australian government had, and so did Mr Bliss of the department when he addressed the working group. He made it perfectly clear. I am just asking—and I do so because it is a question of being contrary to what the parliament has done—whether you realise what the situation is in regard to the legislation, the Prohibition of Human Cloning Act.

**Ms Davidson**—I do, Senator.

**Senator HARRADINE**—Does that legislation state quite specifically that a person commits an offence if the person intentionally creates a human embryo clone?

**Ms Davidson**—That is correct, Senator.

**Senator HARRADINE**—But the government is proposing to vote for a proposition which enables that to take place.

**Ms Davidson**—As I understand it, there were two propositions on the table, although, as I said earlier, there have been rapid changes in terms of the propositions. One of the propositions was that there be a convention that banned human reproductive cloning and there was a separate proposition that suggested a total ban on human cloning. We had been hoping that those two parties would come together with something that was an agreed proposition, because I think the government were keen that there should be a convention on cloning. They were looking for something that not only was consistent with our legislation but also was likely to get support in the UN.

**Senator HARRADINE**—But how are you going to vote?

**Ms Davidson**—I have indicated at the beginning, Senator Harradine, that to my knowledge the government has not made a final decision. What is happening is that, as the different propositions are put on the table, the delegation seeks further advice from government on how it should vote, which is the normal position on these matters.

**Senator HARRADINE**—But it has been made clear both by the NHMRC and by Mr Bliss at the United Nations that their preference is to vote for the Belgium proposal—which is co-sponsored, incidentally, by China, which is setting up a program right now to develop procedures for the creation of human embryo clones.

**Ms Davidson**—I understand that originally our position had been to support the Belgium proposal because we thought it had the most chance of succeeding in terms of getting in place a ban on human reproductive cloning, if not on all human cloning.

**Senator HARRADINE**—But the Belgium proposal allows states members to have national legislation which would enable the creation of a human embryo clone. So far as the act is concerned, the definition of a human embryo clone under the act is:

... a genetic copy of another living or dead human, but it does not include a human embryo created by the fertilisation of a human egg by human sperm.

If the Australian government then casts its vote in favour of the Belgium proposal which allows for that, isn't that undermining what the parliament did? Didn't the parliament propose that if someone did that in Australia now they would be chucked into the slammer for 15 years?

**Ms Davidson**—The outcome of that will not impact on the Australian legislation. The Australian legislation will still stand, Senator. As I understand it, as with many of these things in the United Nations we were looking for a position that we thought most closely matched our legislation but also that was likely to receive some support. I think there was concern that, whilst some countries supported a ban on human reproductive cloning, they were opposed to a total ban, and so we thought it was better initially to have a convention that at least banned human reproductive cloning than not to have a convention at all.

**Senator HARRADINE**—What do you mean by 'human reproductive cloning'? What is the difference between that and—I will come to this in a minute—what you are advising the Prime Minister about on so-called therapeutic cloning? What is the difference?

**Ms Davidson**—I am not an expert on cloning and you would probably have to direct those questions to the Department of Health and Ageing. I know that there is a distinction between cloning that is for the purpose of human reproduction versus cloning that is termed as 'therapeutic cloning' but I am not a technical expert and I cannot give you a clear definition of what the difference between those is.

**Senator HARRADINE**—Isn't it a fact that there is no difference between them with regard to the procedures that are adopted in each of the cases? Cloning is cloning is cloning, isn't it?

**Ms Davidson**—Under our legislation, yes, but a number of—

**Senator HARRADINE**—There is no reference in our legislation to either so-called reproductive cloning or so-called therapeutic cloning, is there?

**Ms Davidson**—No, Senator.

**Senator HARRADINE**—Isn't a fact that the procedures are precisely the same? Precisely the same procedure was used to create Dolly the sheep—the nucleus from an egg is removed and replaced with the nucleus from a clone donor's somatic cells, such as a skin cell. The modified egg is stimulated with an electric current and, if the cloning works, a cloned embryo is created and then developed in the normal way. That is the theory of it. But there is no distinction, is there? To make it relevant, I have in my hand a letter from Mr Howard to Mr

Downer about this matter—and I assume that this was on the advice of PM&C—in which he uses the term ‘therapeutic cloning’.

**Ms Davidson**—It is not a distinction, as you point out, that is included in our own legislation, but it is a distinction that has been made by countries at the UN in discussions on this issue. It is quite difficult for us to provide advice on the issue if we do not recognise that other countries are drawing that distinction. It does not change the fact that our own legislation bans all forms of human cloning, but it has been an issue in terms of the negotiations at the United Nations on this issue. As I understand it, quite a large number of countries support a ban on human reproductive cloning but will not support a total ban at this stage on human cloning.

**Senator HARRADINE**—So the executive has decided to vote in a way that is quite contrary to our act. How can the executive decide that when the parliament has decided otherwise?

**Ms Davidson**—As I pointed out, whichever position we support at the UN, it will not alter our Australian legislation. I think there was a view that it would be better to have in place an international ban as soon as possible, even if it was just on human reproductive cloning, rather than risk having no convention at all.

**Senator HARRADINE**—To do that, you would then allow for the creation of human embryo clones deliberately for the purposes of using them for destructive experimentation.

**Ms Davidson**—Our intention would have been that the issue—

**Senator Hill**—It is not necessarily saying that. If there is a convention banning certain activities, it is clear and unambiguous what that means. In relation to matters that are not in the convention, it does not mean that you either support or oppose it. But our position is the position that we supported through legislation. You cannot say, in relation to not getting a convention as wide as we would like, that it means that we are supporting something beyond our legislation.

**Senator HARRADINE**—With respect, Minister, the Belgium proposal enables quite specifically the establishment of national laws now to go ahead with the creation of human embryo clones.

**Ms Davidson**—That is not my understanding of what the —

**Senator HARRADINE**—Can I read it to you? Do you have the latest draft on that matter, Ms Davidson?

**Ms Davidson**—No. But the further issue that I should point out is that, if we had supported the Belgium proposition and it had gone to vote, we would also have continued to push for a separate convention banning what is termed by a number of the nations as ‘therapeutic cloning’. As I pointed out, it was designed to get in place as soon as possible a convention on some part of human cloning and to work towards getting a convention that covered the remaining issues around human cloning.

**Senator HARRADINE**—What you are proposing—and the Costa Rica proposal has it firmly in place as well—is a ban on the creation of human embryo clones for the purpose of transfer to a woman. That is one proposal. It is also proposed to establish a further working

party to work towards the banning of the creation of human embryos deliberately for experimentation. We are talking about clones now and we are also talking about a huge number of eggs from women, as are required. I am asking you now: isn't it relevant to the decisions of the government or the foreign affairs department at the UN to follow what the law of Australia says?

**Senator Hill**—Of course it is.

**Senator HARRADINE**—The law of Australia says that if you deliberately—

**Ms Davidson**—That very much informs the Australian government's position but in a UN context you often do not get something that totally matches your own legal position. Certainly the government's legal position on this issue was something that we were very mindful of in looking at what would be an appropriate position for Australia to take on this. I also mentioned at the beginning, Senator Harradine, that the government's position on this is not fixed. Negotiations are continuing to go on and I heard yesterday that there could have been a vote last night to defer further development of a convention for the next two years. I am not sure whether that vote took place last night.

**Senator HARRADINE**—Have Australian delegates worked for a total ban?

**Ms Davidson**—No, Senator Harradine.

**Senator HARRADINE**—Why?

**Senator Hill**—Australia has worked for a ban consistent with our legislation.

**Senator HARRADINE**—Minister as you know, our legislation is a total ban.

**Senator Hill**—Then you have no problem. I am not getting into a fine argument about you mean by 'a total ban' but I would be confident that the Australian delegation's riding orders clearly are to operate within the position of the government, which is as provided in the legislation. It seems to me that the issue is whether you take something that does not go quite that far in order to lock that in and look for progress in the future, or do you not take the opportunity?

**Senator HARRADINE**—Who, in the world, is wanting to do reproductive cloning?

**Senator Hill**—Are you an expert on this, Ms Davidson?

**Senator HARRADINE**—I am getting to the question that is of great importance and it seems to me that the Department of the Prime Minister and Cabinet do not have much to do with it.

**Senator Hill**—They are a coordinating department. As I understand it, the delegation is being led by Foreign Affairs and the principal technical expertise is being provided by Health.

**Senator HARRADINE**—What about the department? The department had been at the meeting with Foreign Affairs and NHMRC. What was the outcome of that meeting?

**Ms Davidson**—We briefed the Prime Minister at that stage on the meeting and he—

**Senator HARRADINE**—When was that?

**Ms Davidson**—We briefed him on 12 September.

**Senator HARRADINE**—When you say ‘we briefed him’—

**Ms Davidson**—The department briefed him.

**Senator HARRADINE**—The department of PM&C?

**Ms Davidson**—That is right, Senator.

**Senator HARRADINE**—What eventually was the result, from the department’s point of view?

**Ms Davidson**—You indicated that you had a copy of the letter the Prime Minister wrote to Mr Downer.

**Senator HARRADINE**—So that document was after your briefing?

**Ms Davidson**—I think it was subsequent to our briefing.

**Senator HARRADINE**—Who prepared the letter? Was it the department?

**Ms Davidson**—We usually prepare letters for the Prime Minister.

**Senator HARRADINE**—This letter uses the term ‘therapeutic cloning’.

**Ms Davidson**—As I think I indicated earlier, because other countries are drawing that distinction and it is an issue in the dialogue on this convention, it is quite difficult not to use that term.

**Senator HARRADINE**—Wasn’t that term directly rejected by the Australian Health Ethics Committee, which is a committee of the NHMRC, a statutory body? Isn’t the NHMRC required in the area of experimentation or research to have strict regard to what the Australian Health Ethics Committee says?

**Ms Davidson**—I am not aware of that.

**Senator HARRADINE**—You were not aware of what the Australian Health Ethics Committee said on this? Were you aware that they said, ‘The more recently coined term “therapeutic cloning” collapses both the distinction between therapeutic and non-therapeutic research on embryos and the distinction between destructive and non-destructive experimentation’?

**Ms Davidson**—I am aware that the term is a very contentious one and that people seem to have different understandings of what it means but, for the purposes of briefing the Prime Minister, we try not to make our briefing overly technical. As I have said, it is clear that this has been discussed in the UN and it is quite difficult to talk about a position we might take there without acknowledging that other countries are talking about the issue which they refer to as therapeutic cloning.

**Senator HARRADINE**—So you will advise the Prime Minister in a manner quite contrary to what the Australian Health Ethics Committee have said? They have made it perfectly clear, and you have advised the Prime Minister incorrectly.

**Senator Hill**—I do not know that you can jump to that conclusion. Provided that they are advising the Prime Minister consistent with Australian law, it seems to me to be all right. If everyone else is using an expression that we find confusing it makes it very difficult to

participate in the debate. If you think participating in the debate can achieve beneficial outcomes, that is better than walking away.

**Senator HARRADINE**—The Costa Rica proposal is the other proposal relating to developing a total ban—having a ban initially with regard to the first matter and developing a total ban with regard to the other. Do you know how many co-sponsors that has at the moment?

**Ms Davidson**—No, I do not, but the advice I have had consistently from the Department of Foreign Affairs and Trade on this issue is that it was most unlikely to get support.

**Senator HARRADINE**—That is interesting. Do you know how many co-sponsors they have?

**Ms Davidson**—No.

**Senator HARRADINE**—Do you know how many co-sponsors the Belgium proposal has?

**Ms Davidson**—No.

**Senator HARRADINE**—Would you be surprised to hear that the former proposal, namely the Costa Rica one, has at least 64 co-sponsors and that the Belgium proposal has 20 co-sponsors?

**Ms Davidson**—I cannot comment on that, Senator.

**Senator HARRADINE**—The department has advised you, and therefore you advise the Prime Minister?

**Ms Davidson**—But I rely on the information with which I am provided by the department of foreign affairs. They are sending cables back informing us of what they think the position is, and I have to rely on that advice being accurate.

**Senator HARRADINE**—What they are saying is that the Belgium proposal is going to get up and not the Costa Rica one?

**Senator Hill**—The number of co-sponsors does not tell you the full story. They could well be right.

**Senator HARRADINE**—It would be an interesting answer. That is not my information.

**Senator Hill**—That is a debate to have with the department of foreign affairs.

**Senator HARRADINE**—Yes, I understand that Ms Davidson said she is receiving advice and then passing that on.

**Ms Davidson**—I think the important thing, too, Senator, is that, as I understand it, things have moved on from both the Costa Rica and the Belgium propositions and that there is now another proposition on the table about which there had been an expectation that it might get voted on, which was going to defer consideration of the convention for two years in the hope that a consensus could be attained.

**Senator HARRADINE**—I am just concerned about the accuracy or otherwise of advice given to the Prime Minister, and in this particular case it was inaccurate advice. Finally, with regard to the meeting, who decides the government's attitude on this matter? You have a principal department, the department of foreign affairs.



**Ms Davidson**—The Prime Minister wrote to Mr Downer on the matter.

**Senator HARRADINE**—That is why I asked the question as to therapeutic cloning and what that meant.

**Ms Davidson**—As I indicated, since then there have been further discussions on the issue, so the position we had on 19 September is not necessarily the Australian government's position today, because there have been changes since then and we are monitoring what is happening. DFAT informs us of what is happening and we will have discussions about what position we should take, given what we know today's circumstances are.

**Senator HARRADINE**—Could I just knock over this other matter. I had asked about a return to order for two documents from COAG. If I could have those provided, we can go to lunch.

**Dr Horne**—We have written to all states, territories and the Australian Local Government Association seeking their concurrence with the release of those two documents. We have followed that up with phone calls to each jurisdiction. At this stage the jurisdictions have indicated to us that they intend to take the issue to a political level in most cases. We expect to hear back from them probably during the course of this week. So we are following it through. Once we have responses from the jurisdictions, we will seek the view of the Prime Minister.

**CHAIR**—We will resume the hearing at 2 o'clock.

**Proceedings suspended from 12.59 p.m. to 2.01 p.m.**

**CHAIR**—Senator Harradine has the call.

**Senator HARRADINE**—I have decided to ask questions briefly, as the issue itself will be debated in the parliament within the next month. Dr Horne, you mentioned that you have written to the various states and territories. When did you write?

**Dr Horne**—My officers communicated with the states on Friday and followed it up with phone discussions on Friday. There were discussions with most jurisdictions yesterday, and there have been further discussions with those jurisdictions that have been contactable today to find out where they are up to in their processes. Clearly some jurisdictions have other things on their minds today—the Melbourne Cup and such things, a public holiday in Melbourne—and we have not been able to contact them. But we have ascertained that most jurisdictions are intending to go to their premiers or chief ministers. Some are going as early as this afternoon. We understand that you are interested in getting an expeditious response to this matter, so we have been—

**Senator HARRADINE**—Are you aware that it is required for questions to the NHMRC tomorrow?

**Ms Davidson**—I was aware that you wanted the information as soon as you could so that you could ask questions at Senate estimates.

**Senator HARRADINE**—That was the purpose, yes. You mentioned a protocol. Do you have the terms of that protocol?

**Dr Horne**—I do not think I used the word 'protocol'.

**Senator HARRADINE**—Somebody did.

**Dr Horne**—There is an understanding amongst jurisdictions—and I guess it is because of the way COAG has operated since its inception—that papers that are produced for COAG at the request of COAG are not released into the public arena until there is agreement from all jurisdictions that that happens, until they are cleared. That has just been the general way of business, as I understand it—certainly in the time that I have had the COAG secretariat as my responsibility, which has been for the past three years—in which this organisation has operated.

**CHAIR**—Thank you. We are on general questions for the department.

**Senator FAULKNER**—I indicate to you, Mr Metcalfe, that we can deal with the very brief issues we have with the Office of the Status of Women now.

**Mr Metcalfe**—Thank you, Senator. I will ask Ms Flanagan to come to the table.

**CHAIR**—For your information, we will break at 3 p.m. for half an hour.

**Mr Metcalfe**—Thank you. We appreciate that.

[2.11 p.m.]

#### **Office of the Status of Women**

**Senator FAULKNER**—I appreciate the cooperation of Mr Metcalfe and the Office of the Status of Women in coming back to the witness table to provide some information on the costs relating to the women's suffrage commemoration. These are costs borne by the Department of the Prime Minister and Cabinet. We are hopeful you might be able to outline those to the committee.

**Ms Flanagan**—Senator, you want to know the costs incurred by the department to date. Is that correct?

**Senator FAULKNER**—First up, the costs borne by the Department of the Prime Minister and Cabinet in this exercise.

**Ms Flanagan**—If you mean by that what costs have been paid out by the National Capital Authority on our behalf, I can give you those. They were given to the committee last night.

**Senator FAULKNER**—Yes, I think we have had that figure, but let us have it again.

**Ms Flanagan**—These costs incurred to date are invoiced costs rather than those that have been paid. Including GST, the total cost is \$195,277. Excluding GST, the total cost is \$177,384.

**Senator FAULKNER**—Those moneys are sourced from where?

**Ms Flanagan**—The moneys for the suffrage artwork are sourced from the Office of the Status of Women programs. There are six programs. They are sourced from two programs. One is called other women's programs and the second is called Women's Development Program.

**Senator FAULKNER**—Where is the artwork physically now?

**Ms Flanagan**—It has not been constructed.

**Senator FAULKNER**—When you say ‘artwork’ I want to be clear on what you mean. Artwork means sculpture in this instance, as opposed to design drawings and all that sort of thing?

**Ms Flanagan**—Yes.

**Senator FAULKNER**—I just want to be clear on what the definition of artwork is, as you use it. You mean work of art.

**Ms Flanagan**—I mean the actual physical—

**Senator FAULKNER**—You mean artwork, but I would call that the actual—

**Senator CROSSIN**—It never got to a work of art, did it? It never got further than the pieces of paper—is that correct?

**Ms Flanagan**—Yes. It only ever got to the design stage.

**Senator FAULKNER**—That is right. That is why I was wondering about the terminology ‘artwork’.

**Mr Metcalfe**—There is no physical manifestation of this artwork. I think that is correct.

**Ms Flanagan**—Yes.

**Senator FAULKNER**—There are design drawings.

**Ms Flanagan**—There are designs, there are models et cetera.

**Senator FAULKNER**—Did you have some sort of MOU with the National Capital Authority?

**Ms Flanagan**—Yes, we did.

**Senator FAULKNER**—What was the break-up of funding? Can you give us just a broad understanding of who paid for what, so we are clear on that?

**Ms Flanagan**—The MOU that we had with the National Capital Authority was for a total of \$600,000. We agreed that there would be some milestones in that contract. On meeting those milestones, which included a report from the National Capital Authority on how things were going, we made regular payments of \$120,000. So far we have made four payments of \$120,000 to the National Capital Authority, with the remainder not yet paid.

**Senator FAULKNER**—What did you get for your four payments of \$120,000?

**Ms Flanagan**—We had regular reporting requirements. As I say, the National Capital Authority was acting on our behalf to commission to manage the artists and to commission structural engineers’ reports on the viability of construction. We also paid them to run the selection of the artwork. They ran the competition to select the artwork for us. That was part of the memorandum of understanding we had with them.

**Senator FAULKNER**—Where does the \$195,277 fit in?

**Ms Flanagan**—That is what the National Capital Authority has paid out on our behalf under the memorandum of understanding to date.

**Senator FAULKNER**—To the actual suppliers?

**Ms Flanagan**—To the actual suppliers.

**Senator FAULKNER**—So the remainder of those four payments of \$120,000 for each payment—

**Ms Flanagan**—Is still sitting with the National Capital Authority. As I explained last night, the government is still considering what it might do in the parliamentary triangle, so we have not yet spoken to the NCA. There are two courses of action open to us. First of all, we could terminate the memorandum of understanding with the NCA and receive back the moneys that have not yet been expended. Secondly, we could vary the contract if we were to go ahead with another commemorative piece in the parliamentary triangle, which is still on the drawing board.

**Senator FAULKNER**—So at this stage it is fair to say, Mr Metcalfe, that, as far as PM&C is concerned, on this particular project, \$195,277 has been wasted. Would that be correct or is that unfair?

**Mr Metcalfe**—I think it would be an unfair description. It has been expended.

**Senator FAULKNER**—Why would it be unfair to say it has been wasted?

**Mr Metcalfe**—Clearly some work has been done and something has been achieved as a result of that.

**Senator FAULKNER**—What has been achieved?

**Mr Metcalfe**—There has been a design competition.

**Senator FAULKNER**—Yes, for something that is not going to be built. Most people would see this as a waste—not you, perhaps, Mr Metcalfe, but a lot of people would think that is \$195,277—

**Mr Metcalfe**—The reason I baulk at that is that the decision has been made to not proceed further with the project because of the substantial cost blow-out in the estimates of what the final product would be. That probably was only able to be made once detailed design and other work had been done. At the end of the day, there is not going to be a memorial in this form, so you could articulate your proposition. On the other hand, you could say, ‘Some money has been spent and a decision not to spend a great deal more money has now been taken.’

**Senator FAULKNER**—The amount of \$195,277 has been spent for no tangible result—zero, blobbo, nothing.

**Mr Metcalfe**—There will be no memorial.

**Senator FAULKNER**—I think I will stick with my description of this as \$195,277 that is wasted.

**Ms Flanagan**—When we got the final design—the costed design—the price that came in was \$2 million. We had to make a choice between terminating the artwork or bringing it back within scope. We got it down to \$1.2 million. The total amount of money we had set aside was \$600,000. The decision was that either we had to try to find some more money in order to build it as it was designed or, as I say, we had to recognise that we had to move on.

**Senator FAULKNER**—But this is hugely embarrassing, isn't it?

**Ms Flanagan**—In what way?

**Senator FAULKNER**—Aren't you embarrassed by the expenditure of \$195,277 on absolutely nothing at all?

**Ms Flanagan**—We would have liked the commission to go ahead, but there were other factors that came into play, including, most importantly, the cost of finally constructing this. We just did not have the wherewithal within OSW to find that extra money to spend on this artwork.

**Senator CROSSIN**—You indicated to me last night that \$600,000 had been allocated to OSW some years back.

**Ms Flanagan**—It had been put aside within OSW programs, yes. The decision had been taken.

**Senator CROSSIN**—My cursory look at previous PBS documents does not indicate that. Can you tell me in exactly what year that money was first allocated or put aside—in what year and in what PBS would I find that?

**Ms Flanagan**—A decision was taken in 2001-02 to spend \$600,000. We have a memorandum of understanding with the National Capital Authority in relation to that amount. As I explained last night, that funding goes over three years, from 2001-02 to 2003-04. We had a schedule of payments. The first payment was made in 2001-02—

**Senator CROSSIN**—Where in the 2001-02 PBS documents do I find a line item that points me in the direction of the centenary of women's suffrage project or the memorandum of understanding with the NCA?

**Ms Flanagan**—As I think we also discussed last night, in the PBS—and you pointed this out—we have a very high-level breakdown of the various programs.

**Senator CROSSIN**—You mean you do not have a very high level of breakdown of the various programs.

**Ms Flanagan**—We have a high-level breakdown in that we only look at the program lines.

**Senator FAULKNER**—Overnight, have you obtained a better breakdown to provide to the committee?

**Ms Flanagan**—If you wish—

**Senator FAULKNER**—That is what I had hoped we would have today, after these issues were flagged last night.

**Ms Flanagan**—We can give you the schedule of payments and when they were paid.

**Senator CROSSIN**—But I would also like you to provide me with a breakdown of the 2001-02 line item in the PBS when this money was first set aside. I can only find a mention of it in this year's PBS for the first time.

**Ms Flanagan**—There were certainly public announcements and public statements about what was envisaged.

**Senator CROSSIN**—Perhaps you can take it on notice.

**Senator FAULKNER**—I have not done this research; Senator Crossin has. But let me ask the question in another way: was it or was it not in the previous portfolio budget statements? Is it there to find or has Senator Crossin just been unable to find it?

**Ms Flanagan**—It is not identified.

**Senator FAULKNER**—Thank you.

**Senator MOORE**—In the document you have, how is it identified?

**Ms Flanagan**—As I understand it, in the 2001-02 PBS we only have the names of our programs.

**Senator CROSSIN**—The same as this year.

**Ms Flanagan**—So any subelements of the programs are not actually identified in the PBS.

**Mr Metcalfe**—Senator Crossin's efforts to find earlier references in the PBS are not successful because the PBS did not delve into that level of detail.

**Senator CROSSIN**—As with this year. We had to ask for a further breakdown, and we got it 5½ months later.

**Mr Metcalfe**—And we had a discussion last night about whether a greater level of detail is feasible in terms of the budget rules, Finance's directions and that sort of thing. We are more than happy—and I think Ms Flanagan is attempting to do it—to explain where the money came from and where the money has gone to. That is where we are trying to assist.

**Senator FAULKNER**—What have you done, Mr Metcalfe or other senior officers in the department, as a result of this monstrous waste of public money? Is there a change in procedures? Have you tried to examine what went wrong with this fiasco and make sure it is never going to happen again? I think the public—and the parliament—are entitled to a little bit of confidence that we are not going to see a repeat of this debacle.

**Mr Metcalfe**—Ms Flanagan has outlined the process, Senator Faulkner, in that essentially the National Capital Authority were asked to undertake this project and some progress payments have been made in relation to them. What has become apparent is that a brief, which indicated that there was a budget of \$600,000 for the total project, did not deliver an outcome that was going to be anywhere near that. The issue of our discussions with the NCA in relation to that are discussions that we have yet to have. Quite clearly to proceed in the knowledge that we would be expending at least double the amount, if not triple the amount, had to be made and that decision was made.

**Senator CROSSIN**—Mr Metcalfe, this is the same National Capital Authority that had an arrangement with your department for the seventh sliver of Reconciliation Place—is that right?

**Mr Metcalfe**—There is only one National Capital Authority as far as I know.

**Senator CROSSIN**—Has an evaluation of your department happened in relation to the debacle over Reconciliation Place as with this in relation to the adequacy or otherwise of the National Capital Authority's handling of such projects?

**Mr Metcalfe**—I have no knowledge of that. I think, and others may correct me, that the work in relation to Reconciliation Place, which precedes my experience in the department, probably would have been undertaken in liaison with the Office of Aboriginal and Torres Strait Islander Affairs, which is no longer with PM&C. So knowledge within the department is probably very limited on that issue. I cannot help you on that question.

**Senator FAULKNER**—You accept that this is an unsatisfactory situation, don't you, Mr Metcalfe—that in excess of \$195,000 has been spent on nothing at all? There is nothing to show for it whatsoever.

**Mr Metcalfe**—It has produced a result that indicates to achieve the final outcome would have been far more expensive than budgeted.

**Senator FAULKNER**—It has produced a non-result. The money has been—

**Mr Metcalfe**—I am not disagreeing that as a result nothing has been built.

**Senator FAULKNER**—My question goes to whether the Department of the Prime Minister and Cabinet has learnt something from this experience and whether we can be confident that we are not going to see a repeat of this fiasco in the future. How can we be assured that we are not going to sit here at a Senate estimates committee in the future and find that there is a similar outcome with another project? Or is it a matter of putting this one down to experience, forgetting about it, forgetting about the \$195,000 of taxpayers' money and moving on to the next waste of money? Surely, that would not be your approach? I know it would not.

**Mr Metcalfe**—No, it certainly would not.

**Senator FAULKNER**—What are the lessons learned and what has been done to ensure that we do not see a repeat?

**Ms Flanagan**—We will not be commissioning another artwork without a much better budget up-front so that we actually know very early on what is happening. After this commemoration, we might not commission any more, certainly from OSW's point of view.

**Senator FAULKNER**—Okay. I appreciate hearing that. That would give the committee at least some comfort. Does that mean that you accept a level of responsibility in the Office of the Status of Women for this unsatisfactory outcome? Do you accept responsibility at that level? Where was the mistake made? You have learned from this experience; that is good to hear. Is it the OSW that accepts the responsibility for this outcome?

**Ms Flanagan**—I do not think it was a mistake, but we certainly have learned from the experience and if you want somebody to accept responsibility then OSW will accept responsibility.

**Senator FAULKNER**—I do not want someone to accept responsibility, Ms Flanagan, where it is not deserved or warranted. I do not think anyone would want to see somebody stitched up for a responsibility where it was not warranted. That is not the point. I would have thought internally in the Department of the Prime Minister and Cabinet, Mr Metcalfe, officers and officials might have had a look at this and said, 'This was not very satisfactory. Let's make sure it doesn't happen again.' They might have worked out how it occurred, who was responsible, counselled the people involved, indicated that there had been a massive waste of

nearly \$200,000 of taxpayers' money and put methods in place to ensure it does not ever happen again.

**Mr Metcalfe**—In terms of lessons learned I would not go to the level of detail that you just have, but clearly no-one is happy about this outcome. The responsibility, as with many of these issues, lies with a couple of areas not just with one. I am sure that OSW and the National Capital Authority will be drawing substantial lessons from this experience. We do not aim to repeat this sort of thing.

**Senator FAULKNER**—That is good to hear.

**Senator CROSSIN**—Ms Flanagan, you mentioned before that OSW may not be commissioning further artworks as a result of this.

**Ms Flanagan**—I am saying that at the moment we are contemplating actually still doing something in the parliamentary triangle. The lesson that we have learned from this is that we would have a very definite budget up-front. We would actually, in effect, have a fixed budget—which is what we thought we had with this one—and we would not be going above it. We would want some assurances from the start that that budget would not blow out in any way.

**Senator FAULKNER**—It got to the actual drawing stage, didn't it?

**Ms Flanagan**—Yes.

**Senator FAULKNER**—Where are they now?

**Ms Flanagan**—I would need to check with the NCA, but I am presuming that the NCA holds them.

**Senator FAULKNER**—Are they going to be lodged in the National Archives? They are an important artefact, aren't they?

**Senator Hill**—They are part of the history of this place.

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

**Senator FAULKNER**—It seems to me an appropriate place for them to go to be protected.

**Mr Metcalfe**—I am sure they will be held appropriately.

**Senator MOORE**—So that funding is secure?

**Ms Flanagan**—Yes.

**Mr Metcalfe**—I think last night Ms Flanagan articulated some other initiatives that are under way.

**Senator CROSSIN**—When will we know what fate lies with the balance of the money—whether you have retrieved it from the NCA or, God forbid, let the NCA keep it while we wait for the next debacle to unravel? What is the time line on that decision?

**Ms Flanagan**—As I said, we have already announced that there will be a \$1 circulation coin. We are looking at two other options.

**Senator CROSSIN**—You also said to me last night there would be no cost incurred with that \$1 circulation.



**Ms Flanagan**—That is right.

**Senator CROSSIN**—So I take it that from the \$205,000 you would be recouping, plus the \$120,000 you have not paid out, none of that will go towards the cost of the \$1 coin—is that right?

**Ms Flanagan**—None will go to the cost of the coin. We are looking at two other options and, as I already explained, one of those options is still to do some sort of celebration or commemorative piece in the parliamentary triangle. We are exploring that option at the moment. As I have already pointed out, we will have very firm costings on that.

**Senator CROSSIN**—Is there any particular artwork planned for the \$1 coin?

**Ms Flanagan**—It is actually drawing on the suffrage banner. The suffrage banner, which I think is stored here in Parliament House, will actually be on the coin.

**Senator CROSSIN**—Yes, it is on the second floor.

**Ms Flanagan**—We are going to mint 10 million coins. The intention is that that will be one of the major pieces of celebrating women's right to vote, which occurred 100 years ago on 16 December 2003.

**Mr Metcalfe**—They will be in general circulation.

**Ms Flanagan**—It is a general circulation coin.

**Senator FAULKNER**—Can I return to the questioning that was previously under way. Thank you, officers.

**Mr Metcalfe**—Are we now finished with OSW?

**CHAIR**—I think we are.

**Mr Metcalfe**—Can these officers be excused?

**Senator FAULKNER**—I am not aware of any other issues I have to raise that will involve the OSW. We obviously would have raised them last night. I thank the officers.

**CHAIR**—Thanks, Ms Flanagan and Ms Bourne.

[2.34 p.m.]

#### **Department of the Prime Minister and Cabinet**

**Mr Metcalfe**—Senator Faulkner, before lunch I think you asked for a copy of the guest list for the informal luncheon with President Bush. I have now been advised that that guest list was publicly released on the day. We have a copy with us and we are happy to make a copy available to the committee.

**Senator FAULKNER**—Thanks. Can I return then to an issue we were canvassing also in relation to President Bush's visit, which was the ceremony at the Australian War Memorial, where Mr Bush laid a wreath. You would recall that we were briefly canvassing that issue prior to the lunch adjournment. In relation to that particular ceremony, can you clarify for me whether the detail of it was the responsibility of the Department of the Prime Minister and Cabinet—how that part of President Bush's itinerary would work—or was it something that

was left to the Australian War Memorial or, in fact, some other agency to be the lead agency? Would you be able to assist me with that?

**Ms Yeend**—The Department of the Prime Minister and Cabinet, as for most events that take place, was the coordinating agency in relation to that. We wrote the detailed orders of arrangements for that event.

**Senator FAULKNER**—Thank you for that. PM&C wrote the detailed orders of arrangement for the event. Who did the department consult in drawing up that order of arrangement?

**Ms Yeend**—The Australian War Memorial, as is normally the case and, because of the second event that would have been involved there, we would also have liaised with the Department of Defence.

**Senator FAULKNER**—You would have or you did?

**Ms Yeend**—I did not write the order but I think that that would have been the normal course of events.

**Ms Bird**—As Ms Yeend was mentioning, there were two parts to the War Memorial function. As well as laying the wreath, in conjunction with the Department of Defence, we organised for President Bush to meet a number of officers who had served in Iraq. So, in a sense, there were two parts to the visit.

**Senator FAULKNER**—So we can be confident that Defence was involved as well as the Australian War Memorial?

**Ms Yeend**—Yes.

**Senator FAULKNER**—Was this done relatively informally, was there a small IDC or was it just officers or officials from these other agencies brought together with your own officials to work this through?

**Ms Yeend**—It would have been the latter.

**Senator FAULKNER**—In relation to the wreath laying ceremony at the Australian War Memorial, are you able to tell me who was responsible for determining the list of invitees to the function, Ms Yeend?

**Ms Yeend**—The only reason I hesitate is that ‘invitees’ is an unusual term. What happens is that because it is the War Memorial—

**Senator FAULKNER**—Let me stop you there and say ‘attendees’.

**Ms Yeend**—Yes. The War Memorial director and the chair of the board are there, which is normal. They contacted the Minister for Veterans’ Affairs, who also attended, and the Prime Minister also attended. Those people were put together in the order of arrangements, which the department coordinated.

**Senator FAULKNER**—So you are saying the Director of the Australian War Memorial and the Chair of the Australian War Memorial Board, the Minister for Veterans’ Affairs and the Prime Minister attended?

**Ms Yeend**—Yes, along with President Bush.

**Senator FAULKNER**—That is helpful information but with respect it does not answer my question which went to who was responsible for deciding who the attendees would be. I appreciate the information you have provided.

**Ms Yeend**—I think the War Memorial and their minister were responsible for deciding. We were advised that the Prime Minister would attend, so we put together an order of arrangements based on that.

**Senator FAULKNER**—Who advised you of the fact the Prime Minister would attend?

**Ms Yeend**—The Prime Minister's office.

**Senator FAULKNER**—At what stage of the process was this?

**Ms Yeend**—I am afraid I do not have that information.

**Senator FAULKNER**—Before, you told me that the Prime Minister's department, your own department, was coordinating this.

**Ms Yeend**—Yes.

**Senator FAULKNER**—Now you have effectively told me that the War Memorial was coordinating it.

**Ms Yeend**—No, Senator. The coordinating role does not mean that the Prime Minister's department usurps the normal role of others. The War Memorial is responsible for a number of things—it is, after all, an event taking place at the War Memorial—and because it is a head of state working visit or the visit by a head of state, the Department of the Prime Minister and Cabinet will write documentation to give to the embassy about it. So there are at least two parties involved.

**Senator FAULKNER**—Are you saying that invitations were issued for this?

**Ms Yeend**—Certainly not, Senator.

**Senator FAULKNER**—Are you saying that it was the War Memorial that advised attendees about the detail of the ceremony?

**Ms Yeend**—I am advised by the Director of the Australian War Memorial that they contacted their minister's office about it saying that the wreath laying would take place. The Prime Minister's office indicated that the Prime Minister would attend and the department then wrote the document with all of those people in it.

**Senator FAULKNER**—Okay. When was the document written?

**Ms Yeend**—I would have to go back and look to see when it was first drafted. It is an iterative process—

**Senator FAULKNER**—Yes. That word has been used a lot today. I have got it onboard—

**Ms Yeend**—Organic—

**Ms Bird**—As the program elements are settled, the order of arrangement evolves. It is generally printed a couple of days before the visit when everything is finalised and it is put to the press.

**Ms Yeend**—Then it is sent to all the participants.

**Senator FAULKNER**—I want to understand how far in advance of the wreath laying ceremony the bare bones of this were established and then worked through to its final conclusion. I just want to have some understanding of the time frame, which I thought you might assist with. If not, we will come back to it later in the day and I would ask you perhaps to go and check some of these records. I am happy to come back to it a bit later in the afternoon if you cannot assist me at this stage.

**Ms Yeend**—It was an element that was known quite early on in the visit preparation.

**Ms Bird**—We will do our best obviously to get as much detailed information as we can. The broad element of the President visiting the War Memorial and laying a wreath was one of the early elements discussed. The actual detail of who was involved and the timing evolved as the program became clearer. I am not sure that I will be able to tell you precisely at what moment each element was finalised except insofar as about a day or so out we had all the details and it was put to press.

**Senator FAULKNER**—I would appreciate that and we might come back to that at a later stage. It is true, isn't it, that Mr Bush did intend on this working visit to thank Australia and Australians for their efforts and involvement in the war on terror? I think, Senator Hill, you can confirm that was one of the reasons or objectives of the visit.

**Senator Hill**—Yes, I think that the Prime Minister publicly indicated that President Bush wanted to thank Australia and Australians for their support during the conflict in Iraq.

**Senator FAULKNER**—Yes, I think that is right. I think this was said or flagged very early in proceedings. Again, I still do not understand why the matter of Mrs Russell, the widow of our first casualty in war since Vietnam, I believe—and certainly Mr Russell was the only casualty in the war against terror—was not thought of much earlier in the processes. This is not clear to me and I am sure it would not be clear to others. Is there any explanation for that given I think we all understood one of the clear reasons for President Bush's working visit to Australia?

**Senator Hill**—I think the intention to visit the War Memorial was always seen as part of a practice often followed. I do not think there was ever any suggestion that his wish to visit the War Memorial and lay a wreath particularly related to either the conflict in Afghanistan or the conflict in Iraq. I think it was part of symbolising the long traditions of Australians and Americans serving together and suffering joint losses.

**CHAIR**—Didn't President Bush Sr do something similar?

**Ms Yeend**—Yes, he did.

**Ms Bird**—As did President Clinton.

**Senator FAULKNER**—The problem here is that what appears on the surface to be a serious disconnect between the publicly announced intentions of President George W. Bush's visit to Australia and what was done at the War Memorial in relation to this is a very serious omission in failing to invite Mrs Russell. Do you understand that point, Minister?

**Senator Hill**—With the benefit of hindsight, I can understand it. It was made particularly poignant by Mr Bush's reference in the parliament to Sergeant Russell. It is all very well to be

wise with the benefit of hindsight. With that benefit, we have acknowledged that a mistake was made and have apologised to Mrs Russell.

**Senator FAULKNER**—I am making the point that I do not know that hindsight—

**Senator Hill**—I have said that several times to you today, but you seem intent on revisiting the issue.

**Senator FAULKNER**—I do not know that it would be necessary to have hindsight to make that judgment, given the announced intentions of the visit.

**Senator Hill**—I will give you another example that illustrates what I am saying. There were special forces at the War Memorial who were invited to meet President Bush, but they did not attend the wreath laying ceremony. There was not seen to be a connection between the two.

**Senator FAULKNER**—I think we know, in relation to the wreath, that it had a special dedication, as you know.

**Senator Hill**—But we did not know that until the day.

**Senator FAULKNER**—The point is that you should have. Did the wreath laying ceremony involve a minute's silence and the playing of the last post?

**Ms Yeend**—I am just looking at the order of arrangements. It is not clear from the documentation. It just mentions that the President will move forward and place a wreath on the inscription at the foot of the tomb of the unknown Australian soldier—sorry, it says that a marine will do it and the President will observe.

**Senator FAULKNER**—Could you read the relevant part?

**Ms Yeend**—It says:

The marines place the wreath on the inscription at the foot of the tomb of the unknown Australian soldier. The President moves forward and adjusts the wreath, takes a pace back and pauses. On the completion of the wreath laying, the President and Mrs Bush, accompanied by the Prime Minister and Mrs Howard, proceed to the orientation gallery.

**Senator FAULKNER**—Would you be able to table a copy of the order of arrangements for the War Memorial ceremony taking into account the point that Senator Hill makes and stresses, which is reasonable—and I think you have made the point too—that there were two elements to the War Memorial visit?

**Ms Yeend**—Certainly.

**Senator FAULKNER**—Mr Metcalf, has anyone from the department thought, in these very difficult circumstances, about a record of the ceremony, at least, being provided to Mrs Russell—perhaps a photographic or video record?

**Mr Metcalfe**—I will need to take that on notice as to whether any consideration has been given to that, and if it has not, whether consideration will be given to it. As we indicated earlier, the Prime Minister has written to Mrs Russell, and I think that any measure that would assist in this respect will be thought about.

**Senator FAULKNER**—Could I respectfully suggest that, in the circumstances, a video or photographic record of the President of the United States of America laying a wreath in memory of Mrs Russell's husband would be the least that could be done? I would strongly but respectfully suggest that that might be something the department gives some urgent consideration to.

**Mr Metcalfe**—I will do that.

**Senator FAULKNER**—Ms Yeend, could that material be tabled, including the earlier iteration Ms Bird spoke about? We may have another look at this a little later on, but it may satisfy any further questions, and I would appreciate it.

**Ms Yeend**—I am not sure there will be earlier iterations; the document is corrected as it evolves.

**Senator FAULKNER**—I would like to move now to another issue while that material is coming forward, Mr Metcalfe. It goes to the issue of the Prime Minister's discussion paper on section 57 of the Constitution. I expect that Ms Belcher would be most likely to respond to these questions. Ms Belcher, could you briefly outline what, if any, involvement the department has had in the preparation of the discussion paper?

**Ms Belcher**—The Government Division has provided a range of assistance in relation to the discussion paper, including the preparation of material for the paper; drafting, design and printing work; and support for the panel that is travelling around Australia encouraging discussion of the paper.

**Senator FAULKNER**—Who was responsible for the printing of the paper?

**Ms Belcher**—Government Division organised the printing of the paper.

**Senator FAULKNER**—Are you able to say what the time line for the project was?

**Ms Belcher**—The Prime Minister announced his interest in pursuing the matter in June. I think the first draft, or 'chopping block' if you like, went to the Prime Minister's office in July.

**Senator FAULKNER**—So it was drafted in the department?

**Ms Belcher**—I could say the first draft, or probably better still the 'chopping block', was put up by the department.

**Senator FAULKNER**—Who was the principal author in the department? Or was there a principal author?

**Ms Belcher**—There were three people in the Government Division who were mainly involved. Our drafting followed discussions with the Prime Minister and his office.

**Senator FAULKNER**—Under your close guidance, Ms Belcher?

**Ms Belcher**—I was closely involved.

**Senator FAULKNER**—You were one of the three?

**Ms Belcher**—Yes.

**Senator FAULKNER**—Would you describe yourself as the lead author?

**Ms Belcher**—No. The head of the legal section did most of the research with the assistant secretary—there was a changeover during the process—of the Legal and Culture Branch. I was the third.

**Senator FAULKNER**—Are you able to say how much it cost?

**Ms Belcher**—I do not have a final figure for all the elements. For example, the design and print cost was approximately \$10,000.

**Senator FAULKNER**—How many copies were printed?

**Ms Belcher**—I may have to take that on notice, or one of my colleagues may be able to help me on that one.

**Senator FAULKNER**—Do you know how they were distributed?

**Ms Belcher**—They were tabled in parliament and copies were posted. It was put on the Internet.

**Senator FAULKNER**—Have you had many requests for copies of this masterpiece?

**Ms Belcher**—I will check on the number. We have certainly started to receive submissions on the paper. I would need to take on notice how many copies were requested through either the Internet or the phone line.

**Senator FAULKNER**—Were either of Mr Howard's consultants, Mr Starr or Mr Cuffe—or, for that matter, Mr Cousins—involved in the drafting?

**Ms Belcher**—Not at all, Senator. In fact, there is only the one consultant, Mr Cousins.

**Senator FAULKNER**—He is the only current consultant.

**Ms Belcher**—Yes, and the only one during the time involved.

**Senator FAULKNER**—And he was not involved?

**Ms Belcher**—No.

**Senator FAULKNER**—I have never been able to nail down what he actually does. I thought it was a long shot that he might have been involved in that. Was the Parliamentary Library consulted at all?

**Ms Belcher**—No.

**Senator FAULKNER**—We know that the Clerk of the Senate was not consulted. Were any of the parliamentary departments consulted?

**Ms Belcher**—Not in the drafting, no. The Attorney-General's Department, the Australian Government Solicitor, the office of parliamentary drafting and the Electoral Commission I think were the only bodies consulted during the drafting process. Since then others, including, as you would know from yesterday's evidence, the Clerk of the Senate, have been asked to comment if they wish.

**Senator FAULKNER**—What is the official name of the panel that has been established? Mr Neil Brown is the convenor or chair of it, isn't he?

**Ms Belcher**—Yes. The consultative group is the most common term used for it.

**Senator FAULKNER**—Has that started the consultation process yet?

**Ms Belcher**—Yes, it has. The group has met in Canberra, Perth and Adelaide.

**Senator FAULKNER**—Including to take submissions? Are they at that point yet?

**Ms Belcher**—They are not taking submissions at those gatherings. Submissions are being encouraged via Internet or letter. I suppose some people might feel that the comments they make at the meetings form their submission and their comments are, of course, being recorded.

**Senator FAULKNER**—So ‘submissions’ is probably the wrong terminology. What would be better—listening to views?

**Ms Belcher**—It is very much a matter of groups talking—the subject is introduced by the consultative group and then the audience participates.

**Senator FAULKNER**—I read a newspaper article suggesting there would be a national mail-out on the issue. Is that correct?

**Ms Belcher**—I am not aware of anything other than the paper itself going out, Senator.

**Senator FAULKNER**—You know of no plans to have a national mail-out, direct mail sent to Australian households or the like, on this issue?

**Ms Belcher**—No. I do have answers to some of your earlier questions, Senator. Three thousand copies of the paper were printed. Some hundreds of copies have been requested so far. I cannot be more definitive than that. I mentioned it was the head of the legal section who was involved in the primary drafting. Although it might sound odd, it was in fact the head of the culture section.

**Senator FAULKNER**—Do we have a time frame at this stage for the consultative group’s work?

**Ms Belcher**—Yes, they have their discussions lined up around Australia. The final meeting will be in early December. Submissions are due by 31 December.

**Senator FAULKNER**—So you are expecting the consultative group’s work to intensify early in the new year?

**Ms Belcher**—No. The consultative group’s role is simply to encourage debate on the subject matter. PM&C will pull together the content of the submissions.

**Senator FAULKNER**—What is the point of the submissions, then?

**Ms Belcher**—I think the consultative group will do a report to the Prime Minister too on the basis of their discussions and what they have heard from people. The point of the submissions is that the Prime Minister will know the content of them.

**Senator FAULKNER**—Why do they need a consultative group? Why don’t they just write to him?

**Ms Belcher**—They will. The consultative group is there to stimulate debate. If people want to talk to the group then they are welcome to. The submissions are actually coming in to PM&C, not to the consultative group.



**Senator FAULKNER**—I want to be clear on this. What is PM&C doing with the submissions?

**Ms Belcher**—We will be analysing them and letting the Prime Minister know the range of views, the alternatives, the level of support et cetera. The consultative group will similarly be letting the Prime Minister know the views they have obtained. The group, too, can have access to the submissions if they ask for them.

**Senator FAULKNER**—Are the submissions going to be made public?

**Ms Belcher**—I do not know. We have asked people making submissions to indicate to us if they do not wish any part of them to be made public, but a decision has not been made yet on whether they will be made public.

**Senator FAULKNER**—It does not sound like it is going to be a very effective process if people are asked to make submissions to the Department of the Prime Minister and Cabinet and they eventually may or may not happen to tell the Prime Minister what is contained in them. A person making a submission might put a hell of a lot of effort into it for very little return. That would be my only concern.

**Ms Belcher**—It is certainly not the case that we might or might not tell Prime Minister. It is the Prime Minister's expectation that we will tell him what is in the submissions and that we will tell him the level of support for the options mentioned in the paper and other ideas that are put forward.

**Senator FAULKNER**—He may or may not bother to tell anybody else what is said.

**Ms Belcher**—I cannot be certain what the Prime Minister's next steps will be, but he will be informed by this public process.

**Senator FAULKNER**—It has been informative as far as I am concerned because the group asked me to make a submission but, having heard about what is going to happen with it, I do not think I will bother now.

**Proceedings suspended from 3.02 p.m. to 3.36 p.m.**

**CHAIR**—I call the committee to order. Mr Metcalfe, you have some information for the committee.

**Mr Metcalfe**—Senator Faulkner asked for a copy of the order of arrangements for the wreath laying ceremony. I can provide a copy of those to the committee. The document is marked 'in confidence', but essentially it was in confidence prior to the occasion. It is obviously no longer confidential because it has occurred. Senator Faulkner also asked when the document was created. I am advised that it was first created on Sunday, 12 October. The final version was produced on Monday, 20 October. Our records indicate it was revised 264 times in those eight days.

**CHAIR**—Two hundred and sixty-four?

**Mr Metcalfe**—That is correct. As Ms Yeend indicated, it was a working document.

**Senator FAULKNER**—But it was created 11 days before the actual ceremony.

**Mr Metcalfe**—The first iteration of the document was created on 12 October. The final iteration was created on the 20th.

**Senator FAULKNER**—The first was 11 days before the ceremony.

**Mr Metcalfe**—That is correct.

**Senator FAULKNER**—This may be in Ms Belcher's area—I am not entirely sure. I notice from examination of annual reports that the government has blown out on consultancies across core departments and major agencies last financial year, from \$313 million in 2001-02 to \$513 million—in excess of half a billion dollars—on a total of 3,286 consultancies. The figures indicate that from 1996 the government has spent over \$2 billion on consultancies. I am interested to know from Mr Metcalfe whether the Department of the Prime Minister and Cabinet in its role undertakes any government-wide assessment of the number of consultancies or a review of government consultancies across the service.

**Mr Metcalfe**—No.

**Senator FAULKNER**—Not at all?

**Mr Metcalfe**—No.

**Senator FAULKNER**—This is entirely a matter for individual agencies and departments, is it?

**Mr Metcalfe**—As far as I understand it, yes.

**Senator FAULKNER**—I am surprised that PM&C is not engaged in some monitoring process. Are you aware if it is done by another agency, either Treasury or Finance?

**Mr Metcalfe**—I do not have any information as to whether any other agency undertakes a view across government. Essentially, agency heads are responsible for the effective running of their agencies. As I understand it, there is no work currently under way in PM&C or other central agencies on this issue.

**Senator FAULKNER**—So you are not aware of any mechanism at all in government to rein in this blow-out?

**Mr Metcalfe**—Talking about reining in a blow-out is a very value laden statement. A consultancy can occur for a number of reasons. I explained earlier in some detail how, as an efficiency measure, Ceremonial and Hospitality does not carry staff with particular skills or expertise full time but simply brings them on board as required. One could argue that because of the tempo of activity in recent times we have probably spent more in that area, but the alternative is having expertise which is not needed on a full-time basis. I do not accept the assumption that it is a blow-out. There are many reasons which go to that issue. The increase itself does not really prove anything in isolation.

**Senator FAULKNER**—How can you say that it is not a blow-out if the figures were \$313 million last financial year and \$513 million—over half a billion dollars—this financial year? That sounds to me like a very significant increase indeed. Just so that you are clear, that figure does not count agencies, quangos and statutory authorities, so the government-wide figure would be significantly higher. What I am now being told, apparently, is that there is no

government-wide review or assessment of this trend and perhaps you would not even have been aware of this trend if it had not been mentioned here at a Senate estimates committee.

**Mr Metcalfe**—Under the FMA Act it is the responsibility of agency heads to conduct the affairs of their agency in an efficient manner. While it is always possible to have whole-of-government exercises and that sort of thing, the expectation is that agency heads get on with a budget and deliver a range of outcomes for government and for the Australian people. I am not aware of whether any agency such as the ANAO has taken an interest in this matter—you can ask them about that—but it is not something that we are undertaking work on at the moment.

**Senator FAULKNER**—You say it is up to individual agencies.

**Mr Metcalfe**—It is the responsibility of agency heads.

**Senator FAULKNER**—It is up to agency heads, yes. AFFA, Treasury, FaCS, Health and Immigration have enormous spikes this year. Immigration seems to be out of control, up to \$213 million. Isn't it PM&C's responsibility to at least ensure that there is a government-wide definition of what constitutes a consultancy? Doesn't that responsibility fall to PM&C? It seems that there is some crossover in the definitions of consultancy and contract. I do not know whether this issue has been drawn to officers' attention—I would be interested to hear if it has—but, from reading annual reports, there seems to me to be a definitional issue here of some significance.

**Ms Belcher**—We are aware that the definitions that are provided in the annual report requirements cause discussion from time to time. It is a matter that we have discussed with Finance. I would need to check the current state of those discussions and whether there is current disquiet about the definitions, but certainly we have attempted over the years to come up with a definition that suits departments' needs and the needs of the reporting requirements. I will need to check to see where those discussions are up to.

**Senator FAULKNER**—Is there a standard definition of consultant and a standard definition of contract, as we speak? I hear what you say about discussions taking place: I think you said because of disquiet—is that right?

**Ms Belcher**—I said I would check to see if there was disquiet.

**Senator FAULKNER**—Is there a standard definition, as we speak, of a contract and standard definition of a consultancy that agencies and departments can use and apply?

**Ms Belcher**—Yes, there is in the annual report guidelines. I am not sure that we have them with us. Off the top of my head I cannot give you the exact words but we will check the definitions.

**Senator FAULKNER**—It seems to me that some departments include media consultancy in their core list, for example, and others separate them. Again, is there any established guidance on that?

**Ms Belcher**—Not that I am aware of but I will need to check.

**Senator FAULKNER**—Doesn't it makes sense that these sorts of issues are standardised across agencies?

**Ms Belcher**—We can certainly look to see whether there is more direction or guidance we should give on how the consultancies are reported. I can check again to see whether there has been any movement on the changing of the definitions. To some extent, as long as they are reported and reported accurately then at least the information is there in the annual reports.

**Senator FAULKNER**—Can anyone give me a reason or an explanation for the fact that consultancies have grown like Topsy over the last year? There must be a reason for this and I would be very surprised if the department is not able to provide some background on it.

**Ms Belcher**—I am not able to offer any views.

**Senator FAULKNER**—Is anyone in the department aware that this pattern has emerged?

**Mr Metcalfe**—I think the answer is no, Senator.

**Senator FAULKNER**—You are not aware of it even? I cannot expect anyone to address it if you do not even know that it has happened. I would have thought that if, over the period of a year, consultancies—as I say, not counting a range of agencies and statutory authorities and quangos—have grown from \$313 million to \$513 million, over half a billion dollars, that is a trend that the Department of the Prime Minister and Cabinet should be aware of. Whether or not it is being addressed is another matter. I would have thought that it ought to be addressed but I am very surprised to hear that there is no awareness of it in the department.

**Mr Metcalfe**—There obviously is awareness now, Senator, but it is not an issue that we have been focusing on. As I have said, the issue of efficient, effective running of agencies is largely a matter for agency heads.

**Senator FAULKNER**—Yes, but it is Dr Shergold's responsibility, isn't it, to bring agency heads together on a regular basis to talk about issues that affect the service on a government-wide basis—that is true isn't it?

**Mr Metcalfe**—That is correct.

**Senator FAULKNER**—This is one of those issues. Are you aware whether, in those discussions, this issue has been raised? Has it been an agenda item—can someone say that to me?

**Ms Belcher**—I am not aware that it has been, Senator.

**Senator FAULKNER**—Is it a matter that ordinarily would fall to the Department of the Prime Minister and Cabinet to assess and, if deemed necessary, address?

**Mr Metcalfe**—I do not think I can be much clearer than I have been. Certainly PM&C is engaged in whole-of-government coordination on a whole range of issues, including in relation to public administration. But in relation to decisions within agencies as to how outcomes are going to be achieved—whether it is by employees, consultants, contractors or whatever—essentially that is an issue for the agency head. You have raised the particular issue of an increase in the expenditure for a particular category of worker. Whether that is something that has significant implications and whether it is something that requires addressing are issues that can be looked at. You have raised them this afternoon. We are obviously conscious of the issue. Whether it requires further work is something that we will determine.

**Senator FAULKNER**—You are conscious of the issue now, but you did actually say to me that you were not conscious of the issue when I raised it, which I found quite incredible.

**Mr Metcalfe**—It was not something that had occupied my thoughts at that stage.

**Senator FAULKNER**—I am not sure it is going to leave people with a great deal of confidence that the premier department in the Australian Public Service is unaware of the fact that there has been such a massive increase in the number and cost of consultancies. I do not think that is going to give anyone a great deal of confidence at all.

**Mr Metcalfe**—What we are interested in is the efficient and effective delivery of government services. We operate in a highly devolved government where agency heads are responsible for the outcomes in that area. Cross-government issues and broad trends of this nature are issues that from time to time are looked at more systemically. It was not something I was personally aware of or had focused on. Others may have looked at it; I just do not have that detail. Whether it is the sort of issue that would occupy the work and attention of the department is something that is yet to be determined.

**Senator FAULKNER**—With all due respect, I would have had a great deal more confidence in the department's effectiveness and efficiency if it had been aware of this massive trend, this blow-out. But, anyway, you cannot help me on that one. What about Mr Cousins's consultancy—can someone help me there? Have we actually worked out yet what Mr Cousins does for his \$43,000 a year?

**Ms Belcher**—I might first say that I do not know that that is the right figure.

**Senator FAULKNER**—Fair enough. What is the current figure?

**Ms Belcher**—I certainly cannot confirm that that is what he is paid. Indeed I do not believe it is. I think that is a figure you had from quite some years ago.

**Senator FAULKNER**—It is the last figure I had. You had better update me, Ms Belcher, because I do not want to be unfair to Mr Cousins if he is not receiving that amount of money.

**Ms Belcher**—All I can do is tell you again that Mr Cousins is engaged to advise and assist the Prime Minister in relation to the formulation of communication strategies to promote the government's policies. He is engaged on a part-time basis.

**Senator FAULKNER**—And what is the value of this consultancy?

**Ms Belcher**—I am sorry, I do not have that. I just am aware that the contract that you were referring to was one negotiated some time ago. I know there has been a renegotiation, so I did not want that assumption that that figure was still relevant.

**Senator FAULKNER**—Given that no-one actually knows what he does, I assume it has been renegotiated down.

**Ms Belcher**—I think that is likely, but I would not—

**Senator FAULKNER**—I do too. After all, he does next to nothing or perhaps nothing—nothing has ever been identified. Can someone please establish before we go just how far south this consultancy figure has gone? I think this committee can take full credit for saving the taxpayers any number of dollars by exposing this colossal waste of taxpayers' money. Ms

Belcher, before we leave the department, if it is possible for you to provide that figure, we would be very grateful.

**Ms Belcher**—I would need to take that up with the Prime Minister's office.

**Senator FAULKNER**—I am sure, given that for once we have actually found that some money is being saved with a consultant. Because of the embarrassment that has been afforded on this matter, because of its exposure at this committee, I am sure they would be very grateful if how much money this committee has been able to save the taxpayer is made public. I think we can probably have a go at that, can't we, before the conclusion of the hearings?

**Ms Belcher**—I will have a word with the office.

**Senator FAULKNER**—Thank you very much. I appreciate that. While we are at it, would you mind asking them what he actually does? See if they will come clean on that too.

**Senator MURRAY**—Anytime you need a break, I have a few general questions.

**Senator FAULKNER**—Senator Murray, I wasn't aware that you were champing at the bit over there, so away you go.

**Senator MURRAY**—I am hardly champing; I am very patient.

**Senator FAULKNER**—Aren't we all? Some people might suggest I am not, I suppose.

**Senator MURRAY**—Mr Metcalfe, I refer to your remarks in the May budget estimates session, when you were responding to questions from Senator Ray concerning a restructure of the Department of the Prime Minister and Cabinet and, within that, the creation of a new national security division and a new implementation unit. In your remarks you noted that the intention of the implementation unit was not to try to monitor every decision that was being implemented but to focus on strategic areas. The government had identified a number of strategic areas. Dr Shergold made a speech on 15 October 2003 entitled *A foundation of ruined hopes? Delivering government policy*, an address by the Secretary to the Department of the Prime Minister and Cabinet at the Australian Public Service Commission SES breakfast briefing. He seemed to give the impression that the implementation unit is yet to be staffed. Can you let us know how advanced is the staffing of the unit?

**Mr Metcalfe**—Yes, Senator. Colleagues may be able to provide more detail but my understanding is that currently an assistant secretary has been appointed as the branch head of the unit and recruitment action is under way in relation to a number of other positions. Some of these staff may be seconded for short-term tasks from other areas of Prime Minister and Cabinet; others may be brought in or promoted as core staff. Mr Borthwick, my colleague and deputy security, or Mr Hamburger, who is the division head, may be able to assist further.

**Mr Borthwick**—Currently only one substantive appointment has been made to the implementation unit—that is to the assistant secretary position. We are envisaging that the staff of the unit will have a complement of about 12 substantive officers. That might be supplemented from time to time by secondments from other divisions within PM&C or secondments from other agencies depending on what aspects the implementation unit is looking at. But at this stage we are in the process of selecting staff for the implementation unit.

**Senator MURRAY**—It sounds to me from your answers that you are unclear yet as to whether you will need additional appropriations. If you are simply taking staff from within the department the appropriation just shifts internally, whereas if you are seconding I presume you might want to raise additional appropriations.

**Mr Borthwick**—At this stage I do not think we need any additional appropriations. The implementation unit was funded in the last budget.

**Senator MURRAY**—There was talk of agreement being reached between PM&C and other agencies during that May estimates session. Is there agreement or are you still in the process of establishing just what you need and from where you need it?

**Mr Metcalfe**—Is this in relation to the secondment of staff?

**Senator MURRAY**—Yes, it is.

**Mr Metcalfe**—There has been a series of discussions between the secretary and his colleagues in relation to the secondment of staff—not just to the implementation branch but, more broadly, to the Department of the Prime Minister and Cabinet. A number of those people have now joined us. This is essentially what we regard as a development opportunity in that staff from other agencies have the opportunity to work within the department and gain an insight into the whole of government processes, coordination issues, cabinet processes and other issues that we are very closely involved with.

In return, of course, we obtain some experienced people. The National Security Division, for example, is a very interesting grouping of staff who have come from quite a number of agencies—the Federal Police, the Defence Force, the Department of Defence, ASIO, the Department of Education, Science and Training, intelligence agencies, the department of transport and the list goes on. That is one example which is replicated in other parts of the department, perhaps not on the same scale. That is something that we are now implementing and would expect to be a feature of our work for the foreseeable future.

**Senator MURRAY**—When would you expect the process of recruitment and the establishment of the staff structure—the personnel—to be completed?

**Mr Metcalfe**—I do not think it will ever be complete, in that it will be ongoing. Some people may be with us for relatively short periods of time and others may be with us for longer periods of time. The general working assumption is that people will be with us for around 12 to 18 months, but some could stay on longer. In many cases, staff are now in position. In others, they will be arriving soon.

**Senator MURRAY**—If in many cases they are now in position—and in May you referred to the development of strategic areas—has work begun on the government's key strategic areas as you outlined?

**Mr Borthwick**—Mr Metcalfe was talking generally about arrangements for seconding staff from elsewhere in the APS to PM&C. In terms of the implementation unit, the broad areas that will be looked at were outlined in Dr Shergold's speech, which you alluded to. Specific areas that will be the focus of attention have not been decided yet.

**Senator MURRAY**—The quote I was referring to was from Mr Metcalfe. He noted that the intention of the implementation unit is:

... not to try to monitor every decision that is being implemented but to focus on strategic areas, and the government has identified a number of key strategic areas.

That was taken from *Hansard* page 176. I thought that did refer to the implementation unit.

**Mr Metcalfe**—Yes, that is obviously what I said, and that comment remains accurate in that the work program of the implementation branch, I think, is now being developed. We have had some internal discussions about areas of activity, and, as the staffing comes on stream—as indicated by Mr Borthwick—that work will be decided upon and get under way.

**Senator MURRAY**—Without going into the content of the strategic areas—which I do not think is necessary or, probably, proper—what are the main heads? What are the key strategic areas?

**Mr Metcalfe**—The Prime Minister indicated in a speech last November about nine or 10 key strategic areas of focus for the government. They will clearly be an area of guidance for the department in undertaking the more detailed work of the implementation unit.

**Senator MURRAY**—So you do not have specific heads apart from those already outlined.

**Mr Metcalfe**—There is obviously economic management, national security and sustainable resources. There are a list of issues that were articulated by the Prime Minister, and it was those issues that I and Dr Shergold had in mind as being areas of broad activity. In saying that, I would not want to constrain the ability for the implementation unit to be tasked to undertake work in a particular area or some other area. But my expectation would be that we will have a fair bit more to say about this issue at the next estimates, once the unit has been fully established and has commenced its activities. We are still in that—I was going to say implementation phase—

**Senator MURRAY**—Developmental phase.

**Mr Metcalfe**—building stage of the activity.

**Senator MURRAY**—Those strategic areas you have just mentioned to me do not sound any different from those that have always been there. The government naturally would concentrate on economic management, and it is quite right to do so. My interest is whether you have new strategic areas, whether there are areas that have not formerly been focused on by government which now will be. Home security for instance is an obvious one—the terrorist threat. Ten years ago it would not have been the priority; it is now. That to me is self-evident.

**Mr Borthwick**—There has not been any change in the areas of strategic interest, other than those identified by the Prime Minister in that strategic speech. I think it has been alluded to in other areas. They were particular priority areas; they do not necessarily cover all the government's priority areas. Clearly, areas like health, education and the like are priority areas. They were a list of priorities set out in November 2002, which were uppermost in the government's mind at that stage and still are uppermost in its mind. I expect that the implementation unit itself will have a narrower focus, more at the program area of target rather than the broad areas that were set out in that address.

**Senator MURRAY**—In that address Dr Shergold continued a theme which I have heard him spell out in other committees—he might have spelt it out in estimates as well—and that is



his reluctance to get involved in a kind of target mantra that things are always measurable automatically, measurable in the quantifiable sense. He said, for instance, that the implementation unit:

... will be examining in a concrete way the systemic issues that determine the effectiveness of implementation, rather than concentrating on numbers ...

He then made an explicit reference to the UK delivery unit as a comparable model that he had criticisms of as a delivery mechanism. Isn't it unwise to do that? Isn't there room for statistical analysis and targeting as well as for a more qualitative approach to these matters?

**Mr Borthwick**—The distinction that you draw out from Dr Shergold's remarks is accurate. I think he was trying to give an emphasis as to what the priority of the implementation unit in the APS will be compared with his understanding of the UK counterpart, which focuses overwhelmingly on statistical analysis of outcomes. Our unit is going to focus primarily on good project management or implementation—in other words, making sure that, from the project planning sense through to the policy sense and right through to delivery, the project is meeting expectations. That is not to say that we will not be looking at good statistical analysis in terms of whether or not that project is tracking as was expected—of course we would do that. But he was trying to make a distinction between the way the UK have gone about it and the emphasis that they have placed on it and the emphasis that we are intending to place on it in Australia. But if there is good statistical analysis to be brought to bear, that will be uppermost in the unit's mind.

**Senator MURRAY**—As you know, Mr Borthwick, using statistical analysis is often easier because it gives you a ready measure and the route you are outlining is, in some cases, more difficult but may produce better results if done very well, providing you have got the appropriate balance. So I understand what you are saying to me. My question then is: if you do not have an easy measurement mechanism, such as the use of targets or statistical analysis or a numerically based assessment, are you developing good performance management criteria so that the Prime Minister and the department get quality feedback?

**Mr Borthwick**—We will be doing that, Senator, but it will be a little bit more complex probably than just looking at simple statistics. One of the functions of the unit will be to develop guidelines so that the implementation of programs can be uppermost in ministers' minds and departments' minds at the decision-making stage so that it can influence the formulation of policy right up-front so that it is not an afterthought after that decision has been made. For example, some of the things that we expect to be followed through in terms of good project management would be looking at things like: implementation risks and how departments intend to address them; time lines from the point of decision to delivery of the program to make sure that major milestones were being addressed; the key stakeholders that would be affected and their roles in the delivery of programs; what the funding profile is of the program so that we can see whether it is tracking that funding profile as it is rolled out and, if not, whether there need to be some remedial measures; what links there might be to other government programs so that we can get the synergies right. There is going to be a whole host of issues that we think departments should be conscious of addressing right up-front in the design stage. Having done that, then they will provide some guideposts for the implementation unit to work with other agencies during the rollout of major programs to see

if they are tracking as expected and, if they are not, we would hope that there would be enough meaty information there to throw up alerts and questions as to whether it is going as well as expected, better than expected, or not as well as expected.

**Senator MURRAY**—What will be the external reporting or accountability of all this? Will there be published data? Will the process be outlined subsequently? Will there be summaries, annual reports, performance audits? What is the accountability track?

**Mr Borthwick**—That was not envisaged. This is a process internal to the government in terms of tracking and making sure that the government's priority areas are being delivered as expected. Of course it will have to make sure that it is fully integrated with other areas of government like accountability of departments and agencies through their annual reports, through the Audit Office, through the Commonwealth Ombudsman et cetera. But this is really a mechanism for feeding back through the Prime Minister, reinforcing a cabinet process, to make sure that the government's priorities are being met. So it is really an internal management quality assurance program.

**Senator MURRAY**—I may have got it wrong but, as I have understood the UK delivery unit model, a fair bit of its conclusions—not its process so much—become public property. It has had very strong external commentary on the health system, for instance.

**Mr Borthwick**—All I can outline is what the current intentions are. To the extent that there might be a review and subsequent changes, that will be announced in due course. But as to whether that reflects the work of the implementation unit or a change in emphasis of the program, I think that remains to be seen in time. This is fundamentally a process that is internal to government that complements other quality assurance programs.

**Senator MURRAY**—I do not want to take the analogy too far, but it seems to me that you are creating a valuable tool, almost an internal audit process. Internal audit in corporations, as you know, has traditionally been financially oriented, and that is not what I mean. What I really mean are internal audit functions which are performance and risk related. The government has not had an overall tool of that kind, although within some agencies and departments they do have risk and performance orientated sections—I suppose you would call them. Is it going too far to use that analogy?

**Mr Borthwick**—Clearly what you have explained will be part of its role. But I think at this stage, when we are thinking of a dozen people who are not experts, we are not going to duplicate, for example, the Department of Finance and Administration in their role in terms of broader program evaluation and feeding through their assessments into government, nor are we in any shape or form trying to mirror the external audit function of the Audit Office and nor are we trying to capture the value of other internal audit programs. The functions of this will be very much focused on areas which the Prime Minister thinks are important priority areas for his government and to make sure that they are rolling out as intended. So it is really complementary of all those other activities, but it is focusing on things that the Prime Minister and the government think are very important in terms of the rollout of government programs.

There is one other dimension which gets more to the sorts of issues, and that is through making it clear to agencies that the implementation of programs is part and parcel of what is expected of them doing business and giving it a profile and having a body like the

implementation unit working with other divisions in PM&C to ask some tough questions. It is trying to get at the sort of systemic issues that sometimes go awry in terms of program design and implementation. But there is going to be a limit as to how much 12 people can do. We are hopefully starting off with an ambitious framework, and hopefully it will develop into something that really adds a great deal of value to APS management. But at this stage we will try to see what unfolds.

**Senator MURRAY**—So, using another analogy, it cannot be seen as a commando unit designed to go in and blow up places that are not working properly?

**Mr Borthwick**—No, not at all. In fact, this is a point that Dr Shergold emphasised in that 15 October speech. The mantra is that the implementation unit will work hand in glove with other agencies. If something is going wrong we want to know about it early on in the piece so that we can work with that agency to make sure that, if it is at risk of going off the rails, it is put back on the rails very quickly. It is not a watchdog type role; it is a facilitative role. But, equally, it is going to ask some tough questions. It is not going to be passive in undertaking that role, but it wants to win the trust of other agencies.

**Senator FAULKNER**—I want to ask a question of the department about costs relating to the visit to Australia of Prince Harry. I gather this is what is described as a private visit. Is that correct, Mr Metcalfe?

**Mr Metcalfe**—I understand it is, Senator, but just to forestall the line of questioning, it is not something that we have had much to do with at all.

**Senator FAULKNER**—I was going to ask what, if anything, the department had to do—

**Mr Metcalfe**—Nothing

**Senator FAULKNER**—No role at all?

**Mr Metcalfe**—There is possibly one small element that we may have been involved with and we will check that and let you know. We may have been involved with arrangements for his arrival in Australia. We think the answer is that we were not and that that was something undertaken by the New South Wales government but we will check and let you know. Beyond that, we have no involvement in his visit.

**Senator FAULKNER**—It has been suggested in some media reports that Australia has agreed to spend more than \$600,000 on local back-up security for the prince. What agency would be coordinating that?

**Mr Metcalfe**—I think the Protective Security Coordination Centre has dealt with the issue of coordination of security arrangements.

**Senator FAULKNER**—Can you direct me to the agency that I ought to go to so that I can understand what, if any, have been the Commonwealth-wide responsibilities for this. That is why I thought I would start here in Prime Minister and Cabinet, given your coordinating role.

**Mr Metcalfe**—Senator, I will correct this on notice if I am incorrect. As I understand it, apart from that one possible issue I indicated earlier, we have had no involvement and the Commonwealth's involvement has been limited to security coordination. Essentially, that security has been provided by state and possibly territory police forces. I do not think there is

any central part of the Commonwealth government that has had responsibility for the visit, but there may have been some coordination through the PSCC on security issues.

**Senator FAULKNER**—So if any costs were borne by the Commonwealth, it would only be in relation to that. Would that be correct?

**Mr Metcalfe**—That is my understanding but you will need to ask the Attorney-General's Department that.

**Senator FAULKNER**—I will do that, but I was interested in understanding from you whether you are aware of any other areas of government involvement in the visit; that was all.

**Mr Metcalfe**—I do not have any knowledge of that. I will make some inquiries, Senator, and if there is anything I can add to my answer, I will do so.

**Senator FAULKNER**—I will check with PSCC as to whether they have been involved in that, and what costs might have been borne. But could you check and let me know at a later stage if there has been involvement by any other agencies, or if there has been any expenditure on the part of the Department of the Prime Minister and Cabinet.

**Mr Metcalfe**—I will take that on notice. Senator, in my capacity as Chair of the National Counter-Terrorism Committee, I am aware of some discussions that have taken place, essentially between the PSCC and the state police commissioners in relation to the visit. That is the only personal knowledge that I have had of the issue.

**Senator FAULKNER**—Fair enough. In relation to your responsibilities, Ms Costello, we know that the wine in the official establishments' wine cellar has been polished off, I think. Is that correct?

**Ms Costello**—The original purchase, yes, has been drawn down.

**Senator FAULKNER**—What do we have in there at the moment, if anything?

**Ms Costello**—I have not got the actual inventory of what is in the wine cellar. I can tell you what has been spent over time.

**Senator FAULKNER**—Can you just let me know, then, what has been spent over time?

**Ms Costello**—This financial year to date, the total is \$6,428 for alcoholic beverages.

**Senator FAULKNER**—Are there any other categories of expenditure there?

**Ms Costello**—No.

**Senator FAULKNER**—You said alcoholic beverages.

**Ms Costello**—That includes spirits or beer as well as any wine purchases.

**Senator FAULKNER**—That is since 1 July 2003?

**Ms Costello**—That is right.

**Senator FAULKNER**—What was the figure for last year?

**Ms Costello**—For 2002-03 it was \$27,028.

**Senator FAULKNER**—What was the figure for 2001-02?

**Mr Metcalfe**—I think we provided this information at the previous estimates. From recollection, we went back for three or four years.

**Senator FAULKNER**—It just goes to show how helpful you are, Mr Metcalfe. In 2001-02 it was?

**Ms Costello**—In 2001-02 it was \$33,460.

**Senator FAULKNER**—Thank you very much. Is there any exercise at all to transfer wine between the Lodge and Kirribilli House or vice versa?

**Ms Costello**—I am advised that when we had some wine in storage some wine was transferred to Kirribilli, but we no longer have any in storage. It is either held in Kirribilli or the Lodge now.

**Senator FAULKNER**—You have no wine in storage?

**Ms Costello**—Other than at Kirribilli or the Lodge.

**Senator FAULKNER**—I appreciate that. Are you able to say how much wine is in storage at either Kirribilli House or the Lodge at any one time?

**Ms Costello**—No. I do not have a current inventory of it.

**Senator FAULKNER**—What I am asking is: is there ever a case for transfer of wine or other alcoholic beverages between the two establishments? I understand what you are saying to me, Ms Costello: you are making the point about wine in storage in a third location. I am asking you about transfer between Kirribilli House and the Lodge or vice versa.

**Ms Costello**—I am advised that sometimes, yes, there is.

**Senator FAULKNER**—How is that organised?

**Ms Costello**—It would be done with my staff and the staff of both houses.

**Senator FAULKNER**—Okay. What sort of amounts are transferred and for what reasons?

**Ms Costello**—I would have to check the records on that, I am afraid.

**Senator FAULKNER**—Can you say when the last transfer took place?

**Ms Costello**—No, I cannot.

**Senator FAULKNER**—Are other things transferred between Kirribilli House and the Lodge or is this just limited to wine?

**Ms Costello**—I am not sure what you mean.

**Senator FAULKNER**—This is a transfer paid for by the Commonwealth.

**Ms Costello**—Yes.

**Senator FAULKNER**—It is not as if Mr Howard puts it in the boot of his car and drives up the Hume Highway with it. It is transferred at the expense of the Commonwealth.

**Ms Costello**—Yes.

**Senator FAULKNER**—Okay. So I think we are entitled to know what those expenses are. I am keen to understand how much has been transferred, when it has been transferred, what it

has been for and how much it has cost. If you could provide any of that information now I would appreciate it. Are you able to provide any of that?

**Ms Costello**—I am trying to establish the nature of this. There have occasionally been items of furniture that have been transported. In terms of other items, no, I do not know of any. I can check the records for any couriers—we would use courier services.

**Senator FAULKNER**—Fair enough. All I am asking is whether there were other items that might be transferred. I appreciate that you have told us that there is wine transferred—

**Ms Costello**—Occasionally.

**Senator FAULKNER**—Occasionally. You have taken on notice the details of that. I appreciate that and look forward to receiving that information. I am also asking you whether there are any other items from time to time that have been transferred between Kirribilli House and the Lodge. If it makes it easier—and I do not want to ask you to do a huge amount of work on this—you can just go from the present time back to 1 July 2002. That might limit the task for you. As far as you know, it is only wine and maybe occasionally some furniture. Is that the case?

**Ms Costello**—An individual piece of furniture or something, yes.

**Senator FAULKNER**—Fair enough. If you can provide the detail of that to the committee, I would appreciate it. I assume things like crockery and that sort of stuff is not transferred between Kirribilli House and the Lodge, is it?

**Ms Costello**—That is correct.

**Senator FAULKNER**—Thank you for that. There was at least one other issue that I wanted to canvass with you, if I could, Mr Metcalfe, which goes to the question of the March 2003 backup computer files for the department—in fact, not only your department but four departments.

**Mr Metcalfe**—They were for the cluster five agencies.

**Senator FAULKNER**—They went missing, as I understand it, from the premises of your IT supplier, which was Telstra, on some date this year—around March, wasn't it?

**Mr Metcalfe**—It was the end of March.

**Senator FAULKNER**—Do we know the precise date?

**Mr Metcalfe**—I will ask Dr Ball to answer the detailed questions.

**Dr Ball**—The backup tapes appear to have gone missing on 28 March.

**Senator FAULKNER**—Thank you. What were on these files? You may not be able to speak for the other cluster five departments, but I thought you might be able to at least be pretty specific about what was on these files as far as your own department, Prime Minister and Cabinet, was concerned?

**Dr Ball**—They were email messages that were held on that server at the end of March.

**Senator FAULKNER**—Email messages covering what period of time?

**Dr Ball**—It could be any period of time. Whatever was on the server on that day would have been backed up. So, if you have a message from 1999, if it had not been deleted, it would still have been there.

**Senator FAULKNER**—Where were these files stored?

**Dr Ball**—Do you mean the tapes?

**Senator FAULKNER**—I am sorry—is that the correct term? Where were the tapes stored?

**Dr Ball**—They are stored out at Bruce when they are made. They are then taken off site to Recall at Fyshwick.

**Senator FAULKNER**—Where did the tapes go missing from?

**Dr Ball**—The establishment out at Bruce.

**Senator FAULKNER**—What receptacle were the tapes stored in?

**Dr Ball**—When they went missing?

**Senator FAULKNER**—Yes.

**Dr Ball**—They were stored in a wastepaper bin.

**Senator FAULKNER**—What sort of wastepaper bin?

**Dr Ball**—I believe it was a small, square wastepaper bin that accommodated these tapes.

**Senator FAULKNER**—Why were the tapes stored in a wastepaper bin?

**Mr Metcalfe**—That is very good question.

**Senator FAULKNER**—Let us hope you have a very good answer, Mr Metcalfe.

**Mr Metcalfe**—I want to put on the record that the department is extremely unhappy with this particular occurrence and we have made our views very forcefully known to the company concerned. My understanding is that, in removing the backup tapes from the server to transfer them to the secure repository, the habit of the staff member concerned was to use a small wastepaper bin of the type that fits under a desk. That is what led to this breach of security.

**Senator FAULKNER**—How substantial in volume are the tapes that we are concerned with? I assume we are not talking about a couple of cubic metres. Obviously, if they fit in a small wastepaper bin, they are comparatively small—is that right?

**Dr Ball**—There were 20 tapes involved. Four of those tapes belonged to our department.

**Senator FAULKNER**—Yes, but how large are the tapes?

**Mr Metcalfe**—The tapes are quite small. I gather they are the size of a cassette tape or something a bit larger.

**Dr Ball**—Yes, half a VHS tape.

**Senator FAULKNER**—I see. The storage arrangements in a wastepaper bin was a temporary arrangement, was it?

**Dr Ball**—Yes, it was purely to transport the tapes from the tape server room. Backups are taken through to a work area where they are packaged and normally put into a B class container.

**Senator BRANDIS**—So it was just being used as a receptacle.

**Mr Metcalfe**—It was a receptacle. It could have been a milk crate. It happened to be a rubbish bin.

**Senator FAULKNER**—But it wasn't, it was a wastepaper bin.

**Mr Metcalfe**—It was a means of transferring them from one room to another room.

**Senator FAULKNER**—It could have been a safe but it wasn't; it was a wastepaper bin.

**Senator BRANDIS**—This was not a permanent mode of storage; this was just something—

**Senator Hill**—It was just for transport.

**Senator FAULKNER**—I think that we have established that they were temporarily stored in a wastepaper bin. Thank you for your assistance, Senator Brandis, as always.

**ACTING CHAIR (Senator Murray)**—Senator Faulkner, you have the call.

**Senator FAULKNER**—Thank you, Acting Chair. I sincerely appreciate your protection from Senator Brandis, as always. We have established that there was temporary storage or placement in a wastepaper bin.

**Mr Metcalfe**—Our understanding is that the intention is that they were stored there momentarily as they were moved from one room to another room.

**Senator BRANDIS**—What do you mean by momentarily? Is it a matter of minutes or hours?

**Mr Metcalfe**—Seconds.

**Senator BRANDIS**—Seconds. They were put there momentarily—for a matter of seconds. That puts a slightly different complexion on the matter.

**ACTING CHAIR**—Senator Brandis, please show some courtesy to the chair. Senator Faulkner has the call and not you.

**Senator FAULKNER**—Thank you again. Has there been an inquiry into this incident?

**Mr Metcalfe**—Essentially there have been two lines of activity. Immediately we were advised of the disappearance of these tapes, the Federal Police, DSD and ASIO were informed and asked to take all necessary measures. In addition, the secretary wrote to the chief executive of Telstra indicating our extreme displeasure.

**Senator FAULKNER**—If I could just work through some of this and then by all means Senator Brandis can—

**Senator BRANDIS**—I am happy to wait until you have finished this bracket of questions, Senator Faulkner.

**Senator FAULKNER**—Thank you kindly, Senator Brandis.

**Senator BRANDIS**—I was just indicating to the chair that I would like to pursue the matter, if need be, to clarify the stalling effect of some of your questions.



**Senator FAULKNER**—I am sure you will be able to get the Nazis in there if you work really hard at it.

**Senator BRANDIS**—I am sure I would be able to too, Senator Faulkner.

**Senator FAULKNER**—I am sure you will. I am sure, in fact, that they were probably guilty of doing it. If we could just try to work through this in a methodical way. The tapes went missing on 28 March?

**Dr Ball**—Yes.

**Senator FAULKNER**—When was the department informed that the tapes had gone missing?

**Dr Ball**—We were informed on 17 April.

**Senator FAULKNER**—On 17 April. Do you know when the person responsible for momentarily—to use Senator Brandis's word—placing these tapes in the wastepaper bin became aware that they had gone missing? Do we know that?

**Dr Ball**—The problem we had was the changeover of staff during this period at Telstra Enterprise Services. Telstra became aware that the tapes were missing on 16 April.

**Senator FAULKNER**—That is hardly momentary, is it? The best part of three weeks had elapsed. You say that Telstra Enterprise Services became aware that the tapes were missing on 16 April, but did staff there become aware of it earlier?

**Dr Ball**—No, they did not. During that period there was a changeover of staff. The staff member who was responsible for tapes left Telstra Enterprise Services on 28 March. They handed over to a new member of staff and instructed that person on how to handle the tapes.

**Senator FAULKNER**—When the staff member left, obviously the tapes were in the wastepaper basket.

**Dr Ball**—Yes.

**Senator FAULKNER**—That was on their last day of service, was it? They left, someone else came in and the tapes were just momentarily placed in the wastepaper basket, and then—

**Dr Ball**—On the following Monday the new staff member assumed that the other staff member had actually placed those tapes into a B class container.

**Senator FAULKNER**—And about 19 days later it was discovered—

**Dr Ball**—That they were not there.

**Senator FAULKNER**—Hardly momentary.

**Mr Metcalfe**—What I was suggesting earlier was that the normal carriage using this means of conveyance was momentary, as it went from one room to another, with the intention being that it would then be packed away into a more secure container.

**Senator FAULKNER**—But on this occasion—

**Mr Metcalfe**—The system did not work.

**Senator FAULKNER**—it did not happen.

**Mr Metcalfe**—It did not happen.

**Senator FAULKNER**—And we assume, don't we—I have read this in a newspaper article, not that that means it is accurate—that the contents of this wastepaper basket, which are the cluster 5 tapes, were put into a wheelie bin at Telstra—is that right?

**Dr Ball**—We assume that they were taken by the cleaner and put into a—

**Senator FAULKNER**—We assume that; we are not certain of that but it sounds as if that is the likely explanation.

**Mr Metcalfe**—That is right. The plausible explanation is that, the tapes having been left there in a rubbish bin, the cleaner emptied the rubbish bin into a wheelie bin which was then removed from the site and disposed of as rubbish.

**Senator FAULKNER**—I want to be assured that you would not be critical of the cleaner for doing that.

**Dr Ball**—No.

**Mr Metcalfe**—The cleaner was doing their job.

**Senator FAULKNER**—Of course. Let us go back one step. Are you aware of what Telstra Enterprise Services did when they became aware that these tapes were missing? Obviously they informed you the next day—I know that—but are you aware of any other action they have undertaken?

**Dr Ball**—On the night of 16 April Telstra instituted a search on their premises for the tapes. They rang the DSD that night and the following morning they rang us to inform us that the tapes were missing.

**Senator FAULKNER**—Can you tell us what action the department initiated when it was informed?

**Dr Ball**—We met with Telstra Enterprise Services to discuss what caused the problem and what they were going to do to ensure that it did not happen again.

**Senator FAULKNER**—But what efforts were made to search for the missing tapes?

**Dr Ball**—We did not conduct a search for the missing tapes. Telstra Enterprise Services conducted those searches. They went out to a landfill to determine what happens to any commercial waste at that landfill.

**Senator FAULKNER**—So they went out to the local tip?

**Dr Ball**—Yes.

**Senator FAULKNER**—What did they do at the local tip?

**Dr Ball**—I believe they talked with the tip manager—if that is what the person is called—about what happens to commercial waste when it is dumped at that site.

**Senator FAULKNER**—What did we discover about the commercial waste?

**Dr Ball**—After a truck empties waste which is classified as commercial waste, within 15 minutes it is covered with fill. There is no fossicking in that area either.

**Senator FAULKNER**—So there wasn't any fossicking engaged in by Telstra Enterprise Services?

**Dr Ball**—No. By the time Telstra went across it was some weeks later. It was estimated that there was probably five metres of landfill over the tapes.

**Mr Metcalfe**—It will be a rare find for an archaeologist sometime, Senator.

**Senator FAULKNER**—That is if it is there, of course, Mr Metcalfe—you are assuming that it is there. Is that an assumption we can jump to?

**Mr Metcalfe**—I have said that that is the most plausible explanation.

**Senator BRANDIS**—Do you think that is most likely?

**Mr Metcalfe**—Absolutely.

**Senator FAULKNER**—Are there any more worrying explanations?

**Mr Metcalfe**—Nothing has occurred subsequently—in terms of, say, material that would have been held on those tapes finding its way into the public domain—that would indicate that someone has accessed those tapes and is using them. The likely assumption—based upon what happened to the material once it was placed in the rubbish bin, the routine of the cleaners, the routine of the truck and what happens to the content of the truck after it goes to the landfill site—is that it is now many metres under the rubbish.

**Senator FAULKNER**—What kind of departmental information was stored on these tapes?

**Mr Metcalfe**—Essentially, as Dr Ball said earlier, it is backups of email traffic undertaken by the department and the other close to five agencies—whatever was on the server at that time. It could go back some time.

**Senator FAULKNER**—Would any of that material have a security classification at all?

**Mr Metcalfe**—It is an unsecure or a very low security level system. The department is well equipped in relation to more secure networks for the transmission of security classified material, such as the cabinet system or DFAT's SATIN system. I would not want to give a 100 per cent assurance that no email sent by a departmental officer contained something that should not have been on there. But staff are well trained with security briefings and are reminded about these things on a regular basis. Within the limits of human endeavour there will be nothing there that is of a security concern. Unless I accessed every email that was on that system, I could not give an absolute guarantee.

**Senator FAULKNER**—I understand that.

**Mr Metcalfe**—I am just being very careful.

**Senator FAULKNER**—I appreciate that. I am just trying to ask for the general picture. This was, as you know, a significant time in terms of Australia's involvement in Iraq. You would appreciate that.

**Mr Metcalfe**—That is right. The classified material on that sort of issue would have been transmitted through secure channels.

**Senator FAULKNER**—Of course. Would it deal with non-classified matters relating to that issue?

**Mr Metcalfe**—It could deal with non-classified matters relating to anything the department gets involved with, including that issue.

**Senator FAULKNER**—You have indicated that the secretary of the department, Dr Shergold, has written to Telstra Enterprise Services. Would it be possible for the committee to be provided with a copy of Dr Shergold's letter, please?

**Mr Metcalfe**—We will take that on notice. We will check with the secretary with a positive view to assisting the committee.

**Senator FAULKNER**—I think it would be helpful. It would be valuable if we had it in front of us at the moment, so that we could understand.

**Mr Metcalfe**—I can assure the committee that the tone of the letter expressed great concern at the procedures that had been in place, requested urgent remediation to ensure that that sort of breach did not occur and indicated that the department would be taking steps to satisfy itself on a regular basis, without notice, that procedures were appropriate.

**Senator FAULKNER**—Has TES provided PM&C with any undertakings in relation to the handling of this sort of material in the future?

**Dr Ball**—Yes, they have. They have actually changed their procedures so that they are quite explicit about how tapes are handled and carried from the server room to the work area. It is now a bright blue box and not a wastepaper bin; it is quite obvious. As Mr Metcalfe said, we do have a number of random checks to make sure those procedures are being followed and implemented.

**Senator FAULKNER**—What was the colour of the wastepaper basket?

**Dr Ball**—Probably grey, but I am guessing.

**Senator FAULKNER**—That should solve it! That should fix it. This is quite a long-term contract with Telstra as your IT supplier, isn't it?

**Mr Metcalfe**—It has been in place for some years. Dr Ball would have the detail, but it is due to expire next year.

**Senator FAULKNER**—But, as you say, it has been in place for some time.

**Mr Metcalfe**—It has been in place for some time, since those arrangements were established.

**Senator FAULKNER**—We have certainly discussed that in committees before, as I understand it. Are there any penalty clauses in this contract?

**Dr Ball**—This actual breach did invoke the clause where we could terminate the contract.

**Senator FAULKNER**—So has the contract been terminated?

**Dr Ball**—No, it has not.

**Senator FAULKNER**—You are making the point, Dr Ball, that it could have been terminated.

**Dr Ball**—Yes.

**Mr Metcalfe**—Prior to this event, the department had already formed the view that we would not seek to roll over or continue the contract but we would retender. Part of that was because the original departments within the cluster were looking at different solutions for their IT requirements. We knew that TES would no longer be supplying the services as of right from 1 June. Of course, the tender process for future services is another issue, but the ability to terminate the contract was not exercised because the contract was coming to an end, and in the meantime we had an ongoing requirement for IT services. The judgment was that urgent remediation and strong attention to security were important, with the opportunity for us to reconsider the IT service provider arrangements we have at the moment.

**Senator FAULKNER**—What is the date that the contract ends?

**Dr Ball**—30 June 2004.

**Senator FAULKNER**—Mr Metcalfe, you have not said this directly, but I wonder if it is nevertheless the case that there effectively are no penalty clauses beyond termination. Is that a fair summation of the problem? It sounds like it.

**Dr Ball**—The only other clause we would have is service levels, which have service penalties. Those service levels do not cover security breaches such as this one.

**Senator FAULKNER**—So there were no penalty clauses beyond termination for security breaches in this contract?

**Mr Metcalfe**—There was no intermediate measure short of termination—I think that is the way to describe it.

**Senator FAULKNER**—Now that you have had a chance to reflect on this, would you be thinking in any future contract that might be drawn that there might be a better way to go?

**Mr Metcalfe**—Yes.

**Dr Ball**—Yes. Things like consequential damages are part of the sorts of contracts we are looking at. Things like service levels to cover a range of security issues are also being looked at.

**Senator FAULKNER**—Does the department have any other contracts with TES?

**Dr Ball**—No, just that one.

**Senator FAULKNER**—Are you aware, Mr Metcalfe, of whether the Commonwealth has other contracts written with TES?

**Mr Metcalfe**—From my understanding, TES has the contract for the group 5 cluster of agencies. But I am advised that they do not provide IT services for any other cluster arrangements. I do not know beyond that whether they have contracts in place.

**ACTING CHAIR**—Could I interrupt briefly. The committee was expected to move on to DOFA between four and 4.30 p.m. and the minister made appointments, as I understand it, from 5 p.m. Can you give me a rough idea of how much longer this will take?

**Senator FAULKNER**—I was certainly planning to wrap up by 5 o'clock. I haven't ever been known to go over time!

**ACTING CHAIR**—Never; not once!

**Senator FAULKNER**—Sorry, could you repeat your answer?

**Mr Metcalfe**—My answer was that, beyond the cluster 5 arrangement, I have no knowledge of whether TES has other contracts. The information I have is that they are not an IT service provider to other departments.

**Senator FAULKNER**—Has this led to a review of arrangements with IT contractors with other clusters in other departments? You would accept, Mr Metcalfe, that this is a pretty bad experience.

**Mr Metcalfe**—Absolutely.

**Senator FAULKNER**—A very embarrassing experience.

**Mr Metcalfe**—Yes. I can't tell you how we felt when we found out about it.

**Senator FAULKNER**—How did you feel when you found out about it?

**Mr Metcalfe**—I felt extremely angry, very angry. At the end of the day, one could understand the circumstances, but given the material involved, these sorts of things should not happen. So yes, we were not happy at all about what happened. In terms of sharing that experience with other departments, I am not sure whether Dr Ball, through discussions with the cluster agencies or others, has mentioned this. I would hope that other service providers do not have this form of transfer or have the opportunity for a cleaner to remove material in this way.

**Senator SHERRY**—Just on this issue, are the employees at Telstra Enterprise Services, both the administrative staff and/or the cleaning staff, security cleared by the government?

**Dr Ball**—The actual staff that work on our network are security cleared by government, yes.

**Senator SHERRY**—Including the cleaners?

**Dr Ball**—I am not sure whether the cleaners are. I would have to take that on notice.

**Senator SHERRY**—Did you check the legal status of material that is dumped at a tip? If someone just happened to be fossicking and picked them up, does the property remain under the legal ownership of the Commonwealth?

**Mr Metcalfe**—We would have to take that on notice, Senator. I assume we would have copyright in the material. I am simply not sure about the legal ownership of the tapes; I imagine they are owned by TES, their legal status having been disposed of inadvertently.

**Senator BRANDIS**—I suspect that abandoned property, like lost property generally, subject to some exceptions, remains the responsibility of the person who threw it away.

**Mr Metcalfe**—Yes.

**Senator FAULKNER**—You are able to give us an assurance, Mr Metcalfe, that these files will not have landed in the wrong hands?

**Mr Metcalfe**—As I said before, the most likely explanation is that they are now buried under many, many metres of waste and soil. The advice I have is that the tapes could break down quite quickly and therefore there would not be the ability to retrieve material, were a

fossicker or an archaeologist to come across them at some future stage. So while there are no guarantees in life, the most plausible explanation is that they will not be inappropriately used.

**Senator SHERRY**—Unless they were thrown out in the plastic bag in the rubbish bin; then they would not deteriorate so rapidly, would they?

**Dr Ball**—No, but I think the likelihood of that plastic bag remaining intact is probably very low, anyway. My understanding is that they were just thrown into an open container as tapes and not enclosed in anything else.

**Senator FAULKNER**—Don't tell Dr Kemp that, with his plastic bag policy. He would tell us that they never disintegrate.

**Dr Ball**—Tearing and disintegrating are two different things, Senator.

**Senator FAULKNER**—I think we have heard what the very likely explanation is. Mr Metcalfe said to us that he cannot be certain.

**Mr Metcalfe**—And the likelihood is given greater weight by the fact that nothing has happened since that time to indicate that they have been improperly accessed or used. I certainly hope that is the case.

**Senator BRANDIS**—Perhaps I missed something in the discussion, but when you talk about disintegrating are you talking about it physically degrading, the electronic information degrading or are you talking about both?

**Dr Ball**—It is probably the tape media itself.

**Senator BRANDIS**—So it is physically degrading?

**Dr Ball**—Yes.

**ACTING CHAIR**—I think that is enough. Yes?

**Senator FAULKNER**—I think the discussion has degraded.

**ACTING CHAIR**—There being no further questions, that completes the examination of the Prime Minister and Cabinet portfolio. I remind you, Mr Metcalfe, and your officers that the committee has set 16 January 2004 as the date for the submission of written answers to questions taken on notice. The committee thanks the minister and officers for their attendance. I call DOFA to the table.

[5.01 p.m.]

## **FINANCE AND ADMINISTRATION PORTFOLIO**

### **In Attendance**

Senator Minchin, Minister for Finance and Administration

Senator Abetz, Special Minister of State

### **Department of Finance and Administration**

#### **Executive**

Dr Ian Watt, Secretary

Ms Felicity McNeill, Executive Officer

#### **General**

Mr Lembit Suur, General Manager, Corporate Group

Mr Ian McAuley, Branch Manager, Parliamentary and Corporate Support

Mr Damien Hall, Acting Branch Manager, Strategic Partnerships

Ms Tracy Muddle, Manager, Human Resources

Mr Andrew Kefford, Director, Policy Advice Unit

Ms Wendy Dielenberg, Director, Portfolio Coordination Unit

Mr Sean Giddings, Portfolio Coordination Unit

Ms Lisa Ward, Portfolio Coordination Unit

Mr Consul O'Reilly, Portfolio Coordination Unit

Mr Dominic Staun, General Manager, Financial and e-Solutions Group

Mr Michael Strickland, Branch Manager, Financial and e-Solutions Group

Ms Joanne Hamilton, Executive Officer

#### **Outcome 1**

Mr Phil Bowen, General Manager, Budget Group

Ms Susan Page, Division Head, Industry, Education and Infrastructure Division

Mr Rob Butterworth, Division Head, Government and Defence Division

Ms Kathryn Campbell, Division Head, Social Welfare Division

Mr Phillip Prior, Division Manager, Budget Coordination and Framework Division

Mr Arthur Camilleri, Branch Manager, Long Term Budget Policy

Mr Marcus James, Branch Manager, Budget Coordination

Mr Ian McPhee, General Manager, Financial Management Group

Mr Jonathan Hutson, Division Head, Financial Framework Division

Mr Jim Kerwin, Division Head, Financial Reporting and Cash Management Division

Mr Simon Ash, Branch Manager, Financial Reporting Branch

Mr Brett Kauffmann, Branch Manager, Accounting Policy Branch

Ms Sandra Wilson, Branch Manager, Superannuation Branch

Mr Geoff Painton, Manager, Superannuation

Ms Louise Seeber, Branch Manager Superannuation (Financial) Branch

Mr Michael Culhane, Branch Manager, Finance and Banking

Mr Marc Mowbray-d'Arbela, Branch Manager, Legislative Review Branch

Mr Mike Loudon, Branch Manager, Procurement Branch



Ms Justine Potter, Team Leader, Estimates and Actuals  
Mr Tony Olliffe, Team Leader, GFS Policy and Reporting

**Outcome 2**

Mr Simon Lewis, General Manager, Asset Management Group  
Mr David Yarra, Division Manager, Shareholder and Asset Sales Division  
Mr Peter Diddams, Branch Manager, Commercial and Projects  
Ms Marianne King, Branch Manager, Government Businesses Advice Unit  
Mr Mark Heazlett, Branch Manager, Government Businesses Advice Unit  
Mr Robin Renwick, Branch Manager, Asset Sales Branch  
Mr Neil Williams, Branch Manager, Asset Sales Branch  
Mr Tim Wise, Acting Branch Manager, Major Projects Branch  
Mr Guy Verney, Branch Manager, Special Claims and Land Policy Branch  
Ms Stacie Smith-Macnee, Branch Manager, Insurance and Risk Management Branch  
Mr Michael Pahlow, Branch Manager, Property Management Branch  
Mr Rod Whithear, Branch Manager, Fleet Monitoring Body  
Ms Jacqui Myers, Finance Manager, Asset Management Group  
Ms Tracie-Ann Maher, Team Leader, Insurance and Risk Management Branch

**Outcome 3**

Ms Jan Mason, General Manager, Ministerial and Parliamentary Services  
Mr John Gavin, Special Adviser  
Ms Kim Clarke, Branch Manager, Entitlements Policy  
Mr Rob Barnes, Branch Manager, Service Centre  
Mr Ken Sweeney, National Manager, COMCAR  
Mr John Edge, Branch Manager, Account Management  
Mr Stephen Taylor, Acting Branch Manager, Legal and Review  
Mr Greg Smith, Ministerial and Parliamentary Services  
Mr Rohan Verco, Ministerial and Parliamentary Services  
Mr Greg Miles, Ministerial and Parliamentary Services  
Ms Kim Baker, Ministerial and Parliamentary Services  
Mr Wally Stopp, Ministerial and Parliamentary Services  
Ms Beth Fiedler, Ministerial and Parliamentary Services  
Ms Carolyn Hughes, Ministerial and Parliamentary Services  
Mr Warren Benson, Ministerial and Parliamentary Services  
Mr Paul Way, Ministerial and Parliamentary Services  
Mr Clayton Conquest, Ministerial and Parliamentary Services  
Ms Sue Richards, Ministerial and Parliamentary Services  
Ms Gillian Mitchell, Ministerial and Parliamentary Services

**Australian Electoral Commission**

Mr Paul Dacey, Acting Electoral Commissioner  
Mr Tim Pickering, Acting Deputy Electoral Commissioner  
Ms Barbara Davis, First Assistant Commissioner, Business Support  
Ms Marie Nelson, Assistant Commissioner, Corporate Services  
Ms Kathy Mitchell, Director, Funding and Disclosure

Mr Doug Orr, Assistant Commissioner, Elections

Mr Brien Hallett, Assistant Commissioner, Information, Education and Research

Mr Andrew Moyes, Assistant Commissioner, Enrolment and Parliamentary Services

**ComSuper**

Mr Leo Bator, Chief Executive Officer

Mr Kevin Dent, Chief Finance Officer

**PSS/CSS Boards**

Ms Barbara Wilson, Finance Manager

Mr Steve Gibbs, Chief Executive Officer

**Commonwealth Grants Commission**

Mr Malcolm Nicholas, Acting Secretary

Mr Owen Rodda, Director, Administrative Support Services

**ACTING CHAIR (Senator Murray)**—On 13 May 2003 the Senate referred to the committee for examination of the following documents: particulars of proposed expenditure in respect of the year ending 30 June 2004, Appropriation Bill (No. 1) 2003-04; particulars of certain proposed expenditure in respect of the year ending 30 June 2004, Appropriation Bill (No. 2) 2003-04; particulars of proposed expenditure in relation to the parliamentary departments in respect of the year ending 30 June 2004, Appropriation (Parliamentary Departments) Bill (No. 1) 2003-04. The committee is required to consider these documents insofar as they refer to the portfolios allocated to the committee by the Senate on 13 February 2002. The committee held hearings on the 26, 27, 28 and 29 May 2003 and reported to the Senate on 19 June 2003. The hearing today is supplementary to the budget estimates hearings and is to consider matters relating to the written answers or additional information or otherwise relating to the proposed budget expenditure referred to the committee.

The agenda you have before you comprises those matters notified to the committee secretariat in writing by the close of business 28 October 2003, three working days before today as required by standing order 26(10). The committee has set Friday, 16 January 2004 as the date for the submission of written answers to questions taken on notice. The committee would also like to inform all departments and agencies that required additional information on answers to questions on notice be provided in both hard paper copy and electronic form. The committee also reminds all departments and agencies that where incorrect or incomplete information is given in evidence corrections should be provided within a timely manner.

I propose to conduct business in the order outlined on the committee's official agenda, which has been provided to members of the committee, senators and witnesses. I remind officers that the Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from parliament or its committees unless the parliament has expressly provided otherwise. I further remind officers that an officer of a department to the Commonwealth or of a state shall not be asked to give opinions on matters of policy and should be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. Evidence given to the committee is protected by parliamentary privilege. I also remind you that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate. I welcome Senator Minchin, the Minister for Finance and Administration, Dr Watt and officers from the

Department of Finance and Administration to the table. Senator Minchin, do you wish to make an opening statement?

**Senator Minchin**—No thanks, Mr Chairman.

[5.08 p.m.]

#### **Department of Finance and Administration**

**ACTING CHAIR**—We will move to general questions first. Senator Sherry, you had a query before we begin.

**Senator SHERRY**—I just want to clarify whether or not this matter should be asked in some of its aspects here. Pages 78 and 79 of the annual report of the Commissioner of Taxation has the details of the lost members register and the superannuation holding account reserve balances. I know what they are and how they operate, but I am particularly interested in how they are treated in the budget papers in the way in which the moneys received are treated and accounted for and the way in which withdrawals from these accounts in terms of claims are treated. That is the relevant area that I assume Finance would have some information on and I would like your guidance if you could.

**Dr Watt**—I will find our relevant expert and see if we can get him to the table.

**Senator SHERRY**—I know others are here for other things. I am happy to come back at perhaps a prearranged time—say 6 p.m.—

**Dr Watt**—I think we can probably get you as quick an answer now as you are likely to get this evening.

**ACTING CHAIR**—If your colleagues are happy, I am happy to give you the call.

**Senator SHERRY**—It will take about five minutes, thanks.

**Dr Watt**—Perhaps, Senator, it would be sensible if we did have a look and come back, say, at 6 o'clock with what information we can get you. Is that suitable to you?

**Senator SHERRY**—Yes, that is fine, thank you.

**Senator FORSHAW**—Would it be acceptable if we lead off with questions relating to Telstra, which Senator Mackay is going to pursue? That would get that out of the road.

**ACTING CHAIR**—Yes.

**Senator MACKAY**—Senator Minchin, on 30 October 2003 in the Senate you asserted, inter alia, that the sale of Telstra benefited the budget. To estimate the public debt interest savings from selling Telstra you used the current long-term bond rate of 5.625 per cent and the current dividend yield of five per cent. Are these the same assumptions that were used in the 2003-04 budget for when Telstra is sold? If not, what are the budget assumptions?

**Senator Minchin**—I might ask officers to speak to this matter as well. In my second reading speech in the Senate I sought to refute the assertion being made by some that a sale would be bad for the budget. Because it is not our specific role, you will find that in my speech I did not go into exactly what the interest rate is and what interest the government pays on its debt, per se. If you take the long-term bond rate—and it is a reasonable assumption to make—then you get the sort of outcome that I indicated in that speech. As I said, I was

attempting to reject assertions made by your party that somehow this would be bad for the budget.

**Senator MACKAY**—I think that the government has announced that Telstra is due to be sold in 2005-06.

**Senator Minchin**—No. For the purposes of the budget, which requires some sort of assumption to be made, we have made an assumption that it would be sold in three tranches and that the first proceeds would be received in 2005-06. It is not a decision; it is an assumption for the purposes of the budget.

**Senator MACKAY**—That is fine. To estimate the budget impact of selling Telstra, I am wondering why you should not be using forecasts for dividends on the long-term bond rate rather than current numbers.

**Senator Minchin**—I think in that speech I took the current dividend, which is a published figure, and the current long-term bond rate and then demonstrated the outcome you would get from the current position. I think I put the caveat that obviously when the government is in a position—as it hopefully one day will be—with legislative approval to move to sale, the timing of that sale will be influenced by the circumstances prevailing at that time in terms of interest rates, market price and all that sort of thing. But in dealing with the argument that selling Telstra must necessarily be bad for the budget, if we take the current set of circumstances—in terms of share price, long-term bond rate et cetera—then it is clear that it would not be bad for the budget.

We have said on several occasions that once legislative authority is gained the government will be very cognisant of the financial impact of the sale and will make a decision on timing based on ensuring an appropriate outcome for taxpayers. But there are some who assert that selling Telstra must necessarily be bad for the budget so in dealing with that I took the current set of numbers and said, ‘Well, if you had sold it today, on the current set of numbers it would not be bad for the budget.’

**Senator MACKAY**—Did you factor in the growth in the dividend?

**Senator Minchin**—I just finished telling you that I took the current situation as an example of what would occur if we sold today. I also went on to say that the government have said repeatedly that timing of sale will be influenced by ensuring an appropriate return and that will be influenced by price et cetera. We do not know what will happen to dividends, but nor do we know what might happen to interest rates. Obviously the equation as to the offset between dividend income the government receive and the interest we pay on government debt is a function of debt remaining and the current level of interest that we have got to pay on that. All I was saying was, ‘Let us take a snapshot as of today and see what the outcome is, and it shows it would be essentially a neutral effect on the budget,’ as a device for refuting the suggestion that is put by some that whenever you sell it it must necessarily be bad for the budget.

**Senator MACKAY**—Thank you for that. You are also assuming a long-term bond rate, when a short-term bond rate may in fact apply. Is that correct?

**Senator Minchin**—As I said at the outset of this discussion, I did not say nor indicate what interest rate the government actually pays on its debt, but I said if you assume that it pays around the long-term bond rate then this is the outcome you get.

**Senator MACKAY**—So why did you assume the long-term bond rate when a short-term rate may apply?

**Senator Minchin**—Because that is a not an unreasonable basis for seeking to determine the sort of interest which the government pays on its outstanding debt.

**Senator MACKAY**—The table I have here has been put together by us on the basis of a public debt interest assumption that you used, the Telstra share price assumption that was revealed in previous estimates, and dividend forecasts for the relevant financial years supplied by Macquarie Bank—a reputable institution, I think we would all agree. So the only assumption we can disagree on is for the dividend forecasts, I think, since there are other assumptions that have been used by the government. What I would like to do, Senator Minchin, is give you a copy of the table and see which aspects of the table you specifically do not agree with and why.

**Senator Minchin**—You keep referring to me making a forecast of dividends. I did not indicate any forecast. Anyway, I am happy to look at your table and respond either now or in due course.

**Senator MACKAY**—Thank you. Just to make it clear, these are the facts we are attempting to determine what the underlying assumptions were, such as interest rates. You have indicated you have given a snapshot as of today.

**Senator Minchin**—Yes.

**Senator MACKAY**—Our contention is that it is very hard to extrapolate that to whenever the first tranche proceeds are forthcoming. We want to go specifically to that.

**Senator Minchin**—I just want to repeat that this is not really all that relevant to exactly what I said in the Senate, which was that, if you take the numbers as at the day I spoke, this is the outcome you get.

**Senator MACKAY**—How can you do that?

**Senator Minchin**—How can I do what?

**Senator MACKAY**—How can you take the numbers of the day you spoke and extrapolate them three or four years into the future?

**Senator Minchin**—I did not; I did not seek to.

**Senator MACKAY**—What, you just took the numbers as they applied on that day?

**Senator Minchin**—This is apples and pears.

**Senator MACKAY**—Yes, it is.

**Senator Minchin**—I was responding to an argument that suggests that you must necessarily render the budget worse off by selling Telstra. I said that is not really true and, for example, take today: if we sold today this is a likely outcome. What you have done in your exercise is go to Macquarie Bank and ask them to forecast dividends. You have taken 2005-06

on the basis that that is what the budget assumes, for the purposes of budgets, would be the first year in which we receive sale proceeds.

Again, I reiterate that we have not decided to sell then—we do not have the legislative authority—and that a decision to sell will be based on ensuring an appropriate return to taxpayers. Mind you, I think the reasons for selling Telstra go way beyond the immediate issue of the annual budget. For the purposes of the exercise you got them to do, Macquarie made certain assumptions about dividends and interest rates in the future. I did not enter into that sort of argument when I spoke in the Senate on the second reading. Obviously it is easy to come up with a set of assumptions which serve your purpose.

**Senator MACKAY**—That is what you have done.

**Senator Minchin**—If your purpose is to show that if you assume A, B and C you can prove that the budget will be worse off one way or another, sure—anybody could do that. But I could equally come up with another set of assumptions which would show that the budget would be a lot better off.

**Senator MACKAY**—That is precisely what you have done.

**Senator Minchin**—No, it is not. That is nonsense.

**Senator MACKAY**—You have taken a snapshot of the day you were speaking. What we have attempted to do is what you should be doing—some long-term projections. What is your response to this scenario?

**Senator Minchin**—I do not have a response to that, and I am not going to respond to that.

**Senator MACKAY**—You are not going to respond to it?

**Senator Minchin**—No.

**Senator MACKAY**—Why not?

**Senator Minchin**—Because what I was seeking to do was to refute the suggestion that the budget must necessarily be worse off, whatever the circumstances and whenever you sell it. I sought to refute that idle suggestion by saying by way of example, ‘Let’s say we sold it today, clearly the budget would not be worse off.’ As I say, we believe that there are many more fundamental and essential reasons why it is ridiculous for the government to own 50.1 per cent of Australia’s biggest company than the immediate budgetary issue. However, you in your idiotic and hypocritical opposition to this sale seek to make an issue of the budgetary impact. You have come out with this thing of, ‘Let’s say it was sold in 2005-06, 2006-07 or 2007-08, let’s say the dividend was this and let’s say the interest rate was that, then it will have whatever you indicate might be the impact.’

**Senator MACKAY**—Where are we wrong? Instead of this ad hominem approach, why don’t you just tell me where we are wrong?

**Senator Minchin**—You are wrong in asserting that the Telstra sale will necessarily be worse for the budget, because you are basing that statement on assumptions about what dividends and interest rates might be and taking one bank’s stab in the dark on that question five years down the track. That is just silly.

**Senator MACKAY**—The table was put together on the—

**Senator Minchin**—Anyway, we have already said that the caveat on the sale is that we will examine the circumstances at the time before we decide whether to sell—and we have not decided to sell in 2005-06; all we have done is make an assumption for the purposes of the budget that that would be the first—

**Senator MACKAY**—You are extremely defensive today, Senator Minchin. The table was put together—

**Senator Minchin**—I just think this is a waste of time.

**Senator MACKAY**—I do not care what you think.

**Senator Minchin**—I thought you wanted to finish this by 6.30 and get on with attacking the AEC. So why don't you just move along?

**Senator MACKAY**—The table has been put together on the basis of the PDI assumption you used, the Telstra share price assumption that was revealed in the previous estimates and the dividend forecast for the relevant financial year supplied by Macquarie Bank. As the finance minister, surely you must have some comment on that.

**Senator Minchin**—I have a comment, yes: that your—

**Senator MACKAY**—If you do not, we can only draw the conclusion that it is not defensible. That is fine.

**Senator Minchin**—You said in the statement you have just made that I made an assumption. I think I have said three times already that I did not make an assumption about the long-term bond rate; for the purpose of my example I used the long-term bond rate as of the day I spoke. What Macquarie have done, I assume, is make an assumption about the long-term bond rate applying in 2005-06, 2006-07, 2007-08 and 2008-09. They are entitled to do whatever they like—but put that to one side. I also make the point that, for very good reasons, we do not comment—and I do not think your government did either—on what the dividend is or will be. There are very obvious reasons for that.

**Senator MACKAY**—As we have discussed, you assumed that the PDI would be estimated according to the long-term bond rate. This assumes that Telstra proceeds are used exclusively to retire debt, doesn't it?

**Senator Minchin**—What does—this piece of paper in front of us?

**Senator MACKAY**—In your speech you assumed that the PDI was used exclusively to retire debt.

**Senator Minchin**—Yes, I did.

**Senator MACKAY**—Is it not the case that at least half of the Telstra proceeds are likely to be placed on short-term deposit at the RBA?

**Senator Minchin**—I am not going to comment on what might or might not happen in the eventuality. That would probably not be a matter for us anyway. That is not something we deal with; that is dealt with by Treasury, isn't it? You can ask Treasury what would happen in those circumstances.

**Senator MACKAY**—I understand this is because the current stock of Commonwealth government securities is around \$58 billion. The government has decided to maintain Commonwealth government securities at the Commonwealth government securities market. Treasury's suggestion that the stock of CGS is likely to be maintained at around \$40 billion means, on my layperson's logic, that at least half of the Telstra proceeds are likely to be placed on short-term deposit at the RBA. You can wash your hands and say that this is a Treasury matter if you like.

**Senator Minchin**—We have said that, because our government—uniquely in the world, almost, if we are able to sell Telstra—could be a position of eliminating net debt. We did undertake a very important exercise in seeking to answer the question as to whether or not the government should maintain a market in Commonwealth government securities. We came to the conclusion that it should, but we also flagged when making that announcement that, while maintaining a market and therefore having gross debt, we would seek to address the government's considerable unfunded liabilities, given that we would then be in a net no debt situation and could start on the task of dealing with the substantial unfunded liabilities we have. Those machinations are a matter for Treasury and AOFM et cetera. I do not know where you are leading.

**Senator MACKAY**—What I am getting at is the use of the long-term bond rate. Why aren't you also using the RBA short-term deposit rate, predicated on your government's own policy parameters in the example you used?

**Senator Minchin**—All I did in that example was to say—and I think it is reasonable to assert, as I did—that an approximation for the sort of interest which the government pays on its debt is the long-term bond rate and, if you take the long-term bond rate as of today, this is the outcome you get.

**Senator MACKAY**—But your own government has determined its policy parameters with respect to the maintenance of Commonwealth government securities of around \$58 billion. As I said, on my layperson's back of the envelope calculations—

**Senator Minchin**—I do not think we have said how much debt we will hold out there.

**Senator MACKAY**—\$40 billion.

**Senator Minchin**—No, all we said was—

**Senator MACKAY**—If it has to be maintained at around \$40 billion, you have got to put half the Telstra proceeds on short-term deposit at the RBA—or don't you? Please, I am open to correction.

**Senator Minchin**—I am not going to comment on that. That would be a matter for Treasury at the time. All I did was make the quite reasonable point that we have to pay interest on all the debt you left us. What is that debt costing us? It is reasonable to assume that the debt you left us costs us about the long-term bond rate based on that presumption which you seem to be using anyway in your own example, which you keep throwing at us.

**Senator MACKAY**—We used the assumptions you made in your speech, as I think I have indicated twice.



**Senator Minchin**—Then why are you criticising that? You are now criticising your own assumptions.

**Senator MACKAY**—No, no. We put this together based on the assumptions you used.

**Senator Minchin**—You have had this floating around for some time, these Macquarie—

**Senator MACKAY**—Do you want me to go through it again? We are giving you the opportunity here, Minister, to refute this, and now you are refusing to comment.

**Senator Minchin**—No, all I have said—

**Senator MACKAY**—You are. It is ludicrous—

**Senator Minchin**—I have commented. I said that you have just got Macquarie to forecast the dividends that Telstra will deliver. I am not going to comment on dividends going out to 2008-09. That is just silly. Any one of the banks can make any kind of projection it likes, and then you can run off that. Who knows what the dividends will be going out to 2008-09? I again come back to the point I was trying to make: any attempt to assert that the sale of Telstra will definitely, without question, be bad for the budget is a silly thing to say, because it does depend on what the interest payments are and what the dividend from those shares is at the time of sale. We have repeatedly said that it is a condition of our sale, given legislative authority, that we get—I think these are the words—an appropriate return for taxpayers.

I can assure you that the Treasurer will not be all that enthusiastic about selling at a time when the variables would suggest that, if you sold on that day, it would be bad for the budget—and to refute the assertion that it must necessarily be bad for the budget, I took the variables, as on the day I spoke, to show that it would not be bad for the budget in those circumstances. So this is just a silly, idle argument, given that I have already said that the government's position is clear—that we will only give effect to a sale as and when the variables suggest an appropriate return for taxpayers. I remind you that your party has already cost the taxpayers \$18 billion by rejecting a full sale at a time when the share price was \$7.40. So don't start lecturing us about the effect on the budget.

**Senator MACKAY**—Under your own policy parameters, the government has committed to a \$40 billion CSG. Are you seriously trying to tell us that this has no implications with respect to a likelier return? You did not even know about it; you had to seek advice from the secretary.

**Senator Minchin**—Don't be smart. It is not my department's or my responsibility; it is the responsibility of the—

**Senator MACKAY**—Why didn't you factor it into your speech then?

**Senator Minchin**—It is the responsibility of the Treasury and the AOFM to manage those proceeds, not us.

**Senator MACKAY**—I did not see any such caveats in your speech.

**Senator Minchin**—We sell; they manage the proceeds.

**Senator MACKAY**—We did not see any caveats in your speech to that effect. You have not factored in your government's own commitment.

**Senator Minchin**—Oh, rubbish!

**Senator MACKAY**—Well, you tell us; do it now.

**Senator Minchin**—Rubbish! What I factored in in my example was the fact that we pay interest on the debt you left us. That debt is \$30 billion. If you take the long-term bond rate as a reasonable approximation of the cost of the interest on the debt your party left us, and you match that against the dividends, you demonstrate that the budget is no worse off as at the day I spoke.

**Senator MACKAY**—Is it the case that—

**Senator Minchin**—Your party should be highly embarrassed by the situation you left this country in. Your idiotic refusal to accede to the sale of—

**Senator MACKAY**—Can we leave the editorialising to one side.

**Senator Minchin**—Well, you are editorialising, trying to smart-arse, so I will give it back to you.

**Senator MACKAY**—I am asking you questions and you are not answering them.

**Senator Minchin**—Because these are idle, silly questions which seek to speculate about what dividends from Telstra might be in 2008-09 and assume that a government will sell in those circumstances. It is just silly and a waste of time.

**Senator MACKAY**—It is not silly because your government—

**Senator Minchin**—If you want to go on wasting time, go ahead.

**Senator MACKAY**—Your government has already committed to the CSG being maintained at around \$40 billion. This means—am I wrong—that one-half of the Telstra proceeds are likely to be placed on long-term deposit at the RBA. Is that correct or not?

**Senator Minchin**—I am not going to speculate about what might happen to the proceeds of the sale because it is not my responsibility. You can ask Treasury when they appear before you.

**Senator MACKAY**—This is truly pathetic. Surely, the department of finance has some idea of the budgetary implications of this, rather than just taking the situation on the day.

**Senator Minchin**—The budgetary implications are clear.

**Senator MACKAY**—You are just saying it; you can't prove it.

**Senator Minchin**—If you eliminate the government's debt by virtue of the sale of Telstra, so that the government's net debt position is zero, then the savings on public debt interest, based on assuming that the interest is the long-term bond rate, on the example I gave of the share price at the time that I spoke, demonstrate that the budget is no worse off. That is an irrefutable set of circumstances.

**Senator MACKAY**—But you did not factor in the RBA—

**Senator Minchin**—I factored in everything.

**Senator MACKAY**—You did not.

**Senator Minchin**—I factored in the fact that we will be net debt free—

**Senator MACKAY**—You didn't.

**Senator Minchin**—which would be a glorious achievement after your years of incompetence in having racked up \$95 billion worth of debt which we had to work for eight years to repay.

**Senator MACKAY**—Look, I tell you what, Senator Minchin—

**CHAIR**—Senators, we are getting into a debate here.

**Senator MACKAY**—Perhaps I could ask Senator Minchin, if he would be so kind, to go away and have a look at this—

**Senator Minchin**—I would be happy to go away but I am stuck at this table listening to your idiotic questions.

**Senator MACKAY**—No, not go away right now, although you might want to go away and take a valium, but apart from that, if you could ask the department to do some work in respect of this and provide me with some written advice.

**Senator Minchin**—I am not going to get them to waste their time on that sort of thing, no. If you want to ask questions of Treasury and AOFM you do so, but I am not having my department waste time on your idle questions.

**Senator MACKAY**—Okay. I just want to confirm whether it is government policy to spend all of the Telstra proceeds on reducing debt or funding Commonwealth liabilities. I think we can agree that that is the government's policy, can we not?

**Senator Minchin**—The government has indicated that its general approach to the proceeds of asset sales is to use them for debt reduction.

**Senator MACKAY**—Let us have a look at the position of The Nationals. The Nationals at a recent conference passed a resolution that some of Telstra's sale proceeds be spent on regional Australia. What is your attitude towards that? I think it was \$2 billion they were talking about spending on a national infrastructure fund. Is that doable?

**Senator Minchin**—That is National Party policy. The government is focused on seeking the legislative authority to give effect to its policy of selling the 50.1 per cent of shares that it owns in Telstra. The government has said nothing about any decisions on the timing of the sale, except to say that it would be at the time that provides an appropriate return to taxpayers, and that will depend on when we get authority and what the share price is and what interest rates are at the time. We have continued to indicate our general position in relation to the proceeds of asset sales, that they go to debt reduction, as we did with the most recent substantial asset sale. The proceeds of the sale of Sydney airport went totally to debt reduction.

**CHAIR**—There is an issue of relevance.

**Senator MACKAY**—I will rephrase my question. Would the government countenance the establishment of a \$2 billion infrastructure fund?

**Senator Minchin**—All I can do is restate that the government's position in relation to asset sales is that the proceeds should be used for debt reduction.

**Senator MACKAY**—I still come back to not being sure how the government can eliminate debt when it is committed to maintaining the CGS.

**Senator Minchin**—I made it clear that we were talking about net debt. If you have got assets that match liabilities you have got no net debt. What you ignore is—if the government maintains assets of one kind or another—what it earns off those assets.

**Senator MACKAY**—We could have a debate on that one.

**Senator FORSHAW**—That it is an amazing comment, given your last 15 minutes of haranguing, to now start talking about ignoring government assets in terms of what they bring in. Why don't you go back and read what you said, Minister?

**Senator MACKAY**—He is on very shaky ground and he knows it.

**Senator Minchin**—If you two want to have a self-reinforcement act here, go right ahead.

**Senator FORSHAW**—Minister, do you actually believe that it is a consideration to take into account the commitment to retaining the \$40 billion figure in terms of your policy on what you would use the proceeds of the sale of Telstra for? Is that a factor that you will factor in, if you have not already done so?

**Senator Minchin**—As I have said before, AOFM and Treasury have the responsibility for the management of the government's liquid securities. What the government will be able to do, if and when it is able to sell Telstra, will be a function of timing. The timing will be a function of our policy of ensuring appropriate return. That will be a function of the share price et cetera—the dividend—

**Senator MACKAY**—That is not what Senator Forshaw asked.

**Senator Minchin**—Then it will be a matter for AOFM. That will be consistent with the government's position that it seeks to eliminate net debt and start to tackle the government's unfunded liabilities, albeit that that will be in a context in which we will sustain a market in Commonwealth government securities. What more do you want me to say?

**Senator MACKAY**—That is not what he asked.

**Senator FORSHAW**—So you are leaving the door open?

**Senator MACKAY**—He wants an answer to his question. Is the maintenance of the CSG at \$40 billion a factor or not? That was his question. Are you going to answer that?

**Senator Minchin**—I have just answered that.

**Senator MACKAY**—No, you have not.

**CHAIR**—Senator Mackay, we are just debating it again. Please ask your questions.

**Senator MACKAY**—We are sitting here listening so we will tell you. It is okay. If the minister does not want to answer the questions, he is entitled to make that decision.

**CHAIR**—The minister can answer them any way he wants.

**Senator MACKAY**—He is not answering any of them but let us move on. Minister, I do not know whether you can answer this but in your speech you indicated that it would be

possible to provide a telecommunications service that the government could put out to tender. I do not know if you want to talk about that now or—

**Senator Minchin**—Sorry, do you want to repeat that question?

**Senator MACKAY**—I am just wondering whether you can answer questions here about your comments about tendering out of services, which was in your speech.

**Senator Minchin**—If you like, yes—remembering that I am not responsible for communication.

**Senator MACKAY**—I understand that; that is why I made that caveat.

**Senator Minchin**—You can ask.

**Senator MACKAY**—You may have been talking on behalf of Minister Williams. You do not have to answer if you do not want to. What type of services does the government envisage may go out to tender?

**Senator Minchin**—I am not going to enter into that discussion. What I was seeking to deal with in my comments was the proposition that, to ensure delivery of a service which might otherwise be uncommercial, the government has to own the delivery agent. That is eminently not sensible, because the alternative to the government owning the service delivery agent to ensure the delivery of an uncommercial service is—as the government does, and we can get examples if you like—to put out to tender the delivery of the service, seek tenderers and pay the successful tenderer for the delivery of that service. Governments around the world have learnt that that is often a much better way of ensuring an outcome—that is, delivery of the service—than to own the service delivery agent.

**Senator MACKAY**—I do understand that section of your speech. You probably represent the views of Minister Williams. I will point out that there was an attempt to tender out the USO previously. I do not think we need to continue this. I have finished my questions, Chair.

**Senator MURRAY**—I have some questions on Telstra, just very briefly, to get it out of the road.

**Senator FORSHAW**—Good luck.

**Senator MURRAY**—I just want to ask you a few questions about the Telstra buyback. As I understand it, the government decided not to participate in the Telstra share buyback. What is the financial consequence of that decision to the government?

**Dr Watt**—I am not sure that I follow your question. The government has decided not to participate in the buyback. None of its shares will be repurchased by Telstra.

**Senator MURRAY**—Doesn't that mean, though, that the proportion of the total shareholding increases?

**Dr Watt**—That is correct. So the government will finish up at the end of the buyback, and for as long a period as Telstra chooses to maintain that outstanding volume of shares on issue—whatever is left after the buyback—with something more than 50.1 per cent.

**Senator MURRAY**—Have you any idea of what that is?

**Dr Watt**—I do not think I should speculate on that. Telstra has not said exactly how many shares it is going to buy back. Clearly it has talked about the quanta of dollars that it will put into the buyback, but it has not been specific about those quanta. I think it has talked about a range.

**Mr Heazlett**—It has spoken about buying back between \$800 million and \$1,000 million worth of shares at a price varying between \$4.20 and \$5.40, which gives quite a wide range of number of shares that could be bought back.

**Dr Watt**—Clearly it will be about 50.1 per cent.

**Senator MURRAY**—I tried to do some quick mental maths and could not make it. That does not sound as if it lifts your shareholding substantially.

**Dr Watt**—It will have an impact on the shareholding, but it is not going to change it by several digits. It is going to be a very marginal change, particularly when you remember Telstra has how many shares on issue?

**Mr Heazlett**—It has 12,886,000,000.

**Senator MURRAY**—Did you say billion?

**Mr Heazlett**—Yes, 12 billion.

**Senator Minchin**—We own six billion shares.

**Dr Watt**—And the total value of Telstra, to give you another measure, is I think in the order of over \$60 billion.

**Mr Heazlett**—As of today's price, probably \$61 billion or \$62 billion.

**Dr Watt**—So a share buyback in the range of \$800 million to \$1 billion is not going to make more than a very marginal change in the Commonwealth share.

**Senator MURRAY**—The reason I put the question in financial terms is that, if you have a greater share of the company, you end up with a greater share of the dividend.

**Dr Watt**—It is very marginally greater.

**Mr Heazlett**—Usually they declare dividends at a rate per share rather than a percentage of total payout. Because we retain the same number of shares, if dividends are paid as a number of cents per share—the last ordinary dividend was 12c per share—we would stay with exactly the same dividend under the scenario.

**Dr Watt**—We finish up with a slightly greater share of the dividends but we finish up with the same amount of dividends. Clearly, over time, you have a dynamic situation rather than a static one. Where the company has fewer shares on issue, what happens with its profits? After all, it has to first bear the cost of the buyback, which is an interest cost, which will push its profits down. You are getting into some very much more complex maths.

**Senator MURRAY**—Even though my instinct is right, what you are saying is that the short-term costs and benefits probably even out?

**Dr Watt**—The government decided not to participate in the buyback and I do not think I should speculate on the short-term costs and benefits.

**Senator MURRAY**—Then let me be precise. For the purpose of this estimates inquiry, your evidence to us is that there would be no material financial consequence from this decision?

**Mr Heazlett**—We are not changing our estimates as a result of the buyback.

**Dr Watt**—We will not be changing the budget estimates because of the buyback.

**Senator MURRAY**—So my summary is correct?

**Dr Watt**—If that is what you mean by financial consequence, yes.

**Senator MURRAY**—Yes, I wanted to see if there was going to be any movement in your financial returns.

**Dr Watt**—Not because of the buyback per se.

**Senator MURRAY**—There was a remark in the press release on the Telstra buyback that government participation would complicate the conduct of the buyback proposal. I have an idea in my head as to why it would but I would like to know what the reasons were for that being so.

**Dr Watt**—I might ask one of my colleagues to deal with that.

**Mr Heazlett**—One of the factors involved is that Telstra is undertaking the buyback via a tender process whereby owners of shares tender in a certain number of shares they wish to sell at a price that they specify within that range that I mentioned before or at the final price. The government is required by law to maintain its holding at no less than 50.1 per cent of total shareholding and so, in that scenario, it is not possible to nominate a set number of shares at a certain price that will be sold so that you can actually control the outcome. That is a complicating factor.

**Senator MURRAY**—I think I know the answer to this question but let me just get it from you. What is the process for arriving at a decision to participate or not participate in the buyback? Does the government discuss it with the Telstra board or does it make the decision entirely in isolation of what the board wants?

**Senator Minchin**—As you would expect the board informs the government, as the majority shareholder, of its intentions with regard to capital management. It has indicated properly its intentions but then it was a matter entirely for the government as to whether it then participated in what they had decided to do.

**Senator MURRAY**—Minister, the reason I asked the question is this: the board would have a specific objective in mind, which it would hope to achieve. Effectively the government has said that half of the shareholding is out of the picture and I wondered if that would therefore affect the way that they would deal with the remaining half. In other words, if they wanted to buy back a certain number of shares and they had assumed that you would participate, they might have to double the offer if you like in the remaining 50 per cent. I wondered if those sorts of discussions had gone on to assist the board in their decision.

**Senator Minchin**—Sometimes these things are dealt with best between the company and the board on the basis of hypotheticals—a sort of what if. It is actually better for the other half. The other shareholders are better off with the government not participating, in fact.

**Senator MURRAY**—Behind my question is: if the board either had an instinct or knew of the likelihood of the government's decision, they might have ramped up the buyback proposal to get the result they wanted from that remaining 50 per cent?

**Dr Watt**—I think your answer is hypothetical, because it would rely on a presumption as to the enthusiasm that any seller would have for the buyback at the time the details of the buyback were announced. It would be difficult to presume the behaviour of any shareholder until those details were announced.

**Senator FORSHAW**—I have one other question on Telstra—hopefully one, depending on the answer. With regard to the proposal that has been raised about using hybrid securities, if paying off debt is the most important objective, how will that assist in achieving that objective? We are talking here in principle.

**Senator Minchin**—I reiterate that the issue of debt repayment is the consequence of the sale. It is not the highest priority in terms of the reason to sell. I want to put that on the record. There are a whole lot of reasons why we think Telstra should be sold.

**Senator FORSHAW**—Just to clarify what everybody else in the country thinks we may have said.

**Senator Minchin**—We think that the government should not own half of the biggest telecommunications company in the business that it regulates. But, having made a decision to sell, you have to decide what you are going to do with the proceeds, which is a second set of decisions that have to be made. We sell for a certain set of reasons. Having sold, we have proceeds. What do we do with the proceeds? We have said quite upfront that they should be used to reduce debt. What we have done in relation to hybrid securities is to say that, because it is possible that, at a time when we come to sell, our advisers might suggest to us that one way of moving so many shares would be to have a component of the sale in the form of hybrid securities, we ought to ensure that the legislation will enable the sale to be structured accordingly, without having made any decision that they would be part of the sale process, simply to ensure that, at the time, we have that flexibility. The government will have to decide at the time whether it is going to sell in three tranches, two tranches or the whole lot at once. If you sell the lot at once, that is \$30 billion in shares. It is possible that our advisers will say, 'If you want to do that, you will need a component to this in the form of hybrid securities.' I think we have said—if it is what you are alluding to—that those who are more expert than I would not hide the fact that, if you went down that path, to the extent that a proportion of the sale was done by that, there is a dead instrument there.

**Senator FORSHAW**—That was implicit in my question, so thank you for pre-empting it. I will not take up the invitation to respond. So you acknowledge that it does actually involve the creation of debt. The question—

**Senator MACKAY**—Retention.

**Senator FORSHAW**—Yes. Dr Watt you can comment in respect of the question but also with regard to this: what is the history or the record of conversion of hybrid securities in Australia? Is it a good one?



**Dr Watt**—I do not pretend to know the history or the record. This would first of all be a hybrid security which would be issued if the government were to go down that route—and I stress this is no more than hypothetical—

**Senator FORSHAW**—Everything is hypothetical about this except the government's intention to sell, but go on.

**Dr Watt**—If the government were to go down that route, it would be a hybrid security issued internationally, not just in Australia, and it may be a security that found a readier acceptance internationally than in Australia. If, for example, a large slice of the Australian demand is retail demand, as it has been in the previous two sales of Telstra, I do not know what the retail sector's reaction is to hybrid securities. That is something that would be looked at in the scoping study, as we would look at all options. That is the first point.

Secondly, a lot depends upon, as I understand it—and I am not an expert; I defer to Mr Heazlett, who knows a little more about this than I do—how you structure your hybrid. You can structure it to make conversion relatively attractive, realising that you are talking about conversion in some years time. So you are structuring for the future, not for the present. You can structure it to make it relatively attractive or you can structure it to make it relatively unattractive. There are different sorts of hybrids.

**Mr Heazlett**—Most of the hybrids that I am aware of that are on issue in the Australian market have not reached the period for conversion as yet, so that has not been tested at this time.

**Senator MACKAY**—You can also do things like mandatory conversions, as we have discussed in the past, can't you?

**Dr Watt**—There are some that are mandatory; there are some that are non-mandatory. Even within the non-mandatory, from what the technical experts have said on occasions, there are a variety of different types, which makes it more or less attractive to convert.

**Senator MACKAY**—Dr Watt, is it something that would be attractive overseas at least?

**Dr Watt**—I am not sure about that.

**Senator MACKAY**—That is certainly the evidence that we got from your offsider here.

**Dr Watt**—It may be less attractive to Australian retail; I do not know. That is something we would have to test. The other point to make is that Australian retail will be part of the equation; so will the Australian investment sector. They seem to be taking relatively rapidly to hybrids. I think the third point to make is the one that Mr Heazlett alluded to: this is a new, evolving and very rapidly developing market. The government is considering a future sale of Telstra which would be, for budget estimating purposes, two years away. The market in two years time, we can guarantee, will be very different from the market today.

**Senator MACKAY**—I think that is probably true. We have established that.

**Senator FORSHAW**—We might move on to outcome 1, sustainable government finances.

[5.57 p.m.]

**CHAIR**—Senator Forshaw, do you want to lead off?

**Senator FORSHAW**—With respect to timely reporting, the PBS on page 39 notes that one of the two indicators of contributions of outputs to outcomes is timely reporting. Can someone outline how the department's performance is measured against this indicator and which of the department's reporting outputs are measured against this indicator?

**Mr McPhee**—Could I clarify whether you were speaking about Finance specifically or agencies generally?

**Senator FORSHAW**—No, Finance specifically.

**Mr Staun**—Senator, we meet all of these requirements. We have met the budget reporting timetable issued by the department of finance and also the annual reporting timetable.

**Senator FORSHAW**—Can you repeat that?

**Mr Staun**—You are asking here, as I understand it, whether we meet the targets set out here. The budget estimates system needs to be met within a certain timetable. Monthly reports produced within 30 days. Consolidated financial statements—that does not apply to us; we just do the financial statements for the department of finance itself. And, yes, we have met the timetables required.

**Senator FORSHAW**—You say you meet them all on time, but what about the monthly reporting? Explain to me how you have met that on time. The evidence I have is that you have not.

**Dr Watt**—I think there is some confusion, Senator, whether you are asking about our internal departmental reports or the monthly report of the overall Commonwealth government financial transactions.

**Senator FORSHAW**—I am actually asking about the latter, but they are reports that your department is responsible for.

**Dr Watt**—Correct.

**Senator FORSHAW**—I read that indicator as applicable to your department, both for your own internal arrangements and also for the reporting that you do for whole of government.

**Dr Watt**—We are not disputing the applicability of the indicator. We were just going down the wrong track. We will now get on the right one.

**Senator FORSHAW**—Thank you.

**Mr McPhee**—Since January 2001 the monthly financial statements have been released on average 46 days after the end of the financial reporting period. We are improving our performance in this area, but not to the extent of a target of 30 days, which we are aiming to get at to get the information more timely. We are currently at an average of about 40 days to release the monthly financial statements. This is the monthly report on the budget outcome.

**Senator FORSHAW**—Yes. Your commitment is to 30 days and you are saying that on average it is taking 40 days.

**Mr McPhee**—Yes.

**Senator FORSHAW**—What is the reason for the delay?

**Mr McPhee**—We produce full accrual accounts and most comprehensive monthly statements compared to many other countries. Our performance is equivalent to countries that do not produce nearly as comprehensive financial statements. So while internationally we are doing reasonably we are not happy with our own performance, so we are seeking to improve that performance. Certainly agencies have worked with us in terms of improving their own systems. Finance have worked on our own systems, and we are confident that we can get this down over time.

**Senator FORSHAW**—What do you mean by ‘over time’?

**Mr McPhee**—Internally, we have made significant efficiencies in this area. At the end of the day the timing does depend on the availability of the minister et cetera, so there is a range of considerations to take into account in the release of the information. After we get the information we need to be able to brief the minister on the reasons for major variations to the monthly statements, and the minister needs reasonable time to consider that. By working together we expect to be able to reduce the time.

**Senator FORSHAW**—Can you break that up a bit? There are three factors here, aren’t there? One is getting the information from the departments. The second is you putting it into the form of the report or the financial statements. The third, I presume, is getting to the minister. What happens then? Does the minister have to sign off on it before it is released?

**Mr McPhee**—The secretary and the minister sign off on the monthly statements. Internally, we aim to produce the accounts within about 18 days or thereabouts—that is our target. Most of the time we get close to that. Then the briefing and consideration by the minister takes further time, of course.

**Senator FORSHAW**—I assume then that it depends on the cooperation of the other departments and agencies for you to get it done within the 18 days.

**Mr McPhee**—Very much so.

**Senator FORSHAW**—What has been the track record for departments and agencies in getting it to you so that you are able to get it together within that 18-day period—good, bad or what?

**Mr McPhee**—It has been pretty good. I will ask Mr Kerwin to talk a little bit more about that.

**Mr Kerwin**—The track record has improved quite a lot in relation to working with agencies in getting the information. Most agencies would have their information to us in 10 days. On occasion it extends beyond that. The factor that comes in, after the information has been put in and we have actually constructed our statements, that probably delays things to an extent is getting explanations about why numbers have moved around. If we break the agency involvement into the two things, one being getting the raw data in so that we can construct statements, I think that is working quite well. In relation, however, to getting explanations of why the numbers have moved around, that is probably taking a bit longer than we would like at this point in time.

**Senator FORSHAW**—Are there any notable offenders who do not get it to you in time?

**Mr Kerwin**—On the question of getting the numbers in, I would not say there were. I think we work fairly well with them. Some agencies get them in much sooner than the 10 days, but around about the 10 days is when they come in. In terms of agencies that we deal with on a regular basis, there are, probably in the areas where the numbers move around on a regular basis—it normally boils down to where the major spending is. I would not say that they are not particularly cooperative with us, but sometimes it does take longer to get the information than we probably need for our timetable.

**Senator FORSHAW**—So it seems that the departments and agencies are cooperating and on time. What about your own department's performance in terms of getting it to the minister? Are you getting it to the minister within a reasonable time frame after that?

**Mr Kerwin**—If we get numbers around about the 12th day of the month, we have constructed statements probably in three to four days after that. In constructing the statements we are probably already forming a view about why the numbers are moving and we need to get confirmations from that. We will probably have our secretary briefed in around about the 18 days or somewhere around then. Then it is a matter of having the information before the minister and available to the minister to then brief him. From our point of view we move as quickly as we can, and move fairly quickly in fact.

**Senator FORSHAW**—You are getting it done fairly efficiently and quickly and it is then getting to the minister. We are now finding on your evidence that it is taking longer than the preferred time. What has happened in recent months? When was the last set of monthly financial statements released?

**Mr Kerwin**—There is a little bit of an extended story here perhaps. The last monthly—

**Senator FORSHAW**—You do not have extended time tonight, but tell us.

**Mr Kerwin**—The last monthly statement was May and I am not too sure when it was released—and this is the story. There normally is not a June set of monthly statements but when the final budget outcome is released there is particular information put in for the month of June. So it becomes a de facto monthly statement itself. That was released prior to the end of September. We had the July and August statements, which were released yesterday. The July and August statements normally have to wait—and they do wait—until we have the information on the final budget outcome. In this particular instance we also spent some time examining whether there were other ways in which we might present these statements. As with last year and the year before, they do have to wait until the final budget outcome is published in order to get the opening balances.

**Senator FORSHAW**—So we got July-August yesterday. I think I have a copy of that. In the case of July it is three months later; in the case of August it is two months later. I hear that you have given an explanation as to why that has occurred, but it is well beyond your own indicator of 30 days, isn't it?

**Mr Kerwin**—Yes, it is.

**Senator FORSHAW**—How are you going to fix that?

**Mr Kerwin**—I am not sure if we can fix that. The July statements probably could not be issued until we had released the final budget outcome. We are looking to release the final

budget outcome in a shorter time period than by the end of September. To give an indication of whether there is something here to be fixed or not, these statements we produce are not really produced by any other country in the world. The IMF, which we deal with in respect of the 30 days, for instance, have given us an exemption because they understand what we are doing. They give us an exemption for the July-August statement. It is probably something that you would expect to find.

**Senator FORSHAW**—Are you referring to the special data dissemination standard?

**Mr Kerwin**—Yes.

**Senator FORSHAW**—Is what you are referring to there one of the external standards that the department must follow?

**Mr Kerwin**—Yes, it is.

**Senator FORSHAW**—Are there others?

**Mr Kerwin**—The standards that we follow in the construction of the statements are Australian accounting standards, for the accounting standard type statements. We also provide information on what is called GFS—government financial statistics—and in that instance we generally follow the standards set out by the IMF. Australia is really the only country in the world that does that. We are breaking new ground, and the IMF have quite an interest in how we are working through the issues.

**Dr Watt**—We are suffering from the pernicious rewards of good policy.

**Senator FORSHAW**—It seems that the policy may well be good. I am just wondering whether you have set your parameters rather high. I am advised that the SDDS require governments that have subscribed—and we have—to publish monthly statements within one month of the close of the period. Looking at your own performance indicators, page 40 of the PBS says with respect to the quality of financial reporting: ‘monthly reports prepared within 20 days of month end’. I know that it says ‘prepared’ but it seems to me that you are a reasonable way away from meeting those commitments. It raises the question: why are they there if they cannot be met? If you say that things are going to improve, tell me how and when.

**Mr McPhee**—They are certainly very tough targets; there is no question about that at this time.

**Senator FORSHAW**—Or are they realistic targets, given that it is not that different to the IMF requirement and you are not meeting them at all.

**Mr McPhee**—They are very tough if you consider the July and August statements, because those statements cannot be produced until the final budget outcome is produced. It will be a long time before we meet that target for statements for those months which follow the release of the final budget outcome, but in the normal months we should be able to meet a target of 30 days. There is a statutory requirement to release the final budget outcome by the end of September, and to date we have tended to push up fairly hard against that statutory deadline—we always make it, but it is always fairly tough going. So, because we have a practice, understandably, of releasing the final budget outcome before we release the July and August monthly statements, we will always find it hard to meet the 30-day target for those.

**Senator FORSHAW**—I know that Senator Sherry needs to come other questions here, so this will probably be my last question on this issue. I hope so. In the annual report for 2002-03 it says that, following the budget estimates and framework review, there has been a significant improvement in the timeliness of monthly financial statements. How can that statement be made given what we have just been through?

**Mr McPhee**—It is true if you use averages over a number of years.

**Senator FORSHAW**—I'm sorry, Mr McPhee, but really I do not think that using averages is quite appropriate here. What the indicator is saying is that this is a target we are trying to meet.

**Mr McPhee**—Yes.

**Senator FORSHAW**—If you set up a performance indicator which is a target, it is then really—I am trying to think of a word—rather erroneous to start talking about averages over a number of years.

**Mr McPhee**—In the light of your questioning, I think we need to look at whether we set a target for the standard months, if I could call them that, and then look at another target for the months of July, August and maybe September, which have to await the production of the FBO. If you use an average, those months will throw out the measurement of the other nine months of the year. What I would like to do, if the secretary and the minister are agreeable, is consider whether those targets might be looked at, and we could refine them a bit in the light of your comments.

**Senator FORSHAW**—That is an admission which I do not think you would necessarily want to be acknowledging, but you have. Let me ask this: when are the consolidated financial statements due?

**Mr McPhee**—By the end of November.

**Senator FORSHAW**—Will you meet that deadline?

**Mr McPhee**—Yes, we will.

**Senator FORSHAW**—I know Senator Sherry wants to move to something here. I think we have dealt with that issue at least.

**Senator SHERRY**—At the beginning, I raised the issue of the treatment, for account purposes, of the lost members register money and the SHAR super holding reserve moneys. Is there someone who might be able to help with that?

**Mr Kerwin**—I think I can.

**Senator SHERRY**—You are aware of these accounts, are you?

**Mr Kerwin**—I am aware of them now since you raised the question. We have spoken to Tax and we have spoken to a few other people.

**Senator SHERRY**—I had intended to speak to Tax about it, but I thought you may have some greater knowledge about their treatment for accounting purposes.

**Mr Kerwin**—Let me just take you through a couple of steps. There are a couple of steps here. This is as I understand it. There is a superannuation holding account for small

superannuation accounts. That particular account has money in it which, in relation to our statements, would be reflected in the cash balance in the consolidated revenue fund and which, on the other side, would be reflected in a liability—a clear liability for these people. After a period of 10 years, the legislation permits the funds to be transferred to the consolidated revenue fund. In that instance, there would be a movement of cash out of the tax office's special account. This particular arena involves a special account. It would go out of the special account and into the CRF. At the same time, the liability would be extinguished.

**Senator SHERRY**—And that would become revenue—

**Mr Kerwin**—That would become revenue.

**Senator SHERRY**—I understand.

**Mr Kerwin**—The next step involves the establishment, however, of a register which records the creditors—they were creditors—and the funds that were attributed to them. That particular register would reflect money that had been returned to the CRF. In terms of budgeting, there would be no reflection of that in Tax's budget and no reflection in the whole-of-government budget because it would be funds sitting in the consolidated revenue fund. However—

**Senator SHERRY**—You may be getting to this: what happens if it is never claimed? Is the money transferred to the states and dealt with under the Unclaimed Monies Act as the lost members register money is.

**Mr Kerwin**—Sorry, I cannot answer that. It is probably more properly a matter for the tax office.

**Senator SHERRY**—Okay. It is not so much the case with the SHAR, but did you want to make any comment about the lost members register, because I have a quite specific question about how drawdowns are treated from this?

**Mr Kerwin**—I think once again that that is probably a better question for the tax office. As I mentioned initially, we have had some very hurried telephone calls trying to get this information.

**Senator SHERRY**—In terms of the treatment of the lost registers money, you do not have an explanation in respect of the treatment of the cash balance versus liability?

**Mr Kerwin**—What would happen in an accounting sense, I would think, is this: say we have got to the point where it is sitting in the consolidated revenue fund and it is no longer a liability but there is a register. In the event that a particular person had been found and had made a claim, there would be appropriation sitting in the tax office's accounts at that moment that would allow an expense to arise for the payment of this money to that person.

**Senator SHERRY**—In both the case of the SHAR and the lost members register, does it have an impact on the accrual or cash surplus?

**Mr Kerwin**—No, it does not.

**Senator SHERRY**—Is that because you are holding cash in the case of SHAR, but there is an offsetting liability?

**Mr Kerwin**—When the money moves from the special account into the consolidated revenue fund, how it is regarded—whether it is regarded as what is called a transaction or whether it is regarded as something other than that—would determine whether it has an effect on the underlying cash or fiscal balance. I do not know the answer as to how it is regarded.

**Senator SHERRY**—Could you take that on notice?

**Mr Kerwin**—I am certainly happy to do that.

**Senator SHERRY**—There is one other aspect of the lost members register. I do not know whether you are aware that a temporary resident who is in Australia who leaves Australia now has the ability to transfer their superannuation out of the country. I think it is a bit of a mess, but that is an issue for Treasury and not for you. At that point in time on transfer out of the country there is tax collected and the tax becomes revenue, as I understand it—certainly it is in the budget forward estimates as a saving. Is that your understanding? Is that how it becomes revenue out of the lost members registered account?

**Mr Kerwin**—If there were tax assessable on the particular transaction, it would be recorded as taxation revenue of the period.

**Senator SHERRY**—In this case, where it can be transferred out of the country—it cannot be in most cases, but in some cases, some of the lost members have been former temporary residents who have left the country and can transfer it—at that point in time and only at that point in time when the Commonwealth collects tax from the transfers effectively out of the account, it then becomes revenue?

**Mr Kerwin**—Yes, it does.

**Senator SHERRY**—It cannot become revenue and a saving in any other way?

**Mr Kerwin**—No, it has already been revenue as it would have come out of the small superannuation—

**Senator SHERRY**—No, put aside the small superannuation—the lost moneys register. That is the one I am dealing with.

**Mr Kerwin**—No, I would not think so.

**Senator SHERRY**—My understanding is that it can only become revenue when there is tax collected when the money is taken out.

**Mr Kerwin**—That is taxation revenue, yes.

**Senator SHERRY**—Okay. At that point in time there is an offsetting liability that has disappeared. The liability is gone. The money is transferred out of the country and the revenue is taken from that transfer, or the member is required to pay the tax on transfer out of the lost members register when they take it overseas.

**Mr Kerwin**—You could think of it as two separate types of transactions. The first transaction is that the Commonwealth now finds that it has obligation to another person and it makes that payment. The tax act would then come into effect and say that that particular payment is something to which there is income tax or a tax which is assessable and then that would take effect. The taxation revenue would arise after the transaction had occurred in the hands of the person who is perhaps no longer a resident in Australia.



**Senator SHERRY**—That is in contrast to an Australian who is permanently resident here who may find some money in the lost moneys register, transfer it out of the lost moneys register into an outside superannuation fund. That transfer out would not affect the cash surplus on the budget, as I understand it.

**Mr Kerwin**—I would not suspect so. Once again, in the second part of the transaction it would go to a superannuation fund and therefore observe all the benefits of the superannuation regime.

**Senator SHERRY**—Where it is preserved.

**Senator MURRAY**—The final budget outcome—I am talking about unfunded superannuation—for 2002-03, part 3 AAS financial statements, page 49 shows the unfunded superannuation liability was \$89.386 billion rather than the \$89.040 billion at the time of the 2003-04 budget. Do you have a reason for \$346 billion increase?

**Mr Kerwin**—The amount is quite largely attributable to a transaction in Defence in relation to the defence superannuation scheme which, between the period of the budget numbers being presented and the final budget outcome being presented, did get some actuarial advice that allowed them then to book additional liability on the superannuation fund.

**Senator MURRAY**—So it was a calculation not an actual amount.

**Mr Kerwin**—No, it was an actuarial—

**Senator MURRAY**—So effectively, a revaluation.

**Mr Kerwin**—Yes.

**Senator MURRAY**—Of the \$89 billion or thereabouts, do you have any idea how much is represented by the parliamentary contribution super scheme?

**Senator Minchin**—A very small amount!

**Senator MURRAY**—I would be pleased to hear so—as long as a big a portion of it is mine.

**Mr Panton**—As at 30 June 2003 the estimated unfunded liability in relation to the parliamentary scheme was about \$551 million.

**Senator MURRAY**—So about half a million dollars—a little over half a per cent of the total. That is all I need to know. Thank you very much.

**Proceedings suspended from 6.29 p.m. to 7.43 p.m.**

**This transcript is incomplete**

**CHAIR**—I call the committee to order. The committee will now examine output group 3.1, Ministerial and parliamentary services. We will start with general questions.

**Senator FAULKNER**—I want to ask a question about something that appears on page 117 of the annual report which goes to the Australian Government Solicitor and legal advice in relation to regulations. I think there are three sums of money on page 117 that are in that category. I wondered if an official might be able to assist me as to what that related to.

**Mr Gavin**—As I recall, it was relating to the definition of spouse.

**Senator FAULKNER**—Does that take account of all three legal advices, Mr Gavin?

**Mr Gavin**—No.

**Senator FAULKNER**—There are three legal advices here, totalling \$40,002, in outcome 3. I think I am asking questions in the right place but tell me if I am wrong. That is correct, isn't it, Ms Mason?

**Ms Mason**—Yes, you are asking the questions in the correct outcome.

**Senator FAULKNER**—In relation to these three sets of legal advice on regulations, could an official explain to the committee very briefly what these advices were sought on?

**Mr Gavin**—In the 12 months there were two sets of substantial regulations that went through and it became sensible to run all the provisions past the Australian Government Solicitor before bringing them forward to government. So, for instance, the parliamentary entitlements regulations that came into effect on 1 July we first, when we had them in all but draft form, went to talk them through with the Australian Government Solicitor.

**Senator FAULKNER**—Are you able to tell me the dates of these advices?

**Ms Mason**—We do not have that detail here but we will certainly check quickly and, if possible, we will give you an answer during this session.

**Senator FAULKNER**—What I am asking for is the date and a broad explanation. We have heard what Mr Gavin said but there are three separate advices being sought here. I would like a more complete description but I am not seeking the advices; I am just seeking an understanding of what the advice was sought on, which of course is a proper matter for a committee like this.

**Ms Mason**—Certainly, Senator, we will get you those answers. In general terms, when we are preparing regulations, it is normal practice for us to seek legal advice to make sure that they are correctly made. But we will get you the details you seek in terms of dates and broad descriptions.

**Senator FAULKNER**—I would appreciate that. We might come back to it if we are able to have that provided, Mr Chairman, before the end of the evening. In relation to another matter, I was concerned to read the story in the *Age* newspaper by the political correspondent Mr Philip Hudson on 29 July 2003 entitled 'Bizarre email stuns Libs'. Minister, I do not know whether you are aware of this particular article.

**Senator Abetz**—Chances are that I may have seen it at the time but it does not spring readily to mind, I must confess.

**Senator FAULKNER**—Fair enough. It goes to an issue relating to the government communications unit, and it is an invitation from the government communications unit to invite coalition MPs to vote in an Internet survey about whether Mr Costello should challenge Mr Howard. That might assist in reminding you of the article.

**Senator Abetz**—The GCU is part of Prime Minister and Cabinet, so I suggest that that question may more appropriately be asked of them.

**Senator FAULKNER**—I am sorry; did I say the Government Communications Unit? I meant to say—

**Senator Abetz**—You said GCU.

**Senator FAULKNER**—It goes to show how late in the day it is. I should have said Government Members Secretariat. Let me start again.

**Senator Abetz**—No. I think we have the gist of it, now that we know it is the GMS. Can I also say that the GMS is not within my bailiwick.

**Senator FAULKNER**—I understand the administrative arrangements that have been made for the Government Members Secretariat. Senator Ray had indicated that the committee might take a certain course of action at this estimates round in relation to the Government Members Secretariat. I indicate to you that we will put that issue on hold for the additional estimates round. Senator Ray is unable to be with us this evening. First of all, can you indicate to me: do you know if the employees of the Government Members Secretariat are still technically employees of the Government Whip in the House of Representatives? Are you able to say that to me?

**Senator Abetz**—Yes, I am.

**Senator FAULKNER**—Are you able to say to me which department is responsible for funding the Government Members Secretariat?

**Senator Abetz**—This department—MAPS pays the salaries and for stationery provisions et cetera. I have just been corrected: it is travel and salaries but not stationery. I am just having it clarified. MAPS does not pay for it but Finance does through Corporate—through another division. Whilst I was corrected, I was corrected on the basis that MAPS does not pay for it but Finance and Administration does—just another section of it, as opposed to MAPS.

**Senator FAULKNER**—But it would not be just limited only to salaries and travel?

**Senator Abetz**—That is what MAPS pays, whereas Corporate pays for stationery and other things. At the end of the day it all comes out of Finance and Administration.

**Senator FAULKNER**—What about equipment, though, such as computer equipment, IT equipment and the like? Where does that fall in terms of the funding arrangements? Could someone quickly explain that to me, please?

**Mr Suur**—Those items are also paid for by Corporate Group.

**Senator FAULKNER**—Right. And you are here, of course, effectively wearing a Corporate Group hat?

**Mr Suur**—Correct.

**Senator FAULKNER**—The issue here, of course, goes to an Internet survey asking whether Mr Costello should challenge the Prime Minister, Mr Howard—this occurred some weeks ago. Who is responsible for picking up the costs of telephone and other IT expenses apart from the actual capital equipment itself?

**Mr Suur**—Some of the services provided to the GMS come from Parliament House itself, so telephone services and access to the Internet and so on would come through the Parliament House system. We are responsible, however, for things like hardware and some of the software that runs off personal computers. I am told that the GMS also has access to the Finance network.

**Senator FAULKNER**—Yes. Has the issue of the appropriateness of the government members' secretariat sending this material—in relation to the Internet survey asking whether Mr Costello should challenge Mr Howard—been raised with you, Minister?

**Senator Abetz**—I am aware of what was in the media.

**Senator FAULKNER**—You are aware of what was in the media. You are aware of the fact that this took place?

**Senator Abetz**—Yes.

**Senator FAULKNER**—I would have expected that you would have been. In fact, I suspect you were one of the people surveyed.

**Senator Abetz**—I am not a staff member, am I? It was a survey of staff members, wasn't it?

**Senator FAULKNER**—I am sorry, it went to MPs and staff members.

**Senator Abetz**—There we go; you know more than I do. I stand corrected.

**Senator FAULKNER**—Of course, I am dependent on stories in the press. Now we have the advantage of you, and a number of officials, being at the table so you can assist us. I was asking whether, in your official capacity, any complaints had been drawn to your attention. You are indicating that you are aware of the issue but I was wondering whether, in your ministerial role, this had been drawn to your attention. Have any complaints been made to you in a formal way?

**Senator Abetz**—I am just checking but to the best of my recollection we did not get a formal complaint. As I understand it, a member of the Leader of the Opposition's staff on one celebrated occasion rang a radio talkback program from the Leader of the Opposition's office using the equipment supplied et cetera during office hours. Yes, when we become aware of these things we rely on the person who runs the show to appropriately discipline the staff member, be they from the opposition or government. Unfortunately individuals from all sides of politics go on frolics of their own from time to time.

**Senator FAULKNER**—Sure.

**Senator Abetz**—I do not seek to micromanage each office and on this occasion I did not seek to micromanage those staff under the responsibility of the Chief Government Whip.

**Senator FAULKNER**—Yes, but whatever terrible sins others from any political party might have committed, such as somebody wasting the money of one phone call to a talkback radio station—and fair enough; criticise that for all you are worth—this is a situation where taxpayers' money was spent on a whole range of people, including MOPS staff, being sent an email which included an Internet link to a poll question which effectively encouraged, if you like, the rigging of an Internet poll. I wondered if any action had been taken because of those circumstances.

**Senator Abetz**—I have never pretended to be somebody as proficient as Senator Alston in matters of the Internet, but as I understand it there would have been no cost associated with sending out the email or any responses that may have been motivated by that invitation. I do not know whether anybody it went to took up the invitation but as I understand it the cost of

an email is zilch. So I suppose we can talk about the time of the member and the capital depreciation of the equipment as the message was typed in but I do not think we are talking big dollars here.

**Senator FAULKNER**—I am not suggesting that is the case. The issue here is: is this an appropriate thing for the Government Members Secretariat or their staff to be doing? As I understand it, the email was sent by Ms Dawn Crosby, and she, or sources close to her, had indicated the email was sent as a mistake by a new staff member. I just want to be clear that, as far as you are concerned, that is not an appropriate use of resources. I just want to get that clear in this committee—that you do not approve of it and you do not believe it is an appropriate use of resources.

**Senator Abetz**—I think we can say two things on that. The first is that at least the person who did it was up front and did not pretend to be Chris from Waramanga, as the person from the opposition leader's office did, so there was a degree of honesty and integrity involved with that. But, having said that, I do not think in general terms it is wise for staff to use false names, pretending to be from somewhere else and using facilities to ring talkback programs. Similarly, it would be beneficial if staff did not invite people to do these sorts of things. At the end of the day, that would be what I would be suggesting to my staff. I am not going to tell the Leader of the Opposition how to run his office, or, indeed, tell the Chief Government Whip.

**Senator FAULKNER**—But if, as you say, the person was up front, and you give credit for that—that is what you said, isn't it?

**Senator Abetz**—Because chances are they would have thought there was not necessarily anything inappropriate with it; but if somebody was deliberately giving a false name and asserting they were from somewhere else, that would indicate they realised that what they were doing was inappropriate and therefore they were trying to hide behind a false name. But that is only an assumption on my part.

**CHAIR**—We are assuming this in fact happened, Senator Faulkner. I cannot remember receiving this at all. I would remember.

**Senator FAULKNER**—Your vote was certain so I expect you did not get one. That was the whole point, Senator Mason. I am sure that, as a very well-known opponent of the Prime Minister, it would be unlikely that you and your staff would have actually been provided with a link to the survey. I think that probably explains it, Senator.

**CHAIR**—Is that your point, Senator Faulkner?

**Senator FAULKNER**—No, it is not. But, given that you felt it appropriate to interrupt my questioning to waste a bit of time, I thought I might explain that to you.

**CHAIR**—It was just, Senator Faulkner, that there is no evidence that this in fact occurred, except the newspaper report.

**Senator FAULKNER**—You go and check with Mr Costello—I gather he did not approve of this either. I do not want to spend a lot of time on this. I have heard what the minister has said and I do not think it is that unreasonable. He said the person has been up front. Well, who was it? Who sent it? If the person is up front you might as well tell us who it was.

**Senator Abetz**—You named the person. I know it is very dangerous but I am just taking on face value what you are telling me. I have been burnt before, Senator Faulkner; I hope I am not burnt again. I have just come here in a very conciliatory mood and I have been willing to accept what you have been telling me at face value.

**Senator FAULKNER**—It is a very nice change.

**Senator Abetz**—I am reminded—and I might be breaking a matter of great principle here by quoting a very non-credible source—that, as I understand it, Crikey some time ago reported that the Greens tried to flood a particular Internet poll and in fact blocked or jammed it by getting too many in at the same time. That was somehow done out of a Greens office somewhere. At the end of the day, that is politics.

**Senator FAULKNER**—I personally believe, Minister, that some of these polls are open to manipulation. If that is the point you are making, I would agree with you.

**Senator Abetz**—Yes. ABC Radio in my home state of Tasmania had a poll—and Senator Murray would be very interested in this—on what people's voting intentions were going to be at the next federal election. Surprise, surprise, the Greens had over 40 per cent of the vote. I think that possibly tells us something about their listening audience, or that an orchestrated campaign was so orchestrated that it defied any sense of reality. But that happens in politics. Chances are the cost of taking this time at this committee to discuss this has been more than the cost of all the frolics of 'Chris' out of whoever's office it was, of the government secretariat or of the Greens. Senator Murray, do you want to confess to something the Democrats might have done or not?

**Senator MURRAY**—I am sure others can confess on my behalf.

**Senator FAULKNER**—Senator Murray would probably be the last to know what the Democrats were up to. On this occasion, as I understand it, to be fair, Ms Crosby apologised on behalf of the staff members concerned. It is fair enough to apply these standards to all political parties—not just the government parties but obviously the Labor Party and the minor parties as well.

**Senator Abetz**—And you will see how fair I have been in trying to share out the blame.

**Senator FAULKNER**—But there is no protocol in relation to the use of this sort of IT equipment, is there, that I am aware of, that is being developed by government as a result of these instances that we are talking about? Have you, as the responsible minister, given any thought to perhaps determining that Internet polling and the like ought to be off limits to being manipulated using the resources of government by all concerned—not only, of course, MOPS staffers but also those who work for departments and agencies?

**Senator Abetz**—I have not turned my mind to it. I am not sure I am that excited by the prospect of turning my mind to it. I can see it is an issue, but whether it is an issue worthy of the costs involved I am just not sure.

**Senator FAULKNER**—At a previous estimates committee I raised the issue of Mr Vaile's staffer at Port Macquarie. You might recall that issue. He was deleting what were described as cookies and voting again and again and again—and that has been raised with the department and raised at estimates hearings, so it is not as if these are necessarily isolated incidents. I

think at the end of the day, in relation to parliamentary staff, initiative and responsibility rests with all of us but particularly with you as the responsible minister. I wondered if you had given any thought to the circumstances.

**Senator Abetz**—Yes. See, the actual cost—correct me if I am wrong, but as I understand it—of the depreciation of the equipment and the cost of sending an email is zilch. Therefore—

**Senator FAULKNER**—I am not talking about the cost. I am talking about the appropriateness or otherwise of rigging these sorts of ballots.

**Senator Abetz**—I do not think we will go there, will we, Senator Faulkner? We will not go to the appropriateness of certain people trying to rig ballots, because it might open a can of worms for the Labor Party.

**Senator FAULKNER**—I doubt it.

**Senator Abetz**—Having said that, it is more an issue, I think, of the cost of the wages of the staff members involved and whether they are employing their time usefully. That is a matter that I do not want to micromanage in individual offices. The good news is that when it happened in Labor offices appropriate action was taken, when it happened in Vaile's office appropriate action was taken and similarly when it happened in GMS. We have not heard about the Greens—chances are not, because it is all in a worthy cause. It does not matter what you do as long as it is for the cause in relation to the Greens. I would have thought it would be a matter for discipline and office protocol within individual offices. I do not want to traverse that ground.

**Senator FAULKNER**—So you do not think there is a case here for broader guidance on that issue? That is the real question I ask.

**Senator Abetz**—The broad guidance should come from the employing member of parliament.

**Senator FAULKNER**—You, for example, have provided that guidance?

**Senator Abetz**—If it was drawn to my attention that it was happening in my office I might have something to say—such as that staff might have more useful things to do with their time than trying to stack out a non-consequential Internet poll.

**Senator FAULKNER**—I suspect that until some action is taken it is not impossible that this pattern will be repeated. That is what I put to you.

**Senator Abetz**—I am sure it might happen again.

**Senator FAULKNER**—Anyway, at the end of the day, if action is not taken, it depends on the respective employers—

**Senator Abetz**—If it becomes prolific I will revisit—how about that?

**Senator FAULKNER**—There is an incident in this estimates committee that has been raised by me. There was an incident in the previous estimates round in relation to Mr Vaile's office.

**Senator Abetz**—If it happens twice a year I think that is pretty—

**Senator FAULKNER**—You yourself have pointed out something that I did not see on the Crikey web site—

**Senator Abetz**—I did not see it on Crikey; I have been told, I hasten to add for the record.

**Senator FAULKNER**—You have reported here something you have been told along similar lines on the Crikey web site, so I think there is an indication there is at least a pattern of this sort of behaviour. I will leave that with you to think about, and no doubt you can report back at a later stage if you change your mind and decide that some further and broader action should be taken against this inappropriate behaviour.

Minister, I have a question which goes to the issue of additional mobile phones for opposition personnel. Are you aware that 16 additional mobile phones were provided in July this year by the department to the office of the Leader of the Opposition, Mr Crean?

**Senator Abetz**—Yes, I was made aware of that and I think you know the source by which I was made aware of that. As a result, I made inquiries that confirmed that phones were delivered and re-collected. That was done without my personal knowledge. Ms Mason might be able to assist.

**Senator FAULKNER**—Thank you, Minister. Ms Mason, would you be able to give me the background to this? First of all, can you confirm that 16 mobile phones were provided to the office of the Leader of the Opposition, Mr Crean, and then summarily removed by the end of September this year?

**Mr Edge**—Senator, I can help you with the answer to that question. I can confirm that the phones were delivered to Mr Crean's office and I can confirm that the phones were collected from Mr Crean's office.

**Senator FAULKNER**—Were there 16 in number?

**Mr Edge**—That is correct.

**Senator FAULKNER**—These were additional phones because of the low proportion of opposition staffers who have mobile phones. Are you aware of that background?

**Mr Edge**—The background to it is that when the Parliamentary Entitlements Regulations were passed in June 2003 one of the provisions of the regulations made mention of the provision of mobile phones for personal staff of non-government parties and Independents. There was, of course, another step in that process—the minister had to approve the provision of the phones. Due to what we call an administrative error in the department, the 16 phones that you mentioned were purchased in early July 2003 from our state office in Victoria and were despatched to Mr Crean's office without any explicit authority from the minister for the phones to be provided.

**Senator FAULKNER**—For what purpose were they purchased?

**Mr Edge**—The phones were purchased in anticipation of a decision about the provision of the phones. Perhaps a better way to characterise it is as a misunderstanding of the process, I think.

**Senator FAULKNER**—Who by?



**Mr Edge**—The departmental officer who purchased the phones and dispatched them to Mr Crean's office.

**Senator FAULKNER**—It sounds to me that this is taking pettiness to a new level. Sixteen phones are purchased by the department—that is correct, isn't it?

**Mr Edge**—That is correct.

**Senator FAULKNER**—They were provided to Mr Crean's office in July—do we have a date in July?

**Mr Edge**—I believe they were dispatched from Melbourne to Canberra on 4 July.

**Senator FAULKNER**—At no stage, I gather, were they operational—they remained in their boxes, didn't they?

**Mr Edge**—That is my understanding, yes.

**Senator FAULKNER**—They were not activated.

**Mr Edge**—The boxes were not opened and the phones were not activated. We understand the phones were not used at all.

**Senator FAULKNER**—So they were dispatched to Mr Crean's office on 4 July. They were removed at the end of September, I was told.

**Mr Edge**—I understand they were removed on 11 September.

**Senator FAULKNER**—Where are they now?

**Mr Edge**—The phones have been sent to a number of our state offices, and the phones will be used as replacement phones for electorate offices, supplementary phones, and for senators and members who require replacement mobile phones.

**Senator FAULKNER**—So the opposition staffers are not going to get the phones at all?

**Mr Edge**—The minister has not made a decision about the allocation of the phones.

**Senator FAULKNER**—So the department buys the phones, they are sent to Mr Crean, and three months later they are collected from Mr Crean because the minister has not agreed to him having them—is that the situation?

**Mr Edge**—The minister has not made a decision about the allocation of additional mobile phones, which is the second step in the process of the provision of the phones. The way I would characterise what happened was that there was a misunderstanding on the part of the departmental officer when the entitlement amendment regulations were passed. That was, in a sense, the trigger for the provision of phones. It was a misunderstanding on the part of the department, and the phones were provided based on that misunderstanding.

**Senator FAULKNER**—I find that very hard to believe. I think it was a proper understanding on the part of the department and very petty that this has not been progressed. Are you able to say, Minister, what you intend to do in relation to the provision of these telephones?

**Senator Abetz**—It is under consideration but I am not willing to indicate anything further at this stage.

**Senator FAULKNER**—How long has it been under consideration?

**Senator Abetz**—For some time.

**Senator FAULKNER**—How long is some time?

**Senator Abetz**—Some time.

**Senator FAULKNER**—I know it is some time. We know the phones were sent to Mr Crean on 4 July and collected from his office on 11 September.

**Senator Abetz**—Believe it or not, I was thinking about it before the regulations were actually promulgated. As to when I started thinking about it, I cannot give you an exact date. Believe it or not, it would have been part of my thought process before the regulations came into being that the Labor Party sought to amend.

**Senator FAULKNER**—In fact I think you will find that other senators took the initiative in amending them. So that is payback, is it, in relation to those regulations—is that what you are saying?

**Senator Abetz**—No, I am not saying that.

**Senator FAULKNER**—I think it is pretty clear what you are saying.

**Senator Abetz**—If it is clear to you, that is great—let us move on to another question.

**Senator FAULKNER**—The Labor Party and other minor party senators are punished because of how they vote in the parliament in relation to certain regulations. How petty is this? How low will this government stoop?

**CHAIR**—You are now sermonising, Senator Faulkner, and editorialising. This is not a question.

**Senator FAULKNER**—How low will the government stoop? We have a situation where 16 mobile phones are provided to Mr Crean's office.

**CHAIR**—Look into the camera, Senator Faulkner—it is up there.

**Senator FAULKNER**—Three months later they are ripped away.

**CHAIR**—I have heard that. Ask the question, Senator Faulkner.

**Senator FAULKNER**—And now they have been distributed around the federal bureaucracy.

**CHAIR**—Thank you. Perhaps you can answer the question.

**Senator FAULKNER**—How petty is that!

**Senator Abetz**—This opposition has 2½ times the number of mobile phones that we had when we were in opposition. When we are talking about 'petty' et cetera, I remind Senator Faulkner of his own government's very tardy track record in supplying things such as mobile phones to the opposition. If you want to complain, we are more than happy to go back to the sort of resource that we were provided with when we were in opposition. I think you ought to count yourself very lucky that you have such a gracious government looking after your interests.

**Senator FAULKNER**—Anyone listening to this would be well aware of the technological developments that have occurred in the eight years since—

**Senator Abetz**—Eight years now?

**Senator FAULKNER**—Nearly eight years since the Labor government lost office. This is extraordinarily petty.

**Senator Abetz**—Mobile telephones were technology eight years ago. It is not a new technology within the past seven years.

**Senator FAULKNER**—Where are the requirements anyway that the minister has to approve these things? The regulations have been agreed to, haven't they?

**Mr Gavin**—The regulations contain a provision that requires ministerial approval.

**Senator FAULKNER**—When were the regulations allowing for these extra mobile phones agreed to? Do you know?

**Mr Gavin**—They became effective from 1 July 2003.

**Senator FAULKNER**—Are you able to say, Senator Abetz, when a decision is going to be made in relation to these matters?

**Senator Abetz**—No, I cannot.

**Senator FAULKNER**—Can you provide a full list of where the 16 opposition phones are now? Ms Mason, can you indicate that to us, please? Where are the phones that were lying in the—

**Senator Abetz**—Not opposition phones—those 16 phones. We might be able to indicate to you where they are.

**Senator FAULKNER**—There are 16 phones that were in the office of the Leader of the Opposition for some three months.

**Ms Mason**—I think Mr Edge indicated that those phones have been distributed to the MAPS state offices for allocation to electorate offices and senators and members as they require them.

**Senator FAULKNER**—Who made that decision?

**Ms Mason**—That decision was made within Ministerial and Parliamentary Services.

**Senator FAULKNER**—Did that require ministerial approval?

**Ms Mason**—No, that is part of the regular program of replacement.

**Senator FAULKNER**—So that does not require ministerial approval. Did taking the 16 phones away from Mr Crean's office require ministerial approval?

**Ms Mason**—No, it did not.

**Senator FAULKNER**—Why were they taken away?

**Ms Mason**—As Mr Edge indicated earlier, the phones were provided to Mr Crean's office in error. They were provided in advance of any decision by the minister to allocate them, and it was an error on the part of the department which was corrected by recalling the phones.

**Senator FAULKNER**—I have heard some petty things since I have been on this committee, but that takes the cake. Moving to another issue, can the department indicate how many ministers have made applications under part 3 of the parliamentary entitlement regulations since January 2002 for the payment of their legal costs?

**Mr S. Taylor**—I do not have that information. We could certainly get the information as soon as we can but I do not have it to hand.

**Senator FAULKNER**—Are you able to say how many of those applications have been approved?

**Mr S. Taylor**—Once again, I could not. Effectively the role of the department is the payment in relation to the provision of that assistance. I suppose it is at the end of the chain in that sense.

**Senator FAULKNER**—Are you able to say how much this has cost?

**Mr S. Taylor**—Once again, we would have to try to get—

**Senator FAULKNER**—Can you take all those matters on notice for me, please.

**Mr S. Taylor**—We certainly could.

**Senator FAULKNER**—Could you also indicate which law firms have been briefed.

**Mr Gavin**—This is an A-G's matter really.

**Senator FAULKNER**—I heard that whisper, Mr Gavin. That is partly true.

**Mr Gavin**—I am sorry, I will say it out loud: it is really a matter for the Attorney-General.

**Senator FAULKNER**—It is a matter for both departments, isn't it?

**Mr Gavin**—Under the regulations, the application has to be made to the Attorney. We—and our minister—would not be in a position to know any that had not got past that point.

**Senator FAULKNER**—What is the role of—

**Mr Gavin**—The regulations also have a provision requiring the Attorney to advise the parliament of the decision. As I recall, it also has a provision for the Attorney to table the costs each year. So there is a whole arrangement put in place by the regulations that is the responsibility of the Attorney-General.

**Senator FAULKNER**—But in relation to the issue of applications, is that made public?

**Mr Gavin**—As I said, to the best of my knowledge, it is not made public, but it is a matter that is really only going to be adequately answered by the Attorney-General's Department.

**Senator FAULKNER**—Really?

**Mr Gavin**—We would not necessarily know the ones that are knocked back. The provision is that—

**Senator FAULKNER**—I am not asking about the ones that have been knocked back. I am asking about the applications. I certainly accept that there is a role for the Attorney-General's Department. I am well aware of it. But I am surprised to hear—I assume you are not making the suggestion—that there is not a role under the parliamentary entitlements regulations for this department.

**Mr Gavin**—No, the role is that the minister for finance is consulted before the decision is taken by the Attorney-General. Because it is a regulation under the Parliamentary Entitlements Act, for which we have the responsibility for the funds, we eventually make the payment.

**Senator FAULKNER**—Anyway, you have taken those matters on notice, Mr Taylor, and I would appreciate a response. Just so that I am clear on this, what were you saying were the figures in relation to mobile phones in the last 7½-plus years—the difference between provision of mobile phones to the opposition at that time and—

**Senator Abetz**—I think I said 2½ times. I had that in the back of my mind. Somebody may correct me if I am wrong but I think it was nine in comparison to 25. Yes, that is right. It is more than 2½ times, in fact. When we came to government we allocated 12 to the opposition. I think—

**Senator FAULKNER**—What is the situation now in relation to the allocation of mobile phones to the opposition? It is 75, is it?

**Senator Abetz**—Sorry?

**Senator FAULKNER**—Are you saying that there are 25 mobile phones allocated to the opposition now?

**Senator Abetz**—No, to the leader. Each Labor member and senator is entitled to their mobile phone—to the electorate office.

**Senator FAULKNER**—What is the allocation to the shadow ministerial staff in the opposition?

**Senator Abetz**—Twenty-five.

**Senator FAULKNER**—Can you say what it was on 1 January 1996, Ms Mason—or some time prior to the change?

**Senator Abetz**—In March 1996, it was 12. We know that.

**Senator FAULKNER**—The then Liberal Party opposition had 12 in total?

**Senator Abetz**—As I understand it, when we came to government in March 1996, the opposition, which was then the Labor Party, were allocated 12.

**Senator FAULKNER**—What I am asking—

**Senator Abetz**—And before that I have a recollection that it was nine. I will have that figure checked.

**Senator FAULKNER**—You are saying that the Liberal opposition had nine?

**Senator Abetz**—Yes.

**Senator FAULKNER**—And you think the Labor Party opposition had 12?

**Senator Abetz**—In March 1996. That is what I am advised.

**Senator FAULKNER**—What do government staffers have now—the ministerial staff?

**Senator Abetz**—That has to be done by home departments, because home departments allocate the phones to the various ministerial staffers. You would need to ask each department.

**Senator FAULKNER**—That is handy, isn't it?

**Senator Abetz**—That is the way the system operated under you guys.

**Senator FAULKNER**—Yes, that is the way the system operated. As you know, there has been an enormous blow-out in the number of these things since the mid-1990s, not only in government or the parliament but everywhere in the community.

**Senator Abetz**—A mobile telephone is expensive.

**Senator FAULKNER**—How many mobile phones do government staffers have now?

**Senator Abetz**—I cannot answer that question. What do you mean by government staffers? We would need to have that clarified.

**Senator FAULKNER**—I think we are aware of what occurs in relation to electorate offices. Government ministerial staff: are you able to assist us with that, Ms Mason? Are you able to assist us with the same comparisons which we have heard about for shadow ministerial staff? I want to make a comparison with government staffers.

**Ms Mason**—No, unfortunately I do not have that information, for the reason the minister mentioned earlier.

**Senator FAULKNER**—You have no idea about the changes in relation to this over the last seven, eight or 10 years—the pattern?

**Ms Mason**—No.

**Senator FAULKNER**—Minister, are you saying to me that in order to get a valid comparison I need to go to every single portfolio minister or every single minister to get that information from them?

**Senator Abetz**—That is right.

**Senator FAULKNER**—Again, how petty is that!

**Senator Abetz**—Mr Chairman, just for the record, Senator Faulkner would know that, if that question had been asked by us some seven or eight years ago when we were in his hapless role of being in opposition, we would have been given exactly the same answer by the Labor minister sitting at the table, because that is how it has operated. If Senator Faulkner wants to think that that is some conspiracy, let me just remind him that he started the conspiracy.

**Senator FAULKNER**—Now you can tell us about the number of mobile phones in electorate offices, which is your responsibility. How many were there in 1996?

**Senator Abetz**—We must know.

**Senator FAULKNER**—Of course you must. How many were there?

**Senator Abetz**—As I recall it, in 1996, as an opposition backbencher—

**Senator FAULKNER**—No, no.

**Senator Abetz**—Sorry, what date are you inquiring about?

**Senator FAULKNER**—I am not talking about opposition backbenchers; I am just talking about electorate offices.

**Senator Abetz**—I am just recalling that my entitlement would have been exactly the same as for any other private member back in 1996, and, if I recall, only senators and members were allocated a mobile phone.

**Ms Mason**—Senator, we would like the opportunity to check our facts. We are always reluctant to give evidence on the record when we are not sure of our evidence. At the moment, we think that there were no mobile phones provided until—and we are checking the timing—a decision was taken to allocate one mobile phone to each electorate office. We will have to check the timing and come back to you on that.

**Senator FAULKNER**—I think there were none. I think that is right. Can you tell me approximately when you think that decision was made?

**Ms Mason**—That is what we are trying to find out at the moment. I do not know off the top of my head, but we have people who should be able to check that. I will come back to you as soon as I can.

**Senator FAULKNER**—In the future, we will look at the full pattern, which, I can assure you, will not favour the government. As I say, this is just the pettiest thing—

**Senator Abetz**—I thought you were saying it did favour the government.

**Senator FAULKNER**—I am saying that you will be embarrassed by the pattern when it is exposed.

**Senator Abetz**—You are the one going red, not me, but we will see about the embarrassment.

**Senator FAULKNER**—You will be embarrassed by this pattern when it is exposed. As I say, how petty it is to take 16 mobile phones out of the Leader of the Opposition's office. They had been placed in there for a couple of months, and you ripped them out. Has that ever happened before? Have we ever had a situation—

**Senator Abetz**—Senator Faulkner, you are deliberately misleading the *Hansard* record by that assertion. You know full well, from the evidence, that you have not challenged in any shape or form—and the departmental officials have told you—that the phones were delivered without my knowledge or authority. They were retrieved without my knowledge or authority. Therefore, trying to assert that somehow I have acted in a petty way when I did not authorise anything, when I did not know about anything, is about as cheap and nasty as you can get, and is indicative of the small amount of ammunition in the Labor Party lockers at the moment.

**Senator FAULKNER**—Now you can tell us, in relation to the department of finance, Dr Watt, how many mobile phones staff have in Minister Minchin's office and Minister Abetz's office.

**Dr Watt**—We can provide that information—

**Senator FAULKNER**—I want it now. It is your department that is making this point.

**Senator Abetz**—Mr Chairman, this is badgering of a witness.

**CHAIR**—That is right.

**Senator Abetz**—I know that Senator Faulkner has all sorts of wants in his life, and he might be able to demand and, by thuggery, extract things from other people, but we are dealing with public servants here, officials at the table, who I think deserve respect. I invite Senator Faulkner to be somewhat more polite in his questioning. That information is undoubtedly available. It will be made available in due course. I do not think the government will rise or fall, or that Simon Crean's ratings in the opinion polls will rise, by any revelation as to the number of mobile telephones that might exist in somebody's office. I am happy to disclose—

**Senator FAULKNER**—I am sure you are right on both those points, but—

**Senator Abetz**—But to demand—

**Senator FAULKNER**—But you are the one who said we have to go to the home departments to check out how many mobile phones there are.

**Senator Abetz**—That is right.

**Senator FAULKNER**—How many are in your office?

**Senator Abetz**—That is why it is appropriate for you to ask about Finance and Administration phones here. We will take it on notice and advise the committee as to the actual numbers.

**Senator FAULKNER**—Can't this be provided now? Surely you know how many mobile phones your own staff have got.

**Senator Abetz**—No, I do not, and the departmental officials do not know. It is like asking me how many envelopes or computers might be in my office. Quite frankly, I do not know until a count is undertaken. For the officials to request time to undertake such a count is perfectly reasonable. It is not a memory test.

**Senator FAULKNER**—Is that information unavailable, Ms Mason—about the Department of Finance and Administration's ministers? Is that unavailable?

**Senator Abetz**—It is available, but time is required to get it accurately. That is what is being sought.

**Senator FAULKNER**—Ms Mason, is that unavailable tonight?

**Dr Watt**—The information is available. It is a question of how quickly we can get it.

**Senator FAULKNER**—What I am asking is whether it is available. Given that other information has been provided here tonight about comparisons between government and opposition telephone allocations, particularly between the current situation and what occurred nearly eight years ago, I am surprised that you do not have at your fingertips information in relation to your own home department ministers.

**Dr Watt**—I certainly do not have that information with me here and now.

**Senator FAULKNER**—I did not expect you would, Dr Watt.

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

**Senator FAULKNER**—I did not expect you would, Dr Watt. But I thought Ms Mason or someone from Ministerial and Parliamentary Services may. My question was: do officials



from Ministerial and Parliamentary Services have that information available tonight in relation to either Minister Minchin's office or Minister Abetz's office, given the amount of information on the broader pattern that has been provided in relation to telephones tonight?

**Dr Watt**—I think this is a matter not for Ministerial and Parliamentary Services but rather for our corporate area. They will see what they can do to extract the information.

**Senator FAULKNER**—Is the information available tonight?

**Senator Abetz**—Corporate have heard the question. When we get to corporate they might, hopefully, have some information.

**Senator FAULKNER**—I think Dr Watt will directly answer that question for me now.

**Senator Abetz**—What you think is very interesting but of no relevance.

**Senator FAULKNER**—I think he is being informed, so let us just hear if the information is available. If it is not, we will move on to the next issue.

**CHAIR**—Dr Watt, can you elaborate on the answer you just gave?

**Dr Watt**—We will see if we can get the information tonight.

**Senator FAULKNER**—But it is not here with an official at the moment? That is fair enough.

**Dr Watt**—Do I have it? No. We are checking if someone else may be able to find it.

**Senator FAULKNER**—Thank you; I appreciate you checking that out.

**CHAIR**—Any further questions?

**Senator FAULKNER**—Not of MAPS.

**CHAIR**—Senator Murray, do you have any further questions for MAPS?

**Senator MURRAY**—Yes, I do. I have just two brief areas. Ms Mason, the first one I think will be in your lap. I am advised—and I do not know; I must say I think both organisations are pretty good—that Qantas own Synergi. Is that correct?

**Mr Barnes**—No, it is not correct that Qantas own Synergi, to the best of my knowledge.

**Senator MURRAY**—I did not know it, so I am pleased to hear that it is not. I will repeat to you the allegation that was made to me. I do not give credence to it; I just repeat it to make sure that things are done properly. I stress again that I have had no problem with either organisation in terms of service personally. The allegation made to me was that when Qantas are waitlisting, when it is difficult to get flights and they are fully booked, Synergi are not then recommending the alternative of Virgin, Rex or any of the other airlines that are available. I stress I have no personal experience with that. I just pass that on to you as an allegation which may be worth checking.

**Mr Barnes**—I am in regular consultation with Synergi as our contracted service provider. I am assured that they provide full information as to all services available from all providers on every occasion unless the individual requesting service has specifically said that they do not wish to be provided with that information.

**Senator MURRAY**—The person who made the complaint to me is somebody I would regard as normally credible, so I did think I should raise it. Let me stress again that I have no personal problems. I do not want anybody ringing me up telling me not to worry.

**Senator Abetz**—I put out a circular at one stage, I recall—I am not sure at what time—about the fact that Synergi was required, willing and able to assist with any carrier.

**Senator MURRAY**—Yes, I recall that now. Great.

**Ms Mason**—That is certainly the case. In our discussions with Synergi we can certainly reinforce with them the importance of making sure that travellers do have available options drawn to their attention so that they can make their selections accordingly.

**Senator MURRAY**—I think the point is that where you have got essentially a monopoly provider, you have to be self-evidently even-handed, just because allegations can be made. I will move on to the second question I have, which is to you, Minister. There was a *Canberra Times* report by Verona Burgess, a very interesting article on page 58 last Sunday, 2 November, called ‘Shroud of secrecy over salaries’, which I might explore with you at some future stage. There is one item that I want to draw your attention to. She was talking about an organisation that has compared the various certified agreements throughout the public sector. This caught my eye. It says:

At any time you can compare, say, the pay of an APS 6 equivalent in the Civil Aviation Authority with one in the Department of Health and Ageing. At a glance, for instance, you can discover the astonishing piece of information that the two CAS with the lowest overall pay scales are Aboriginal Hostels Ltd and the Members of Parliament (Staff) Act!

Do you know if such a comparison exists and whether those in the Members of Parliament (Staff) Act do in fact rank as the lowest?

**Senator Abetz**—I will handball that one along the table. I understand we might have an answer.

**Ms Clarke**—I read that article by Ms Burgess. We had a look at the documentation she was referring to and, interestingly, the date of the CA comparison that she was looking at was July 2003. The certified agreement—that is in the first tranche of documents—for MOP staff where they were given 19 per cent over three years had the first pay rise cut in on 20 August when of course it was certified by the Australian Industrial Relations Commission. So the comparison she was making on data, which was at July 2003, was in fact pre the pay increase offered by the current CA.

**Senator MURRAY**—So your answer is: if it was the lowest, it is no longer the lowest.

**Ms Clarke**—That is correct.

**Senator MURRAY**—We will of course be interested to see where it ranks in the future.

**Senator Abetz**—I would say generous.

**Ms Clarke**—If we look at the EL2 range, for instance, I guess the other misleading bit, or the bit that is not in there, is that the parliamentary staff allowance for parliamentary staffers is not included in those salaries, yet when you want to compare like with like it should be. If you look at what an exec 2/4 might get, they are currently paid \$81,676 and when you add in

the parliamentary staff allowance of \$13,488 their payment is actually \$95,164, and that compares with the higher salary that is included in the guide that Ms Burgess refers to of \$94,000. So they compare extremely favourably on a like-for-like basis.

**Senator MURRAY**—Thank you. Dr Watt, just from the point of view of benchmarking, which I know your department is interested in doing, and getting the proper comparative analysis, the serious point made by Verona Burgess was that, because of a devolution of autonomy to different agencies and a more competitive environment for staff and more independence about certified agreements, it is difficult now for somebody interested in the accountability side of things to see exactly what people in the public sector are being paid and how you should compare them in terms of general measures of performance and responsibility. I will just draw it to your attention and, as I have said to the minister, I think it may be an issue I might seek to come back to at some future date.

**Dr Watt**—Thank you, Senator. It is something in which Finance has some interest but it is really much more in the bailiwick of the Department of Employment and Workplace Relations. Indeed, they are the ones that get regular surveys of APS remuneration conducted. Those surveys are available to all agencies and, I think, are posted on the web site. Clearly, that remuneration is harder to assess now than it was 15 years ago when everyone was paid just a salary and nothing else. As a user of that information, they do provide something that is not as opaque as some might suggest.

**Senator MURRAY**—As you know I have previously raised with you and with other agencies the financial side of employee measurements primarily through balance sheets and so on and I am obviously aware of what you say about departmental responsibility. But there is a question here implicitly, of the need for common reporting methods and common presentation of material, and the point of this article—and I am happy to accept that it can be criticised from a number of directions—is that it has become more difficult to do a straightforward comparison. So I just alert you to it and leave it at that.

**Senator Abetz**—Before we finish MAPS, I was wondering if I might read a brief statement that I am sure would have everybody's support. I was going to read this before we commenced but before we conclude MAPS I would just like to put on the public record my appreciation of Sue Whisker who recently announced her retirement. As the committee is aware, Sue was for a number of years an account manager in MAPS. After a promising start with the Public Service in the 1960s, Sue was compelled to resign by the rules that applied at the time to enable her to raise a family. She returned to the Public Service in 1985 and by her considerable dedication and ability swiftly rose through the ranks to hold a number of important positions.

During the 1980s Sue worked in the Awards and National Symbols Branch and on the political exchange program. She then spent a considerable amount of time in MAPS before carrying out departmental liaison officer duties to a succession of parliamentary secretaries in the previous Labor government. In the mid-1990s she returned to MAPS as an account manager. Sue is a highly committed and professional public servant with a significant record of achievement. Her advice was always full, frank and fearless in the finest traditions of the Australian Public Service. In her role she distinguished herself by her quiet dedication, her expertise and her commitment to customer service. I understand she also received a

secretary's award. She will be missed, I am sure, by all sides of politics and I want to place on record my thanks, and I am sure the thanks of all MPs, for her diligence and hard work in looking after us.

**CHAIR**—Thank you, Minister.

**Senator FAULKNER**—Prior to this evening's estimates hearing the opposition passed on our best wishes to Sue. Obviously we know her very well at this committee. Amongst the many other functions she has performed, she has been account manager for many in this building. I am one of those and I have appreciated an extraordinary level of service. I am very pleased indeed to associate the opposition with these remarks that have been made. Sue has been a very fine public servant and we will certainly miss her at this committee.

**CHAIR**—On behalf of the committee I join with the remarks of the Leader of the Opposition in the Senate and also with you, Minister, in thanking Ms Whisker for all her help to the committee and parliamentarians in general.

**Senator MURRAY**—I would like to add my support for the kind remarks about Ms Whisker. I have had personal experience of the lady and she has been an adornment, frankly, to the department.

**CHAIR**—Thank you. Are there any further questions for MAPS?

**Ms Mason**—We do have an answer to an earlier question from Senator Faulkner in relation to the electorate offices and when they were first provided with mobile phones. It was in fact 4 July 2001.

**Senator FAULKNER**—Thank you. Are you able to say now how many electorate office mobile phones there are?

**Ms Mason**—No. I have the date. There is one per electorate office so I am assuming that there is something of the order of 226. I think there are 232 electorate offices so we would have to check the correct number.

**Senator FAULKNER**—You have got two figures—226 and 232.

**Ms Mason**—Yes, because some electorates have a second electorate office. But I am assuming they only have one mobile phone, which would make it 226.

**Senator FAULKNER**—Yes, that is what I have assumed. So there are 226 electorate office mobile phones as we speak and the number in 1996 was—

**Ms Mason**—Zero.

**Senator FAULKNER**—That means there has been a growth in Electorate Office mobile phones of some 226. The maths is very easy, isn't it? I rest my case, as Senator Brandis would say.

**Senator BRANDIS**—I never say that.

**CHAIR**—There being no further questions for Ministerial and Parliamentary Services, I thank officers.

**Senator Abetz**—Before we finish, as I understand it, we will not be calling Corporate this evening—is that right?

**Senator FAULKNER**—I will not be calling Corporate. Dr Watt will know this because I think he talked directly to Senator Foreshaw.

**Dr Watt**—From Senator Foreshaw's list of questions, I do not think there was anything for Corporate.

**Senator FAULKNER**—That was my understanding. I think you can happily send those people home.

**Senator Abetz**—If I may interpose on that basis, Senator Faulkner asked about mobile phones in the Finance and Administration portfolio. Minister Minchin's office has nine, my office has eight and Mr Slipper has one, which makes a total of 18 phones. By way of comparison, at a time when we have nine phones allocated to us, the then Labor Minister for Finance, who I understand was Mr Beazley, had 12 mobile phones in his office. On a comparative basis, I think Senator Faulkner will be the one that will go red with embarrassment.

**Senator FAULKNER**—Not at all, because the comparison you have to make is portfolio wide. What was the figure for the whole portfolio?

**Senator Abetz**—As I said, it was 18.

**Senator FAULKNER**—And what was it for whatever date you are drawing a comparison with, for the Finance portfolio?

**Senator Abetz**—They had 12.

**Senator FAULKNER**—So the comparison is 18 versus 12.

**Senator Abetz**—There has been a 50 per cent increase and, I think, nine to 25. I know it was only a state school education, but I understand that nine to 25 is more than a 50 per cent increase or a 100 per cent increase—in fact, it is more than a 200 per cent increase.

**Senator FAULKNER**—With your very extensive educational background, you will be able to tell us the increase from naught Electoral Office mobile phones in 1996 to 226 now.

**CHAIR**—We will now move to the Australian Electoral Commission.

[9.00 p.m.]

#### **Australian Electoral Commission**

**CHAIR**—I welcome Mr Dacey and officers from the Australian Electoral Commission. Mr Dacey, before I invite questions from the committee, do you have any statement to make?

**Mr Dacey**—No, Senator. I would just like to pass on Mr Becker's regards. He is on personal leave for medical reasons.

**CHAIR**—Thank you, Mr Dacey. We will start with general questions.

**Senator BRANDIS**—I want to ask some questions about an entity called the Fair Go Alliance. I am not directing these questions to any particular officer; just whoever might happen to know the answer should come forward and answer the questions. Is the AEC familiar with an organisation called the Fair Go Alliance?

**Ms Mitchell**—Yes.

**Senator BRANDIS**—Can you tell me which people or entities constitute the Fair Go Alliance.

**Ms Mitchell**—Not at this stage, no.

**Senator BRANDIS**—Are you familiar with the media report which appeared in the *Australian* newspaper on 3 September 2003 in which a spokesman for the New South Wales Labor Council said that at least six New South Wales public sector unions were part of the Fair Go Alliance?

**Ms Mitchell**—I do not recall the specific article, no.

**Senator BRANDIS**—But, Ms Mitchell, you are generally aware, are you not, that the Fair Go Alliance is an association in some form—and I appreciate we do not want to be too strict with legal definitions, but an association in some form—made up of New South Wales public sector unions?

**Ms Mitchell**—I understand that that is part of the composition. I am not clear at this stage whether that is the full composition.

**Senator BRANDIS**—Are you able to assist us in telling us, beyond those public sector unions, what other persons or entities are associated with the Fair Go Alliance?

**Ms Mitchell**—Not at this stage in time. That is part of the matter that we are looking into.

**Senator BRANDIS**—When you say ‘not at this time’ in answer to my question: ‘Are you able to assist us?’ do you mean that you are not prepared to assist us at this moment because there is a pending investigation or that you are not able to assist us because you do not know?

**Ms Mitchell**—I actually do not know the answer to the question off the top of my head. If I went back and looked at the file and the information was at the tip of my tongue, I would say that it is our norm not to talk about the details of the information that we are gathering when we are considering a matter until after we have actually come to a conclusion on the matter.

**Senator BRANDIS**—The reason for that convention, which I think is a good convention, I assume is because disclosure could prejudice the commission’s inquiries.

**Ms Mitchell**—Yes.

**Senator BRANDIS**—But surely the disclosure merely of the names of persons or entities that you have established form part of the alliance could not be prejudicial.

**Ms Mitchell**—I would have to think about whether we thought that that would be the case. But, at this stage in time, as far as I am aware we actually do not have a complete list. I think it would be best to leave answering that sort of question until we have a complete list.

**Senator BRANDIS**—Let me suggest this course, Ms Mitchell: can you take on notice my question and, when you consider the answer to the question, you might at that time no doubt address yourself to the question of whether or not as a matter of convention you assert that the information sought by the question should not be disclosed; and if you decide to invoke that convention in your written response, can you provide the reasons why you have taken that course?

**Ms Mitchell**—Yes.

**Senator BRANDIS**—Thank you. Is the AEC aware that the Fair Go Alliance has made donations to political parties?

**Ms Mitchell**—Yes.

**Senator BRANDIS**—And that, in particular, the Fair Go Alliance made donations to political parties at the 2001 federal election?

**Ms Mitchell**—Yes.

**Senator BRANDIS**—Any other elections?

**Ms Mitchell**—At this stage in time we have donor disclosure returns from the Fair Go Alliance in respect of both the 1998 and the 2001 federal election.

**Senator BRANDIS**—Any state or municipal elections?

**Ms Mitchell**—They are actually not required to disclose in relation to state and municipal elections.

**Senator BRANDIS**—You say that there are donor disclosures in relation to the 1998 and 2001 elections. Who was the donee of those funds?

**Ms Mitchell**—It is actually the Fair Go Alliance who has lodged those two donor returns.

**Senator BRANDIS**—I understand the Fair Go Alliance is the donor, but I am asking who is the donee. In other words, to whom did they give the money?

**Ms Mitchell**—The New South Wales branch of the Australian Labor Party.

**Senator BRANDIS**—What about Country Labor, which I think is a name that parts of the New South Wales Labor Party trade under?

**Ms Mitchell**—The Country Labor Party is considered to be part of the Australian Labor Party.

**Senator BRANDIS**—For your purposes, is it?

**Ms Mitchell**—Yes, for our purposes. So they would only need to disclose to the ALP as a whole.

**Senator BRANDIS**—From those donor disclosure returns or other information, are you able to tell us which unions have provided money to the Fair Go Alliance which was then passed on to the New South Wales branch of the Australian Labor Party?

**Ms Mitchell**—I do not have a copy of the returns with me this evening.

**Senator BRANDIS**—Would you take that on notice, please?

**Ms Mitchell**—I can, yes.

**Senator BRANDIS**—That is each of the 1998 and 2001 federal elections.

**Ms Mitchell**—If I could explain.

**Senator BRANDIS**—Please do, in your own words.

**Ms Mitchell**—There is a requirement for donors who receive money from other people to make up their donation to include, where that money achieved a certain threshold, names of the people that they got money from to make up their donation. As I recall, only one of the Fair Go Alliance's two returns that they have lodged actually contains that level of detail.

**Senator BRANDIS**—That is the very issue I want to pursue.

**Ms Mitchell**—I can probably only give you that information in relation to what we have got on returns. The whole issue of whether those returns are complete is part of what we are considering.

**Senator BRANDIS**—As I understand the position—correct me if I am wrong—the Fair Go Alliance is not itself a generator of review. In other words, whatever money it has to give away is money that it receives from third parties or from donors to it—is that right?

**Ms Mitchell**—That is still a matter that we are trying to clarify at this stage.

**Senator BRANDIS**—Is that your understanding?

**Ms Mitchell**—I would not say that we have got information that makes that clear to us yet.

**Senator BRANDIS**—I understand your proper concern to be circumspect before arriving at firm conclusions, but is that the way it appears to you to operate? I am inviting, really, you to trespass into expressing a provisional view.

**Ms Mitchell**—It is one of the suggestions that exists, yes.

**Senator BRANDIS**—What I am putting to you is that in fact the Fair Go Alliance—whatever the legal character of that entity might be—is basically a vehicle for the transfer or, to use a slightly more colourful word, laundering of trade union money for the purpose of making donations to the New South Wales branch of the Labor Party. As a general proposition, is that right?

**Ms Mitchell**—I do not think I have sufficient information to give you an absolute answer to that. I can only say at this stage in time that that is one of the suggestions that we are looking at.

**Senator BRANDIS**—Can you, by the way, give me some timing on when the AEC will arrive at a concluded view on the matters that we have been discussing? How soon will that occur?

**Ms Mitchell**—It is actually difficult to predict when we can come to a conclusion on these sorts of issues, because there is a process that we need to follow, which includes information gathering. As we actually need to go out and seek that information, it is difficult to predict when we would be able to give a conclusion on the matter.

**Senator BRANDIS**—Again I understand you are being very properly circumspect about this. The next Senate estimates are in February of next year. Could I feel confident that by February next year when I ask you these questions again that process of investigation and fact-finding will have been completed?

**Ms Mitchell**—We will certainly take it on as a target date.



**Senator BRANDIS**—All right. I will get a bit cross or need to have it explained to me very clearly why it could not have been done between now and the next estimates which, I am told by Mr Sands, will be between 16 and 19 February next year—that is another four months. Ms Mitchell, I am sorry to be picking on you but you seem to be the one who knows the answers to the questions. You said that in respect of one of the returns the Fair Go Alliance had reported the names of the donors to it and in respect of the other it had not. Was that what you said?

**Ms Mitchell**—Yes, that is right.

**Senator BRANDIS**—In which return are the donors disclosed and in which return are the donors not disclosed?

**Ms Mitchell**—That is part of what the picture in my head will not make clear. I cannot answer that question.

**Senator BRANDIS**—It is a pretty straightforward question; it is either one or the other.

**Ms Mitchell**—I think it was the 1998 election, Senator, but I would not want to misinform you.

**Senator BRANDIS**—The 1998 election was the election in which the donors were disclosed or undisclosed?

**Ms Mitchell**—They were disclosed. I would like to confirm that later.

**Senator BRANDIS**—You think that is the case but please take this on notice and check it for me.

**Ms Mitchell**—Yes.

**Senator BRANDIS**—You think the 2001 federal election was the election for which the donors were not disclosed?

**Ms Mitchell**—Yes.

**Senator BRANDIS**—You probably want to take these questions on notice. When was the 1998 return lodged?

**Ms Mitchell**—That is information I do have. Both of them were lodged on 2 September this year.

**Senator BRANDIS**—They were lodged on 2 September 2003?

**Ms Mitchell**—Yes. That is late.

**Senator BRANDIS**—That is more than five years after the 1998 election. When was the obligation, under the act, to lodge? It was not five years later.

**Ms Mitchell**—No, it was not five years later.

**Senator BRANDIS**—How long was it? Could you check that for me? I am appalled.

**Ms Mitchell**—Fifteen weeks after polling day.

**Senator BRANDIS**—The obligation is to lodge within 15 weeks of polling day and they were lodged five years, and 2½ years, later?

**Ms Mitchell**—Yes, Senator.

**Senator BRANDIS**—Was any explanation given by the Fair Go Alliance for this gross defalcation?

**Ms Mitchell**—I understand it was an oversight, Senator.

**Senator BRANDIS**—From where does that understanding, that it was an oversight, arise?

**Ms Mitchell**—From media reports of what the Fair Go Alliance said.

**Senator BRANDIS**—Have you interviewed anybody from the Fair Go Alliance and said, ‘Mr or Ms Lodgement Officer why, when you had to lodge these forms within 15 weeks, did it take you five years?’

**Ms Mitchell**—I think we are now starting to go into a level of detail in relation to our consideration of the issues that I would prefer not to—

**Senator BRANDIS**—I am not asking for your consideration of the issue. You said a moment ago that you got that impression from media reports.

**Ms Mitchell**—Yes.

**Senator BRANDIS**—I am not asking you to trespass into the details of an interview. I am merely asking whether the AEC has made that inquiry of an officer who can speak on behalf of the Fair Go Alliance.

**Ms Mitchell**—The answer to the specific question, in the terms that you asked it, is no.

**Senator BRANDIS**—Or was there an inquiry to that effect?

**Ms Mitchell**—I have spoken to somebody who confirmed what they said in the media reports.

**Senator BRANDIS**—So you have. Was that about both the 1998 and the 2001 return?

**Ms Mitchell**—That it was an oversight, yes.

**Senator BRANDIS**—Is that what they said: it was an oversight?

**Ms Mitchell**—Yes.

**Senator BRANDIS**—Did you challenge them?

**Ms Mitchell**—No.

**Senator BRANDIS**—You will challenge them when the more detailed and thoroughgoing inquiries you have foreshadowed are pursued between now and 16 February next year, won’t you?

**Ms Mitchell**—At this stage the AEC has been looking at whether or not disclosure obligations have ultimately been met.

**Senator BRANDIS**—The obligation was not met in terms of the act but you could say, if you wanted to be charitable to the Fair Go Alliance, that it was met very, very shockingly belatedly—but ultimately met. How much money did the 1998 disclosure report that the Fair Go Alliance gave to the New South Wales branch of the Labor Party?

**Ms Mitchell**—I do not think I have that.

**Senator BRANDIS**—Can you tell us roughly, please?

**Ms Mitchell**—No, I cannot tell you roughly.

**Senator BRANDIS**—Roughly?

**Ms Mitchell**—No, I would need to look at a copy of the returns.

**Senator BRANDIS**—Do you have an officer handy who might be able to tell us that between now and 11 o'clock?

**Ms Mitchell**—No, sorry. I would have to go back to the office myself.

**Senator BRANDIS**—Are there officers at the office watching us on closed circuit television?

**Ms Mitchell**—No.

**Senator BRANDIS**—There are not; okay.

**Senator FAULKNER**—I think he is now suggesting that the AEC applies to people who are insane.

**Senator BRANDIS**—Senator Faulkner, I keep reading media reports that you are such a star that, when you are appearing at these estimates committees, people in Canberra watch little else.

**Senator FAULKNER**—If only it were true—obviously not in the AEC.

**Senator BRANDIS**—So you cannot tell us how much money they gave the Labor Party in 1998 or 2001?

**Ms Mitchell**—No, sorry.

**Senator BRANDIS**—You must have a rough idea. It was not \$15 from the local chook raffle, was it? It would have been tens of thousands of dollars at least, would it not, if not hundreds of thousands or millions of dollars?

**Ms Mitchell**—I would be guessing and I would not want to misinform.

**Senator BRANDIS**—Well, guess, please. Is it the tens of thousands, the hundreds of thousands or the millions?

**Ms Mitchell**—I just do not think it is appropriate for me to guess.

**Mr Dacey**—Ms Mitchell does not know; I do not think it would be appropriate to have a guess at this.

**Senator BRANDIS**—All right. But you are taking that on notice for both the 1998 return and the 2001 return?

**Ms Mitchell**—Yes.

**Senator BRANDIS**—Ms Mitchell, I have to say that if somebody has failed to disclose until more than five years after the event the donation of a substantial sum of money—it must have been a substantial sum of money, whatever it was—and they said, 'Whoops, this is just an oversight,' you would have to be a bit sceptical of that explanation, wouldn't you? You would ask them a few more questions, wouldn't you?

**Ms Mitchell**—I think the critical issue for the AEC is whether or not the return now contains the information that it should contain.

**Senator BRANDIS**—Why should that be the only critical issue? Surely compliance with the statute is a critical issue, and that must relate both to the accuracy of the information and to the timeliness with which the statutory obligation was complied with.

**Ms Mitchell**—The AEC has always worked on the basis that the object of the legislation is to achieve disclosure, and that has been its main focus. The secondary focus is whether or not that has been done in accordance with the timetable.

**Senator BRANDIS**—That might be a proper order of priorities, but they are both important things, aren't they? You have to enforce the act, and the act says that it has to be 15 weeks, not five years. If somebody glibly says to you, 'Oh, whoops, it was just an oversight,' you have to ask them a few more questions than that, don't you, because they might be lying to you? It might not be an oversight at all.

**Ms Mitchell**—But the requirements of the legislation are disclosure of the information, not an explanation to the AEC of why they were late with that disclosure.

**Senator BRANDIS**—If you are a statutory authority enforcing a statute and there has been a contumelious breach of a clear statutory obligation, as the enforcing agency you ought to be asking why that was breached. In fact, that is a penalty provision, isn't it?

**Ms Mitchell**—Yes, but we are out of time for prosecutions.

**Senator BRANDIS**—So their breach of their obligations is so gross and contumelious that it is too late even to prosecute them. Surely that must make it worse, mustn't it?

**Ms Mitchell**—I do not think it is for me to pass judgment on it.

**Senator Abetz**—That is a value judgment that I think many of us might agree with, but I would accept that the officers should not necessarily offer an opinion on that.

**Senator BRANDIS**—It seems to me that, if people heard that if they were late they can be prosecuted but that we should not inquire about why they were late because they were so late they were actually past the limitation period and a prosecution is statute barred—that seems a pretty funny reason for not pressing them about why they were so contumeliously late, don't you think, Ms Mitchell?

**Ms Mitchell**—What I am trying to do is administer the provisions of the act.

**Senator BRANDIS**—These people are so late that it is too late even to prosecute them under the terms of the statute. That is disgraceful.

**Ms Mitchell**—The statute does not require them to explain themselves to me as to why they were late.

**Senator BRANDIS**—Dear, oh dear. Would I be right in thinking that, where there is disclosure of some of the donor entities in the Fair Go Alliance return, the only two donor entities which are disclosed on that particular form are the Public Service Association of New South Wales and the Community Public Sector Union SPSF group. Are those the only two?

**Ms Mitchell**—I think you have probably got more information available at your fingertips than I do. Without a copy of the returns in front of me—

**Senator BRANDIS**—No, I just have questions that have been helpfully suggested to me. I am putting propositions to you but, unless you verify them, it does not matter a hill of beans.

**Ms Mitchell**—Without a copy of the returns, I cannot actually confirm the information in the returns. It might be helpful if, in trying to answer these questions, I commit to giving the committee a copy of the returns, and you can then have all the information the AEC has.

**Senator BRANDIS**—In relation to one of the two returns for which donor entities to the Fair Go Alliance are revealed, wouldn't it be right to believe that there were more than two entities? Your inquiries so far—and I do not want you to put a specific figure on it—have certainly revealed that to you, haven't they?

**Ms Mitchell**—My recollection of the return that you are talking about is that there are two organisations mentioned on that return.

**Senator BRANDIS**—Yes.

**Ms Mitchell**—I cannot remember which organisations are mentioned.

**Senator BRANDIS**—Let us say they are the two I suggested to you. Don't you think—at least provisionally—that that is not all the donor entities to the Fair Go Alliance?

**Ms Mitchell**—I do not think it is appropriate to give a provisional conclusion on whether or not those returns are complete.

**Senator BRANDIS**—Okay.

**Ms Mitchell**—We are looking at the issue of whether or not disclosure obligations have been met. Once we have come to the end of our consideration of that issue, I think that is the appropriate time for us to say.

**Senator BRANDIS**—Are you taking all of those issues on notice for us for 16 February next year?

**Ms Mitchell**—Yes.

**Senator BRANDIS**—Let us go to the return for which no donor entities to the Fair Go Alliance have been disclosed. There was a double failure in relation to that one, wasn't there? Not only was the lodgement of the return on the extremely incredible grounds of oversight so late that it was beyond the point at which a prosecution was statute barred but also there was a failure of the obligation to disclose the names of the donor entities to the Fair Go Alliance. They are doubly damned, aren't they?

**Ms Mitchell**—If there were people from whom they received money that should have been disclosed in that return, that is an omission from that return. But I cannot confirm at this stage whether that is the case.

**Senator BRANDIS**—If that is the case, would you agree that, in fact, no return answering the requirements of the act has even yet been lodged? An invalid return or a return that is materially incomplete is not a return at all.

**Ms Mitchell**—I do not know that I would call it not a return at all. It might be an incomplete return. Certainly, if it is an incomplete return, we would—

**Senator BRANDIS**—But the obligation is to lodge a complete return or a return that answers the requirements of the act, isn't it? And the disclosure obligation is not fulfilled until that is done, is it?

**Ms Mitchell**—The obligation is to lodge a complete return, yes.

**Senator BRANDIS**—So the disclosure obligation is not fulfilled until that is done?

**Ms Mitchell**—That is right.

**Senator BRANDIS**—We may well be facing a situation in which, getting on for nearly six years after the 1998 election, there still is not a return answering the requirements of the act being lodged by the delightfully and ironically entitled Fair Go Alliance.

**Ms Mitchell**—That is a possibility.

**Senator BRANDIS**—Can I put it to you that the two unions which have disclosed their donations to the Fair Go Alliance in respect of one of these returns were the Public Service Association of New South Wales and the Community Public Sector Union SPSF group. Did either of those organisations make disclosure declarations to the AEC in respect of either the 1998 or the 2001 election?

**Ms Mitchell**—That is information that I do not actually have with me at the moment.

**Senator BRANDIS**—Will you take that on notice for me?

**Ms Mitchell**—Yes.

**Senator BRANDIS**—And would you please tell me the amount of money they disclosed in their returns for each of those elections, if there were returns on their behalf for either of those elections.

**Ms Mitchell**—Yes.

**Senator BRANDIS**—Are you aware of press reports—that is, the report I referred to before, as a matter of fact, in the *Australian* of 3 September 2003—that there were at least four other unions comprising the Fair Go Alliance which gave money to the Labor Party through the Fair Go Alliance in either or both of the 1998 and 2001 elections?

**Ms Mitchell**—I understand that there have been press reports suggesting that the information is incomplete.

**Senator BRANDIS**—Have you investigated that matter?

**Ms Mitchell**—That is part of what we are considering.

**Senator BRANDIS**—When you say 'considering', I don't want to quibble but I hope that means that you are investigating those unions to make sure that they have not committed offences under or otherwise breached the act.

**Ms Mitchell**—What we are looking at in relation to the matter is whether everyone who has a disclosure obligation has met that disclosure obligation.

**Senator BRANDIS**—And you have the New South Wales Labor Council saying, in the *Australian* on 3 September 2003, that there were at least six unions who formed part of the Fair Go Alliance, and we know that the Fair Go Alliance is a channel whereby union money was given to the Labor Party, and we know, from the Fair Go Alliance's own return, that money was given to the Labor Party. So it follows necessarily, doesn't it, that we know as well at least this much: that if only two unions have disclosed, at least four have not?

**Ms Mitchell**—Only if the amount that they have given is above the disclosure threshold, yes.

**Senator BRANDIS**—And you are investigating that?

**Ms Mitchell**—We are looking at whether all disclosure obligations have been met.

**Senator BRANDIS**—And you are being terriers about that? You are going to come back on 16 February 2004 and, when Senator Mason or I ask you these questions, you are going to say, with Allan Fels-like ferocity, 'Gotcha! We've investigated this, and this is what our investigations have revealed'?

**Ms Mitchell**—The consideration of all of this will be a thorough one, yes.

**Senator BRANDIS**—Thank you. Is the AEC investigating why the Public Service Association of New South Wales filed a nil return for 2001-02, which as I understand it was the reporting period for the 2001 federal election, when the Fair Go Alliance return for the same reporting period listed that same union as donating \$10,000 in that period?

**Ms Mitchell**—Apparent discrepancies between returns forms part of the consideration that we look at when we are doing this.

**Senator BRANDIS**—It is an apparent discrepancy, you are right, but it is a discrepancy. You have the recipient saying, 'We got \$10,000,' and you have the donors failing to disclose the donation of the \$10,000. That is about as discrepant as you can get, isn't it?

**Ms Mitchell**—I don't think it is appropriate for me to be making categorical statements like that at this stage. All I can say to you is that we are looking at whether everyone who had a disclosure obligation has met that disclosure obligation.

**Senator BRANDIS**—The Public Service Association of New South Wales filed a nil return when the Fair Go Alliance said, 'They actually gave us \$10,000 which we gave to the Labor Party.' That looks pretty obviously like a breach of a disclosure obligation, doesn't it?

**Ms Mitchell**—It is one of the issues that we would look at as part of this.

**Senator BRANDIS**—You are investigating thoroughly?

**Ms Mitchell**—There will be a thorough look at the matter.

**Senator BRANDIS**—You will be investigating thoroughly; good. Are you aware of any attempts by the Public Service Association of New South Wales to correct this apparent discrepancy or this apparent oversight?

**Ms Mitchell**—I do not have a recollection of that happening.

**Senator BRANDIS**—Are you able to tell us when the Fair Go Alliance was set up? You have told us that it first lodged a return for the 1998 election. When was it created?

**Ms Mitchell**—It is not information that I have in the data that I have with me this evening.

**Senator BRANDIS**—Can you take that on notice please?

**Ms Mitchell**—Yes.

**Senator BRANDIS**—You would be aware that the Fair Go Alliance has lodged a third-party return of donations made for the 1998 federal election which details donations to the value of \$7,000. Why is there no record on the disclosure return of where that \$7,000 came from, only details of which Labor Party candidates received that money?

**Ms Mitchell**—That is part of what we have to consider.

**Senator BRANDIS**—You will take that on notice?

**Ms Mitchell**—Yes. It may be because the component amounts are below the disclosure threshold.

**Senator BRANDIS**—Given that the Fair Go Alliance is quite open about having been set up to target a coalition led government industrial relations spokesman, is the AEC currently considering whether the Fair Go Alliance should be classified as an associated entity of the Australian Labor Party?

**Ms Mitchell**—Yes.

**Senator BRANDIS**—Do you think that determination is likely to have been made by 16 February next year?

**Ms Mitchell**—It is one of the issues that we are considering at the moment.

**Senator BRANDIS**—Thank you. Can you tell us whether the address—oh, that is a good question—of the Fair Go Alliance is the same as the address of the New South Wales branch of the ALP?

**Senator FAULKNER**—You should give credit to the people who write these questions out for you.

**Senator BRANDIS**—I do, Senator Faulkner.

**Senator FAULKNER**—You are in favour of full disclosure, so who wrote these questions?

**Senator BRANDIS**—It is none of your business.

**Senator FAULKNER**—Of course it is none of my business, but that is not going to stop me asking you.

**Senator BRANDIS**—In the case of this latest question, which I think is a very good question, I can recognise Senator Mason's handwriting.

**Senator FAULKNER**—So the chair is interfering with your questioning?

**Senator BRANDIS**—No, he is not interfering; he is helping.

**Senator FAULKNER**—Oh, well, that is okay then!

**Senator BRANDIS**—Can you inform—

**CHAIR**—Can you confirm—



**Senator BRANDIS**—Thank you. Can you confirm—

**Senator FAULKNER**—It just goes to prove that he wasn't really asleep, doesn't it.

**Senator BRANDIS**—whether the address of the Fair Go Alliance is the same as the address of the New South Wales branch of the ALP?

**Ms Mitchell**—It is not something I have checked.

**Senator BRANDIS**—Whether you have checked it or not lately, are others indeed aware of that? Senator Mason seems to know.

**Senator FORSHAW**—Well ask Senator Mason. I would be interested in Senator Mason's answer on this.

**Senator BRANDIS**—You are not aware of that?

**Ms Mitchell**—No. I understand it was an issue that was raised in a media report, Senator, but I have not confirmed it.

**Senator BRANDIS**—It would not be hard to check out, would it?

**Senator FAULKNER**—I did not think it would be an original question from Senator Mason; there is never an original thought there.

**Senator BRANDIS**—That would tend to lend itself to the suspicion that perhaps the Fair Go Alliance had some association with the New South Wales branch of the Australian Labor Party, would it not?

**Ms Mitchell**—I do not think I would go so far as to say that, Senator.

**Senator BRANDIS**—I am not saying that it would be conclusive, but it would rather tend towards that conclusion, would it not?

**Ms Mitchell**—Not necessarily. There could be a range of tenants in the same building.

**Senator BRANDIS**—There could be a range of tenants in the same building, I guess.

**Senator FAULKNER**—Are they now or have they ever been associated with the Communist Party?

**Senator BRANDIS**—What is the answer to Senator Faulkner's question?

**Ms Mitchell**—I do not know that.

**Senator FAULKNER**—That was tongue in cheek, really.

**Senator BRANDIS**—I am sorry, Senator Faulkner, you are so deadpan.

**CHAIR**—I thought it was serious.

**Senator FAULKNER**—Let us ask a serious question: are they now or have they ever been associated with the Nazi Party? Is that where Senator Brandis is going?

**Senator BRANDIS**—Do you know the answer to Senator Faulkner's question?

**Ms Mitchell**—No, I do not, I am sorry.

**Senator BRANDIS**—You have to pretend that Senator Faulkner is to be taken seriously. Where a candidate files a nil return following an election, isn't it the usual practice for party organisations to incorporate that candidate's election receipts and expenditure into its returns?

**Ms Mitchell**—Where the money has gone through an arm of the party, yes it would be.

**Senator BRANDIS**—Is that another matter you are pursuing in your investigations in relation to the Fair Go Alliance?

**Ms Mitchell**—Yes.

**Senator BRANDIS**—And you will come back to us with the fruits of those investigations on 16 February?

**Ms Mitchell**—At this stage in time the New South Wales ALP has lodged an amendment to two of its returns. On 4 September it lodged amendments to the 2000-01 and 2001-02 returns.

**Senator BRANDIS**—Are you aware that Mr Eric Roozendaal, the New South Wales State Secretary of the ALP, failed to include donations from the Fair Go Alliance to Labor Party candidates who filed a nil return?

**Ms Mitchell**—I believe that is what the amendments that I just mentioned were about.

**Senator BRANDIS**—So Mr Roozendaal caused an amendment to be made to correct that oversight between a nil return and a return reporting the receipt of funds?

**Ms Mitchell**—Yes.

**Senator BRANDIS**—When was the amended return filed?

**Ms Mitchell**—On 4 September.

**Senator BRANDIS**—Was that filed in response to a request from the AEC or was it filed spontaneously?

**Ms Mitchell**—My recollection was that it was spontaneous.

**Senator BRANDIS**—You will check that for me, won't you?

**Ms Mitchell**—Yes, I will.

**Senator BRANDIS**—Are you also aware of Ms Jennie George's assertion that the donation from the Fair Go Alliance appeared in her campaign accounts and all that information was transmitted to the New South Wales ALP head office?

**Ms Mitchell**—I am aware that that was in a media report, yes.

**Senator BRANDIS**—Right. So assuming the media correctly reported what Ms Jennie George said, is that a matter you are investigating as well? Is it part of what is obviously going to have to be a very extensive investigation into this panoply of defaults by the Fair Go Alliance?

**Ms Mitchell**—One of the issues that the AEC is looking at is whether information was passed on to the party so that it could be reported, yes.

**Senator BRANDIS**—That is one of the things that you will investigate? Can you think of any reason why Mr Roozendaal would have failed to disclose the various donations of more than \$1,500 from the Fair Go Alliance?

**Senator FORSHAW**—I have heard nastier assertions but this is—

**Ms Mitchell**—I do not really know what the reason was because I have not spoken to Mr Roozendaal about that.

**Senator BRANDIS**—You are going to, aren't you?

**Ms Mitchell**—It is part of looking at whether disclosure obligations have been met.

**Senator BRANDIS**—He is the responsible officer—the public officer—

**Ms Mitchell**—The party agent.

**Senator BRANDIS**—The party agent. If you have not spoken to Mr Roozendaal yet and he is the party agent, I must say with respect, Ms Mitchell, it does not sound like it has been a very exhaustive investigation so far. But perhaps you are going to crank it up very vigorously soon.

**Senator FAULKNER**—You might wait until it is concluded before you make those sorts of value judgments.

**Senator BRANDIS**—Senator Faulkner, it sounds like I am going to have to wait until it is started.

**Mr Dacey**—In relation to this and associated issues, as Ms Mitchell has indicated, the consideration of this issue and others is still in progress. Many of these issues raised with the AEC are quite complex—

**Senator BRANDIS**—I am sure they are.

**Mr Dacey**—as you have indicated with some of your questions, and they do require detailed consideration and cross-checking. In relation to coming back to this committee in February with a result, it is certainly our intention, as Ms Mitchell said. But often consideration of information leads to more information becoming available and the AEC having to interview or talk to more people. I think that is a factor that is often misunderstood by others such as the media. From the AEC's point of view we would certainly like to be in a position to be able to come back to the committee and have closure on some of these issues by the next time we appear. But it may not be possible as more information comes to light.

**Senator BRANDIS**—That is an appropriate reservation of your position, Mr Dacey, and I understand that. But there are 3½ months between now and 16 February next year and I would have thought that, if there were a genuine willingness by the AEC to commit resources, at least a great deal of headway could have been made into that investigation even to the point of interviewing the party agent, Mr Roozendaal, who apparently has not even been interviewed yet. It sounds as if the first step has not been taken yet. That is terrible.

**Mr Dacey**—There are lots of steps and lots of issues that we need to consider, Senator. But, yes, this issue and others—and there are other issues raised with the AEC—

**Senator BRANDIS**—I have asked a number of subsidiary questions—I have actually asked you questions on about 16 discrete topics—and I would like you to concentrate the resources devoted to the investigation with an awareness that those are the 16 topics that are of interest to the parliament.

**Mr Dacey**—Senator, we are certainly aware of those topics and other topics, but I need to point out that this matter is not the only matter the AEC is considering at this stage.

**Senator BRANDIS**—I understand that. But it is the matter that is exercising this committee of the parliament, and it is exercising me particularly.

**Senator FAULKNER**—It is exercising Senator Brandis—that is a fair comment to make.

**Senator BRANDIS**—And I am a member of the committee.

**Senator FAULKNER**—You are a member of the committee.

**Senator BRANDIS**—You get exercised, Senator Faulkner, and I respect your right to be exercised about the matters that exercise you.

**Senator FAULKNER**—Senator Brandis does not speak on behalf of the parliament. He speaks for a very small minority of the Liberal Party—

**Senator BRANDIS**—I speak as a member of this committee and this committee is seized with investigating—

**Senator FAULKNER**—and I think that comes as an enormous relief to most of us.

**Senator BRANDIS**—this contumelious oversight and disregard of the law by the New South Wales ALP and its money-laundering entity, the Fair Go Alliance.

**Senator MURRAY**—Just for clarification: contu—

**Senator BRANDIS**—Contumelious.

**Senator MURRAY**—Does that mean insulting and humiliating?

**Senator BRANDIS**—Among other things, yes.

**Senator MURRAY**—It seems an odd usage.

**Senator Abetz**—We might have that discussion at a later stage. As I understand that you, Senator Mason, went to such trouble to write out a question so neatly—

**CHAIR**—Yes.

**Senator Abetz**—that Senator Brandis was able to read it, I can just indicate that I was in fact provided with some information that suggests that the Australian Labor Party New South Wales branch's postal address is Level 9, 377 Sussex Street—

**Senator FORSHAW**—No, it is not.

**Senator Abetz**—on a political party annual return. Well, that is the agent's details.

**Senator BRANDIS**—So, Senator Abetz, you are able to answer some of these questions. I should have asked you. Would you like me to ask them all again?

**Senator Abetz**—No, because all I can assist you with—

**Senator BRANDIS**—You can assist us with the various lacunae in the answers.

**Senator Abetz**—All I can assist you with is some information that is on the public record. The Fair Go Alliance has an address at 337-383 Sussex Street. So I reckon if they are not in the same office they are most likely very, very close.

**CHAIR**—They are contiguous.

**Senator BRANDIS**—Yes.

**CHAIR**—Propinquity.

**Senator BRANDIS**—Propinquitous! Thank you, Mr Chairman.

**Senator MURRAY**—I have a short question before, I suspect, Senator Faulkner is going to have some long questions. It follows on in part from Senator Brandis's questioning. The Rivkin affair has brought to the fore the question of the beneficial owners and the difficulties regulators and others have when they are concealed. As the AEC knows, I have previously taken an interest in the matter of beneficial owners not being disclosed behind trusts, clubs, foundations, companies and so on. I have a general question to Mr Dacey or Ms Mitchell. When you investigate matters such as the one we are talking about—but you would have investigated others—have there ever been occasions when you have asked to know who the beneficial owners are of an entity and that has been denied to you? Is it a problem you have come across, or has it not touched your shores yet?

**Ms Mitchell**—Not that I am aware of, Senator, but I have only been in the funding and disclosure section for 2½ years. We can perhaps ask my predecessor if it has been an issue in his knowledge.

**Mr Dacey**—I am certainly not aware either, Senator, to my knowledge.

**Senator MURRAY**—I would be happy if you would take it on notice. I have in my mind a particular set of donations which I understand have come in from Scandinavia, from a foundation there, and I cannot see how anyone would know who the beneficial owners of those are. They have been disclosed to the AEC. The question really is: have you asked the question ever and been denied the knowledge that you want?

**Mr Dacey**—I am not aware, Senator, but we will get back to you on that.

**Senator MURRAY**—Thank you.

**Senator FAULKNER**—First of all, His Honour Judge Burchett has, I think, now been confirmed as the new chairperson of the Australian Electoral Commission?

**Senator Abetz**—That is right.

**Senator FAULKNER**—Can you just indicate to us, Mr Dacey, the length of term of that appointment?

**Mr Dacey**—Five years.

**Senator FAULKNER**—What was the commencement date?

**Mr Dacey**—23 October.

**Senator FAULKNER**—Thank you very much. I appreciate that.

**Senator Abetz**—Can I on this occasion, since you have raised it, put on the record thanks to Justice Morling for his service as chairman to the commission for 10 years. I am sorry, I have just been corrected. It was 16 years.

**Senator BRANDIS**—So Justice Morling was an appointee of the Hawke government?

**Senator FORSHAW**—If you can add up and subtract you could probably just work that out.

**Senator FAULKNER**—On another issue, there have been some pretty significant increases in executive remuneration in the AEC, haven't there, Mr Dacey?

**Mr Dacey**—In relation to executive remuneration—and I might get Barbara Davis to talk in more specific terms—in general terms in annual reporting requirements it appears, if you are comparing one year to the other, that there are some significant increases. But perhaps the explanation might lead us to understand that that is not the case.

**Senator FAULKNER**—Can I just confirm, then, with Ms Davis. The information that I have available to me is limited, of course, as you would appreciate. It comes from the annual report. Can you confirm, Ms Davis that for the year 2002-03 executive remuneration increased by \$652,187, from \$1,893,021 to \$2,545,208? That is correct, isn't it?

**Ms Davis**—The figures are correct there but there is a difference in what was reported for the previous year to what has been reported for the 2002-03 year. Not all the senior executives were on total remuneration packages for the previous annual reporting period. This year was the first year that all senior executives, including statutory appointees and other contract employees at senior executive level, were on total remuneration packages. So that is reflected in the reporting requirements. In addition, those figures incorporate provisions for certain sorts of leave accruals, performance bonuses, employer superannuation amounts, FBT and such items as higher duties allowances and travelling allowances.

**Senator FAULKNER**—That is all that you would expect, isn't it?

**Ms Davis**—That has not always been the case in previous reporting periods.

**Senator FAULKNER**—When was it not the case in previous reporting periods?

**Ms Davis**—As I explained, the total remuneration package was reported in the previous annual report for only some of the members of the senior executive at that time.

**Senator FAULKNER**—What was the increase in per capita executive remuneration for the same period? If you are making the point that we have to compare apples with apples, fair enough—you make that point. Let us then compare apples with apples. What are the figures? Assuming you have done that amount of homework, you will be able to provide them to us.

**Ms Davis**—To explain that more succinctly—and Mr Dacey might like to do that, but without the Electoral Commissioner here—the increases in remuneration for all the senior executive did not exceed five per cent in that reporting period.

**Senator FAULKNER**—Can you provide to the committee, Mr Dacey, a comparison of this reporting period with the previous reporting period? Have you got a document there that actually provides what the AEC would consider a valid comparison? I think what you are saying to the committee is that the figures in the annual report require more explanation.

**Mr Dacey**—They do. We do not have that comparative apples to apples figure with us, but it is something we can work on for the committee. If I could just reiterate what Ms Davis said. Perhaps I should point out that there are two sorts of senior executives in the AEC. There are those senior executive statutory office holders—such as the commissioner, myself and the seven Australian electoral officers—whose remuneration is set by the Remuneration Tribunal as principal executive officers. Then there are the SES equivalents employed under the Commonwealth Electoral Act. As Ms Davis said, in 2002-03 the Electoral Commissioner's salary increase was fixed by the Remuneration Tribunal. For the other PEOs the Remuneration Tribunal set a maximum of a five per cent salary increase. In line with that the commissioner made a determination that no other senior executives would exceed that. As Ms Davis said, not one of the senior executive equivalents or principal executive officers received a pay rise in excess of five per cent.

**Senator FAULKNER**—What was the average per capita executive remuneration between the two most recent reporting periods?

**Mr Dacey**—We would have to take that on notice.

**Senator FAULKNER**—It should be fairly easy to work out. I appreciate that you may not have the figure available.

**Mr Dacey**—I do not have the figure available.

**Senator FAULKNER**—If you could quickly respond to that, I would appreciate it. Why wasn't the point that Ms Davis makes—and that you have made—provided in the annual report? In other words, if you are concerned about unfortunate, unhappy, unreasonable or unfair comparisons being made between one reporting period and the next, why wasn't there a note? I did not see a note that indicated that the comparisons are not necessarily valid. I might have missed it; if it is there, fine. I saw a number of notes in the annual report about this; note 12 goes to this.

**Ms Davis**—I think note 12 explains what the components were, but, given that it was in the financial statements at the time, we were simply following reporting guidelines at the time and did not see the need for a note.

**Senator FAULKNER**—What do you say about that, Dr Watt? Yes, note 12 does give the components; that is true. We are now hearing that perhaps there is a risk that some of the comparisons that might be drawn between the previous reporting period and the most recent statistics from the most recent reporting period may not necessarily be valid ones.

**Dr Watt**—I am not familiar with the AEC's annual report.

**Senator FAULKNER**—I am talking about this from the broader perspective of your Finance role.

**Dr Watt**—Just taking the issue as a generic one, it is often hard to make comments between years as salary structures and so forth evolve. We find that in all sorts of things in budgets. I think you just have to make the best of it you can.

**Senator FAULKNER**—Thank you for that. We do make the best out of it we can, but I must say that it is difficult at times. Can you confirm for us, Ms Davis, that the average

performance pay made to executives was 7.74 per cent of the employee's total remuneration? That is the average figure that I was able to pick out of the annual report. Is that correct?

**Ms Davis**—Yes, as far as I am aware.

**Senator FAULKNER**—The minimum paid was \$3,966. Is that correct?

**Ms Davis**—Yes, that is what is recorded in the annual report.

**Senator FAULKNER**—The maximum paid was \$21,224.

**Ms Davis**—Yes.

**Senator FAULKNER**—Is it true that the performance bonus paid to senior executives for one year is higher than the pay rise on offer to staff over two years in current negotiations over their workplace agreement? That appears to be pretty clear from the annual report. Is that the case?

**Ms Davis**—I think we are probably talking about two different things. Again, if we are talking about comparing apples with apples, we are not comparing the same things. The performance bonus underneath the AEC remuneration policy is by way of a lump sum bonus. The provision in the certified agreement that has been under negotiation over recent months is talking about a percentage per annum increase. It is not an apples with apples comparison.

**Senator FAULKNER**—The average performance bonus paid to senior executives over the past three years is 6.75 per cent. That is correct, isn't it?

**Ms Davis**—Without having done the maths, at the moment I cannot really say.

**Senator FAULKNER**—I have done the maths. It was 6.6 per cent in 2000-01, wasn't it? Can you confirm that?

**Ms Davis**—I am sorry, I will have to wait to have that confirmed for me.

**Senator FAULKNER**—It was 5.8 per cent in 2001-02 and up to 7.74 per cent, which you have acknowledged previously, in 2002-03.

**Ms Davis**—I apologise, but I am not in a position to make a comment on that. My recollection in the first year would be that not all of the senior executive would have been under arrangements where they had access to performance pay, so the number of senior executives at that time might have been under three. But I cannot really say. The Electoral Commissioner at the time is the only person within the commission who has access to that information.

**Mr Dacey**—Certainly in previous years—perhaps two years back—the then statutory officers, before they translated across to the principal executive officer structure, from my recollection did not have access to performance pay.

**Senator FAULKNER**—Mr Dacey, as the Acting Electoral Commissioner, you have acknowledged that there is a very tight budgetary situation in the AEC, haven't you?

**Mr Dacey**—That is correct. Yes, there is.

**Senator FAULKNER**—There is no doubt about that. Are you able to justify these increases in executive remuneration in that tight budgetary situation?



**Mr Dacey**—In terms of increases in remuneration, we are talking about less than five per cent for the 2002-03 year. As Ms Davis said, that does not equate to a pay offer made to staff, which is a payment for ongoing salary; it is not a one-off bonus. Certainly, in previous years the remuneration of the senior executives pay rises has been around or less than that figure. In the two previous years, the pay rise under the certified agreement awarded to staff was eight per cent and six per cent. The senior executive pay rises were somewhat less than the amount awarded to staff in previous years.

**Senator FAULKNER**—In the estimates round of November last year, would you recall the AEC advising this committee that performance bonuses of between nought and 10 per cent were paid?

**Mr Dacey**—I do not recall the exact figure that was mentioned.

**Senator FAULKNER**—I was hoping that, in the light of the figures in the annual report, you would be able to confirm that this is the case. Can someone help me with that, please? I am now talking about performance bonuses.

**Ms Davis**—I do recall that being discussed in the Senate estimates. I cannot recall whether it was the Electoral Commissioner, Mr Becker, or Mr Dacey who made that statement. But again, perhaps neither is in a position to confirm that at this stage given the confidentiality of the nature of those payments.

**Senator FAULKNER**—I am not asking for any detail about individuals here. I am just looking at the pattern. Can you tell the committee how many executives got a 10 per cent bonus?

**Ms Davis**—I am not in a position to be able to tell you that.

**Senator FAULKNER**—Is that not known to officers at the table?

**Ms Davis**—No, it is not.

**Senator FAULKNER**—Could you please take that on notice.

**Mr Dacey**—It is known to the Electoral Commissioner in terms of individual bonuses, and obviously to staff who need to make that salary transaction.

**Senator FAULKNER**—I am not asking for names. I am just asking for the number of AEC executives who got the 10 per cent bonus. I am assuming, Mr Dacey—and I think it is a fair assumption given previous evidence to this committee—that no-one got more than a 10 per cent bonus. Just to make sure the record is complete, would you mind reaffirming that. Could you take those two issues on notice for me, please?

**Mr Dacey**—Yes.

**Senator FAULKNER**—If you are able to indicate in tabulation form the pattern of performance bonus by percentage and numbers of senior executive, I would appreciate it. Obviously, I would like you to put the senior executive's name beside that, but I am not going to ask you to do that. I am interested here in the pattern. I am interested in the pattern in what is a tight budgetary situation, which I think we all acknowledge, and in the light of previous evidence that has been given and the information now that is available to us in the annual

report. I might leave that there in the interests of trying to move through this as quickly as possible. Would you be happy to provide that information in that form?

**Mr Dacey**—In that form, yes.

**Senator FAULKNER**—Can I move to another issue. Mr Dacey, I want to ask you about an organisation called Australians for Honest Politics. Can you confirm that the Australian Electoral Commission wrote to me on 28 August 2003—my recollection is that it was actually under your signature—

**Mr Dacey**—I can confirm that.

**Senator FAULKNER**—and stated in response to my letter of two days earlier that the question of whether the trust fund Australians for Honest Politics was required to disclose its donors was under active consideration?

**Mr Dacey**—Yes.

**Senator FAULKNER**—Can you confirm that you indicated on behalf of the AEC that you would provide a response on that matter as soon as possible?

**Mr Dacey**—Yes, I did.

**Senator FAULKNER**—Can you confirm that at this stage I have received no further communication on this matter?

**Mr Dacey**—There was a second—do you mean in terms of the finalisation of the issue?

**Senator FAULKNER**—Sure. Sorry—I should have said that at this stage a substantive response has not been received.

**Mr Dacey**—That is correct.

**Senator FAULKNER**—The situation now is that it is over two months since that original exchange of correspondence. Mr Dacey, are you able to indicate to the committee where this investigation is up to in a process sense? Can you explain that to me?

**Mr Dacey**—As you know, we do not give particular comments in relation to the progress of investigations, but I can state quite categorically that it is still under active consideration by the AEC. As I mentioned earlier in response to Senator Brandis's questions, this consideration is often very time consuming. There are a number of matters of correspondence that the AEC has to attend to. The AEC quite often—and in this case—seeks particular legal advice. We are still at the stage of gathering information from parties.

**Senator FAULKNER**—Has the AEC sought legal advice on the matter of Australians for Honest Politics?

**Mr Dacey**—Yes, we have.

**Senator FAULKNER**—From outside the commission?

**Mr Dacey**—From outside the commission.

**Senator FAULKNER**—Could you indicate whether that is from the Australian Government Solicitor, the DPP or private legal practitioners?

**Mr Dacey**—At this stage we have sought advice and assistance in relation to matters from AGS and the DPP.

**Senator FAULKNER**—I think you have indicated this, but to be clear about this I will ask you directly. Is the AEC requesting more information and documentation about Australians for Honest Politics? I think that was the thrust of what you were saying.

**Mr Dacey**—That is correct.

**Senator FAULKNER**—You can confirm that?

**Mr Dacey**—I can confirm that.

**Senator FAULKNER**—Can you confirm whether you have written to Mr Tony Abbott MP to seek information?

**Mr Dacey**—The AEC would rather not comment on the particulars of the investigation.

**Senator FAULKNER**—Mr Abbott is a principal in relation to this, isn't he?

**Ms Mitchell**—I still think that that is going into a level of detail in relation to our activities that we prefer not to go into because of the potential to prejudice our activities.

**Senator FAULKNER**—As Mr Becker is not here, could I ask you to take that on notice and ask Mr Becker, when he is back on duty—I am not sure when that will be, but whenever—whether he would be willing to respond to that question?

**Mr Dacey**—Certainly.

**Senator FAULKNER**—Mr Dacey, could you outline for the benefit of the committee what the role of the former chairperson of the AEC, Mr Justice Morling, was in relation to this particular matter? Mr Justice Morling's name has been quoted in at least two media articles that I have read, and maybe more. Are you aware that Mr Morling's name has been mentioned or quoted in at least two media articles?

**Mr Dacey**—Yes, I am. In fact, I was in communication with Mr Morling at the time because Mr Becker was absent at that time.

**Senator FAULKNER**—Can you let the committee know what the background to this is? This is quite unusual, isn't it?

**Mr Dacey**—Perhaps I can explain. It may not be that unusual. I became aware that a particular journalist wished to speak to the former chairperson of the AEC, Trevor Morling, in relation to the issue. So I called Chairperson Morling at the time and explained it to him and gave him a background brief on the AEC's position at that stage in relation to the matters that we were considering. My understanding, from speaking with Mr Morling the next day, was that the journalist did speak with him. I also provided some copies of legal advice by fax to the chairperson of the commission. I am not sure exactly what was said when that journalist spoke to Mr Morling but Mr Morling has assured me that in his view he did not indicate that he had intervened in the matter as was reported by the journalist. I can state, because I was acting commissioner at the time, that Mr Morling in no way intervened in the matter.

**Senator FAULKNER**—Did you say—did I hear you correctly?—that some material was faxed to Mr Morling?

**Mr Dacey**—I faxed some material to Mr Morling in relation to the matter to brief him before he spoke to the journalist.

**Senator FAULKNER**—What sort of material was that—I am not asking for great detail—in the broad?

**Mr Dacey**—I faxed him some dot points for discussion on where we were, at that stage, with the issue. And I faxed him a copy of two legal opinions the AEC had.

**Senator FAULKNER**—I see.

**Mr Dacey**—Mr Morling took no further role in the matter at hand at that stage other than to speak to the journalist.

**Senator FAULKNER**—I am not suggesting this—I do not want anyone to take this question the wrong way—but I think you are saying to us that Mr Morling has not intervened in this investigation.

**Mr Dacey**—Absolutely.

**Senator FAULKNER**—For the sake of the record, you are making that statement categorically to this committee?

**Mr Dacey**—I am categorically making the statement that Mr Morling did not intervene in the matter.

**Senator FAULKNER**—Are you able to say, categorically, in relation to any other member of the commission that that is the case?

**Mr Dacey**—That is absolutely the case.

**Senator FAULKNER**—Are you able to say categorically to this committee—because we have just heard from the minister about the very long period of service that Mr Morling has had, and I think he is right to acknowledge it—whether there has been any instance where Mr Morling, as chairman, would have intervened in an investigation?

**Mr Dacey**—I am not aware of that chairman, or any previous chairman, ever intervening in a situation.

**Senator FAULKNER**—I think the committee is pleased to hear that. It would not be uncommon for the sorts of reports that you said were faxed to Mr Morling—in this case, if you like, as a briefing for interviews with journalists—to be dealt with at the level of the commission itself: at board level, if you like? That is an assumption on my part.

**Mr Dacey**—It varies but the commission will often look at similar sorts of issues or those sorts of issues may be put before the commission for information as to what is happening in the organisation at the time.

**Senator FAULKNER**—Are you making a distinction here by saying that things might be presented by the bureaucracy to the commission as opposed to the commission reaching down into the bureaucracy? There is a real distinction, isn't there?

**Mr Dacey**—That is correct. More often than not the bureaucracy would be briefing the commission for information, not necessarily for the commission to make a decision but just for information. It is quite unusual from my knowledge of the organisation—as I said, I have

not heard of it happening—for the commission as such, or the chairperson of the commission, to reach into the bureaucracy for information.

**Senator FAULKNER**—In this case you have indicated that some material was sent through to Mr Morling. Did Mr Morling request that material, or did you offer it?

**Mr Dacey**—No, I offered that material myself so that I could give Mr Morling the briefing he would require to respond to the journalist.

**Senator FAULKNER**—But, because of the statutory requirements of the act, the former chairperson and the current chairperson also themselves have legal expertise, don't they?

**Mr Dacey**—Yes, they do.

**Senator FAULKNER**—Again it is an assumption on my part, but this would be of quite some advantage to the commission from time to time, wouldn't it?

**Mr Dacey**—It can have advantages, yes.

**Senator FAULKNER**—Those who designed the legislation like this—and it is appropriate for all sorts of reasons—probably had these sorts of issues in mind. Are you aware of a reaction from Mr Morling in this case to the legal advices and material that were sent to him?

**Senator Abetz**—As I understand it, at this stage you have not been told what was sent to Mr Morling; but you are now assuming that he was sent legal advices and other material.

**Senator FAULKNER**—That is what Mr Dacey has told us.

**Mr Dacey**—I did say that I had provided copies of legal advice.

**Senator Abetz**—That is fine.

**Senator FAULKNER**—Perhaps it will assist Senator Abetz and members of the committee if I sum it up this way: as I understood what you have informed the committee, Mr Dacey, Mr Morling was sent certain legal advices and briefing material to assist him in some contact he was going to have with journalists. Is that correct? That is my understanding of what you have told us.

**Mr Dacey**—That is correct.

**Senator FAULKNER**—So my question stands. Mr Dacey, was there any reaction from Mr Morling to you, to the Electoral Commissioner or to officers, having read those legal advices?

**Mr Dacey**—No, there was not.

**Senator FAULKNER**—What happened to that material after it was faxed through to Mr Morling? A reasonable person would assume that he would use that to assist him with any conversations he might have had with journalists—

**Mr Dacey**—I would assume that Mr Morling still has that material. I have not received it back and I have not asked for it back.

**Senator FAULKNER**—What happens with this sort of material? I am not being judgmental about this—Mr Morling has now retired after long and meritorious service as Chair of the Australian Electoral Commission—but one assumes that he or anyone in that position would have a range of material over which there is a question mark as to whether its

ownership is with the commission or with the individual concerned. Does this sort of material normally come back to the commission for safekeeping?

**Mr Dacey**—Yes. We are making arrangements with Mr Morling at the moment for materials he has gathered and equipment he has had access to over the years to be returned to the AEC.

**Senator FAULKNER**—That seems to me to be a sensible approach, in the circumstances. The thing is you have not changed chairmen too often, have you? It certainly has not happened in recent times, literally—well over a decade, obviously. Was that decision a standard procedure for the commission—for that material to be returned?

**Mr Dacey**—I cannot comment on standard procedure prior to Mr Morling's appointment, but certainly the standard procedure in relation to—

**Senator FAULKNER**—It seemed like a sensible—

**Mr Dacey**—I was discussing issues with Mr Morling last week, and we are making arrangements for material to be returned.

**Senator FAULKNER**—I ask about the original contact that the commission had in 1998 with Mr Abbott about Australians for Honest Politics, and some of this, as you would be aware, Mr Dacey, I think is now on the public record. That is correct, isn't it?

**Mr Dacey**—That is correct.

**Senator FAULKNER**—Did the AEC have contact with any others in 1998 about Australians for Honest Politics? Because of the public record, we are aware that it did with Mr Abbott. Did it have contact with any others?

**Mr Dacey**—I have to defer to Ms Mitchell on that.

**Ms Mitchell**—No, Senator.

**Senator FAULKNER**—You did not?

**Ms Mitchell**—Not that I have seen. I was in the section at the time, but not from what I have seen.

**Senator FAULKNER**—Thank you for that, Ms Mitchell. Can you briefly outline for the benefit of the committee what correspondence or conversations took place at that time?

**Ms Mitchell**—I was not actually involved in them. I am aware only of a few letters that went back and forth. I am aware of a letter that went to Mr Abbott in September 1998, a response from Mr Abbott in October 1998 and a letter to Mr Abbott in June 1999.

**Senator FAULKNER**—Are both of those on the public record?

**Ms Mitchell**—I understand that they have been released by people other than in the AEC.

**Senator FAULKNER**—I think they have been released by Mr Abbott. It seems logical.

**Ms Mitchell**—That is our understanding from the media reports, yes.

**Senator FAULKNER**—These were letters from the AEC to Mr Abbott, weren't they?

**Ms Mitchell**—Yes.

**Senator FAULKNER**—And they have been released by someone, but they have not been released by you. We will take a long shot and suggest that they probably were released by Mr Abbott. That seems like as logical a conclusion as any to come to. Can you say whether, around that period—in 1998, 1999—the AEC reached the conclusion that Australians for Honest Politics did not have disclosure obligations?

**Ms Mitchell**—On the basis of the information available at that time, that was the conclusion that we reached.

**Senator FAULKNER**—Are you able to say at that time what point the AEC investigations had reached?

**Ms Mitchell**—I was not actually in the section at the time, so that is not detail that is available to me.

**Senator FAULKNER**—Is Mr Edgman here? Would he be able to assist us?

**Ms Mitchell**—He is not here this evening. As I understand it, information was gathered but I am not aware of the detail of the extent of the information and the extent of the consideration.

**Senator FAULKNER**—So you cannot tell me what information the AEC relied on?

**Ms Mitchell**—As I understand it, there was a range of documents that were obtained, but that is the extent of my knowledge.

**Senator FAULKNER**—Didn't my office inform the AEC that I would be dealing with these matters this evening?

**Ms Mitchell**—I am sorry; I thought that we would be looking more at the current matters that have been raised, rather than at what had happened in 1998-99. I obviously misunderstood.

**Senator FAULKNER**—I am disappointed to hear that. I thought it had been made clear that these issues would be canvassed. For the sake of this committee's records, I ask that the AEC correspondence—the fact that it has been put out by someone else is a separate issue—to Mr Abbott at that time, which was around 1998-99, be tabled at this committee, please.

**Mr Dacey**—It is on the public record.

**Ms Mitchell**—Yes, Senator.

**Senator FAULKNER**—I hear Mr Dacey's aside, but I am talking about the processes of this committee. What others do is fine. I think it is appropriate that it form part of the record of this committee. I also think, frankly, for the benefit of balance and completeness in these sorts of issues it is appropriate that that sort of correspondence be released. I hope you would agree with that, Mr Dacey, in these sorts of circumstances.

**Mr Dacey**—Yes, I have agreed with that.

**Senator FAULKNER**—Thank you very much. Are you able to say, then, Ms Mitchell, what material or information at that time was provided by Mr Abbott?

**Ms Mitchell**—My recollection would not be complete but I understand that documentation in relation to the setting up and the purpose of the trust fund was provided.

**Senator FAULKNER**—In the view of the AEC, was the matter followed through after that information was provided?

**Ms Mitchell**—It was after that information was provided that Mr Edgman sent the June 1999 letter advising that on the basis of the information the AEC had to hand at that time it did not consider it to be an associated entity.

**Senator FAULKNER**—Would you describe that as a concluded view?

**Ms Mitchell**—I think it was the concluded view at the time, yes.

**Senator FAULKNER**—And are you able to say why at the time the AEC did not insist on disclosure of Australians for Honest Politics as an associated entity? Are you able to indicate that to the committee? This is a matter of historical record, I suppose, now.

**Ms Mitchell**—As I understand, because it did not meet the definition of associated entity under the provisions of the act.

**Senator FAULKNER**—There have not been any changes to that definition, have there?

**Ms Mitchell**—I do not think so. I am just wondering if they are the significant—

**Senator FAULKNER**—Relevant changes.

**Ms Mitchell**—No, there have not been any substantial changes as I understand.

**Senator FAULKNER**—Are you able to indicate to the committee now what the time frame for this current investigation might be?

**Ms Mitchell**—It is yet another one of those issues that we are hoping to have completed by the next Senate estimates hearings. There is a range of issues that we are currently looking at that we hope to have come to conclusions on by then.

**Senator FAULKNER**—I want to be clear on this. The current investigation is now considered to be a completely different matter to the previous investigation—is that right? Is it a closed file, if you like, on the previous investigation? That is what I am grappling with and trying to understand.

**Ms Mitchell**—Basically what we are doing is going over the whole issue all over again, to make a fresh start to the issue, because there are now two aspects: the issue that you raised with us some time ago in relation to whether Mr Abbott has donor disclosure obligations and also the issue of whether, in light of additional information, Australians for Honest Politics might in fact be an associated entity.

**Senator FAULKNER**—Are these being dealt with as, effectively, concurrent inquiries?

**Ms Mitchell**—Yes.

**Senator FAULKNER**—Or are they all part of the same larger inquiry? How would you describe that for me?

**Ms Mitchell**—I guess it is all part of the same larger inquiry because what we try and do when we are looking at issues that are raised with us in relation to disclosure obligations is consider all possible disclosure obligations and make sure that all of those obligations have been met. So that would be in relation to whether political parties have met their disclosure



obligations, associated entities have met their disclosure obligations and donors have met their disclosure obligations.

**Senator FAULKNER**—Let me come back to this issue: is the 1998-99 investigation—it is right, isn't it, to use that time frame for the previous investigation?

**Ms Mitchell**—Yes.

**Senator FAULKNER**—Is the 1998-99 investigation a closed file, if you like—is that concluded?

**Ms Mitchell**—Yes, that investigation is concluded, apart from, I guess, the fact that you could possibly say that we are reviewing the decision that we came to in light of additional information.

**Senator MURRAY**—So it has reopened?

**Ms Mitchell**—I guess it is reopened, yes.

**Senator FAULKNER**—Senator Murray asks a valuable question there—because being reopened is very different to it being closed.

**Ms Mitchell**—Yes, I am sorry.

**Senator MURRAY**—That is why I use that word.

**Senator Abetz**—We are in heated agreement.

**Senator FAULKNER**—Yes, we are in heated agreement. But what is the status of it? Are you saying it was closed and it is now reopened?

**Ms Mitchell**—Yes.

**Senator FAULKNER**—Let me take Senator Murray's point a bit further. Does that include a re-examination or examination of the papers and the file of 1998-99?

**Ms Mitchell**—I have obtained the previous file, yes, as part of looking at the issues.

**Senator FAULKNER**—You have obtained the previous file. I appreciate that. Let me ask again just for the sake of the record, so we are clear: does the current investigation also involve a re-examination of those papers? I assume it does. But it is one thing to obtain the file; it is another thing to open it and look at it, examine it and use it as part of a new investigation. That is really the key point here.

**Ms Mitchell**—I guess I am being careful in answering that because I have only looked at some of the information that is on that file. I certainly will be looking at all of the information that is on that file as part of this consideration.

**Senator FAULKNER**—On this matter—I will move to another matter in a moment, Ms Mitchell—I would appreciate that correspondence being made available to the committee as soon as you are able to. I think it is an important part of the formal record. Senator Murray, did you have anything further on that matter?

**Senator MURRAY**—I am happy with that. You have explored what I needed explored.

**Senator FAULKNER**—I will go briefly to another issue. I, as is my wont, read an article in the *Australian* newspaper and thought, 'Well, I had better raise this one with the AEC.' This

was in the *Australian* of Wednesday, 10 September 2003, on page 4: 'Inquiry into MP's \$10,000 payment'. It is an article by Greg Roberts, the Queensland political reporter. This goes to an issue of the AEC investigating a payment of \$10,000 from the Ryan Liberal Party campaign funds to Michael Johnson, MP. Would you be aware of the article and the issue?

**Ms Mitchell**—I am aware of the issue, yes.

**Senator FAULKNER**—Can you indicate to the committee whether this matter is being formally investigated by the AEC?

**Ms Mitchell**—It is one of the matters currently under consideration, yes.

**Senator FAULKNER**—Does 'under consideration' mean being formally investigated?

**Ms Mitchell**—I am loath to use the word 'investigated' when I discuss these matters because it has a formal implication in terms of the provisions of the Commonwealth Electoral Act and our exercise of those powers. Whilst our investigative powers might be amongst the tools that we would use in looking at these matters, I prefer to talk about the AEC considering whether disclosure obligations have been met, because we may not actually have to, in looking into these issues, formally exercise our section 316 powers. Often these matters progress more smoothly on a cooperative basis.

**Senator FAULKNER**—Could you indicate to the committee where your considerations are up to—in the process sense?

**Ms Mitchell**—There have been media reports that perhaps would lead me to make comments in relation to this matter that I would not normally go into the same level of detail on. Media reports have indicated that the AEC was looking into the matter, so I can say that we are doing that and that we are still in an information gathering phase on the issue.

**Senator FAULKNER**—Are those media reports sourced from the AEC, Mr Dacey?

**Mr Dacey**—No, they are not, Senator. This one certainly was not sourced from the AEC.

**Senator FAULKNER**—How can you be so confident?

**Ms Mitchell**—The AEC received a phone call from a journalist questioning us about correspondence that the journalist claimed to have, and the AEC confirmed, after that journalist gave some fairly specific details of the contents, that such a letter had been sent.

**Senator FAULKNER**—Can you indicate to the committee whether you are auditing the books of the Ryan FEC?

**Ms Mitchell**—That was in fact what the particular letter was about.

**Senator FAULKNER**—Yes. So you can say that—

**Ms Mitchell**—Yes, that letter was sent.

**Senator FAULKNER**—Is it fair to say that the AEC is coming to the not unreasonable conclusion that someone from that august and auspicious body may well have ensured that that material was placed into the public arena?

**Ms Mitchell**—It certainly was not the AEC who made it available.

**Senator FAULKNER**—So it was either someone in Australia Post or someone at the Ryan FEC, to round up the usual suspects?

**Senator BRANDIS**—I think there is a point of order here.

**Senator FAULKNER**—You think there is one; try to work one out.

**Senator BRANDIS**—Senator Faulkner is entitled to pursue the issue, of course—

**Senator FAULKNER**—That is generous of you.

**Senator BRANDIS**—but there comes a point at which purely conjectural statements that do not gain any comfort from any of the witnesses should be ruled out of order.

**CHAIR**—Contumelious behaviour?

**Senator BRANDIS**—Conjecture, pure conjecture.

**Senator FORSHAW**—Since when have we ignored the rules of evidence? You have ignored them for the last two hours.

**Senator BRANDIS**—We are not bound by the rules of evidence, but we are bound by the standing orders and we are bound by the rules of meeting procedure—including fairness to witnesses, which includes not trying to ram purely conjectural, speculative statements down a witness's throat.

**Senator FORSHAW**—Senator Brandis, if you or anybody else reads the *Hansard* of your exchange with Ms Mitchell about an hour ago, they will see you were leading, you were putting words in people's mouths and you were conjecturing.

**Senator BRANDIS**—I was putting propositions to witnesses, and I am perfectly entitled to put propositions to witnesses and invite them to comment on them. That is what Senator Faulkner did. Ms Mitchell gave an answer, and that is the point at which that line of inquiry, in light of Ms Mitchell's answer, had to stop, because the proposition was not adopted.

**CHAIR**—With half an hour to go, I am sure we can make it.

**Senator Abetz**—We will make it, from this side of the table.

**Senator FAULKNER**—Ms Mitchell, has the AEC interviewed Mr Brendan Cooper, the former state director of the Queensland division of the Liberal Party?

**Mr Dacey**—Senator, as you know, we do not like to comment on individual interviews that we have conducted during our compliance audits.

**Senator FAULKNER**—Mr Dacey, in relation to this investigation, have you interviewed Mr Michael Johnson, MP?

**Mr Dacey**—Senator, I would have to give the same answer as I gave to the previous question.

**Senator FAULKNER**—I noted a comment about this in the *Australian* newspaper of 22 September—and, as I think Ms Mitchell was hinting at, there has been quite a bit of media coverage about this. What do you think of that media coverage, by the way, Mr Dacey? Do think it is unfortunate when that occurs?

**Senator BRANDIS**—What does that have to do with Mr Dacey?

**Senator FAULKNER**—What Mr Dacey thinks about whether media coverage is unfortunate—

**Senator BRANDIS**—It has absolutely nothing to do—

**Senator FAULKNER**—Believe it or not, George, you are not responsible for these considerations.

**Senator BRANDIS**—No, but the chairman is.

**Senator FAULKNER**—No, the AEC is actually.

**Senator BRANDIS**—The chairman is responsible for ruling on the relevancy of questions in estimates committee hearings. I would submit, on a point of order, that the question, ‘What do you think about these media reports?’, asking nothing more than that, is a question for Mr Dacey to give an opinion on something which could not possibly have any relevance to anything before the committee.

**CHAIR**—I think Senator Brandis is right—the way you have couched the question.

**Senator FAULKNER**—I do not think he is right, but I will rephrase it.

**Senator Abetz**—You know he is right.

**Senator FAULKNER**—Senator Brandis has been in a very, very good mood tonight, and I want to help him wherever I possibly can. In the circumstances when there is a lot of media commentary and speculation about AEC inquiries, considerations or investigations, does that hamper the AEC in its work?

**Mr Dacey**—It is difficult to say whether it hampers. Sometimes I am surprised at what appears in the media, just as I was surprised at what a particular journalist alleged about the previous chairperson of the commission and what role he had taken in relation to another inquiry.

**Senator FAULKNER**—That is a fair point to make, but also it is not unreasonable, I would have thought, for this committee—and many outside this committee—to be concerned if they read about some details of AEC activities or investigations, and to be assured that that was not as a result of that material being placed in the public arena by the AEC itself. You would accept that, surely.

**Ms Mitchell**—It is certainly the AEC’s position that these matters are kept confidential.

**Senator FAULKNER**—Before I was interrupted by that interesting and creative point of order—

**Senator BRANDIS**—Which was upheld, I might say.

**Senator FAULKNER**—No, it was not; there was no comment about it.

**Senator BRANDIS**—It was upheld.

**Senator FAULKNER**—I am in a very good mood tonight and I just thought I would let that one go through to the keeper.

**Senator BRANDIS**—I was just pointing it out to Senator Faulkner.

**Senator FAULKNER**—Ms Mitchell, are you aware that, in an article in the *Australian* newspaper on 22 September, the journalist Mr Roberts said this:

At the Prime Minister's dinner at the Gold Coast International Hotel last Saturday night during the Liberals' state convention, Howard took Johnson aside for what one onlooker described as an "animated talking-to".

Given this and some other detail about Mr Howard in this article, I just wondered if the AEC planned to call Mr Howard to give any evidence to the AEC on these matters.

**Mr Dacey**—All matters are still under review.

**Senator FAULKNER**—So it is a possibility. Has the AEC sought legal advice on this issue—outside legal advice?

**Mr Dacey**—Not at this stage.

**Senator FAULKNER**—I am limiting my question to external advice.

**Mr Dacey**—Not at this stage.

**Senator FAULKNER**—I would like to move to another issue which goes to another thing which has received some media coverage, the investigation of Mr Dante Tan and donations to a prominent Liberal frontbencher.

**Senator Abetz**—You will be bipartisan about this and inquire about Laurie Ferguson's donations as well, I am sure.

**Senator FAULKNER**—As you would know, unlike others, I am very reasonable about all these issues. I just wanted to get a status report if I could.

**Senator Abetz**—The problem is that nobody believes you.

**Senator FAULKNER**—I will get a status report, if I can, about the AEC investigation into the Dante Tan donations and Mr Ruddock—and other associated matters if, as the minister said, there are some. Where is that up to, please?

**Ms Mitchell**—It is still being looked into. We still have some information that we are looking to receive in relation to the matter.

**Senator FAULKNER**—Are we in a situation where we have—right across the political spectrum—almost a record number of these sorts of inquiries going on?

**Ms Mitchell**—In my experience, yes.

**Senator FAULKNER**—It seems to me that—

**Mr Dacey**—Certainly in my experience as well. Certainly in my experience in the AEC, I cannot recall that in the past at one time we have had such a number at all.

**Senator FAULKNER**—In relation to Mr Dante Tan, is this all being rolled into one inquiry?

**Ms Mitchell**—To some extent, in relation to Mr Dante Tan, yes, but there are other aspects that separate the issues as well.

**Senator FAULKNER**—So all you can say to us at the moment is that these are ongoing inquiries—is that right?

**Ms Mitchell**—Yes.

**Senator FAULKNER**—How many ongoing inquiries do you have? You say it is an unprecedented number. How many of these issues have you got before you and what sort of drain are they on your resources?

**Mr Dacey**—They are a significant drain on resources in the funding and disclosure area. At the moment, we have—

**Ms Mitchell**—There are six major ones at the moment.

**Mr Dacey**—We try to treat them all equally in terms of priority, but obviously, with a very small staff in the area, or a limited number of staff and a limited number of staff with the particular qualifications required to conduct some of these inquiries, it does become a matter of juggling and prioritisation.

**Senator FAULKNER**—In relation to that categorisation of major inquiries, Senator Brandis has raised the issue of the Fair Go Alliance in New South Wales. Does that fit into that category?

**Ms Mitchell**—Yes.

**Senator FAULKNER**—Does the investigation of Mr Ruddock and Dante Tan fit into that category too?

**Ms Mitchell**—Yes.

**Senator FAULKNER**—Do the events surrounding the Ryan FEC, which we have just spoken about, fit in that category?

**Ms Mitchell**—Yes.

**Senator FAULKNER**—And does the issue of Mr Abbott and Australians for Honest Politics also fit in that category?

**Ms Mitchell**—Yes.

**CHAIR**—Could I interrupt on an administrative matter, please. Senator Murray and Senator Forshaw flagged that they would be asking questions of the department. As we only have 20-odd minutes to go, both senators will place their questions to the department on notice. Relevant officers may feel free to go.

**Senator Abetz**—Thank you very much. The Bolkus raffle, I imagine, would be another major investigation.

**Ms Mitchell**—Yes.

**Senator FAULKNER**—That makes five.

**Senator Abetz**—I am sure you were going to bring that up.

**Senator FAULKNER**—Actually I was. I was going to ask what five and six were.

**Senator Abetz**—I am here to help you.

**Senator BRANDIS**—I have some questions.

**Senator FAULKNER**—I am asking my questions.

**Senator BRANDIS**—When you have finished.

**CHAIR**—You have the call, Senator Faulkner.

**Senator FAULKNER**—Thank you very much. You did bore us for a very long time earlier this evening, Senator Brandis.

**Senator BRANDIS**—I do not think I bored you at all.

**Senator FAULKNER**—You may as well tell us what the sixth is, to complete the picture.

**Ms Mitchell**—The issue that was reported in the *Courier-Mail* on 22 September.

**Senator FAULKNER**—That is not the brothel manager, is it?

**Ms Mitchell**—Yes.

**Senator FAULKNER**—I am so pleased to hear that that is under investigation. I know that will come as—

**Ms Mitchell**—It is in relation to Bowman FEC and Andrew Laming's return.

**Mr Dacey**—The funding and disclosure section also looks after party registration, and there are a few priority issues there at the moment as well.

**Senator FAULKNER**—It seems to me that there is a serious resource issue here.

**Mr Dacey**—We are certainly aware of that. We are taking steps, as best we can, within current resources, to address that.

**Senator FAULKNER**—Could you very briefly outline the priorities in the registration area?

**Ms Mitchell**—The main priorities at this stage in time are the DLP High Court case in relation to their registration and also a significant issue in relation to office bearers in Pauline Hanson's One Nation Party, which is occupying considerable time.

**Senator FAULKNER**—You have outlined six major inquiries into, in the broad, the disclosure provisions of the Commonwealth Electoral Act. You have indicated there are also at least two major inquiries into issues relating to political party registration. Most of this falls on your plate, doesn't it, Ms Mitchell?

**Ms Mitchell**—It does, yes.

**Senator FAULKNER**—All of it, in fact.

**Ms Mitchell**—All of it does, yes.

**Senator FAULKNER**—I will get back to the brothel manager and his donations to the Queensland Liberal Party in a moment—

**Senator Abetz**—I am sure the member for Werriwa will have a great degree of interest in that matter, too.

**Senator FAULKNER**—Mr Dacey, how are you dealing with the strain on resources at the AEC?

**Mr Dacey**—I could outline it particularly in relation to the funding and disclosure area in the first instance. We have made the funding and disclosure area a funding priority for the

AEC, so we certainly have not put any budget cuts in place there. We have made provision for funding for an additional two staff. Recruitment is a difficulty—you need staff with particular skills and expertise, particularly with the conduct of compliance investigations, but we are working through that process. We are restructuring the section; we have looked at redesigning work flow. We have also invested a significant resource in staff training and IT systems. So we are acutely aware of the current pressures that the section is under. Unfortunately, the reorganisation and restructure does not happen in a timely way, particularly when you have got to look at recruitment issues.

**Senator FAULKNER**—This is going to have a serious impact, I would have thought, on the timing of these matters being concluded.

**Mr Dacey**—That is why I made the point in response to Senator Brandis before. We would love to have these matters tied up now. It is certainly our intention, and we have given that commitment, to have these matters finalised by the time we appear again. As more information in cases becomes available we have a responsibility to do a complete and thorough investigation and we have to keep checking information, but it is certainly our intention to make decisions and have closure on these cases as soon as we can. And it is not in our interest to keep them going either.

**Senator BRANDIS**—Nor is it in the interests of whether it be the Labor Party or the Liberal Party, nor is it in the interests of any of the people who were the subject of these remarks.

**Mr Dacey**—That is correct. It is not in the interests of the public either.

**Senator FAULKNER**—I agree with that. Equally, surely it is not in anyone's interest that any of these inquiries be compromised in any way—

**Mr Dacey**—That is correct.

**Senator FAULKNER**—by a lack of thoroughness or a lack of effort or a lack of resources. One of the issues, it seems to me, is how you prioritise these inquiries. Are you in fact doing that, either in a formal or an informal way, in these circumstances?

**Ms Mitchell**—It certainly is problematic to juggle these sorts of specific issues with the ongoing workload of the area, particularly given that the ongoing work fluctuates. For instance, at the moment we are in the process of receiving annual returns. That is a large amount of information that comes in in a very short period of time and has to be processed ready for the next public availability date. One of the key issues that we keep in mind is that we have made a public commitment that where issues are raised in public forums the AEC will look at those issues and try to come to a considered conclusion on those as quickly as possible. Now, 'as quickly as possible' in terms of what we think we need to do to make sure that we come to a conclusion that we can stand by and what perhaps others might think is a 'quick' conclusion means that there is going to be that conflict, I guess, between those sorts of views.

**Senator BRANDIS**—Ms Mitchell, I will just jump in—hopefully to be helpful. Surely, one of the criteria, if not the exclusive criterion, will be the length of time for which the default has been outstanding. To go back to the case that I was interested in, the Fair Go



Alliance, there was a default for five years or more—so long that it cannot even be prosecuted anymore. Surely, the fact that it has been outstanding for that long would have to be an important criterion in moving it towards the top of the list.

**Ms Mitchell**—It certainly is an important criterion in trying to look at whether we still have an ability to prosecute if prosecution is indicated. Certainly where there might be—

**Senator BRANDIS**—It would be determined with administrative regularity. You would get the long outstanding cases out of the way sooner rather than later, wouldn't you?

**Ms Mitchell**—If they are past the point in time when we can prosecute, perhaps the urgency has passed.

**Senator BRANDIS**—But that allows the offender to be the beneficiary of his own defiance of the statute. You could not possibly have that as a criterion.

**Ms Mitchell**—If we still have time left to prosecute, then surely we need to look at those issues as a priority.

**Senator BRANDIS**—But even if the time for prosecution has expired, in a sense it is even more serious then, isn't it? The bad guys are getting away with it.

**Ms Mitchell**—It is hard to judge degrees of seriousness, I think. Basically, these matters are serious matters and they are all treated seriously.

**Senator BRANDIS**—But the effluxion of time has got to be a relevant consideration, surely.

**Mr Dacey**—It is a consideration, Senator but, to reiterate what Ms Mitchell said, if we are in the process of looking at an issue where the statute time has not passed, as opposed to an issue where that time has passed, if we had to prioritise those two because of resources we may perhaps give more weight to the one where there is still some opportunity.

**Senator BRANDIS**—Surely, Mr Dacey, the excuse offered by a person, presumably a sophisticated political operative, who is so glib, implausible and feeble as to say, 'It was an oversight,' would awake your particular suspicion that there had been bad conduct which ought to be exposed and pursued.

**Mr Dacey**—I am not suggesting that we would not pursue it; I am saying that we may lean towards another case in terms of priority. But there are lots of considerations—

**Senator BRANDIS**—The person who says that it is just an oversight is really treating you and the parliament with contempt in offering such a glib, implausible and feeble excuse as that.

**Senator Abetz**—I think we would all share that view, Senator, but I am not sure the officials that are charged with investigating should necessarily provide a comment.

**Senator BRANDIS**—I did not want to divert the discussion.

**Senator FORSHAW**—They deal in the real world, you see, so it is understandable.

**Senator FAULKNER**—I think this resources issue is a very important one and I think it is valuable that this committee is well aware of it. I should know this but I do not: has the Joint

Standing Committee on Electoral Matters also been made well aware of the pressures that Ms Mitchell's section has in relation to—

**Ms Mitchell**—In the submission that the AEC made on funding and disclosure matters to the funding and disclosure inquiry the resources issue was raised in the submission.

**Senator FAULKNER**—It seems to me that this is the sort of matter that needs to be brought to the attention not only of this committee—and no doubt to the minister who sits at the table and who has been well aware of it—but also of the Joint Standing Committee on Electoral Matters. It does mean that as we examine the *Hansard* transcript of this particular hearing we will see Senator Brandis in a very long dialogue with you about the Fair Go Alliance, putting a strong view that he would like to follow through on certain matters at the next estimates round. But we now learn that there are enormous pressures in the commission, and many of the issues that you have outlined as priorities in your own internal processes, it seems to me, Mr Dacey—and I am not suggesting that that one is not a priority; I am not suggesting that at all—indicate that you have identified six disclosure priorities—

**Mr Dacey**—Just disclosure priorities, yes.

**Senator FAULKNER**—Just disclosure priorities and two registration priorities, and I assume that means that there are at least a number of other issues that have not made it to the priority list. Would I be right?

**Mr Dacey**—There are other issues in the section, yes.

**Senator FAULKNER**—So it might mean that—

**Senator MURRAY**—Just for the record, Senator Faulkner, the submission Ms Mitchell referred to on funding disclosure was in 2001.

**Senator FAULKNER**—Thanks for that, Senator Murray. Senator Brandis mentioned a possible criteria—

**Senator BRANDIS**—You would agree with me, wouldn't you, Senator?

**Senator FAULKNER**—I do not disagree; I think that is a reasonable point to make in terms of possible criteria—

**Senator Abetz**—Get the highlighter out on that tomorrow!

**Senator FAULKNER**—but I would have thought there were more important criteria. Let me try another one on you, because Senator Brandis says it is the length of time that an issue has been hanging around—and fair enough. I would have thought the larger the amount of money involved would also be a possible criterion, wouldn't it, Ms Mitchell?

**Ms Mitchell**—Materiality is an issue that we do look at, yes.

**Senator BRANDIS**—I think we would go along with that.

**Senator FAULKNER**—I would not be critical if it was the case, but is one of the criteria that is applied effectively how high profile an issue is?

**Mr Dacey**—Yes, we have to take that into consideration. It would be one of the criteria that we would take into consideration—not necessarily an overriding or overarching criterion,

but it is something we need to consider when the AEC is making a decision on what might get priority and when.

**Senator FAULKNER**—In the very short amount of time we have left to us, I want to ask a question about an article in the *Courier-Mail* of Monday, 22 September—a good day for articles on funding disclosure. This article is headed ‘Query into donations by brothel manager’ and goes to an issue relating to, believe it or not, again the Queensland Liberal Party. It gave some background about AEC inquiries into a donation from a manager of a brothel to the Liberal candidate for Bowman in the 2001 election, Mr Andrew Laming. I have a serious point. You have indicated to us that this is an ongoing inquiry, and I understand that, but in this particular article you, Ms Mitchell, are directly quoted. I do not think that has been the case in any of the other articles that I have drawn attention to, and both you and Mr Dacey and have made a point about media coverage. I assume you have seen the article?

**Ms Mitchell**—Yes.

**Senator FAULKNER**—I will quote the article directly:

AEC funding and disclosure director Kathy Mitchell said there appeared to be a discrepancy between the value of the office space provided by Capalaba Agency Real Estate and the amount declared on Mr Laming’s form.

Is it true that you did give that comment to the journalist concerned?

**Ms Mitchell**—I confirmed with the reporter when the reporter asked me if there was a discrepancy that, on the face of it, there appeared that there might be.

**Senator BRANDIS**—So that did not express a conclusion on your part?

**Ms Mitchell**—I think I was very careful to say that, on the face of it, it appeared that there might be. In discussing the matter with the reporter, I was certainly not saying that we had come to a final conclusion on the issue.

**Senator BRANDIS**—And it would never have crossed your mind that your words might be taken out of context in Senate estimates by someone like Senator Faulkner, who suggested that you were offering a view when in fact you were reserving your position.

**Senator FAULKNER**—On a point of order, I think you could ask Senator Brandis to withdraw that. Why can’t you? That is outrageous, even for Senator Brandis. He has gone completely mad. I knew he would turn into a pumpkin at 11 o’clock. He has gone absolutely bonkers.

**Senator Abetz**—That was what we all heard, thank you very much.

**Senator FAULKNER**—You have gone completely mad. It is time for you to go home; you need a good night’s sleep. It’s over!

**CHAIR**—I wish to remind you, Dr Watt and officers, that Senator Murray and Senator Forshaw will be putting in questions on notice. The committee has set 16 January 2004 as the date for the submission of written answers to questions that are taken on notice.

**Senator FAULKNER**—I will put some questions on notice to the AEC also. I would have liked to have gone further into the issue of the Queensland Liberal brothel manager’s donation, but I have not been able to.

**Senator BRANDIS**—Just to clarify the record so that that does not sit on the record: I think it should be pointed out that the person concerned says that he was a real estate agent who owned commercial property on which it was alleged this brothel operated.

**Senator FAULKNER**—I knew you would know all about it.

**Senator BRANDIS**—I have read the report too. It was not that he was the manager of a brothel. If I were the gentleman concerned, I would not particularly like it to be on the public record uncontradicted that I was running a brothel when I was not.

**CHAIR**—I thank Minister Abetz, Dr Watts and officers very much for their attendance and assistance. I also thank *Hansard*, the attendants and the secretariat for their assistance.

**Committee adjourned at 11.01 p.m.**