



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

FINANCE AND PUBLIC ADMINISTRATION LEGISLATION
COMMITTEE

ESTIMATES

(Budget Estimates)

WEDNESDAY, 26 MAY 2004

CANBERRA

BY AUTHORITY OF THE SENATE

INTERNET

The Proof and Official Hansard transcripts of Senate committee hearings, some House of Representatives committee hearings and some joint committee hearings are available on the Internet. Some House of Representatives committees and some joint committees make available only Official Hansard transcripts.

The Internet address is: **<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to:
<http://parlinfoweb.aph.gov.au>

SENATE

FINANCE AND PUBLIC ADMINISTRATION LEGISLATION COMMITTEE

Wednesday, 26 May 2004

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

Senators in attendance: Senators Brandis, Conroy, Faulkner, Fifield, Forshaw, Mason, Murray and Robert Ray

Committee met at 9.06 a.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 Rod Whithear, Branch Manager, Strategic Partnerships

Ms Tracy Muddle, Manager, Human Resources

Ms Sarah Byrne, Branch Manager, Legal Services

Mr Sean Giddings, Senate Estimates Coordinator

Mr Glenn Black, Senate Estimates Coordinator

Mr Dominic Staun, General Manager, Financial and e-Solutions Group

Ms Kym Partington, Branch Manager, Management Accounting

Ms Joanne Hamilton, FeSG Point Person

Outcome 1

Mr Phil Bowen, General Manager, Budget Group

Ms Kathryn Campbell, Division Head, Budget Policy and Coordination Division

Ms Susan Page, Division Head, Industry, Education and Infrastructure Division

Mr John Ignatius, Division Head (Acting), Social Welfare Division

Mr Peter Saunders, Division Head, Government and Defence Division

Mr Mick Shadwick, Branch Manager, Defence, Security and Intelligence Branch

Mr Mark Wiggins, Branch Manager, Budget Coordination Branch

Mr Sam Beaver, Budget Group Point Person

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 Brett Kauffmann, Branch Manager, Accounting Policy Branch
Mr Phillip Prior, Division Manager, Budget Framework and Systems Division
Ms Trixie Makay, Budget Framework and Systems Division
Ms Sandra Wilson, Branch Manager, Superannuation Branch
Mr Geoff Painton, Manager, Superannuation
Mr Michael Culhane, Branch Manager, Finance and Banking
Mr Marc Mowbray-d' Arbela, Branch Manager, Legislative Review Branch
Mr Michael Loudon, Branch Manager, Procurement Branch
Mr Bruce Taloni, FMG Point Person
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 Rick Scott-Murphy, Division Manager, Business Services Division
Mr Mark Heazlett, Branch Manager, Government Businesses Advice Unit
Ms Marianne King, Branch Manager, Government Businesses Advice Unit
Mr Peter Diddams, Branch Manager, Commercial and Projects Branch
Mr Neil Williams, Branch Manager, Insurance and Risk Management Branch
Mr Michael Pahlow, Branch Manager, Property Management Branch
Mr Ned Rokvic, AMG Point Person

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, Branch Manager, Legal and Review
Mr Greg Smith, M&PS Point Person
Ms Mari Lopera, Ministerial and Parliamentary Services

Australian Electoral Commission

Mr Andy Becker, Electoral Commissioner
Mr Paul Dacey, Deputy Electoral Commissioner
Mr Tim Pickering, First Assistant Commissioner, Electoral Operations
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 Andrew Moyes, Assistant Commissioner, Enrolment and Parliamentary Services
Mr Brien Hallett, Assistant Commissioner, Information, Education and Research
Mr Ken Hunter, Assistant Commissioner, Information Technology

ComSuper

Mr Leo Bator, Chief Executive Officer

Mr Kevin Dent, Chief Finance Officer

Mr Marcus Markovic, Point Person

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

CHAIR—I declare open this public hearing of the Finance and Public Administration Legislation Committee. On 11 May 2004 the Senate referred to the committee for examination the following documents: particulars of proposed expenditure for the service of the year ending on 30 June 2005, particulars of certain proposed expenditure in respect of the year ending on 30 June 2005 and particulars of proposed expenditure in relation to the parliamentary departments in respect of the year ending on 30 June 2005, together with the particulars of certain proposed supplementary expenditure in respect of the year ending on 30 June 2004 and particulars of proposed supplementary expenditure in respect of the year ending on 30 June 2004 and the annual tax expenditures statement. 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 and to report to the Senate on or before 17 June 2004. Agencies that are released from the hearings may have written questions on notice directed to them. The committee has set Friday, 9 July 2004 as the date for the submission of written answers to questions that are taken on notice. I remind you all that this committee is continuing its general oversight of the format of the portfolio budget statements. The committee's report on budget estimates may also consider the adequacy of portfolio budget statements.

The hearing today will begin with the examination of the Finance and Administration portfolio, commencing with the Department of Finance and Administration. I propose to proceed by opening with general questions and then calling on the outcomes and outputs in the order listed on the agenda. 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 the 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 of the department. Senator Minchin, do you wish to make an opening statement?

Senator Minchin—Not really. I just want to confirm I have got a meeting I have to attend at 10 a.m., if you will excuse me, and Senator Abetz will fill in for me for the period of that meeting. It should not be more than half an hour.

CHAIR—We shall now proceed to general questions for the Department of Finance and Administration.

[9.09 a.m.]

Department of Finance and Administration

Senator ROBERT RAY—Minister, at a previous estimates committee we discussed the funding of the parliamentary departments, related security measures and implementation of the Podger report. I now just want to follow through one or two of those matters, because I think it would be a fair characterisation to say I asserted at the time that I did not think the Podger measures would realise the potential savings that he indicated. We have now had evidence from the estimates committee on Monday that it looks like only about half the savings can be realised. Where does that leave the position of the Department of Finance and Administration, which has cut the budget of the parliamentary departments by \$5 million or \$6 million—I think it is \$6.2 million—on the basis that the implementation of the Podger report would deliver enough savings to cover it? Where does that leave them?

Senator Minchin—I invite officials to make any comments they want to make, but I would just point out that it is not the department of finance that, as you put it, has ‘cut the parliamentary budget’. These are matters considered by the government as a whole, and the government makes these decisions. To the extent that the department of finance is involved in implementing government decisions, it does its job, but it is wrong to characterise the department of finance as ‘cutting the parliamentary budget’. As you know, the government, after much consideration through the budget process—and given the long sought-after rationalisation of the parliamentary departments—came to the conclusion that the security measures that are required could be met at least in part by savings emerging from that rationalisation. I do not have in my mind the evidence you referred to from estimates earlier this week about confirmation, as you put it, that those savings would not be realised, but I am happy to look at the record on that. Ian or Phil, I do not know if you have any remarks on this.

Dr Watt—I would like Phil Bowen, head of our Budget Group, to handle that.

Mr Bowen—I do not know that there is too much more I can add to what the minister has said, except that, in the 2004-05 budget—the most recent budget—the government has provided additional capital funding of \$11.7 million to the Department of Parliamentary Services for security measures. That department has also received an additional \$1.3 million in departmental costs to assist with project management and other costs associated with that enhanced security work.

Senator ROBERT RAY—I think previously I asked a question on how many other departments had to implement savings measures, and you answered that question on notice. That is right, isn't it?

Mr Bowen—We did.

Senator ROBERT RAY—You also added in offsets. What is the difference between offsets and savings, in your terminology?

Mr Bowen—The end result is—

Senator ROBERT RAY—No, what is the difference?

Mr Bowen—essentially identical.

Senator ROBERT RAY—Why would you use the two phrases if they are exactly the same?

Dr Watt—Perhaps I can answer that. Normally a savings measure comes back to the budget and it means there is a budgetary benefit, whereas ‘offset’ is usually a word used in the case of a department that is given additional funding for a policy proposal and explicitly uses a reduction in expenditure as an offset against all or part of that cost.

Senator ROBERT RAY—That is absolute clarity for me. Having given me that explanation that I totally accept, why, when I ask you on notice—because you had to take it on notice because you could not answer at the time—about what other departments had to have savings measures, do you include all the offsets so you can boost up the numbers and distort the answer? That I cannot understand.

Dr Watt—They will be at the margins, Senator. The savings in offsets—

Senator ROBERT RAY—Being a smart-arse, basically.

Senator Minchin—That is a bit rough.

Senator ROBERT RAY—Being smart alecky, Minister.

Senator Minchin—Come on, Senator Ray.

Senator ROBERT RAY—This is a precise department. You get asked a question on notice and, because you do not want to actually answer it and show that the parliamentary departments are the only ones to have had to have savings measures, you bloat out the answer with offsets. I do not think that is acceptable.

Senator Minchin—That is an unfair attack on the department. They probably presumed that you would attack them if they had not included that information.

Senator ROBERT RAY—Rubbish—absolute rubbish.

Senator Minchin—Normally they are attacked for not giving you information; they give you information and you attack them for giving you information. That is a pretty outrageous accusation.

Senator ROBERT RAY—No, it was information to bloat out the answer and distort the answer.

Senator Minchin—That is outrageous.

Senator ROBERT RAY—Of course it was, because they know—

Senator Minchin—It is an outrageous assertion about the motivation of the department which is attempting to give you the information that you seek.

Senator ROBERT RAY—Why did they add in offsets?

Senator Minchin—I will let them answer that.

Mr Bowen—I repeat my answer that I gave you. The end result is the same. Whether it is a savings measure or an offset, there is an offset to the new expenditure.

Senator ROBERT RAY—Yes, but I think even I had some conception of the difference between savings and offsets when I asked the question. If you go back and check the *Hansard* record, you will see that even implied there we understood the difference and that is why we asked about savings. It still remains a mystery to me why the parliamentary departments are the ones that have to find savings and no other government department has to find savings. Indeed, you even included in that answer, Minister, revenue measures—again, nothing to do with savings.

Dr Watt—I reject the characterisation of the department's answer—that is not correct. The department may have been keen to provide you with information rather than the reverse.

Senator ROBERT RAY—So in fact the answer would look like it is not just the parliamentary departments. That is the reason you put it in—of course you did. In the last round when it was obvious that there would be a shortfall between the projected budget savings and what could be realised did the department of finance suggest to the Department of the Senate that they go into their cash reserves and fund it from there?

Mr Bowen—No, we have never suggested that.

Senator ROBERT RAY—Never?

Mr Bowen—Never.

Senator ROBERT RAY—Did you make any suggestions to the Department of the Senate?

Mr Bowen—There were discussions in the ERC, and I cannot go into those. But I can say that we have looked at their cash reserves, which are healthy. That is evidence that they have the ability to make savings. But we have never suggested that we take those cash reserves back.

Senator ROBERT RAY—When you say that is evidence of some sort of potential savings—

Senator Minchin—That is not what he said—capacity to meet the expenditure.

Senator ROBERT RAY—Let's hear it again.

Mr Bowen—We have to rerun the tape.

Senator ROBERT RAY—No, I am not challenging what you said.

Mr Bowen—That is fine. What I said was one piece of evidence of an agency's financial health is its ability to build up its cash reserves from surpluses in its operating result.

Senator ROBERT RAY—Yes, but if an agency does not have those reserves, can you draw the conclusion that they have not been operating efficiently? To even potentially raid those reserves, aren't you punishing the successful, the good and the prudent managers?

Mr Bowen—I will repeat my earlier answer: we did not suggest and the government has not raided—to use your word—the reserves of the parliamentary departments. They have not been touched.

Senator ROBERT RAY—Mr Bowen, there was no suggestion that you have raided the reserves—you can check the tape now—because I know that you have not. I am now going to

the broader department of finance approach to these issues. You have introduced accrual accounting and people are encouraged to build up their cash reserves to meet future contingencies incidentally. I would hate to see emerge those who are successful at that getting punished by you saying, 'You can absorb these savings,' and those who are incompetent getting supplemented. We do not want to get into that situation, do we?

Dr Watt—No, nor do we. I think it is important to make two points. Departments are funded for future contingencies and they build up cash reserves for those contingencies, but there is no suggestion that all those contingencies will ever come at once. You get funded for employee entitlements and you build up cash reserves for those accruing employee entitlements but, unless a department is wound up, which is not an issue ever for the Commonwealth—

Senator ROBERT RAY—Unless you were the Department of Administrative Services.

Dr Watt—Let me finish. Unless a department is wound up—and I think the Department of Administrative Services was transferred rather than wound up—they have access to the department of finance—

Senator ROBERT RAY—You cannot rewrite history. I think we know what happened to that department.

Senator Minchin—That is the end of administration.

Dr Watt—That is the end of administration.

Senator ROBERT RAY—Do you want me to show you the cemetery where the rest went?

Dr Watt—Unless a department is wound up, those cash reserves will not be all accessed at once for, say, employee entitlements. So a department does have the ability to draw on them to meet expenditure in the short term that otherwise could not.

Senator ROBERT RAY—To meet some short-term expenditures but—

Dr Watt—There is a second point: the build-up in cash reserves can also be due to departments running surpluses. When a department runs a surplus it does have the ability to draw down on that surplus in future years by running down its cash. There is reasonable reason for saying to departments with large cash reserves, 'You do have the ability to draw on those for some funding.' Clearly, they are finite—you cannot do it forever; it is a matter of judgment.

Senator ROBERT RAY—You would also have to make the assessment—this is my point—as to what the future contingencies are before you ever really suggested they draw them down. You would have to examine in each specific case.

Dr Watt—I do not know if you would actually examine in each specific case. More to the point, is there any reason why a particular department would find that they would have lumpy contingencies? Some may have some particular problem with lumpy contingencies but normally the flow of contingencies, such as employee entitlements, is reasonably even year by year. They do not jump up in one year and down the next—normally.

Senator ROBERT RAY—Are there any lessons, Minister, to be learnt from this, because we did raise it at previous estimates committee? When a report is done into a particular measure and potential savings and other people challenge that savings level, is it always right for the department of finance to take the top level of savings assuming that will occur because that is what happened this time?

Senator Minchin—I would reject that assertion. I would also make the point that these things are kept under constant review. It is our job in any government, whether it is a Liberal or Labor government, to be the custodians of taxpayers' interests and to ensure that other departments understand that Finance does take a very keen interest in their financial affairs, and we have the task of ensuring they operate as efficiently as possible in the interests of taxpayers. This department would be falling down on its job if it did not do so. At the end of the day decisions on what resources are provided to which departments under what circumstances are decisions by the government as a whole, not by this department. It is our job to advise and then ensure the implementation of government decisions. That is what they must do and should do in any government, and the government must come to decisions about appropriate resourcing based on evidence from us and evidence from the departments concerned, who obviously put up a very strong fight to get as much resourcing as they can. They always do and always will. If experience tells us that either we were unduly hard on a department or unduly soft—and that happens from time to time—then adjustments can appropriately be made and are, and we will continue to keep that matter under review. It is appropriate that we do take a hard line on these things because you can bet that the spending departments, whether it is the parliament or any other department, will be in there arguing for the maximum resourcing at all times.

Senator ROBERT RAY—I cannot disagree with one word of that homily, but it does not really get to my point. My point is: if in your methodology you accept the upper levels of savings in a report—not as leverage but as fact—and then they are not delivered, do you learn by the lesson? Do you go back and say, 'Why weren't they achieved?' It is possible that departmental incompetence and management could be a reason and then you are fully excused, but if you always accept the overoptimistic end of the savings potential—I know you have to have leverage and I know you have to have pressure against big spending departments. Funnily enough, I am with you 100 per cent on that. If that methodology is wrong, then it may be a methodological fault that infects other areas of the department of finance.

Senator Minchin—My recollection is that Finance did not simply except at face value that the savings suggested in the Podger report but made its own assessment of what savings may be capable of being achieved.

Senator ROBERT RAY—But in making that assessment you did not ask for the consultant's report on which Podger was based. Podger, for a variety of reasons that I do not disagree with, subcontracted to one of the big accounting firms, who also subcontracted part of it. Mr Len Early, a very distinguished former departmental official from DOFA, was involved in the middle process. I think in this case the department of finance should have gone back to that report and made its own assessment. It just seems that the image is: 'Look at that headline rate—\$5 million. Let's implement it. If it doesn't make it, that's their problem.'

It is all our problem. It is a problem in this building because, as soon as you get an extra \$11 million without savings, it is nearly all down the ministerial wing. We wonder, Minister, why—not that we in any way oppose the expenditure down there.

Senator Minchin—I suspect we are the targets.

Senator ROBERT RAY—If you are, we want you protected.

Senator Minchin—Thank you.

Senator ROBERT RAY—I mean that sincerely. Because your own self-interest is involved, it is fully funded; but when it involves other parts of the building, it is not fully funded.

Dr Watt—The department of finance will always seek larger rather than smaller savings when they are reasonable. But it would be incorrect to say that we always hang out for the largest amount; we do not. The message that I think Mr Bowen and I deliver to Budget Group is that Finance always have to have reasons for what they do. At times, the department of finance are happy to support expenditure proposals where they are good investments; we are also happy to support smaller savings where we think there is merit in them. I would hope that we are not a one-track department. I do not think we are.

Senator Minchin—You are right, Senator Ray. Certainly my attitude is to try to ensure that there are not unrealistic savings built into the budget, because that just results in tears when your budget does not merge at the end of the episode when it looked as though it would. Certainly a discipline that I try to bring is that, whenever savings are contemplated through the ERC process, they are genuinely realisable. I think the government came to this issue on the basis that—as we have discussed before—we had had this nonsense of 70 years or whatever it has been of five departments to one parliament. There was a view that rationalisation was needed and that, surely in rationalising such a monstrous bureaucratic structure, savings could be obtained. We felt a realistic approach was that savings were realisable. To the extent that savings are not achievable, then obviously the government will be sensitive to that outcome.

Senator ROBERT RAY—There are two aspects to that. You talked about big spending departments and other things. I do not want to put this undiplomatically, but most ministers have a much greater capacity to engage in dialogue with the department of finance than do parliamentary departments and their heads—the President and Speaker. In other words, ministers are engaged day-to-day in the process. What we see here is an unfair battleground where far more inexperienced and far less powerful figures are trying to enter that dialogue with the department of finance.

Senator Minchin—I actually think it is almost the reverse. There has been a build-up of a view and a position that the parliamentary departments are untouchable. ‘Go there at your own peril’ has been more the culture that has developed. I think there were certain people shocked that anyone would suggest that it might be possible for the parliamentary departments to have a look at the extent to which they might be able to make savings: ‘How dare you even suggest that!’ So I think it has been healthy that there has been this dialogue. I congratulate the President of the Senate and the Speaker of the House of Representatives for their enormous historic achievement in bringing about this rationalisation and for their

willingness to engage with us, as they did round the ERC table, on the extent to which savings may be appropriately realised from the rationalisation. To their credit, they have brought that about. To the extent, if any, that the rationalisations are not realisable, we will want to work closely with the President and the Speaker to ensure that they are appropriately resourced and, if we have to make adjustments, we will.

Senator ROBERT RAY—I will take that as inferred praise of the Labor Presiding Officers that tried to do the same thing when your party consistently sabotaged it. I also take it is a compliment to the Labor Party for putting it through on this occasion.

Senator Minchin—Yes. I am in error in not congratulating the Labor Party for ensuring that we were able to achieve this. I certainly am not here to defend those who preceded me in preventing this from occurring. I have said before that you were right when in government that you sought to bring this about.

Dr Watt—I cannot talk about ministerial access to the department of finance because the department of finance deals at bureaucratic level, not at ministerial level. The point I would make is that my door is always open to the heads of the parliamentary departments, just as it is open to any other head of department or head of agency in the Commonwealth. I am very happy for them to avail themselves of my services if they have any problems. While they might not be as frequent visitors as some, they are as welcome as any.

Senator ROBERT RAY—It is good to say it while you are in our building—that is very wise. Mr Bowen—this is not a facetious question—did someone from the department of finance follow the evidence given by the parliamentary departments on Monday?

Mr Bowen—We are aware of the evidence, yes.

Senator ROBERT RAY—Can you see any problem, from your department's point of view, coming out of a decision by the Presiding Officers to transfer all funding for security and indeed all savings measures to the Department of Parliamentary Services?

Mr Bowen—Obviously management of the parliamentary departments is a matter for the Presiding Officers in how they allocate their resources. In fact, the allocation of those savings in the 2003-04 budget, as you might recall, was done on a notional basis. It was not specifically designed to be allocated to a particular department—it was a notional split. Having said that, I think there would be some technical issues to address. From memory, under section 32 of the Financial Management and Accountability Act, if appropriations are to transfer, there has to be an agreement to that from the Minister for Finance and Administration. Apart from that, I cannot speak for—

Senator ROBERT RAY—No, do not speak on the policy.

Mr Bowen—The principle is very clear: the Presiding Officers have the responsibility for the management of those departments.

Senator ROBERT RAY—Would that take a particular time to bring about, because I think people are anxious to have it settled by 1 July?

Mr Bowen—I have not looked at it in detail, but I cannot imagine there would be anything very complicated in doing something like that.

Senator ROBERT RAY—Minister, I notice your name was on the press release yesterday to do with some MP travel reforms. It is unusual, is it not, for you to put your name on a press release?

Senator Minchin—Not really. Believe it or not, I am the portfolio minister for this area and Ministerial and Parliamentary Services is within our portfolio. Naturally, as you would expect, I have been involved in senior level discussions within the government about improving our administration of this area. It was thought appropriate that this statement on behalf of the government should be put out in the name of the portfolio cabinet minister, as well as the line minister, the junior minister who has the direct responsibility. I do not think you should read too much into that, except that it is a matter which obviously attracted a lot of attention. I was the one centrally involved in the discussions about the reforms, so we put the press release out in joint names. As you saw, Senator Abetz did all the media on it yesterday.

Senator ROBERT RAY—We were delighted to see you involved. The Prime Minister on Monday, I think, announced that there would be ‘a review’ of this. Was there a review and, if so, who did it?

Senator Minchin—The review took the form of senior ministers in the government considering the matter and obviously discussions with senior officers in the department as to what administration changes could be made to ensure that the use of the entitlement was clearly consistent with the determination. So it was internal and it was by senior ministers in discussions with Dr Watt and his senior officials.

Senator ROBERT RAY—Was there any contact with the Remuneration Tribunal?

Senator Minchin—Not that I am aware of.

Senator ROBERT RAY—Dr Watt, do you know?

Dr Watt—Not that I am aware of.

Senator ROBERT RAY—Was there any consultation with other political parties?

Senator Minchin—No.

Senator ROBERT RAY—I just note that last week there was a lot of comment that this was a bipartisan policy exception; it did not extend to the changes. Just on the changes, I have read press reports and a press release on them. Can I have an explanation of what the precise changes are?

Senator Minchin—They were set out in the press release. I am happy to repeat that and Dr Watt can fill in any blanks. But the overseas study entitlement was first introduced by the Remuneration Tribunal, I think, in 1976. It has always entailed the opportunity for the parliamentarian to take their spouse, as long as they do not exceed the travel budget. There is a capped amount, as you know.

Senator ROBERT RAY—It is a capped amount, isn't it?

Senator Minchin—Yes. It is the equivalent of one round-the-world first-class ticket every three years. So, as you know, if a member or a senator takes their spouse they cannot exceed the dollar amount that is set, so in that sense it does not of itself add to the cost to take a spouse. The determination does use the word ‘spouse’ and refers to the spouse being legally

married to the member or senator or, if not legally married, a de facto. The definition as set out in the Parliamentary Entitlements Act shall be the reference point for determining the status, for the purposes of entitlement, of a spouse not legally married to the parliamentarian.

So what we have done in our announcement is make it clear that access to the entitlement by an MP will be strictly restricted—for the purposes of being accompanied by a spouse—to those who are legally married to the parliamentarian or, if not legally married, to a de facto spouse who meets the definition set out in the Parliamentary Entitlements Act. In future there will be a separate form, which parliamentarians will be required to lodge, for any proposed use of the overseas study entitlement. That form will include a section which will require the parliamentarian to certify to the effect that an accompanying spouse meets the definition of either one of those two categories: ‘legally married’ or ‘de facto’, in accordance with the Parliamentary Entitlements Act.

We have decided that in the future all reports on such overseas study trips will automatically be made available to the public for public scrutiny. So I think they are material changes. In the past, there has not been a certification to that effect. In fact, as you may know, there was only the one form for nominating a spouse for domestic or overseas travel, and it did not require a formal certification to the effect that the spouse met the definition required in the determination for overseas travel. So we are, to that extent, significantly tightening up the administration of the use of this entitlement. I think that all MPs—after the experience of Mrs Draper—now do understand that an accompanying spouse must meet either one of those definitions. If any MP should have any doubt as to whether their de facto spouse does or does not meet the definition in the Parliamentary Entitlements Act—which applies in other areas—then I guess it is a matter for them to seek their own legal advice as to whether their circumstances meet the definition in the act.

Senator ROBERT RAY—When you talk about the reports being made available, what precisely does that mean? I think at the moment they can only be produced on demand by another MP. I assume they are also FOIable, but I am not sure. Now that regime ends and you say that they are made available, are they just for anyone who requests them or are they published and, if so, when and where?

Senator Minchin—We have not made a formal decision as to how to give effect to the decision that they will be all made available to the public. I am happy to suggest to Senator Abetz that he might sensibly liaise with the opposition and other parties as to how best to do that. At the moment it is required that the reports be lodged with the Special Minister of State and then he has a discretion, I think. They are FOIable. We have said, in a sense, ‘Take away the discretion,’ and all MPs should be on notice that, having lodged their report, it will be made publicly available. The exact nature of that mechanism has not been determined and I think it would be a good idea for Senator Abetz to consult as to how best to do that.

Senator ROBERT RAY—I take it Senator Abetz has not read many reports, because I think yesterday he was indicating most were one or two pages long. That would not be your experience, and it is certainly not mine. Most of them are very detailed.

Senator Minchin—Certainly Mrs Draper’s was a very detailed report, but I will leave you to pursue with Senator Abetz how many reports he has or has not read. As you say, my experience is that most parliamentarians do supply fairly detailed reports.

Senator MURRAY—Minister, parliamentary delegation reports are written up by the secretaries who accompany the delegations, and there is a style and a format which is well understood. Is it the intention of the department to perhaps produce a short checklist of guidelines indicating to members and senators the ways in which a report could be written? The difficulty is that you will get many different styles. I suspect there needs to be some uniformity in heading, layout and the approach that is taken. The question is whether members and senators will get some sort of guideline as to how they should do their report.

Senator Minchin—I think it would be a good idea if this committee pursued some of these matters with Senator Abetz, who is the minister directly responsible, but I am happy to say I see great merit in your proposal. That is why I think it would be a good idea for Senator Abetz to consult with the opposition and minor parties on this. I think it would be very helpful to members and senators if there was indeed a pro forma in a sense issued to assist members in compiling reports, which from now on will automatically be made public.

Dr Watt—The department has given some thought to this, Senator Murray, although only briefly. Although we have not discussed it with the Special Minister of State in any depth, we as a department would see merit in providing some guidance for senators and members as to how their form might be filled out. Indeed, the Department of Foreign Affairs and Trade may also need to be consulted in the preparation of those guidelines, given that travel relates to issues of Australia’s international contacts and so forth.

Senator MURRAY—Thank you.

Senator ROBERT RAY—Now that we have consistency between domestic travel and international travel—Minister, this is a policy question—

Senator Minchin—Senator Ray, sorry to cut across you. I think the problem that has developed over the last decade is that the Remuneration Tribunal in its determination No. 18 of 1993 in relation to domestic travel did in a sense allow a somewhat broader definition of ‘spouse’ for the purposes of the use of the domestic travel entitlement by members and senators. That determination acknowledges the possibility that parliamentarians and their spouses may not live in the same house. It is quite explicit in the determination as to what will be allowed for domestic travel. I think that has been the problem in terms of access to the overseas travel entitlement.

What we are really saying as a government is that the members and senators must strictly comply with the exact determination—which is, to be honest, different for overseas study as to who is a spouse and who is not, according to the Remuneration Tribunal. It is the determination which says, for the purposes of the overseas study entitlement, ‘spouse’ shall be defined as in the PE Act. On the other hand, there is a separate determination for domestic travel. The premise to the statement you are about to make is not quite right. It does beg the question, which is perhaps what you are alluding to, whether or not the Remuneration Tribunal may wish to look at that matter, but we have not made any decisions.

Senator ROBERT RAY—No, it is not. Yes, the Remuneration Tribunal may—that is a technical oversight; there is no malice involved here.

Senator Minchin—Anyway, I just wanted to—

Senator ROBERT RAY—But what the government seems to be saying in its press release is that we are going to have virtually the same restrictions or definitions for spouse or de facto spouse for domestic and international travel—I approve of that.

Senator Minchin—No, that is not exactly the case. What we are saying is that access to the overseas study entitlement for spouses shall be strictly in accordance with the Remuneration Tribunal determination—that you have got to be legally married or meet that definition—if you want to access that entitlement. This is separate and apart from the question of accessing the domestic travel entitlement, which is subject to a different determination and which, again, should be strictly observed. But there is a different determination and a different set of criteria for determining—

Senator ROBERT RAY—Where does it differ?

Senator Minchin—It differs in that in 1993 the determination acknowledged the possibility that you may have different places of residence between—

Senator ROBERT RAY—It is the living together that is the essential differential.

Senator Minchin—Yes. The PE Act specifically refers to living together on a genuine domestic basis, whereas the determination—which must have arisen from members and senators saying, ‘Look, my wife works in Melbourne and we see each other on weekends and I live in Adelaide,’—made by the tribunal with regard to domestic travel arrangements acknowledged that that possibility could occur and determined it should not deny the member or senator the right to access that entitlement for domestic travel. So there is that difference, and that is what has led to the difficulty in understanding the overseas study entitlement.

Senator ROBERT RAY—I think I understand that. What you seem to be inferring, or maybe contemplating, is a submission to the Remuneration Tribunal to make both, over time, identical.

Senator Minchin—No, there has been no government decision to that effect and we are not contemplating it, but it may be that individual members or senators, or the Remuneration Tribunal itself, may have regard to that. Our job, as a department and as a government, is to ensure that members and senators understand the difference in the specificity of the determinations. It is our job to ensure that they comply strictly with those determinations. I simply record, for the purposes of this discussion, that there is a difference and that members and senators need to be well aware of that. What the government has really decided is to ensure that that difference is acknowledged, observed and put into practice.

Senator ROBERT RAY—I find it hard to understand why we do not have a common definition, because at the moment it is not simply a matter of domestic-international; it is also gold pass. We have in fact three different definitions of who is eligible to travel—the latter is a legislator one that went through even though we opposed it. The very people who can travel overseas or domestically accompanying an MP now cannot do so when they are accessing a

gold pass post-parliamentary career. I find it staggeringly hard to understand why we do not have one common definition and stick to it.

Senator Minchin—There is no doubt that the different definitions have, as I have acknowledged, led to some of the misunderstanding. The Remuneration Tribunal may want to consider the difficulties caused for parliamentarians in having different definitions for different entitlements. The government has not made a decision to formally draw that matter to the attention of the tribunal.

Senator ROBERT RAY—I hope you give that active consideration, but I do draw your attention to the third category, which is not a matter for the Remuneration Tribunal because you legislated on it—and I think very unfairly. It does not affect me, but I think it is very unfair compared with the other definitions. I think if you are going to consider the whole thing, you should consider one definition across three categories. It would be a lot cleaner and a lot simpler. Where the chips fall, then they fall.

Senator MURRAY—Minister, if I understand you correctly, in the situation where somebody in one state or city falls in love and gets married to somebody who lives in another state or city—and obviously where neither can give up their elected position or give up their job—it remains possible to essentially operate two homes. That is correct, isn't it?

Senator Minchin—Are you talking about accessing the overseas study entitlement?

Senator MURRAY—I am talking about the idea which seems to be out there—I have not heard anybody from government agree with it—that to be in a genuine relationship you have to be under one roof. There are people who just simply cannot be under one roof. In the circumstance I outlined, if somebody from one city or state falls in love with somebody from another city or state and gets married, they are still forced to live apart a lot of the time.

Senator Minchin—Under the overseas study entitlement—and I think under the domestic travel entitlement—if one is married, that is the only requirement. No cognisance is taken of the particular residential arrangements. Being legally married is sufficient unto itself to enable access to the entitlement. The issue arises where your de facto—

Senator MURRAY—And if you are separated?

Senator Minchin—If you are not legally married—

Senator MURRAY—No—if you are separated.

Senator Minchin—Well, you are still legally married. If you choose to nominate your legally married spouse for the purpose of the entitlement, then the fact that you are legally married is sufficient. If you are not legally married, obviously that then begs the question as to the nature of the relationship. As I say, for the purposes of the overseas study entitlement, the tribunal has said that the reference point for determining eligibility if you are not legally married is the Parliamentary Entitlements Act definition of 'de facto spouse'.

Senator MURRAY—Just to be sure, when I said 'separated', I did not mean living apart, but still being in a genuine relationship. I meant being separated in the formal sense.

Senator Minchin—Physically? I thought you meant married, but separated. As I say, for the purposes of the entitlement, and for the purposes of the department in administering it, a

legal marriage is all that is required. There is no cognisance taken of the particular residential arrangements.

Senator MURRAY—Minister, one thing missing in your press release and in your remarks today—but it may be an omission rather than a deliberate act—is the issue of internal audit. What seems to have happened is that there has not been a process to check that in some circumstances. Maybe it is historical, maybe it is not current practice, but people may have wrongly thought they were entitled when they were not. I make no inference in relation to current events. Can you reassure the committee that there is a process of internal audit in the true meaning of that sense to ensure that the rules we have just discussed and the way in which they are administered are occurring as outlined?

Senator Minchin—The essence of this entitlement has, as I understand it, always been that it is the member or senator who is asserting that they comply with the rules of entitlement. The administrative arrangement has been to ensure that the member or senator understands the requirements and that it is a matter for the member or senator to come to a determination as to whether they fit those requirements. It has never been the practice and the department has never been charged, under any government, with an investigation as to the veracity of that assertion. The department's job has been to make sure that members and senators understand exactly what is required of them and then for them to act accordingly. What we are doing is not changing that fundamental premise but now requiring members and senators to formally and in writing certify to the effect that they meet those requirements. As you would know, there are consequences for false certification that, again, members and senators should be aware of.

When I was Special Minister of State, as you would recall, there were issues relating to travel allowance. The travel allowance system had been, again, one of assertion, in the sense that the onus was on the member or the senator. We did fundamentally change that so that the department had what you might call an internal audit role and it would not approve applications for travel unless it was satisfied that travel had occurred and was within the rules, and there have been no more issues with travel allowance. I occasionally hear of members who say, 'The department didn't pay me my travel allowance because it didn't meet the rules.' I think that system does work well, but you would understand that it is a lot easier for officials to be able to objectively verify whether travel has occurred and whether someone is physically in one place or another for the purpose of that entitlement. It is a lot more difficult—and I think probably not fair or reasonable—to expect departmental officials to be ab initio making inquiries as to the veracity of assertions or certifications, as it is now, made by members or senators as to their domestic arrangements. It is quite a different matter. I think now that, as I say, members and senators have had a big wake-up call about this—clearly, from the events of the last week. We are now requiring this formal written certification, with consequences, obviously, for false certification, so we can now ensure strict compliance with the rules.

Senator MURRAY—It lends strength, though, to Senator Ray's call for consistency between entitlements definitions if people are having to certify and if there is not an internal audit process, because there always is the possibility that a new member or senator who has not gone through this last week, or somebody who is not alert enough, may not appreciate the

difference between the three entitlements discussed. It does lend strength to the need for consistency, doesn't it?

Senator Minchin—Yes, obviously there is an argument about consistency—although they are different entitlements and, therefore, you could equally argue that it is not unreasonable to have different rules. That is a matter for the tribunal. You or any other member or senator can make a submission to the tribunal on the matter of consistency. I think certainly the department does and should ensure that members and senators understand exactly the nature of the entitlement and the rules relating to the particular entitlement and, to the extent that there are differences, that those differences are made quite explicitly known to the member or senator.

Senator MURRAY—Since the definition can be quite easily encapsulated underneath a signature, I would have thought that was the way to do it.

Senator FAULKNER—Minister, can I very briefly ask which senior ministers were involved in the review?

Senator ROBERT RAY—At least one is forgettable—we know that.

Senator Minchin—As you know, I like to be as transparent as possible but before taking it upon myself to inform you of that I would like to consult and hopefully provide you with an answer later in the day.

Senator ROBERT RAY—Thank you for confirming the Prime Minister was involved.

Senator Minchin—You would naturally expect the Prime Minister to be involved. I do not think that would be a state secret but I am happy to consult and come back to you later in the day, if you will give me that licence.

Senator MURRAY—Let me also say, it is not a surprise.

Senator FAULKNER—Obviously, these issues can be addressed at a later stage.

Senator Minchin—I am happy to come back to you with an answer on those two matters. I would like to be able to inform you but I should just seek clearance for that.

Senator FAULKNER—When you come back, Minister, perhaps you could indicate to the committee which senior ministers were involved and give a very brief outline of the process so we understand. In other words, was it done as a result of a meeting? How did this process work? You can say that now.

Senator Minchin—Senator Ray did ask me about that earlier and I answered it, but I am happy to give you what additional information I can.

CHAIR—The committee welcomes Senator Abetz.

Senator Abetz—Thank you. Briefly, I am sure Senator Ray did not seek to verbal me but I understand in my absence the suggestion was made that I had said that most reports were only one page.

Senator ROBERT RAY—I did not use the word 'most'—'many were one to three pages'.

Senator Abetz—Many?

Senator CONROY—That was in the papers.

Senator Abetz—Could you show me the newspaper or transcript?

Senator FAULKNER—You can take it to the Press Council.

Senator ROBERT RAY—So would you like to correct the record now—not correct the record but clarify it?

Senator CONROY—Give us the facts.

Senator Abetz—I am not sure that any correction is needed, because on the *7.30 Report* last night when the proposition was put to me that they were only two-page reports or something of that nature, I said some only provide one-page reports.

Senator ROBERT RAY—Do they?

Senator Abetz—That is a fact.

Senator ROBERT RAY—Is it?

Senator Abetz—Yes, absolutely. Some only provide one-page reports; others provide very good and detailed reports. If any impression has been created that the majority of MPs only put in a one-page report then that is an incorrect impression, and I thought just at this stage I would clarify that. If the Labor senators can direct me or show me the particular media item or transcript then I will have a look at it.

Senator CONROY—Ask your staff what they tell the journos.

Senator Abetz—Clearly, the vast majority, as in all cases, on both sides do the right thing, whereas some have very cursory reports.

Senator FAULKNER—I am not aware of the press report to which you referred but—

Senator Abetz—Nor am I. Senator Ray referred to it.

Senator FAULKNER—I am not aware of the issue that you have just canvassed but let me ask you something else about it. We can obviously deal with this at a later stage in the committee's deliberations. One thing that is your responsibility is you have custody of the reports—I think that is fair to say—as Special Minister of State.

Senator Abetz—Yes.

Senator FAULKNER—I noticed in a press report that I did in fact read myself this morning that Senator Brown had requested a copy of a report. I do not want to go to that; I want to go to the broader issue of access to these reports. I would just like you to be clear on this for the record. I have understood there are two ways these reports can be accessed: one is effectively if a member of parliament makes a request to the Special Minister of State who has custody of the report and the other appears to be the freedom of information provisions. Are there any others, Minister, or are they the only two ways that those reports can be accessed?

Senator Abetz—That would be correct to access to them. For completeness sake, I understand I also have the power, of my own volition, should I want to make them available, but the practice has been not to do that but to make them available upon request and that is what I have done.

Senator FAULKNER—So there are three mechanisms by which they could be made public: on request by a member or senator, which goes not to that member or senator's report but to any member or senator's report.

Senator Abetz—In fact, I had a request from one member of parliament to have all the reports and a banana case load of reports was delivered to the member's office.

Senator FAULKNER—Yes. That is, quite clearly, allowable: you can, if you like, by executive fiat or by your own determination and by FOI.

Senator Abetz—That is right.

Senator FAULKNER—I wanted to ask you about requests from members of parliament. I assume that an exhaustive record is kept of those sorts of requests.

Senator Abetz—Yes.

Senator FAULKNER—I am wondering about the administration of that.

Senator Abetz—I would assume that the department would keep a record of that. I personally do not. My office may. I am not sure how.

Senator FAULKNER—Perhaps Ms Mason can help us on this.

Senator Abetz—In fact, we do not keep them; the department keeps them. When a request is made, that request is shot off to the department. Then I usually get a brief in response from the department saying that such and such has requested such and such a report. I assume we could trawl through the—

Senator FAULKNER—I do not want you to trawl through anything—

Senator Abetz—Good.

Senator FAULKNER—I am not asking that. What I am trying to do, Minister, is understand the process. There is one instance of a report being requested which had been archived. That is fair enough; I understand that. I am just trying to have the information provided to this committee of how the process works. That is my interest. Ms Mason, if you could assist us, that would be good.

Ms Mason—If the Special Minister of State's office received a request for such a report, it would normally be the case that that request would be conveyed to the department. We would search our records and provide a copy of the report to the minister's office if required.

Senator Abetz—I think you mentioned Senator Brown—

Senator FAULKNER—I have read a report. I do not know if it is accurate or not.

Senator Abetz—These things are dealt with in the normal way. Just because somebody is going overseas and wants it within one or two hours or within 24 hours, we do not necessarily make that a top priority in the running of our department.

Senator FAULKNER—I am not here arguing the case for Senator Brown, I can assure you.

Senator Abetz—Good to hear.

Senator FAULKNER—I rarely do, I think you would have to acknowledge. That is a matter for him.

Senator Abetz—There is a growing closeness, that is all I would say. But we will move on.

Senator ROBERT RAY—They are polling better than you in Tassie at the moment.

Senator Abetz—No, they are not, in fact.

Senator ROBERT RAY—Aren't they?

Senator Abetz—No.

Senator FAULKNER—I am trying to concentrate here on the very important business of the committee. What I was asking is whether the Special Minister of State and his office or the department keep a record of requests for access to reports that are made by members and senators.

Ms Mason—The answer is yes. There have been, I am informed, very few requests for copies of those reports. It is, of course, always possible for the senator or member who has a written report to make the report available to others if they wish.

Senator FAULKNER—I appreciate that. So if I were to, for example, place a question on notice or ask you a question which parliamentarians in calendar year 2004 had requested access to which parliamentarian's report—I am not asking the question at this stage—that would be reasonably easy information for you to be able to provide?

Ms Mason—I am not sure how easy it would be, but certainly if we received a request along those lines we could take it on notice, search our records and attempt to give you an answer.

Senator FAULKNER—What I was really asking is whether you try to keep a regular and updated record of these sorts of requests. I accept, by the way, what the Special Minister of State says. You said that they are not common.

Senator Abetz—Yes.

Ms Mason—I am informed that they are treated as individual requests. So if your question goes to whether or not we have a central database—

Senator FAULKNER—That is what I wondered—a file or something like that—how you deal with it administratively.

Ms Mason—No, they are treated as individual requests. As I said earlier, we have received relatively few requests. So there has not been a need to have a central database of them.

Senator FAULKNER—Have you noticed a trend in FOI requests for these reports? From just reading newspaper clips those sorts of FOI requests appear to be a growing trend? I do not know whether you are able to comment on that.

Ms Mason—I have not observed any particular trend in relation to them. It is probably true to say that the number of FOI requests is generally growing, but in terms of specific questions on overseas study travel reports I have not observed any trend, because I guess the number of requests has not been great enough to show any pattern.

Senator ROBERT RAY—How would requests probably be put? Would I need to put in a request and say, ‘I want to access Senator So-and-So’s report relating to X trip,’ or, ‘I want to access any overseas study reports by Senator So-and-So,’ or could I put a request in for all reports?

Senator Abetz—All of the above. The request that I referred to previously in the banana case was a request for all overseas reports up until that particular date. The reports had to be put in I think from 1997. Somebody might be able to assist me. I am being corrected that it may be from 1998. But the request was from whenever it was instituted by us right up until whenever the request was made. We delivered them all in a nice banana case. I do not know where the department got that from, but it was very helpful for the delivery.

Senator FAULKNER—It is a matter about which the minister does not appear to have any discretion. I have not requested any reports, but if I requested a report of one of my colleagues—Senator Ray or Senator Conroy—you do not really have any discretion to knock back that request, do you?

Senator Abetz—I do not think I have. And, if I do, I indicate I have not exercised it.

Senator FAULKNER—I am certain that is the case.

Senator Abetz—And, depending on the request, the quickness of the response—

Senator FAULKNER—So what you are saying is that for those who have an interest in other people’s reports—I do not have a great interest in them myself—

Senator Abetz—I am sure it would be good for insomnia.

Senator FAULKNER—It is more a logistical question for the department, is that right?

Senator Abetz—Yes.

Senator FAULKNER—In other words, depending on the nature of the request, it might take a bit of time to fulfil it—

Senator Abetz—Exactly.

Senator FAULKNER—but it does happen—it must happen.

Senator MURRAY—Particularly because they are not electronically lodged.

Senator FAULKNER—Can they be electronically lodged? I do not know whether that is right or not, Senator Murray. I accept your wise counsel on this.

Senator MURRAY—They are lodged in paper form.

Senator Abetz—Yes, they are.

Ms Mason—They could be electronically lodged if a person wished, but the practice has been that they are lodged in paper form. It is probably important to draw a distinction between requests for such reports that may be made under the FOI Act, in which case they are treated in accordance with that act, and requests that may come from parliamentarians. The Special Minister of State does make those available on request from a parliamentarian whereas if the request is made under the FOI Act it is treated in accordance with that legislation and it may come from a person other than a parliamentarian.

Senator ROBERT RAY—I assume that the third clause that allows a minister to release a report really is a sort of hidden admonishment to members to take it seriously otherwise they may be embarrassed. I assume that was the intention.

Senator Abetz—I think those rules were developed before I was on watch. I am not sure exactly what the thinking behind it was, but that sounds reasonable. I would not argue with that proposition.

Senator ROBERT RAY—When members send in their reports, do you send a written acknowledgment to them that you have received and filed them?

Ms Mason—It is my understanding that the minister does acknowledge the receipt of those reports.

Senator Abetz—Just for the record, I do not mark them or indicate whether they are good, bad or indifferent. All that is required is that a report be lodged with me and it is up to the member or senator to determine how long and how extensive that report is. Some provide me with real tomes with appendices and all sorts of things attached; others are quite brief.

Senator ROBERT RAY—You would not be able to specify what the length should be anyway.

Senator Abetz—No, of course not; nor would I want to.

Senator ROBERT RAY—We heard from Senator Minchin—I don't know whether you want to cover this now—that the second leg of the discussions over the last two days was to do with the release of the report and how they would be handled in future. I think the term, 'They would be publicly available' was used. Has any thought been given to how they are going to be made publicly available? Senator Minchin, to be fair to him, in case you were not watching, said that no decision had been made. I am wondering what the future—

Senator Abetz—Thought has been given but no determination made as yet. The idea and the outcome that we want is that they be made available publicly and that they be as accessible as reasonable. We have to determine a mechanism for that.

Senator ROBERT RAY—Will you be thinking of an annual release, so they are all put out together?

Senator Abetz—That is a possibility. It may be on a shorter time frame than that. Reports have to be submitted within—is it 60 days?

Ms Mason—Reports must be submitted within 30 days of return.

Senator Abetz—So the question then is: once I receive them should they be made available immediately or should they be put out every six months like we do with travel allowance? Those are the sorts of things that we are currently thinking about.

Senator ROBERT RAY—I will give you something else to think about, Minister. If they are going to be publicly available, shouldn't they just go to the department? They should not have to go via you in those circumstances. Currently, they should. I can see the reason for them going via you—because under one of the determinations you can determine whether to release them or not. In some ways it would be an administrative and a political protection to you to have them then go straight to the department, gotten ready and then released.

Senator Abetz—It would reduce the paperwork. I must say that I personally would not object to that at first thought. Allow me to consider that. My staff and I would be, on the face of it, relieved of that extra paperwork and those extra yellow files that seem to come across my desk on a monotonous basis. I would be happy to look at that.

Senator FIFIELD—If I could put forward a suggestion on how to publicly release these documents that might be considered: in a number of jurisdictions, including New South Wales and Victoria, as a matter of course these reports are lodged with their parliamentary library. Perhaps you could take that on board.

Senator Abetz—It is a possibility. I am not sure how publicly accessible it would necessarily be. Being able to access the parliamentary library to get the report would be my concern, straight off the top off my head. We do want them to be publicly available. If they are stuck in the parliamentary library in Canberra I am not sure how accessible that would necessarily make them. But thanks for the thought, and any other suggestions would be most welcome.

Senator FIFIELD—Just within the range of things that could be done to make them easily accessible. I am thinking of members as well.

Senator FAULKNER—Senator Minchin indicated to the committee that the review, the outcome of which had been announced by you and Senator Minchin, was conducted by senior ministers. I had assumed, perhaps unkindly, that you might not have been involved in that.

Senator Abetz—That is very unkind of you.

Senator FAULKNER—But it is a serious point; he was indicating it was by cabinet ministers. My question to you is whether you were one of the ministers involved in the review.

Senator Abetz—I am very flattered that Senator Minchin should see me as a senior minister.

Senator FAULKNER—So that is a yes, is it?

Senator Abetz—No.

Senator ROBERT RAY—Nor did he imply it.

Senator CONROY—We do not want you to verbal Senator Minchin. It is a very serious verballing of Senator Minchin.

Senator FAULKNER—We do not want him back here.

Senator Abetz—Suffice to say I was involved in the process, yes. And whether we want to describe me as senior minister or not, or what my role was, suffice to say it is a government decision and that is the important thing.

Senator FAULKNER—He would have to come in here and correct the record, so there is no expectation on him in that regard.

Senator Abetz—This is sounding very much like MAPS to me, Mr Chairman. We are still doing general questions, are we?

CHAIR—We are, but Senator Minchin seemed quite happy to address these issues before because of their public notoriety at the moment.

Senator CONROY—I have a unique dilemma I want to seek your advice on. As you may have read in the newspapers, I am going to the US-Australia leadership dialogue in a week or two.

Senator Abetz—The US-Australia leadership dialogue?

Senator CONROY—Yes, in a week or two.

Senator Abetz—Without correcting the record, one could ask what you are doing at such a forum, Senator Conroy—

Senator CONROY—I live in your shadow, Senator Abetz.

Senator Abetz—but I will not be as crass as your leader to make those sorts of disparaging comments.

Senator ROBERT RAY—Don't worry, we always do. We do not just pick on you!

Senator CONROY—I can assure you of that, Senator Abetz. I am going on a study tour to attend it. The dialogue is closed and there is no reporting allowed of the discussions within it.

Senator Abetz—Gotcha!

Senator CONROY—I am wondering if you have any advice about how I write my report?

Senator Abetz—In invisible ink.

Senator CONROY—It is actually quite a serious issue given the public debate at the moment. It is a condition of going into it that you do not actually reveal any of the discussions whatsoever within the dialogue. Do you have any thoughts?

Senator FAULKNER—It is a bit like the caucus room.

Senator CONROY—Yes, very much like caucus. But given that they are now going to be publicly available—

Senator Abetz—Why don't you just leak it like you do from caucus anyway?

Senator FAULKNER—Slow, Senator Abetz, but you got there in the end.

Senator CONROY—I was wondering if you could take that on notice and give me some suggestions. Can you give it some thought as to how I should address that? Given they are now public documents I cannot quite be as free as I otherwise would have been.

Senator Abetz—The change we are proposing would not change that situation because technically I could have allowed it out anyway. It could have been FOied or Senator Ray could have written to me asking for a copy of your report and it would have been released as a matter of course. I am not sure this change necessarily changes it, but the dilemma is nevertheless still there for you. You might be able to justify a one-page report on this occasion.

Senator CONROY—I would not want you to come before us and say, 'Senator Conroy's only written a one-page report which said, "I was at the dialogue."'”

Senator Abetz—Senator Conroy, you know me; I am a very fair person, a very fair Special Minister of State, and I would not pin that on you unfairly.

Senator CONROY—The sealed section in crikey.com.au.

CHAIR—Any further general questions?

Senator ROBERT RAY—Not on those matters, no.

[10.23 a.m.]

CHAIR—We will now move on to Output Group 1.1, Budget.

Senator CONROY—I would like to talk about the budget papers.

Senator Abetz—What a relief! Are these budget estimates? We are now turning to the budget, are we, after 1½ hours? That is great.

Senator CONROY—You are now free and completely incapable of answering any questions, so you can relax.

Senator Abetz—No, I have been given a big folder, Senator Conroy.

Senator CONROY—I should start off by acknowledging the changes and, in my view, significant improvements in the portfolio budget statements, which include one of my favourite topics—special accounts. I see they get a big mention, so I congratulate you on driving that change through.

Senator Abetz—But do you understand them?

Senator CONROY—I do my best.

Senator Abetz—Good.

Senator CONROY—It should be acknowledged, particularly given the lengthy discussions we have had previously with the department, that they are a significant enhancement to transparency and disclosure. Congratulations, Dr Watts, to you and your department.

I would also like to start off by confirming some elements of the budget that relate to Finance's role as keeper of the estimates, if I can use that phrase. I want to refer to Budget Paper No. 1, to statement 2, table 2 on pages 2 and 3. In particular, I want to confirm a few things about the line referring to 'Changes between MYEFO and 2004-05 Budget'. Looking at the 2003-04 column, can you confirm that the government is spending over \$6 billion between the time of the budget's announcement and 30 June 2004?

Dr Watt—You are referring to the—

Senator CONROY—The minus 6,139 figure in 'Total policy decisions' under 'Changes between MYEFO and 2004-05 Budget'.

Mr McPhee—That is correct.

Senator CONROY—That is \$6 billion from budget day to 30 June or from MYEFO to 30 June?

Dr Watt—It is from the date of release to MYEFO.

Senator CONROY—Which of those policy decisions or expenditures occurred prior to the budget?

Dr Watt—We would need to take that on notice. It is in Budget Paper No. 2, the measures document. We would just need to refer to that document.

Senator CONROY—The vast bulk would be from the budget through. I am just trying to isolate that out.

Dr Watt—Mr Bowen might be able to advise you a little more. While they are all shown individually in Budget Paper No. 2, because that picks out every decision between MYEFO and the budget, that has an expenditure implication including in the current year. Because they are not actually picked up in the tables at the front of the MYEFO, we will just have to check through the individual measures—which will take a little while.

Senator CONROY—I think you will understand where I am trying to go, Mr Bowen. I am trying to work out what has actually been spent from the budget through to 30 June.

Mr Bowen—Yes, I understand what you are saying.

Senator CONROY—It may be 50 per cent, it may be 70 per cent or it may be 90 per cent.

Mr Bowen—It is something we would have to look at. It might take us a little while.

Senator CONROY—We will be here for a little while if someone is able to have a quick look at that for us. Looking at the next column—that is, expenditure for 2004-05—‘Total policy decisions’ is minus 8,194, which is about \$8-and-a-bit billion dollars.

Mr Bowen—We will call it \$8.2 billion.

Senator CONROY—Yes. Can I also confirm that, if I take the 2003-04 MYEFO fiscal balance for 2004-05, which was \$1.558 billion, and add this policy change figure of \$8.2 billion, I would have been left with a potential surplus of \$9.8 billion or almost \$10 billion. Is that a fair way for me to do the math?

Mr Kerwin—That is correct.

Senator CONROY—I am hoping to get your confirmation of the total net spend of this budget across the forward estimates and including the clump of spending which occurs in the next couple of weeks. I am trying to add them altogether. Perhaps I can get you to tick off on my maths. Is it safe to assume that I can refer to expense and revenue measures since 2003-04 MYEFO to confirm this? Can I do a running total of that? This is 5-27 of Budget Paper No. 1 and page 63 of Budget Paper No. 2. I would like to work through all these figures. I am just looking to add up all these policy changes. Is that a reasonable way to do it?

Mr Kerwin—Budget Paper No. 1 will have summary level type details and Budget Paper No. 2 will have the greater level of detail.

Senator CONROY—So if I add up the policy decisions since MYEFO 2003-04, do you agree that this means that the total spend of the budget—and I think the Treasurer, Mr Costello, described it as one of the largest spends in Australian history; I seem to remember him saying that on budget night—is \$52 billion? Does that figure seem about right?

Mr McPhee—I am just wondering whether you can tell us what you would like to get to and we can prepare a table for you. That may be easier.

Senator CONROY—Sure. I am just trying to establish that the total spend of the budget is \$52 billion—from MYEFO 2003-04, and then just looking at the forward expenditures.

Dr Watt—Are you talking about the years 2003-04, 2004-05, 2005-06 and 2006-07?

Senator CONROY—Yes.

Dr Watt—Are you including 2007-08 as a forward year, which is not in this table?

Senator CONROY—I am happy to have both if that makes it easier.

Senator Abetz—You do not know, do you, when other people write questions for you.

Senator CONROY—It just depends on whether or not they include it in, I guess, so I am happy to take both.

Dr Watt—So you would like the four years in table 2, the total policy decisions—which, incidentally, are both revenue and expense measures. We call them revenue and expense measures or net policy decisions rather than spending.

Senator CONROY—I am happy to take the net—

Dr Watt—We are adding that up, Senator. And then you would like to have 2007-08 added?

Senator CONROY—Yes. As I said, that includes the spending that is squeezed into this financial year.

Dr Watt—We will get someone on the adding machine and will have that one in a few seconds.

Senator CONROY—Thank you. My calculations come to about \$52 billion for the period.

Dr Watt—That includes 2007-08, doesn't it?

Senator CONROY—Yes. I think we did the calculation including 2007-08.

Dr Watt—It would have to. You will not get \$50 billion over four years in table 2.

Senator CONROY—We made it \$52 billion and I wanted to make sure you agreed.

Dr Watt—We are checking.

Senator CONROY—Just while we get the exact figure—it would be in that ballpark; is that reasonable?

Dr Watt—I would never verify that until we have checked. We have been down this path before.

Senator CONROY—I was hoping you were going to help me out there!

Dr Watt—I am sure we will in due course.

Senator CONROY—Do you keep any historical data, so we could compare how big a spend this was in one budget? As I said, I remember the Treasurer on the night making the point that this one of the biggest spends in history, if not the biggest. I was wondering whether

you keep any records of that so that we could easily make a comparison and see whether it was the biggest spend in any individual budget.

Mr McPhee—We would generally do it just by analysis of the tables that we have. We could provide that information, but not today because that information would be on the systems back in the department.

Dr Watt—We do not have it to hand. Also, the Treasurer was obviously talking in nominal dollars when he made that announcement, if I remember correctly. That is one measure; there are others.

Senator CONROY—What other sorts of measures?

Dr Watt—You may wish to think about real dollars or the proportion to GDP.

Senator CONROY—Would that materially affect this statement?

Dr Watt—I have not done the analysis; I could not comment.

Senator CONROY—It is not your area that does the analysis? Do you not sit down and work these things out and say, ‘I’m the head of the department of finance; I want to know what the spend was’—and I use a very broad definition of the word ‘spend’ but in terms of net policy.

Dr Watt—We have not done that analysis.

Senator CONROY—You haven’t?

Dr Watt—Not that I am familiar with, no.

Senator CONROY—It seems a little unusual.

Dr Watt—No.

Senator CONROY—Do you not want to know?

Dr Watt—Not at all.

Senator CONROY—You are head of finance. Your job is to keep track of all the beans.

Senator Abetz—You are doing very well.

Dr Watt—I think we do a little bit more than keep track of the beans. The job of the department of finance involves all sorts of things. Do we do some comparative work on components of budget aggregates? Yes. Have we done this analysis? No.

Senator CONROY—You are going through it and you just have not done it yet?

Dr Watt—We certainly have not done it.

Senator CONROY—Are you thinking about it?

Dr Watt—I am not sure that there is a reason for it to be done. The Treasurer’s statement does not need a department of finance analysis, I don’t think, to back it up.

Senator CONROY—You would, though, keep a record of the net impact of policy decisions in each given year, surely?

Dr Watt—Net impacts of policy decisions are published as part of the budget papers and they have been for quite a long period. The concept of a reconciliation table included in the

budget papers goes back to the late eighties at least, if memory serves me correct, I hesitate to add. That information could be made available. Do I have it at my fingertips? No. I suspect that, if you want a full historical record, you would have to go back to individual budget papers. Of course, it will be on a variety of different bases, remembering that before 1999-2000 we did not have the accrual framework.

Senator CONROY—I am looking to go back to 1996-97, obviously, the period of the Howard government.

Dr Watt—We could provide that information.

Senator CONROY—How quickly do you think you could knock that together?

Dr Watt—I do not know. It might take a little while, but I will see what can be done.

Senator CONROY—That would be wonderful.

Senator Abetz—Very cooperative.

Senator CONROY—Always. I do not want to be anything but. I am just looking at the answers to questions on notice which were tabled, I think, last night. They are the ones that were circulated this morning—‘received 25 May’, I think it says.

Dr Watt—That is yesterday.

Senator CONROY—I was not sure whether it was today or yesterday.

Senator Abetz—26 minus one equals 25.

Senator CONROY—Thank you. I noted that—and I want to congratulate the department—at the bottom of the answer is a date, cleared by group branch, contact officer, telephone number. You are wincing, Dr Watt.

Dr Watt—I suspect that that should have been removed before it was made public.

Senator CONROY—I just took it as the department of finance’s absolutely expert record keeping.

Dr Watt—That is for internal purposes, as you would appreciate.

Senator CONROY—I was hoping this was going to be a permanent change because I know I have asked you these sorts of questions before, and I thought, again, you were responding brilliantly to parliament’s thoughts and ideas. There are some that contain a little thing down the bottom; there are some that do not. I was going to ask if I could get the ones that do not but I get a sense that perhaps they will not be available.

Dr Watt—I think you get the correct sense.

Senator CONROY—I was just noting the date on this one and I hesitate to drop Mr McPhee in it. There is more than Mr McPhee, I should point out: Mr Suur—I am sure there will be a couple of others in there. I am not trying to get any individual officer into trouble. These questions were passed through the minister’s office. As an example, the date that question F18 was cleared by Mr McPhee was 30 March, and we only received it on 25 May.

Dr Watt—I do not think it is quite as straightforward as that.

Senator CONROY—Please take me through the process.

Dr Watt—Mr McPhee will find the question on notice for us. Let me tell you what the process is: questions on notice are cleared through me as well as through the group manager. The date you have there is, I suspect, the date of first clearance by the group manager. They often go through more than one iteration, so you should not jump to conclusions.

Senator CONROY—You are not correcting Mr McPhee's grammar, are you, Dr Watt?

Dr Watt—No, I am correcting a system rather than Mr McPhee's grammar. In relation to that particular question, I do not know how many iterations it went through.

Senator CONROY—So you are responsible for the 28 days?

Dr Watt—I may be responsible for some of it and if I am I will accept that.

Senator CONROY—That is what we like to see: take a bullet for the minister, Dr Watt.

Proceedings suspended from 10.42 a.m. to 11.05 a.m.

Senator Minchin—Senator Faulkner asked me what advice I may be able to give the committee about the decision in relation to the tightening up of administration of the overseas study entitlement. I do not think we normally go into the entrails of government decision-making, but I am happy to advise the committee that the leadership group of the government conducted a review and made the decision, which was reported to our coalition party room yesterday morning. The leadership group consists of the Prime Minister, the Deputy Prime Minister, the Treasurer, the Minister for Defence, the Minister for Trade and me. The relevant action minister, the Special Minister of State, Senator Eric Abetz, was of course intimately involved in those discussions. Verbal advice was sought from Dr Watt and the head of MAPS, Jan Mason, as to the practicalities of what was being considered. I trust that is the information that Senator Faulkner wanted.

Senator CONROY—I want to come back to a couple of points about historical data and about whether or not we could get a comparison between the spend this time and previous spends. I want to make it clear that I am only interested in spending and outlays, not revenues or anything like that. I understand there are all sorts of problems, such as GST is in or GST is out. I am only interested in the outlay spending side of that equation. Are you able to come back with that to us today? That is what led me off into the discussion about—

Dr Watt—You are looking for the comparisons from 1996-97 on?

Senator CONROY—From 1996.

Dr Watt—And you are looking for comparisons across the current year and the forward estimates?

Senator CONROY—Yes.

Dr Watt—We can see what we can do.

Senator CONROY—Mr McPhee, you have also cranked the computer, we understand.

Mr McPhee—Yes. The impact of policy decisions since the 2003-04 MYEFO, which was your question on fiscal balances, is \$51.997 billion.

Senator CONROY—If I rounded that to \$52 billion, I would not be unfair?

Mr McPhee—You would be materially correct.

Senator CONROY—Would that be the highest round of spending from a May budget to 30 June, since the May budget was introduced? Have you any historical data that would be of help there?

Mr McPhee—We do not have that information to hand. But the other information you have asked for will show some comparison.

Senator CONROY—It would cover that. It would be unlikely that it would have been that big before. I know you have not been with Finance for a lengthy period of time; you may have started there and come back. That is a big spend in any terms.

Mr McPhee—I think Dr Watt made the point earlier that we prefer not to speculate in this area. We will have a look at what the data shows.

Senator CONROY—Minister, in your experience, is that the biggest spend? We have confirmed that it is a \$52 billion spend in this budget over the out years, the forward estimates. Is that the biggest spend that you are aware of? You were not here unfortunately; Senator Abetz was. I think the Treasurer even made the statement that this is one of the biggest spends in Australia's history. Could you confirm that?

Senator Minchin—I have not made any historical comparisons. The Australian Commonwealth budget probably is in as strong a position as it has ever been in as a result of our capacity to substantially reduce the massive debts that were left to us by the previous government.

Senator CONROY—You are the highest taxing government in Australia's history.

Senator Minchin—The strength of the economy is ensuring that the budget is in a very healthy situation and that has enabled us to make very appropriate reductions in tax and increases in family tax benefits.

Senator CONROY—My point was that it is the biggest spend in history.

Senator Minchin—I am not confirming or denying that; I have not made the comparison.

Senator CONROY—Is there anything that leaps into your head? You have been in politics a long time, Senator Minchin.

Senator Minchin—I have not followed the discussion intimately, but in my view there is always a big difference between a government simply spending more and reducing its revenue.

Senator CONROY—I am only asking about the actual spend.

Senator Minchin—I am one who actually does regard family tax benefits as a tax measure. I know they are measured in spending terms, but what has developed in this country is a long practice of the tax system recognising the costs of raising children for families. The mechanism by which the tax system recognises that cost has changed over time from directly being in the tax system to now being a family tax benefit, which does appear on the outlay side. That of course is the factual case. I certainly think, and I argue publicly, that what we are doing is enhancing the extent to which the tax system recognises the costs of raising children—as it always has. The FTB system is the current mechanism by which the tax system recognises that additional cost.

Dr Watt—There is another point to make, and that is the point I made earlier about there being more than one way to measure these things. The longer the sweep of historical comparison, the more you would be interested in real dollars or as a share of GDP.

Senator CONROY—That is a fair point, but I just think that Senator Minchin is being shy and coy here. Get your light out from under the bushel, Senator Minchin. You are the minister for finance in charge of the biggest spend in Australian political history.

Senator Minchin—I am very proud that our outstanding fiscal management has resulted in the situation where we are able to enhance the extent to which the Australian taxation arrangements recognise the costs of raising children. I think that is an extraordinary achievement, and one I am very proud of.

Senator CONROY—Does Finance have a view about the impact that this level of spending may have on the economy at large?

Dr Watt—That is a matter for the Treasury, not for us.

Senator CONROY—You have no thoughts on it at all?

Dr Watt—It is not our responsibility.

Senator CONROY—So you would support the secretary of Treasury Dr Henry's pro-growth assessment of the budget?

Dr Watt—I do not think I should speculate outside the area of my departmental responsibilities.

Senator CONROY—Do you have any view on whether spending \$52 billion at this stage of the economic cycle will actually boost growth?

Dr Watt—Again, that is really a matter for the Treasury, not for the Department of Finance and Administration.

Senator CONROY—Is it safe to assume that Finance would have assessed policy measures such as personal income tax cuts and one-off FTB payments to families through the ERC round earlier this year?

Dr Watt—The revenue measures are the responsibility of the Department of the Treasury. The Department of Finance and Administration would not necessarily be involved in a tax measure such as personal income tax cuts.

Senator CONROY—I do not want to sound silly, but I thought Finance were involved in everything? I thought there was not a meeting that took place in this town that Finance did not have at least an observer at.

Dr Watt—I am sure that there are many we do not attend of all kinds.

Senator CONROY—But what about in terms of the budget?

Dr Watt—You have to distinguish between two things: the expenditure review process, in which Finance plays a significant role as the provider of information and as the department responsible for the expenses side of the budget, and revenue issues, which are not the responsibility of the department.

Senator CONROY—So they do not go through the ERC?

Dr Watt—I do not think that is a question that I should be answering beyond saying that the ERC is about expenditure.

Senator CONROY—But you are also on the revenue committee?

Dr Watt—The department of finance is not on the revenue committee.

Senator CONROY—Finance is not on the revenue committee?

Senator Minchin—I am a member of the revenue committee. It is a committee of cabinet, which includes me.

Senator CONROY—And you do not take anyone with you? Do you just take your own notes?

Senator Minchin—The cabinet secretariat service that committee.

Senator CONROY—You take no departmental official with you to that?

Senator Minchin—No. I am entitled to.

Senator CONROY—I am putting in a plug for Dr Watt here. What are you hiding from him!

Senator Minchin—I am entitled to take the secretary of the department. I was just recollecting whether Ian was at that meeting.

Senator CONROY—Were you at that meeting or not, Dr Watt?

Dr Watt—I was at a meeting of the revenue committee.

Senator CONROY—And your point about the secretary of the department of finance—

Senator Minchin—No, my point was that the committee is a committee of cabinet, so it comprises ministers. A committee per se is a committee of ministers.

Senator CONROY—Senator Minchin, did the tax cut proposal go through ERC?

Senator Minchin—As Dr Watt has indicated to you—

Senator CONROY—No, he said he did not want to answer.

Senator Minchin—The Expenditure Review Committee deals with proposed expenditures, but I am not going to go into at what stage what items were considered by which bodies.

Senator CONROY—Did you get a briefing from the department before you went to the revenue committee? Did you have a chat with Dr Watt and get a note prepared, or just wander in like a Brown's cow?

Senator Minchin—Not like a Brown's cow, no. Whenever the ad hoc revenue committee meets and the agenda and papers are available in advance then, yes, I do seek briefing from my department.

Senator CONROY—Did you seek briefing from your department on the tax cuts?

Senator Minchin—I am not going to go into what briefings were—

Senator CONROY—I did not ask you what was in the advice; I asked you whether you received briefings.

Senator Minchin—I am not going to comment on what briefings were provided for what items.

Senator CONROY—You seem unduly defensive about a process question.

Senator Minchin—No, I think it appropriate that—

Senator CONROY—You did know what was going on, didn't you?

Senator Minchin—the government not discuss what briefings were supplied for what items.

Senator CONROY—I am just asking whether you got a briefing on this matter. You said that where papers are available you get a briefing. I am asking whether papers were available and were you able to get a briefing?

Senator Minchin—I am not going to go into the question of which particular agenda items of particular cabinet committees I receive briefings on.

Senator CONROY—Dr Watt, you have made it clear that the ERC does not deal with the personal income tax cuts. I did ask about the one-off FTB payments. Did they go through ERC?

Dr Watt—I do not think I should comment on that.

Senator CONROY—It is a process question. You happily identified that you did not deal with the tax cuts. Why are you unhappy—

Senator Minchin—That is because by definition a revenue measure is not dealt with by the expenditure committee. There is an Expenditure Review Committee and there is a revenue committee. Obviously, by definition expenditure items are dealt with by the expenditure committee and revenue items by the revenue committee. Beyond that, we are not going to comment on what items went to which committee.

Senator CONROY—I'm dopey, help me with the classification of FTB payments. Are they a revenue or an expenditure item. Any volunteers?

Senator Minchin—If you are asking how they are classified, I said to you before that I think it is appropriate in general to consider FTB as the mechanism by which the tax system recognises the cost of raising children. I did provide the framework to that by saying that in terms of the way the budget presents FTB it is an expenditure item. So to the extent that there was or was not any, or is ever, any discussion about FTB and which committee would consider that—yes, it would be the ERC.

Senator CONROY—Dr Watt or Senator Minchin, were the FTB payments considered by the ERC earlier this year?

Senator Minchin—We are not prepared to comment on which items were considered by ERC. The only thing that matters is the government decision. The government made a decision to—

Senator CONROY—The purpose of Senate estimates, though, is for me to establish how our Commonwealth departments are expending money. I am asking a process question. I am not asking about the advice given; I am asking about a decision taken.

Senator Minchin—No, you are asking about agenda items of a cabinet committee. That is what you are asking me.

Senator CONROY—I am seeking to establish what the process was.

Senator Minchin—No, you are asking me what items were on a cabinet committee agenda, and I am not going to tell you.

Senator CONROY—That is unduly defensive.

Senator Minchin—Not at all, because once I start down that path, I do not know where it will lead. As a matter of practice, I am not prepared to tell you what items are on cabinet committee agendas.

Senator CONROY—Only if you have something to hide should you be so defensive.

Senator Minchin—Not at all. It is a very good decision. I have told you I think it is one of the government's most outstanding decisions.

Senator CONROY—I am not asking about the decision, rather the process.

Senator Minchin—And I am very proud of the fact that the government has been in a position to be able to make it.

Senator CONROY—You are the highest taxing government in Australia's history.

Senator Minchin—But as to the mechanism by which the government reaches a decision, in this case I am not prepared to go any further.

CHAIR—The minister has given his answer, and perhaps you should move on.

Senator CONROY—I may come back to that. The appropriation bills for the additional estimates in February 2004 contained new clauses which allow the Minister for Finance and Administration to claw back unused departmental appropriations or the difference between the appropriated amount and the amount that is more likely to be spent.

Dr Watt—I think Mr McPhee can answer those questions for you.

Senator CONROY—Can you explain how the new clauses in the appropriation bills for the additional estimates of February 2004 will work?

Mr McPhee—There has been an issue with departmental appropriations in the past where ministers have said that, for whatever reason, they do not require funds which had been appropriated to their agencies. The problem was that, even though the minister may have 'handed back' the funds, in a legal sense the authority still existed. This provision is really one that allows the finance minister, where another minister offers up funds, to delete the authority to continue to spend those funds in future years.

Senator CONROY—Is it correct to say that this process of clawing back spending cannot be initiated by the department or the minister, Senator Minchin?

Mr McPhee—Senator Minchin cannot unilaterally undertake that action.

Senator CONROY—Can you give him a few hints?

Mr McPhee—I suspect that is always available, but that is not the way the legislation has been written.

Senator CONROY—What period of time needs to lapse before the funding can be returned? Is there an indicator?

Mr McPhee—No.

Senator CONROY—So it is whenever Senator Minchin is perusing the balances and says, ‘They’ve got some left over.’ Is there a formal process?

Mr McPhee—Some of the issues, going back over a number of years, were where agencies had offered up savings or other appropriations and in an authority sense they had been accepted, but the problem was that the legal authority still existed. This is really just an exercise to allow the administrative approach of offering up and accepting savings to be formalised and the appropriation authority to be reduced accordingly.

Senator CONROY—There is not a formalised time frame?

Mr McPhee—There are no time limits or constraints on it.

Senator CONROY—Do you impose a set of criteria or rules regarding aligned agency savings?

Mr McPhee—There are operation rules around the budget—what is expected in terms of savings, how legitimate they are and that sort of thing. This provision really relates to much later in the process, say, after ministers have offered savings or cabinet has decided on savings.

Senator CONROY—I am trying to get to the heart of that. This goes beyond the annual efficiency dividends which are applied to agencies.

Mr McPhee—Yes.

Senator CONROY—Are any agencies exempt from this process?

Mr McPhee—No.

Senator CONROY—Defence?

Mr McPhee—No.

Senator CONROY—Have you used it yet?

Mr Kerwin—The facility has not been used yet.

Senator CONROY—No agencies have volunteered any money?

Mr Kerwin—There are some procedural things that we need to go through. If you are talking about the position of agencies, in our system at the moment there are a number of instances where funds are quarantined in recognition of the fact that the agency has already—although it may have been a couple of years ago—handed back the money. These clauses in the appropriation acts now enable us, within the framework, to formally lapse the appropriation. In a number of cases, the agencies have already handed back the money and have indicated that they no longer require the appropriation. It has a purpose of tidying up and completing a framework issue rather than something that would be before an agency every time there was an estimates update or something like that.

Dr Watt—That point needs emphasising. This is for very occasional use.

Senator CONROY—Can you take me through the Department of Defence offset of \$500 million as explained in Budget Paper No. 1 page 2-7? Was that clawed back using this new power or was that a separate process?

Mr Bowen—Are you going onto a new topic?

Senator CONROY—No, I am trying to understand whether or not the offset identified on that page was clawed back using this new power?

Mr Bowen—No, it was not.

Senator CONROY—It was a separate process.

Mr Bowen—No, that is the normal process, which happens quite regularly, of reallocating expenditure priorities within a portfolio—some money was offset in one area and it was applied elsewhere. It is as simple as that. There is no clawback in appropriation.

Senator CONROY—Do you think these new legislative elements will improve Finance's ability to find offsets and savings? This is a chance to give yourselves a plug.

Mr Bowen—My view is that this is a really technical provision. Under the current framework, departmental appropriations do not lapse but administered appropriations do.

Senator CONROY—I remember this discussion with you well.

Mr Bowen—In most cases that is what should continue to happen. Whether savings are or are not made, the actual departmental appropriations from past years would not lapse. However, as Mr McPhee has said, we can envisage situations where an agency may just not need an ongoing appropriation that they have had. In those circumstances, you need a legislative instrument to enable you to get rid of that appropriation, effectively.

Senator CONROY—I am trying to find out how it would be triggered. I was being semi tongue in cheek when I suggested Senator Minchin was leafing through the budget papers and thought, 'Oi!'

Mr Bowen—I am having difficulty thinking of an example. I am sure there has been one but I just cannot think of one off the top of my head.

Mr McPhee—If the government took a decision to provide funds for an agency to undertake a particular initiative, if it introduced the appropriation bills to give effect to that additional funding and then if something occurred which meant that initiative would not proceed for whatever reason, the agency has already been funded—let us use a figure of \$50 million—to implement the initiative, but the circumstances have changed and that \$50 million is no longer required. In the budget context, it is likely that would come up for consideration as to whether the agency should continue to have access to those funds. If government took a decision to say, 'There is no justification for that to be provided to that agency', if the portfolio minister agreed, if there were no other offsetting arrangements and if that was a straight decision, then this is one mechanism by which the original appropriation, which was made in a genuine way, can be cancelled out if you like. Those are the circumstances.

Senator CONROY—Some of you may know that I grew up here in Canberra. I am familiar, come 25 to 30 June, with the phenomenon of retailers rubbing their hands together and thinking, 'Five days to go. They have to spend all their money. It is going to be fun.'

Departments are famous for going out and making sure there is no money left. I am sure it is one of those Canberra urban myths, and no department has ever been guilty of it.

Dr Watt—I think there was a time.

Senator CONROY—There might have been a time.

Dr Watt—Under an accrual budget much of your charter is gone.

Senator CONROY—And I know my charter. I am hoping this makes it that little bit harder. I am just trying to get to the bottom of whether or not this just gives you that bit of extra leverage to stop those last-minute splurges.

Mr McPhee—Not really.

Senator CONROY—How does this process fit in with the existing savings processes within the department?

Mr McPhee—It really just allows a tidying up of the appropriations once government has taken particular decisions. As you pointed out earlier, this provision requires the portfolio minister to be in agreement with the finance minister on the matter. So, as Phil Bowen said earlier, it is a tidying up of the appropriation framework. It does not go to the debate about whether or not there should be savings.

Senator CONROY—The budget is a forecast about the cost. So what happens in a situation where a program is either undersubscribed or estimates overstated the cost of a program? This gives you the capacity to get the excess back, doesn't it?

Mr Bowen—This mechanism in the appropriation bills applies purely to departmental funding. Most major programs are administered funding and those appropriations lapse and have to be reappropriated. So there is already a mechanism there. We do, from time to time, have underspending. The government has to take a conscious decision to reappropriate funds in those circumstances.

Senator CONROY—What existing processes do you have by which you assess the effectiveness of spending programs with a view to identifying savings in the budget?

Mr Bowen—I guess a lot of the reason for being within Budget Group is to attempt to advise government on the efficiency and effectiveness of programs. You might recall that, a couple of years ago, we did provide additional resources to finance to do a number of things. One of the purposes for which those funds have been and are being used is to enhance the resource base within Budget Group—that is, the number of people and the skill base of Budget Group to better be in a position to analyse programs.

Secondly, we now collect information internally at the program level to enable us to get a better handle on what is happening at a lower level of detail than we had in the past. I guess, thirdly, there are a number of programs which are of the nature of lapsing programs. The government in the last couple of years has required that, before a lapsing program can be renewed, there must be a review of that program as to its effectiveness and the efficiency with which it is being delivered. Those reviews are provided to ERC at each budget time.

CHAIR—The committee has no questions of officers who are here to answer questions on ComSuper, the CSS board and the PSS board. Officers from those areas can be excused.

Senator CONROY—I would like to ask a few questions about the PEFO process. When would preparations start for PEFO?

Mr Bowen—The requirements for PEFO are outlined in the Charter of Budget Honesty Act 1998. From memory—I do not have it sitting in front of me—the secretaries of Treasury and Finance are required to produce a PEFO document within 10 days of an election being called. I think that is correct. Essentially, a PEFO is very much like any other budget update in that it is a comprehensive update of all of the estimates and a public presentation of the budget figuring at that time.

Senator CONROY—What sort of preparatory work is undertaken prior to the issuing of writs, or are you not allowed to do so?

Mr Bowen—It is much the same as the work that we would normally be doing anyway to keep our estimates up to date. The difference is that with a MYEFO update we broadly know when that is going to be. It is around November, usually.

Senator CONROY—Yes, November, December, January.

Mr Bowen—It is normally around the November period, from memory. There is perhaps a little more latitude for us in being ready for that. It is more within our control. In the case of a PEFO, of course we know that there will be an election at some time within the next year and we do go onto a more ready footing in that we make sure that effectively we have pretty much a hard close of our accounts each month and that we are right up to date for when that report has to be produced.

Senator CONROY—When is MYEFO due this year? Any idea, Dr Watt? You seem fairly convinced it is a November figure.

Dr Watt—No, Senator, I did not say that. What I did say was that there is a little more certainty in the timing of MYEFOs than you were implying. If I remember, under the charter, MYEFO has to be released by something like the end of January. It is up to the government when it is released. I would have thought that most MYEFOs have been released in late November or December, which is roughly halfway through the financial year.

Senator CONROY—Roughly not, actually. It incorporates one quarter of actual hard fact. Let us be fair.

Dr Watt—That is not quite accurate.

Senator CONROY—If it was in January it would certainly be able to include two hard quarters of data.

Mr Bowen—I can give you the chapter and verse. I just happen to have this here. The release and tabling of MYEFO is required by the end of January, as Dr Watt said, in each year, or within six months after the last budget, whichever is the later.

Dr Watt—As for what is in it, I think the important thing to remember—and we have talked here this morning about decisions since MYEFO—is that it includes all budget decisions up to the date of MYEFO. So in terms of those hard facts a December MYEFO release would see all decisions, including—

Senator CONROY—When I say ‘hard facts’, I am probably talking about the actual ABS figures that allow us to see whether or not our estimates are close to being correct, and there is only one quarter in by the time we produce the early November MYEFO.

Dr Watt—I am no longer—

Senator CONROY—I appreciate it is not your decision, Dr Watt.

Dr Watt—I will just make one point. It would incorporate only one set of national accounts, the September quarter accounts, but given the lags involved to get the December quarter accounts, which I think do not come out until mid-February, you would need a very late MYEFO.

Senator CONROY—We would still have a better overall idea of how the economy is doing if there was a January one and a November one. You are on track with your estimates.

Dr Watt—One of the problems with forecasts is that you get a better idea if you wait a little longer.

Senator CONROY—Yes. That is a very fair point to make, Dr Watt. You indicated that the process is very similar to that which you undertake ‘already’. I presume that the ‘already’ is in relation to MYEFO.

Dr Watt—That is correct.

Senator CONROY—You are updating all the time in preparation for MYEFO. Is there much difference between those preparations?

Mr Bowen—Not really. If you read the act it gets quite repetitious, frankly.

Senator CONROY—You had better be careful because Senator Minchin is sitting right next to you.

Mr Bowen—It talks about the budget report, the Mid-Year Economic and Fiscal Outlook report, the final budget outlook report and, then, a pre-election economic and fiscal outlook report. With the exception of the headings, there is not a lot of difference between them.

Senator CONROY—I think that is a fair observation. On a related matter, I would like to ask about the costing of Labor policies. This is something that we did have quite a bit of discussion about a couple of years back. Has the department been requested to cost Labor policy outside an election period since the 2001 election?

Mr Bowen—We are asked by the government, in particular by our minister, to cost a range of alternative policies. When we discussed this two or three years ago, I think at that time we had costed policies that were included in Labor policy. I have strayed from your question. Is it the time period you are asking about?

Senator CONROY—I was asking whether you have costed any Labor policies since the 2001 election.

Mr Bowen—Since the 2001 election we have costed many alternative policies.

Senator CONROY—And do they at least cut the header off that says ‘ALP policy’ before they give them to you?

Mr Bowen—We are asked to cost alternative policies. We are not asked explicitly to cost Labor policy. We have a very tight protocol in the department for doing this.

Senator CONROY—What is the protocol?

Mr Bowen—The protocol broadly is that the requests will come from the minister's office to a central coordinating point within Finance. We have an agreed turnaround time and process that we go through internally and some quality assurance of the costings, and we make a record of all of the costings we do and keep those on the file.

Senator CONROY—Can we get a copy of the list of policies you have costed?

Mr Bowen—I will take that one on notice.

Senator CONROY—Senator Minchin, I was just asking Mr Bowen whether we could have a copy of the policies that you have requested be costed, as in Labor policies. I am sure that you have done a few Democrat policies, and you might have done a few One Nation ones. I wondered whether we could get a record of what you have had costed.

Senator Minchin—I would not have thought so. That is an internal matter for the government. I would not have thought that you could have such a document.

Senator CONROY—Why not? If you are costing our policies, using taxpayers' money, I would have thought that at least we would be able to know which ones you have done.

Senator Minchin—As Mr Bowen said to you, the department is from time to time asked to consider and report to government on the cost of options in relation to policy.

Senator CONROY—I am not after yours. I am after the ones you have got them to do that are ours, Senator Minchin. I want to know whether you have been helping them keep to their guidelines. Mr Bowen said that there are very strict protocols, so I would like to know.

Senator Minchin—Quite properly the department is from time to time asked to cost alternative policies, which it does.

Senator CONROY—Yes. I am just asking for a list of them.

Senator Minchin—I am not in a position to or prepared to give you a list of alternative policy options that we have asked the department to cost.

Senator CONROY—I think you are probably answering a question that I am not quite asking. I will use the word 'alternative' because I think we both understand what we mean by that word.

Senator Minchin—We may not.

Senator CONROY—Okay, we may not. We can come to that. Mr Bowen has made the point that they have very strict protocols and that they do it on request from your office. What I am seeking to establish is: what has your office asked them to do in terms of alternative policies? I am not, at this stage, asking for the costing on it.

Senator Minchin—No, you are asking for a description of the policies.

Senator CONROY—No, I am asking which of our policies you have had costed. I can give you 10 different definitions and we can play with words, but I just want to know which ones you have asked them to cost.

Senator Minchin—We have not said anything about your policies.

Senator CONROY—That is why we are using the word ‘alternative’.

Senator Minchin—We have said that, quite properly, the department is asked to cost from time to time alternative policy approaches to those being pursued by the government at the time. They may come from a variety of sources, of course. When the department is asked to cost alternative policies, a description of the policy proposal would be put.

Senator CONROY—You have cut the ALP header off, we understand.

Senator Minchin—There is no reference to which brilliant member of the government thought of this wonderful policy—or which think tank or anybody else. Obviously, in the interests of good government in Australia, when there are alternative approaches to those being pursued at the time—

Senator CONROY—Heaven forbid that you plagiarise one of ours!

Senator Minchin—then it is appropriate to consider the cost of them. But no reference is made to the source of the original idea or anything of that sort. I am not prepared to tell you which alternative policies are costed.

Senator CONROY—Can I ask for a total then rather than a descriptive?

Senator Minchin—Do you mean the number?

Senator CONROY—Yes. Would that reveal any state secrets?

Senator Minchin—I do not know. I am happy to take that on notice if what you asking for is X number of policies that have been costed. I am happy to take that on notice.

Senator CONROY—If you could break that down into the period since 2001, the last 12 months and the last six months that would be helpful.

Senator Minchin—Again, I will take that on notice.

Senator CONROY—You are the minister. You could actually say, yes, you will do it, tell them to do it and give us the number.

Senator Minchin—I could, but I am taking it on notice so that I may reflect upon your question.

Senator CONROY—I do not think there are any tricks to it.

Senator Minchin—You are a tricky fellow, Senator Conroy. I am a bit slow in the mornings. I have to be very careful with you.

Senator CONROY—It is very kind of you to say that, but I think that one is one of my more straightforward questions.

Senator Minchin—They are the ones that catch you.

Senator CONROY—Dr Watt, for two reasons I am hoping that we will avoid the following conversation about the costings of the government’s policies under the charter. We had a very lengthy discussion, particularly about Iraq and what constituted a long term and a short term. I am sure you remember that.

Dr Watt—And a medium term.

Senator CONROY—Yes, a medium term and every term in between. Is the government's current Iraq policy a long-term, short-term or medium-term policy in terms of costing? How will you treat it?

Dr Watt—The costing of the government's policy on Iraq is clearly, if I remember correctly, highlighted in the budget measures document.

Senator CONROY—I just want to know your interpretation. It will save me asking you after you cost their policy.

Dr Watt—I think what you see there—and I would look to Mr Bowen for confirmation.

Mr Bowen—Yes, you keep talking and I will find it.

Dr Watt—If memory serves me correctly, that policy is costed on the basis of the costs of the additional activity associated with the involvement in Iraq over and above what cannot be absorbed in the normal course of events by Defence.

Senator CONROY—That was our discussion—you have correctly remembered our previous discussion.

Dr Watt—That is the way the costings are done. I could go back over it again, but I think it would get us to the same point.

Senator CONROY—I was afraid you might say that. I was not sure if you wanted to confirm something.

Dr Watt—We await your next question.

Senator CONROY—Could we get a copy of those protocols you were referring to before, Mr Bowen?

Mr Bowen—Probably not. I think it is an internal document, but what you would have—

Senator CONROY—Probably not? Is it advice to government?

Mr Bowen—No, it is an internal document that we have developed in consultation with our own minister's office. It is closely based on the published protocol for costings during the caretaker period. You might recall in 2001 there was a document, I think it was published by the secretaries of Finance and Treasury, on the protocols that we would follow in costing both opposition and government policies during that election period. We are required, under the act, to publish another set of protocols for the coming election, and we will do that. But the document I am talking about is very much an internal document.

Senator CONROY—You are saying to me it is very similar to that other document?

Mr Bowen—It is based on that document, yes. The principles are exactly the same.

Senator CONROY—You have indicated that it has been drafted in consultation with the minister's office.

Mr Bowen—Yes, because it involves a close interaction with the minister's office where we have requests and we have to respond.

Senator CONROY—So it says something like, 'Please cut off the ALP logo from the top of the document you are sending us'?

Mr Bowen—This is a document which covers any requests from the minister or his office for costings.

Senator CONROY—I know, but I am saying this is your protocol: please do not send us just the ALP document—at least cut the top off for us.

Mr Bowen—It does not say that, but it requires a description obviously. It requires some assumptions to be provided so that we can then cost. It is a very simple protocol.

Senator CONROY—I want to move on to Telstra.

Mr Bowen—I have got an answer to the question we had earlier. Would you like an answer?

Senator CONROY—I cannot believe that. You always answer my questions.

Mr Bowen—I beg your pardon.

Senator CONROY—How did I let that slip by? How did I not notice you did not answer a question?

Mr Bowen—Having done the work, I did not want it to slip by. Earlier this morning you referred to page 2-3 of Budget Paper No. 1 and you asked what made up the \$6.1 billion.

Senator CONROY—Yes, what portion.

Mr Bowen—I will give you some references in the Budget Paper No. 2 measures document that will explain about \$5.5 billion or \$6 billion of that \$6.1 billion. It is as follows: on page 8 the measures dealing with the family tax benefit changes are laid out clearly; page 72 deals with the sugar package, some element of which is in 2003-04; and page 185 deals with a grant to aged care homes.

Senator CONROY—Australia Post is going to do well out of you guys.

Mr Bowen—I will have to think about that. Page 246 deals with the payment to AUSTRAC for work on the rail track network.

Senator CONROY—That is between the budget announcement and 30 June?

Mr Bowen—Yes.

Senator CONROY—How much was that one?

Mr Bowen—I am sorry I have not been giving you numbers, but that one is \$450 million.

Senator CONROY—I had not picked that one up myself, so thanks.

Mr Bowen—Page 159 deals with the carer bonus of \$255 million and page 296—it is a capital measure—deals with the purchase of avian flu vaccines. There may well be some others, but on a quick look that explains the majority of it.

Senator CONROY—So out of the \$6.1 billion, or whatever it was, something like—

Mr Bowen—\$5.5 billion can be readily identified.

Senator CONROY—\$5.5 billion is from budget day until 30 June?

Mr Bowen—I believe so. We can confirm that.

Senator CONROY—If there is a material difference, let me know.

Mr Bowen—If there is a material difference, I will let you know. This has been done in the break, sitting down, thumbing through them.

Senator CONROY—I thank the officers who were merrily thumbing away—

Mr Bowen—I was thumbing away.

Senator CONROY—Thank you, Mr Bowen.

Mr Bowen—With a little help.

Senator CONROY—I now move to Telstra. What share price have you got it recorded at?

Mr Lewis—Consistent with longstanding practice, we do not disclose the price at which we have Telstra sale proceeds in a budget.

Senator CONROY—There is a value for Telstra.

Dr Watt—A valuation.

Senator CONROY—A valuation. I was not asking what you want to sell it for.

Mr Lewis—It is a question probably more for my colleague Mr McPhee than myself.

Dr Watt—We will change the guard, if we could.

Mr Lewis—We are a group which sells things.

Mr Heazlett—Are you asking at what value it is carried in the current GFS tables?

Senator CONROY—Yes. Dr Watt, we could go back to our discussion 12 months ago, when we had a discussion about mark to market. Is everything still mark to market? I am concerned that you are hesitating. You gave me such an emphatic ‘yes’ last year.

Dr Watt—I think ‘mark to market’ is a concept that applies very much to the financial markets, where you can mark things very readily to market. The budget papers are market documents, but there are a few interesting things about those budget papers, which we are happy to discuss.

Senator CONROY—No. We will come to your new presentation of equity and the GFS in a moment. But I am just asking you what you have it valued at? Remember that it was \$5.25 because you had to revalue it upwards when the Telstra share price had tanked. What do you think it is valued at?

Dr Watt—As Mr Lewis said, we do not disclose share prices.

Senator CONROY—I have not asked you that.

Dr Watt—But I think Mr McPhee can tell you about the valuation approach that we adopt.

Mr McPhee—The government’s policy now is to value Telstra on the basis of the average daily share price over a 90-day period, except in the sale years, which is consistent with what we did in MYEFO.

Senator CONROY—But it is not a sale year right now, is it?

Mr McPhee—Not a sale year.

Senator CONROY—It is not a sale year next year?

Mr McPhee—Not a sale year.

Senator CONROY—What is it valued at?

Mr McPhee—The totality or the share price?

Senator CONROY—The share price. What value have you plugged in?

Mr McPhee—This is information that you could collect from market information, so I do not think there are any confidentiality issues. What is confidential is the sale price, as we previously discussed.

Senator CONROY—I am not asking about the sale price.

Mr McPhee—But the figures plugged in for the 2004-05 budget are based on a \$4.75 valuation, based on the historic 90-day average of the share price.

Senator CONROY—\$4.75 is fair. As you say, a 90-day rolling average would be about right.

Mr McPhee—Yes.

Senator CONROY—Can you take me through the new presentation of equity in the GFS statements in table 2, in Budget Paper No. 1, on page 9-5?

Mr McPhee—I will ask Mr Olliffe to help me. The major changes are actually in another table, but we can refer to the balance sheet, if you like, to start with.

Senator CONROY—I am just asking you to take me through the new presentation of equity in the GFS statements.

Mr Olliffe—I do not quite understand the question. We have not really changed the presentation of equity. We talked about the changed treatment evaluation of Telstra for the 90-day average. Is that what you are referring to?

Senator CONROY—The 90-day average, yes.

Mr Olliffe—Basically, Mr McPhee has outlined the fact that for the non-sale years we take the 90-day moving average for Telstra. In the years where a sale occurs we take the assumed sale price, if that is what you are referring to.

Mr McPhee—Senator Conroy, if I could ask you to turn across from the balance sheet to the statement of other economic flows a couple of pages later—at 9-7. This is probably the best position to start from. You will see there is a heading five lines down: ‘Changes in net worth from other economic flows’. You will see that there is a line there entitled ‘Revaluation of equity’ with a footnote referring to revaluations. That figure is largely reflecting a Telstra valuation from the 2002-03 outcome at \$4.40, based on 90-day average.

Mr Olliffe—Based on the outcome.

Mr McPhee—Sorry, based on the outcome—it is an outcome figure, moving to \$4.75 on the budget 90-day moving average. That shows the change, if you like, in the revaluation of Telstra.

Senator CONROY—I think you were with us before, Mr McPhee; I don’t know whether you remember, but it was the revaluation when the Telstra share price tanked that led to the

questions last time. So the revaluation makes economic sense this year because the share price has gone up.

Mr McPhee—It is reflecting a market movement.

Senator CONROY—I refer you to AAS31 statements and the estimated cash flows from the proceeds of assets sales on page 10-4 of Budget Paper No. 1. Can you confirm that the sale has been pushed back to 2006-07 and 2007-08?

Mr Lewis—I can confirm that the estimated proceeds have been pushed back into those future financial years.

Senator CONROY—What were the reasons for the deferral/pushback?

Mr Lewis—I will refer you to the minister's press release. The press release issued by the minister states:

Given the rejection of the further sale legislation twice in the Senate and the long lead time required for sale preparation it would now be difficult to achieve a sale in 2005-06.

Senator CONROY—So it has nothing to do with the fact that the share price does not look like approaching \$5.25 any time in the next two years.

Mr Lewis—I think I have just given you the answer to that.

Senator CONROY—We are still assuming a Telstra share price on those figures of \$5.25.

Mr Lewis—We do not discuss the underlying assumptions for the Telstra sale estimates.

Senator CONROY—Do you guys know something about Telstra that we do not?

Dr Watt—I think it is a brave official that would claim to be able to pick share prices, if that is where you are leading.

Senator CONROY—Damn these budget papers for requiring you to do it.

Dr Watt—I do not think we pick share prices for the budget papers.

Senator CONROY—But you have a constant assumption over the last few years. I am asking you to justify the constant assumption.

Mr Lewis—We will not discuss underlying assumptions. We have not before and we will not now. It is an extremely longstanding practice.

Senator CONROY—What I am asking you is whether you have made any change to your assumptions.

Mr Lewis—I simply will not discuss them.

Senator CONROY—I am just wondering how it is consistent with the table on page 8-11 explaining GFS and AAS measures of asset valuations. Doesn't AAS recognition and valuation of assets require two criteria to be met: that future economic benefits will arise and the reliable measurement of the asset? I am just trying to understand how you can just keep blithely ignoring these criteria that go towards preparing a budget document. The budget documents are required to meet these standards because that is what the standard is.

Mr Lewis—A bit relates to a sale and part of the question I think relates to Mr McPhee. It is simply consistent with our longstanding practice not to discuss the underlying assumptions behind the estimates of sale estimates, be they for trade sales or be they for public floats.

Dr Watt—I do not think ‘blithely ignore’ is correct. We do clearly indicate in the notes to the statements the methodology and when we move to the sale price assumption. ‘Blithely ignore’ I think is a touch unfair.

Senator CONROY—But these are the tests that are meant to go towards the budget papers and what you put in the budget papers.

Mr McPhee—The issue that I think you are touching on we have discussed previously. The criteria you are referring to are those used when you are preparing what I would call historic financial statements—statements looking backwards, the transactions must have occurred et cetera. We are also using the same framework, if you like, to project forward the expected position. Clearly some of the situations cannot be actual transactions or events because they predict transactions or events to occur in the future, so I think we are entitled to use assumptions. Importantly, we have disclosed what those assumptions are so I think it is quite legitimate within the framework.

Senator CONROY—The 12-month high of \$5.15 was achieved on 2 September 2003 and the low of \$4.40 on 26 June 2003. We have not approached \$5.25 for a long time. It just seems strange that you continue to make no change to your assumptions.

Dr Watt—Again we do not comment on that assumption.

Senator CONROY—Could you explain the difference between GFS and AAS treatment? It seems to only apply to the first two years of the forward estimates. In this case I am trying to reconcile pages 10-4 and 9-4 of Budget Paper No. 1. I wonder if you can talk me through that estimate.

Dr Watt—Which particular estimate? Are you still on the equity line?

Senator CONROY—Yes.

Mr McPhee—Did you mean 10-4? That is the statement of cash flows.

Senator CONROY—I have got on page 10-4 the table ‘Statement of cash flows’ with dividends and proceeds from the asset sales program and then I have got on page 9-4 the table ‘Government finance statistics statements’ with dividends. I am trying to work out how you came up with those estimates.

Mr McPhee—Certainly 10-4 is showing expected sales proceeds within the year.

Senator CONROY—Yes.

Mr McPhee—Then on page 9-4 your query related to which line?

Senator CONROY—I am just trying to reconcile them and how you come up with these estimates.

Mr McPhee—If I can just speak in the broad, perhaps it may assist. One of the issues within the statements is under AAS31 Telstra is displayed just on the historical cost basis whereas the GFS accounting basis requires us to use a market price situation. That can result

in quite significant changes to the presentation of, say, Telstra in both sets of accounts. If you like we can do a small paper for you offline that just talks about the treatment of Telstra in the historical financial statements—AAS31—versus the GFS approach just to step through that.

Dr Watt—There is a very sharp distinction between AAS and GFS and, not surprisingly, quite different outcomes.

Mr Olliffe—You confirmed the cash flow on an AAS to an operating statement in GFS. I think you should be comparing cash with cash, so you should be comparing \$9.6 million to \$10.4 million because they are both cash flows.

Senator CONROY—What I am trying to do is look at the dividends line—dividend and dividend income. What share of this is forgone Telstra dividend?

Mr Heazlett—The details of the Telstra dividends that are forgone in the future years are not disclosed. Telstra provides dividend estimates to the Australian government on a confidential basis in accordance with the Telstra legislation and it is not appropriate nor allowed by that legislation for us to disclose those estimates. The numbers in the budget reflect the estimates given to us by Telstra.

Senator CONROY—I was hoping you were going to tell me they were not just made up. Looking at 2005-06 in dividends, there is \$3,199 million; in 2006-07, it is \$2,756 million.

Mr Heazlett—That is under the AAS31 table.

Senator CONROY—Given the sale of Telstra takes place in that year, I can assume that is ballpark without contravening any act. It must reflect some.

Mr Heazlett—The sale of dividend as reflected in the budget estimates is reflected in that line as well, but that line is an aggregation of other dividend estimates and the change in that is not solely related to Telstra.

Senator CONROY—Tell me what the other bits are.

Mr Heazlett—Other government business enterprises.

Senator CONROY—Tell me how much they are.

Mr Heazlett—To disclose those would be to disclose what the Telstra dividend estimates are.

Senator CONROY—Unfortunately, maths is not a province that we can hide from. I am entitled to ask you about the other dividend areas, and you are not entitled to say you cannot tell me because you are worried I can add up or subtract. What you have to do is answer my question.

Senator Minchin—Senator Conroy, you are entitled to ask but officials are entitled to come to a view about the proprietary of their answers and not be bullied by you into answering your questions.

Senator CONROY—I just asked for an answer to the question.

Senator Minchin—They can consider your questions and decide whether it is appropriate for them to answer them. I ask you to respect that right on their part.

Senator CONROY—I just asked them to give me the basis, avoiding the Telstra part, of the others and the total.

Senator Minchin—The officer has told you why he is unable to answer that part of your question because one leads to the other.

Senator CONROY—That is unfortunately a product of mathematics; that is not a product of Mr Heazlett's willingness or otherwise to answer. Maths is maths—there is nothing we can do about that. I am entitled to ask about the other components. I have accepted you cannot tell me about one part; just tell me about the others.

Senator Minchin—Maths is the mechanism by which to get to the product, as you so described it, and the officers have told you why they are not at liberty to answer questions which lead to the product.

Senator CONROY—Which other government business enterprises are we talking about without putting a number on them?

Mr Heazlett—Although I do not have specific knowledge of the other estimates, it will include figures for two major entities such as Australia Post and the Reserve Bank of Australia.

Senator CONROY—Telstra tell us something different. Telstra say that this issue is a matter for Finance, that whether we can get this information is a Finance decision rather than a Telstra decision.

Dr Watt—I do not think that is quite what Mr Heazlett said.

Mr Heazlett—The information that Telstra has provided to the department of finance for inclusion in the budget estimates is provided in accordance with a section of the Telstra act, which covers the provision of confidential information to the Australian government. The Telstra act also requires that that information not be disclosed separately.

Senator CONROY—I am just looking at an answer that Telstra have sent us. It is an answer to question 119. It is from Communications, so you guys would not necessarily be familiar with it. Do they check these with you?

Mr Heazlett—No.

Senator CONROY—Do they run anything past you?

Mr Heazlett—No, not necessarily.

Dr Watt—Senator, we have not seen that answer—

Senator CONROY—I am actually just attempting to get it for you.

Dr Watt—nor have we seen the context surrounding it. I think what Mr Heazlett said is that it is our understanding that this is not a decision for the department of finance but something that is required by an act of parliament. Therefore, while we are not familiar with what Telstra may or may not have said, I do not think we can really comment any further.

Senator CONROY—It was a question taken on notice that Senator Mackay asked. Senator Mackay asked about the forward estimates and the answer, dividends paid, was given through to 2003-04—so it was up to when they had. Their answer says:

Telstra's directors are responsible for declaring and paying dividends and the issue of dividends in relation to forward estimates is a matter for the Department of Finance.

Dr Watt—We would certainly need to look at that answer because that is not our understanding of the issue.

Senator CONROY—I will try and get it to you as quickly as I can. That is what has got me confused here. You are saying it is them and they are saying it is you.

Mr Heazlett—I think what is meant there is that the department of finance is responsible for determining what is put into the budget estimates. The basis on which we put numbers into the budget estimates is information provided to us by Telstra under the Telstra act.

Mr Lewis—It is under a specific provision of the act, in relation to which the department of finance does need to protect that information provided confidentially to the department.

Dr Watt—The simplest thing might to take the question on notice and give you a formal answer.

Senator CONROY—Sure.

Dr Watt—The process, as Mr Heazlett described, is that Telstra provides information and we put it in the budget documents.

Senator CONROY—Essentially, what you are saying is that you will not answer any questions about how these figures were constructed in dividends at all.

Mr Lewis—Because that would reveal the information supplied to us by the company.

Dr Watt—As you can understand, Senator, information is clearly potentially commercially very sensitive.

Senator CONROY—You are refusing to reveal the individual items for the other components.

Dr Watt—I think the minister has been through that point.

Senator CONROY—How are we meant to ascertain the information through this budget estimates process?

Senator Minchin—You do your best to obtain information which the department is at liberty to give you, but there are obviously some constraints on the department to the extent to which it can provide some information. The department has always tried to be as helpful as it can, Senator Conroy, but there are some areas in which it cannot be helpful.

Senator CONROY—I might come back to that one after lunch. Would it be incorrect of me to assume that the difference is the forgone Telstra dividend? All the others have not been sold.

Dr Watt—I think it would be incorrect for you to assume that, Senator, and for this reason. The point has been made that these are an amalgam of injections.

Senator CONROY—I know. I understand that. But my point is that only one of them is being sold.

Dr Watt—Only one entity is up for sale, but dividends of other entities can fluctuate for all sorts of reasons.

Senator CONROY—I am sure they could, but they do not fluctuate that much, Dr Watt.

Dr Watt—It depends.

Senator CONROY—Only one is being sold.

Dr Watt—It depends. For example—and I do not know what is in this estimate—the Reserve Bank dividend is often subject to significant fluctuations.

Senator CONROY—It is certainly subject to significant movement. I freely acknowledge—

Dr Watt—I do not know that that is driving these estimates in any sense, but I just caution that there are lots of things you can change other than sale.

Senator CONROY—Because of the volatility of the markets they work in, I am sure they just basically give you one estimate into the future, rather than try to quantify out four years in advance that they are going to make this much on currency trading.

Dr Watt—I do not know how the estimate is constructed, but I do know that the estimate has more to do than currency trading.

Senator CONROY—I know it does. I am just making the point that they have a high volatility, so I am sure they do not actually try to capture—

Dr Watt—High volatility in some components, others may change more slowly.

Senator CONROY—Sure.

Dr Watt—For example, the profits in a note issue component.

Senator CONROY—But they do spend a lot of time in the forex market.

Dr Watt—That is something you would have to ask the Treasury.

Senator CONROY—I wanted to talk about the treatment of superannuation expenses in light of the lump sum payments to Telstra and Australia Post earlier this year. When did negotiations for this payment commence?

Dr Watt—Discussions have been held over some considerable time on this issue. I would need to refresh my memory, but I think it would go back well over 12 months.

Senator CONROY—Who were the talks with?

Dr Watt—Discussions have been held between Finance officials and senior management representatives of Telstra and Post.

Senator CONROY—So you think over 12 months?

Dr Watt—I would need to refresh my memory but I am happy to take it on notice. Certainly discussions have been longstanding. This issue is very longstanding. It goes back to, I think, the late 1980s, when entities were corporatised with lower payments. It has been looked at several times, to my knowledge, over the intervening period, in this particular round of discussions—I think over 12 months. I think there have been previous rounds of discussions.

Senator CONROY—Could you take me through the decision to use lump sum payments to fund this element of the government's unfunded super liability?

Dr Watt—The idea is to extinguish the liability; therefore, they are lump sum payments rather than an ongoing stream of payments. I think 2039 is where the current stream of payments stretches to, but there is no reason it could not stretch even longer over time.

Senator CONROY—That would be the long term.

Dr Watt—I think I would call that the very long term.

Senator CONROY—Even you would call that the long term, Dr Watt. Could you explain the budget treatment of the lump sum payments, starting with the presentation of a budget measure which shows \$1,432 million across the forward estimates?

Dr Watt—I think we can. Mr Painton?

Mr Painton—There are two sides to this transaction: the cash and the accruals. The liability to make payments has been recognised for some time as part of the unfunded superannuation liability. There was an expectation of a future stream of payments to be made, so that involved a liability and an accruing expense, which effectively reflected the growth in that liability over time.

Senator CONROY—Presumably, the accrued expense would reduce.

Mr Painton—It would reduce over time as the payments were paid out. There were two things affecting the size of the liability: whatever payments were being made during that time—

Senator CONROY—All other things being equal, there would be a reduction.

Mr Painton—Over the long term, yes.

Senator CONROY—Sorry, I interrupted you there. Please keep going.

Mr Painton—Effectively, you have an accrual expense accruing each year. On that side of the equation, at the point at which you would pay these liabilities out, you are no longer accruing an expense in relation to those superannuation payments. On the other side of the budget there would be PDI effects because the money to make the payments would have to have come from somewhere. Hence, there was a financing cost associated with the lump sum payments. But when you look at the superannuation expenses on an accrual basis you see that they are decreased simply by the fact that you no longer have this component of the liability in existence once it is paid out.

The other side of it is the cash side. Under the existing ministerial determinations, which have been in place for some time, the government—at least over the forward estimates period—was due to make payments to Telstra and Australia Post in the order of \$500 million a year over the next two years. The intended transaction now is to make a lump sum payment to the Telstra superannuation scheme this year and a lump sum payment to the Australia Post Superannuation Scheme at the beginning of next financial year.

Under a GFS treatment that was announced by the ABS in October 2002, those cash payments are divided into two components for the purposes of working out the impact on the underlying cash balance for GFS purposes. In effect, there is a principal component, which does not impact on the underlying cash balance, and an interest component, which does. As a result of this stream of payments that would have been made over time there was a component

that would have hit the underlying cash balance and a component that would not. Once again, when the lump sum payments are made there is some component that hits the underlying cash balance or, of the payments that continue to be made, there are some payments that hit the underlying cash balance. But the bulk of it is treated as a repayment of principal and, hence, does not have a negative impact on the underlying cash balance at the time that those payments are made.

Proceedings suspended from 12.29 p.m. to 1.34 p.m.

Senator CONROY—Before the break we were chatting with Mr Painton about the impact of the lump sum payment. I would like to recap, so would you briefly outline again the impact on both the underlying cash and the fiscal balance?

Mr Painton—The issue in relation to the fiscal balance is that if the payments were not paid out the government would continue to have a liability. To the extent that that liability was increasing over time through, in effect, accruing notional interest, that notional interest would be an expense and, of course, an expense has a negative impact on the fiscal balance. So by paying out the liabilities now the government would no longer be accruing notional interest on that liability. That would improve the fiscal balance. On the other hand, because you have paid out a lump sum, the cash has to come from somewhere so there is an offsetting financing cost, in effect, which worsens the fiscal balance. But because these were relatively high cost liabilities there is a net improvement in the fiscal balance because, in effect, you have paid off a more expensive liability by financing it through a lower cost means. That is the fiscal balance side.

On the underlying cash side, if the existing arrangements had remained in place, the government would have been making about \$500 million in payment a year under the existing payment schedules. For the purposes of the underlying cash balance, a part of those payments was treated as repayment of principal, which did not have a negative impact on underlying cash, and a part was treated as repayment of interest, which did have an impact on underlying cash.

Senator CONROY—Who made the decision as to how much was allocated to which?

Mr Painton—The ABS put out a press release in October 2002 that outlined a decision that this division could be made. It was a matter of then calculating how much was principal and how much was interest. Effectively, there are two components to what the government has been paying back. There are deferred transfer values and surplus payments. These arrangements arose because a lot of people transferred from the Commonwealth Superannuation Scheme to the Telstra Superannuation Scheme and to the Australia Post Superannuation Scheme, mainly at the time that those schemes were established in 1990. At that point arrangements were put in place that the Commonwealth would at some stage make payments into those schemes to cover the superannuation liabilities those schemes were taking up, with payments based on a formula which was effectively an employer component based on 2½ times the amount the members had contributed to the Commonwealth scheme up to that point in time. In effect, that was a principal in relation to the DTV payments which was being paid, but because these amounts increased over time based on a rate of interest tied to the earnings rates of the TSS and the APSS there was accruing interest on that. So, really, the

division was then based on that we had a principal amount, which was the original amount the Commonwealth was obliged to pay, and then you had an accruing interest based on the interest that was based on the interest that was tied to the rates of the fund. So each year it is possible to say that, if you are making a payment, then part of that is principal and part of that is interest.

The second component relates to surplus, which was additional payments that the Commonwealth agreed to make in respect of the past contributions that had been made by Telstra and Post. In that case the principal component was treated as the present value of the surplus arrangements or surplus payment streams when put in place by the Commonwealth, and then they also in effect accrued notional interest over time, which provided an interest component. So the repayment of the principal amount based on the original surplus amounts was treated as principal, and the accruing interest which was, in effect, the unwinding of the discount arrangements was treated as the interest. Therefore, that was flowed through from year to year. That is the basis on which those two amounts were calculated.

Senator CONROY—What were the two amounts? I think Telstra is being paid \$3,125 million. Is that right?

Mr Painton—Yes.

Senator CONROY—What is the breakdown between interest and principal?

Mr Painton—Because the Commonwealth had been making payments each year on the basis that it was paying interest first, it would have effectively paid out most of the outstanding interest as it went along. Some smaller principal amounts have been paid out. In 2003-04, the Commonwealth would have paid \$482 million under the existing stream of payments.

Senator CONROY—I thought you said \$500 million.

Mr Painton—I do not have the exact figure in front of me but I can provide that to you shortly.

Senator CONROY—That is the division between the principal interest of the \$3,125 million.

Mr Painton—That is right.

Senator CONROY—That division was based on a change made by the ABS?

Mr Painton—That is right. The ABS made an announcement in October 2002.

Senator CONROY—I think we had a discussion about it previously.

Mr Painton—Yes.

Senator CONROY—I am trying to understand how much of that division—when you give it to me—is discretionary and how much is required.

Dr Watt—I do not think there is any discretion. The way Mr Painton has explained it is that there are various components and strong reasons for the division of the cash flows between those components. The outcome is not one of discretion; it is consistent with the

ABS classifications and arranging the various payments streams accordingly. I think that is what Mr Painton has told you.

Mr Painton—Yes.

Senator CONROY—Some minimums will have to be paid. If you decide you are going to put \$3 billion in, there must be some capacity to say you want to pay off more principal or all of the interest. There must be some discretion in there? Suppose you decided to put \$4 billion in, are you saying—

Dr Watt—No, there are two different things. Firstly, there is the budget estimate. Secondly, there is the settlement with Telstra and Post, which in turn feeds into the estimate. Mr Hutson might comment on this but, if I recall, the lump sum is effectively the Telstra and Post valuations of their expected future streams of payments from the Commonwealth as shown in the books of their various super schemes. In a sense, the Commonwealth has paid out what Telstra and Post expected to get over the life of these arrangements—whatever they were—and that in turn is actuarially devised. That is the agreement that is reached and that is what it is based on. Because of the way the figures are struck, that is the deal. In turn you take that and you say in any particular year, ‘How much of this was interest and how much of this fits into different components.’

Senator CONROY—To add to Mr Painton’s difficulties, can I have a breakdown of the \$500 million? You said you are paying \$500 million a year roughly.

Mr Painton—Yes.

Senator CONROY—What proportion of that is it? I presume that proportion will be the same—if it is 80-20, it will be 80-20 with the lump sum as well.

Mr Painton—I does not work out quite like that. Effectively you are saying that you start out calculating a principal amount for both your surplus and your DTVs, then you accrue interest over time, and so on that basis only a finite amount of interest is paid out. Before the decision was made to make the payments out, the actual position was that the government payment in 2003-04 was going to be \$482 million, of which the estimated interest component was about \$330 million. In 2004-05, the payment was going to be \$525 million, of which the interest component was to be \$325 million. In the following year, the payment amount was to be—

Senator CONROY—There is a variance: \$482 million, \$330 million, \$525 million, \$325 million. One bit has gone down. I understand there would be some reason why it went down. You paid a little bit of principal, so the compounding interest would mean that there had to be some minor reduction. But that seems to be a bit much. I am trying to understand whether there is a fixed formula. I appreciate the points Dr Watt is making, but of that roughly \$500 million in each year there is a variant. My maths is just hopeless, but let us say that it is 70-30—it is probably a bit higher than that—in one year. It looks like 68-32 in another year. I am trying to understand whether that rough breakdown of the \$500 million will be the same as the \$3,125 million.

Mr Hutson—The answer is no. The percentage which would be for the annual payments would be quite different for the lump sum payment. To give an example which might assist, it

is a bit like the annual payments on a home loan, which is almost all interest and small principal—

Senator CONROY—I am tragically familiar with that particular exercise.

Mr Hutson—compared with the payment of a home loan in a single lump, which is almost all principal and a very small proportion of interest. The same sort of analogy applies here.

Senator CONROY—I am trying to get to the heart of what the difference is between the two payments. I understand one of them is paying interest mainly, obviously, and one is paying a smaller part of principal. You are saying there is a fixed formula for the lump sum as well?

Mr Hutson—There is a methodology which we have to apply. I think it would be helpful if Mr Painton can undertake the calculations to tell you how the \$3,125 million splits between those two components.

Mr Painton—In settling the arrangements on making these payments, the accrued interest to be paid out—and do not forget that, because you are settling the arrangements, all the interest that has accrued in the past up until now will be paid out—would be \$484 million. Out of the total lump sum payments to be made out, that would actually be accrued interest. You have a situation where most of the interest that was accruing each year was being paid out as it actually accrued. There were a lot of variations between years, and the reason was that the actual interest rate was tied to the earnings rates of the super funds. So in some years you had a negative interest rate and in other years you had interest rates as high as 20 per cent, whereas you had a schedule of payments which were more or less set over a fixed period of time and which did not necessarily vary in line with what interest was accrued.

Senator CONROY—You say that of the \$3,125 million, you think—I do not want to hold you to it, because I know you have been sitting there doing the calculation—about \$484 million is the interest component.

Mr Painton—Yes, it is about \$484 million. That is effectively with interest being paid out in 2003-04, because there are some quarterly payments continuing to be made or have to continue to be made.

Senator CONROY—So, very roughly, that is about \$2,700 million in principal we have paid? That would be the remainder between \$3,125 million and \$484 million?

Mr Painton—The position is that the total payments that would be made during 2003-04 consist of the \$3,125 million being paid in a lump sum. There are also the quarterly payments that have been made or are being made in relation to Telstra and Australia Post. Before the change that would have been \$480 million, but because they ceased making quarterly payments to Telstra the actual quarterly payments being made during the year are in the order now of \$360 million. Effectively, the total payments being made out to Telstra and Post during the year are the \$3,125 million and quarterly payments of about \$360 million, which comes to about \$3,485 million.

Senator CONROY—When I have been talking about \$3,125 million, that was probably for Telstra. There is another \$1,443 million.

Mr Painton—The \$1,443 million for Australia Post, if the determinations go through, is due to be paid out right at the start of 2004-05. If they are paid out at the start of the year, no interest is going to accrue in relation to that year because the payment basically occurs before any further interest is accruing. In effect, all the remaining interest in relation to Telstra and Post would be paid out during 2003-04; therefore, you would make a final payment for Post at the start of 2004-05, which would not incur any further interest.

Dr Watt—We would be happy to prepare something for you on the accounting for the transaction. It is very complex, because you are talking about—

Senator CONROY—I am afraid I have long been left behind, so I appreciate the offer.

Dr Watt—We would be happy to prepare something for you on the subject.

Senator CONROY—I will move on, but it would be great if you could do that. Can you now take me through how these transactions appear in the budget?

Mr Painton—If you look in the budget papers you will see that there are two items that relate to GFS expenses. One is the accruing expenses in relation to new employees and then there is the notional interest. In relation to these two components—the DTVs and the surplus—the accruing expense related to notional interest. What you will actually see in the budget papers if you look at a GFS table, which incorporates—

Senator CONROY—I think it is at 9-4.

Mr Painton—That will, in effect, show that there is a decline in the notional interest. If you look on page 9-4 at the nominal interest expense you can see in 2003-04 it is an expense of \$5,155 million and in the next year it goes down to \$4,702 million, and then there is movement in the subsequent years that reflects things such as movements in the nominal interest rate. Effectively, that is showing that from that year you have a decline in the nominal superannuation interest expense that relates to Telstra and Post because Telstra and Post are paid out. Because the need to finance the transaction needs to be taken into account in the financing transactions, elsewhere there will be an expense covered within the financing category of the budget or it will be picked up—I don't believe it would be separately identified—in the government's overall PDI expenses. They have offset to that regard within the overall budget but not as part of the superannuation estimates.

Senator CONROY—Are you able to identify what that value would be?

Mr Painton—It may not have been separately calculated in the preparation of the budget estimates simply because they, presumably, look at the financing costs as a whole. An estimate that we did earlier of the PDI—

Dr Watt—It is probably better not to provide estimates with these things. The PDI is done as a whole, and that is the way it should be looked at.

Senator CONROY—Is there a Telstra valuation in there I am unaware of?

Dr Watt—No.

Senator CONROY—It could be done. By definition it must be a component of that table—

Dr Watt—We can have a look at the estimate. We need to consult Treasury because we do not have the final PDI assumptions on which the budget estimates were put together.

Senator CONROY—But you must know exactly how much you have saved.

Dr Watt—It is very clear how much we have saved as a budget measure. Budget Paper No. 2 tells you how much we saved. I think the answer is we could undertake to have a budget estimate done for you. In a sense, whatever estimates were done during the life of this proposal are now dated because we do not do the final PDI estimates. So we would need to do that.

Senator CONROY—On page 9-4, there is a difference of \$453 million rather than \$484 million.

Mr Kerwin—In relation to the line, ‘Nominal superannuation interest expense’, there are other entries that go in there apart from the superannuation that we have been talking about, like defence superannuation. So it is in there as well.

Senator CONROY—You mentioned, Dr Watt, that there was a difference in timing between Post and Telstra. Why is that?

Dr Watt—I think what Mr Panton said was the arrangements which see a lump sum paid to Telstra in the last few days of the financial year or towards the end of the financial year—

Senator CONROY—I think the last few days would be an accurate statement.

Dr Watt—The point to be made is that this is, at least in part, driven by the timing of the passage of determinations. At the moment the determination is still on the table in the House—certainly it is on the table in the Senate—so we are driven towards an end of year payment based on the likely timing of passage. We could not have made a March or April payment because you would not have had termination approval. So we are driven towards the end of that. There are a few days, perhaps, essential difference in it. It is no big deal either way. But regardless, we will not have those determinations and the funds then have to be drawn down. No doubt the Reserve Bank is already looking toward having those funds positioned to do so. There will likely be a few days between payments—no more.

Senator CONROY—That was the reason why Post and Telstra were done differently, because of the determinations?

Dr Watt—No. It is one determination, from memory. There are some slight differences between the agreements, but they are fundamentally the same. There are some slight differences in terms of timing and some of the things that are allowed for.

Senator CONROY—The timing difference has cost us \$484 million in accrued interest. Is that right?

Dr Watt—No. The only thing the timing difference will cost you—and this is real economic cost—is the difference of having the money in the Reserve Bank for two or three days longer. That is all.

Senator CONROY—But we signed off on those determinations many months ago.

Dr Watt—No.

Senator CONROY—We are not opposing them, are we?

Dr Watt—But they still have to sit for 15 days.

Senator CONROY—Parliamentary days.

Dr Watt—Yes, and they are not finished. I do believe that they will come in—

Mr Painton—By 16 June.

Senator CONROY—Where did the lump-sum payment come from? Where was it funded from?

Dr Watt—It has not been funded yet.

Senator Minchin—Where will it come from?

Dr Watt—It will be, by definition, the result of higher government debt on issue and/or lower cash holdings in the Reserve Bank, depending on which mix.

Senator CONROY—It was not anticipated that this was going to happen in the budget papers.

Dr Watt—No. The budget papers—and this is government policy—are done on the basis that the lump sum payment will occur.

Senator CONROY—I am talking about 12 months ago. I am saying that it was not contained in the papers 12 months ago, so I am just trying to understand where it has popped up from.

Dr Watt—That is why it is shown as a measure in this year's budget, or why the underlying cash in fact is shown as a measure in this year's budget.

Senator CONROY—So where is it funded from?

Dr Watt—Most of the payment is a financing transaction, so it will come in under the line. That means, as I said, by definition either lower balances in the Reserve Bank or a higher amount of government debt on issue—whichever the AOFM, which is the responsible entity, chooses to mix the transaction with. You would have to ask them.

Senator CONROY—As long as you are not letting them play on the forex market, we will all be happy with that.

Senator Minchin—No, we stopped that Labor policy.

Senator CONROY—So you are not sure yet which of the two?

Dr Watt—We would not know. We are not the experts.

Senator CONROY—So should I ask AOFM?

Dr Watt—Yes, you should. They are the responsible entity.

Senator CONROY—You mentioned that there were some financing costs associated with the lump sum. Is that right, Mr Painton?

Mr Painton—That is correct, yes.

Senator CONROY—Could you take us through what they were?

Mr Hutson—That really comes down to the split of the \$3.125 million between interest and principal. That is a question which—

Senator CONROY—When you take that on notice, if you could just give me that additional piece of information, that would be good.

Dr Watt—We will give you that.

Senator CONROY—Did the department undertake any analysis of the opportunity costs of making this lump sum payment? Did you look at the other options or was it is a government order, ‘This is what we’re doing’?

Dr Watt—Really the analysis centre was between maintaining the existing flow of ongoing payments that the Commonwealth is currently committed to and making a payment now by way of a lump sum. There was not extensive consideration of other than a lump sum payment the reason being that the idea is to remove the liability from our books by making this payment—and that is best done by a lump sum, which gets the Commonwealth out of an ongoing stream of payment—and, equally, put the money into the Telstra and Post superannuation funds, which is, again, best done by means of a lump sum.

Senator CONROY—I would like to go through the ABS media release which explains the change in the treatment of superannuation related transactions and the GFS.

Dr Watt—We will do our best to assist, but if you are referring to an ABS media release then we may not pretend to be able to help you.

Senator CONROY—The release confirms that employer contributions relating to public corporations in the general government will move such transactions below the line and turn them into financing activities. Could you explain the difference between the government choosing to fund this part of its superannuation liability and its potential impact on the budget and its decision to, say, pay a proportion of its unfunded superannuation liability for military schemes?

Mr Panton—The arrangements discussed in the ABS press release specifically deal with public trading enterprises that have made contributions to the government and then the government subsequently making payments. I do not believe there are any arrangements analogous to those that are operating in relation to the defence schemes, because the employees covered by the defence schemes are direct employees of the government and do not really fit into the sorts of arrangements described in the press release.

Dr Watt—That will be the same for CSS and PSS, too.

Senator CONROY—Could you just refresh my memory. I want to talk about the ‘Budget estimates—enhanced quality and timeliness’ line. You and other agencies have received about \$130 million to address quality and timeliness. I know we have discussed in the past the fact that not everybody has been able to meet your guidelines but that they have been moving towards them. I am really looking for an update as to how we are going with whipping them into line. Could you refresh my memory about the review and its recommendations?

Mr Prior—I think your question was: how is it going generally?

Senator CONROY—Specifically, could you refresh my memory about the review and its recommendations and then say how we are going?

Mr Prior—The review is, we think, going well. We have a great deal of cooperation from the agencies. We visit them regularly. We talk to them regularly. A lot of focus over the last year or so has been on the timeliness of monthly financial information and estimates information coming through to Finance. The end of year financial information, of course, is starting to come into focus again as we get towards 30 June. My take on it is that we are heading as planned, that agencies are responding to the timeliness requirements. I am not aware of any particular issues that are causing agencies to have problems with those targets. We are also, as you would be aware from the review, focusing on the quality of information that is coming through and we are continuing to work with agencies on that front. My take on it is that, overall, it seems to be going well and going according to plan. But it is an ongoing process; it is not one that we will just stop at a particular point.

Senator CONROY—I know you have been trying to do this for a while.

Mr Prior—Yes.

Senator CONROY—Was there something in particular that bobbed up during the budget process which made you think, ‘We need to take the next step’? There is a lot of money going towards trying to improve this. Was there something specific? Was there a recurrence? Were there recalcitrants?

Mr Prior—Are you referring to the measure that was disclosed in the budget?

Senator CONROY—‘Budget estimates—enhanced quality and timeliness’.

Mr Prior—And the funds that went out?

Senator CONROY—Yes, \$88 million.

Mr Prior—No, it was just a process that we went through. Last year the government announced that this would happen. The government set aside funds last year but then we had a process during the course of last year where agencies put forward their case for additional funds to implement the reforms, if you like. It is just a question of timing. Those funds were made available at AEs last year, but for completeness they are disclosed in the budget documentation. So it is not a new event, if that is what you were trying to get to.

Senator CONROY—I was just trying to find out if it was something like you had suddenly discovered that they just were not going to get close and you needed to throw some money at them.

Mr Prior—No.

Dr Watt—You might remember that Finance was provided with some funding some time ago. As part of that budget framework review process, it was always intended that agencies would get a chance to seek funding to improve their own estimates processes. A few of them—I think two from memory—did that in the 2003-04 budget. Agencies had a choice: they could either come forward early, if they wished—and a number discussed that and in the end two were funded—or wait until 2004-05, as the majority chose to do, until they had a better appreciation of the financial impact of implementing group quality standards and more

timely numbers, and the requests for greater information that goes with this. What you are seeing—I think in the MYEFO measure—was the working out of that for the vast bulk of Commonwealth agencies. The money is divided across however many Commonwealth agencies there are, so for some of them it is a relatively small amount of money.

Senator CONROY—I do not want you to name names yet; I may ask you to name names. Do we have everybody up to the standard yet?

Dr Watt—We are currently working on timeliness issues with agencies.

Senator CONROY—I know that there were a certain number of days and we had a target for the number of days. Remember that we had a long discussion about that, but is everyone meeting the target?

Dr Watt—The answer is ‘No,’ but there is no pattern of consistent shortfall. In other words, it is not—

Senator CONROY—There is no recalcitrant quarter or month by month—

Dr Watt—No. Different circumstances seem to be affecting different agencies at different times. For example, with the smaller agencies it can be as minor as absence of key personnel during an estimates uptake. In other cases, it can be changes to financial systems.

Mr Prior—Indeed. It can be financial system issues. Big systems can have issues. Performance improvement regimes that might be implemented in agencies can have an impact on their capacity for a time, but then they get over that and on they go again.

Dr Watt—As part of the process, I contact the CEOs of any agency that we have some concerns about, and I had to do this with, I think, five agencies to date.

Mr Prior—I think that is right.

Dr Watt—I write to them formally and ask for an explanation, and they have given me an explanation. Each of those explanations—

Senator CONROY—For example, ‘My dog ate my homework.’

Dr Watt—I have not had any of those. But what I have found is a willingness among CEOs to take this seriously and say, ‘Here’s what the problem has been; we’re addressing it. This is how we’re doing it.’ So we are working well on the subject.

Senator CONROY—Appreciating that there is no recalcitrant—

Dr Watt—Systemic recalcitrance, and I do not think there is any recalcitrance by Commonwealth agencies.

Senator CONROY—Sure. Are we getting about 90 per cent or 80 per cent meeting the deadlines? I am not asking you to name names.

Mr Prior—I think it would be higher than that. When Dr Watt talked about the five agencies, it is across two quarters.

Dr Watt—So two in one quarter and three in the other.

Mr Prior—There are—I cannot remember the number—180-ish agencies in the Commonwealth. We are talking about a few, so it is not a large percentage at all. As Dr Watt

said, we have been focusing on timeliness, and quality is something we will also be focusing on.

Senator CONROY—You mentioned that you make phone calls, send letters—

Dr Watt—My practice, before I write to anyone, is always to ring them first.

Senator CONROY—In terms of the money that is being put forward, what does it do? Does it buy them a new computer system? What is the money used for?

Mr Prior—It is for a range of activities. It can be for systems issues, such as additional software. But it is predominantly for staff to perform the additional functions that might be required. For example, smaller agencies over the past few years have not been required to submit monthly financial information to the centre. But now that will come into play and to do that of course some small agencies, being so small, need additional resources to hire someone part time or full time, depending on the circumstances. So it is predominantly for selling wage type costs. Each bid was different in a sense—it depended on their own circumstances and where they were up to.

Senator CONROY—Has Finance begun its upgrade or replacement of AIMS? How is that going?

Mr Prior—That program is under way. We have spent the last year preparing for going to market to seek someone to help replace AIMS. Indeed, we are very close to going to market to seek interest from potential providers.

Senator CONROY—What do you think the value of that contract will be? I appreciate you cannot put an exact figure on it.

Mr Prior—I can say there was an amount in the budget papers in the original measure, but beyond that I would be reluctant to articulate any view either way because we are so close to going to market.

Senator CONROY—I understand. I am not looking to get you stung for more than you should. I have a few questions about the Uhrig review. As I mentioned earlier, I thank you for the information provided about Mr Uhrig's costs. I note they were cleared off by Mr McPhee, although, Dr Watt, they must have sat on your desk for a while because I am sure they flashed through Senator Minchin's office inside 24 hours and were released to the committee. Senator Minchin, I think you should have a good chat with Dr Watt about holding on to them after 30 March until 25 May when they arrived.

Dr Watt—I am very bad with pieces of paper. My staff will assure you of that.

Senator CONROY—I am sure we will never see these little annotations at the bottom again. It did seem to take some time for them to arrive after they were cleared by the relevant departmental official. We had a bit of a laugh about that in your absence, Senator Minchin.

Senator Minchin—I am glad it amuses you.

Senator CONROY—Do we know when the Uhrig report will be released? Has it been released, and I have not noticed?

Senator Minchin—It has not passed you by.

Senator CONROY—Excellent. I would have been disappointed if it had.

Senator Minchin—I would want to make sure you knew.

Senator CONROY—When are we going to see it?

Senator Minchin—It will be released when the government makes a final decision on the review.

Senator CONROY—It has almost been a year since you received the report. It was July 2003.

Senator Minchin—I cannot remember the date we received it exactly but I will take your word for it.

Senator CONROY—It was some time in July. Are you still considering it? You are pondering these weighty matters, are you?

Senator Minchin—It has had consideration, and final conclusions have not yet been reached. There have been intervening matters and other priorities. I am anxious obviously from where I sit to have a final decision made on that review. It is a very good review. I hope it will be imminent.

Senator CONROY—As one of the leadership team, I will take that as a very serious threat. Are you able to give the community a flavour of the sorts of issues it contains?

Senator Minchin—I would love to, but I do not think I should because final decisions have not yet been made.

Senator CONROY—You always hide your light under a bushel. It was reported in the *Bulletin* on 10 September 2003 that Mr Uhrig had recommended the creation of an inspector-general of regulation. Would you like to comment on that?

Senator Minchin—I do not recall that report but I will accept your word for it. I cannot comment on what is in the report until we release it.

Senator CONROY—Do you think Mr Uhrig should have addressed the sorts of issues that have come up with regard to the behaviour of Professor Flint? It is a paper about corporate governance and governance matters, so do you think there are issues in there that are relevant to Professor Flint's behaviour at the ABA?

Senator Minchin—I obviously cannot go into too much detail. You know the terms of reference of the Uhrig review; I think they were published. The scope of the review was not so much to look at individual authorities as such, but the general framework.

Senator CONROY—It was a framework for all of them to look at adopting.

Senator Minchin—That is right. It was not a matter of drilling down into each particular authority. Therefore, it would not be appropriate for me to remark upon a question of the ABA.

Senator CONROY—Even the Prime Minister would not back up Professor Flint yesterday.

Senator Minchin—I did not watch question time. It is not appropriate to comment on individual agencies and what the Uhrig report may or may not say in relation to each of them.

It is about principles that should apply in relation to governance in GBEs and statutory authorities.

Senator CONROY—Thank you for coming back to me on the cost. I note it says ‘exclusive of GST’ in the answer. I wonder why that is.

Dr Watt—Probably because we will claim the GST back and get a tax credit for it.

Senator CONROY—You get it all back?

Dr Watt—I have to check.

Senator CONROY—You cannot tell me you could not calculate it!

Dr Watt—We can certainly calculate it. It is very easy to calculate. As I said, I assume it is because we expect a tax credit return but I will confirm that for you.

Senator CONROY—The consultancy fee was \$36,000. How long did Mr Uhrig conduct the review for?

Dr Watt—I would need to refresh my memory.

Senator CONROY—Was it three months or six months? I cannot remember off the top of my head either.

Dr Watt—I would need to refresh my memory. I think it was in the order of six months.

Senator CONROY—Six months sounds about right.

Mr McPhee—The initial announcement was in November 2002 that Mr Uhrig would undertake the review.

Senator CONROY—By the time it got started it was probably just over six months. It refers to ‘travel including airfares, accommodation, meals and incidentals’. Can I get a breakdown of the rough proportions of the \$25,388 that were travel, accommodation, meals and incidentals and can I get some rough description of what the incidentals were?

Dr Watt—I am sure we can provide that, but it might be more sensible to take it on notice.

Senator CONROY—That would be good.

Dr Watt—In relation to your GST question, I have just been reminded that we report all our consultancies on the basis of excluding GST, so there is nothing unusual about that.

Senator CONROY—I want to talk about Medibank Private. Senator Minchin, you are the sole minister in charge of Medibank Private?

Senator Minchin—That is correct. The Minister for Finance and Administration is the sole shareholder.

Senator CONROY—So you are personally responsible for putting up premiums by 8.95 per cent? You are happy to put that on your hat?

Senator Minchin—No, that is not my decision. This is a highly regulated industry, as you know. My recollection is the approval of price increases is a matter for the Minister for Health and Ageing.

Senator CONROY—I thought the PM had made himself personally responsible.

Dr Watt—I think that was some time ago.

Senator CONROY—He has devolved it now. He thought, ‘I’m going to be in charge of this’ and then, ‘Oh, my God, no, I’m not.’ So it is back to the minister for health.

Senator Minchin—The authority is with the minister for health. I cannot tell you the history of where that authority lay, but it is with the minister for health.

Senator CONROY—You have decided not to proceed with the sale. Is that right?

Senator Minchin—We announced at least a year ago, following the Wylie Carnegie review of the company, that it would not be for sale.

Senator CONROY—June 2003—so, almost a year.

Senator Minchin—We had no policy to sell it.

Senator CONROY—What impact will this have on Medibank’s capitalisation?

Senator Minchin—The decision not to sell it?

Dr Watt—The decision not to sell it has had no impact on capitalisation that I am aware of.

Senator CONROY—It is well chronicled that it is undercapitalised. Is that fair? The reason that you have injected \$85 million into it is that it has had a capitalisation problem.

Senator Minchin—I do not know about ‘well chronicled’. You may use whatever description you like—

Senator CONROY—Well documented?

Senator Minchin—We would not want to confirm that and we will not comment on media or other commentary about Medibank Private’s affairs. We stated in our budget decision to provide a capital injection that we wanted to ensure the maintenance of adequate capital for that company in line with industry practice.

Senator CONROY—Sure, which would tend to suggest they had been undercapitalised before the injection in line with the business—

Senator Minchin—You may draw whatever inferences you want and say whatever you like; I will not. I will simply refer you to government’s announcement—

Senator CONROY—I am not drawing an inference. If something requires a capital injection to meet industry standards—

Senator Minchin—Not necessarily. One should not just leap to those sorts of conclusions.

Dr Watt—You mention the question of industry standards. I think that is the issue. The point is rather that Medibank, by comparison with the others—

Senator CONROY—I was drawing on Senator Minchin’s statement that business practice is industry practice in this sector.

Senator Minchin—As we said in announcing the decision, we want to make sure that it does maintain an appropriate capital adequacy ratio, more in line with industry standards.

Senator CONROY—What impact will this have on its emergency reserves?

Mr Lewis—By emergency reserves—

Senator CONROY—I thought you only sold things. It is not for sale.

Mr Lewis—As GM of Asset Management Group, my responsibility extends to businesses that the government continues to own—for example, Australia Post and a range of others.

Senator CONROY—I thought you were muscling in on Dr Watt.

Senator Minchin—Don't read anything into his presence.

Mr Lewis—What was the question again?

Senator CONROY—I was asking what impact the capital injection would have on the emergency reserves.

Mr Lewis—I am not sure what you mean by emergency reserves. If you are referring to the capital of the business, it will improve the capital of the business by \$85 million.

Senator CONROY—Why did Finance become involved at this stage of the process?

Dr Watt—I am not sure what you mean.

Senator CONROY—In terms of deciding to put in the \$85 million.

Senator Minchin—It is a government decision made in the context of the budget. We are the shareholding portfolio, but it is a government decision to provide one of its GBEs with a capital injection, given that the government is the sole shareholder in the business.

Senator CONROY—Is the decision not to sell Medibank Private final, Minister?

Senator Minchin—It is the current government policy. In other words, the government's policy is to retain Medibank Private in government ownership.

Senator CONROY—So that is a promise for the next three years?

Senator Minchin—It is the current government policy.

Senator CONROY—I am asking you whether you are prepared to make the promise to the public that for the next term of government, if you are successful, you will not sell it.

Senator Minchin—It is the current government policy. As to what policies the government takes to the election, watch this space. I am not anticipating any change in that policy.

Senator CONROY—Where is Medibank based? It is in Canberra, isn't it?

Dr Watt—Melbourne.

Senator CONROY—It has officially moved to Melbourne, has it?

Senator Minchin—It has been there for a long time, I think.

Senator CONROY—It has been siphoned off there for a long time.

Dr Watt—It is the head office.

Senator CONROY—Head office has now officially shifted.

Dr Watt—I am not sure what you mean by 'officially' but the head office is definitely in Melbourne.

Senator CONROY—You hired a Melbourne CEO, so it was only a matter of time before the building gravitated to the CEO because he was not moving to Canberra.

Senator Minchin—It is certainly in Melbourne—feel free to call in any time.

Senator CONROY—I get the sense that Finance is increasingly being called upon to fix capital management issues with line agencies. It is becoming the management of last resort, which is more power to Senator Minchin.

Senator Minchin—Finance is the responsible portfolio for government business enterprises and always has been. I do not know what other examples you are referring to.

Senator CONROY—Defence management organisation advisory board—you are now taking a role there, I understand.

Senator Minchin—That is a new entity which sensibly does involve Finance at the behest, request and charitable invitation of Defence.

Dr Watt—That was a recommendation in the Kinnaird report.

Senator CONROY—What did it used to be called? Senator Minchin just said it was a new agency—did it evolve from anything?

Dr Watt—Defence Materiel Organisation has been in existence for a while but it is on the passage to being a prescribed agency, which will make it quite different and give it a form of independent status within Defence.

Senator CONROY—Will you still have an oversight role in it then?

Dr Watt—Yes. It will be a prescribed agency within Defence which is a bit like—and I hesitate to raise this—the AOFM, which you are familiar with in Treasury. It is still part of the general government sector; it is still part of the Department of Defence.

Senator CONROY—You do not see that changing as it evolves.

Dr Watt—No.

Senator CONROY—Going back to the RBA dividends, there is some money left over in an RBA dividend that may have not been allocated.

Dr Watt—On this issue you should talk to the Department of the Treasury. This is a matter for the Treasury portfolio.

Senator CONROY—You do know what the number is.

Dr Watt—Remember it is a revenue measure not an expense measure. While we are responsible for putting the estimate into the budget in the framework—or into the accounts, for want of a better word—the estimate is constructed within the department.

Senator CONROY—You do not just accept everything those tricky buggers over at Treasury tell you. You cast a bit of an eye over it, don't you?

Dr Watt—I would be very surprised if there were any tricky people in the Department of the Treasury. I used to be there myself. I think that is the institution to talk to about the RBA dividend because, as you know from experience, it is a very complex issue.

Senator CONROY—It is, and I appreciate that you mention that the size of that dividend fluctuates. I am actually separately interested in the RBA dividend because there are some outstanding questions about whether it has been applied yet. That would be a question you should be able to answer though, shouldn't it? There is some money sitting there that may or may not have been—

Dr Watt—That is a question for the Department of the Treasury.

Senator CONROY—I have some questions about government advertising.

Dr Watt—Can I confirm if this is about whatever advertising the department of finance might undertake?

Senator CONROY—It is slightly broader than that, but I am sure there is some department of finance advertising in there that I will want to ask about.

Proceedings suspended from 2.36 p.m. to 2.46 p.m.

CHAIR—The committee is now examining output group 3.1, Ministerial and Parliamentary Services.

Senator ROBERT RAY—Mr Chairman, could we just ask Senator Minchin to repeat an answer that he gave when Senator Conroy was here. Neither Senator Faulkner nor I were here and he has graciously stayed behind to do so.

Senator Minchin—In the presence of Senators Ray and Faulkner I respond as I did before and repeat my answer to the question as to the mechanism by which the decision in relation to the overseas study entitlement was made. The decision was made by the leadership group of the government, which comprises the Prime Minister, the Deputy Prime Minister, the Treasurer, the Leader of the Government in the Senate and the Deputy Leader of the Government in the Senate and the Minister for Trade as Deputy Leader of the National Party, in close consultation with the Special Minister of State, Senator Eric Abetz, and on advice, in relation to practicalities and mechanics, Dr Watt as head of the department and Jan Mason as head of MAPS.

CHAIR—Thank you, Minister.

Dr Watt—There was also the outstanding question on appropriations that Senator Conroy suggested Senator Faulkner would be interested in. Mr McPhee has an answer for us.

Mr McPhee—In the time available we have had a look in the portfolio budget statements of PM&C and it appears that PM&C is only appropriated a fairly limited amount—\$3.47 million—for departmental outputs. A brief discussion with PM&C suggests that, when government advertising is appropriated for agencies, it is done at the agency outcome level. It is what I would call a devolved model rather than a centralised model in terms of the appropriation mechanisms.

CHAIR—The committee welcomes back Senator Abetz.

Senator Abetz—Thank you, Mr Chairman. If I may I will make a brief opening statement on a matter that got some commentary yesterday or the day before in relation to Senate printing and printing entitlements—what is and what is not allowed. The opposition leader in the Senate gratuitously—

Senator ROBERT RAY—If it is to do with your portfolio, you may.

Senator Abetz—Yes, it is.

Senator ROBERT RAY—But only matters to do with your portfolio, not matters that occur in other parts of estimates.

Senator Abetz—The rules that apply to Senate printing also apply to what occurs in senators' and members' individual offices. They are the same rules. It is a question of the interpretation of those rules.

Senator ROBERT RAY—Which is a matter for the Senate.

Senator Abetz—That is an interesting debate because some would argue that they in fact act as my agent or the Department of Finance and Administration's agent in relation to that. It is interesting that they should interpret the rules in a different manner to that which is generally accepted by people such as the deputy leader of the Senate for the Labor Party, Stephen Conroy, who put out printed—

Senator ROBERT RAY—If you want to respond to this in the Senate, you can. You cannot do it in an estimates committee as an opening statement. Fair go, Chair; you have to rule that out of order. You are in the same position as any other senator. If you have been misrepresented in any way, you can use the chamber for your right of response like any other senator. Being a minister brings some privileges, but one of them is not the ability to come into a committee and respond to what has happened in another committee. It is just not on, Chair.

CHAIR—I do allow a bit of editorialising at times here, let us be frank.

Senator ROBERT RAY—No, this is not editorialising.

CHAIR—I know what you are saying.

Senator ROBERT RAY—This is a response.

CHAIR—It is a personal explanation in effect.

Senator Abetz—No, it is not. It is about the rules that apply that are administered by the Department of Finance and Administration for which the Senate acts as the agent.

Senator ROBERT RAY—We can exclude reference to Senator Conroy at this stage. I do not think that is relevant.

Senator Abetz—Why not? He used entitlements that are provided by the Department of Finance and Administration to provide the document that he circulated, to which I want to make reference, which may be of embarrassment to certain Labor senators.

Senator ROBERT RAY—A lot of things can be of embarrassment. You are here to answer questions, not to comment on the behaviour of other senators unless you are asked about it.

Senator Abetz—I can make opening statements about matters that are in the public domain in relation to entitlements and the rules that apply.

CHAIR—Yes.

Senator Abetz—I indicate that I have no difficulty with what Senator Conroy did, but the problem is—

Senator ROBERT RAY—Chair, I really think Senator Abetz has a problem with what happened in another committee and is using the guise of an opening statement to have his right of response.

CHAIR—This is unusual—

Senator ROBERT RAY—That is a privilege that others do not have. If you get up in the Senate next time we meet and say that you have been misrepresented and want to make a statement, of course leave will be given—as for any other senator. But you do not have more rights than any other senator. I cannot come in here and say that I want to make a statement about a particular subject.

Senator Abetz—No, because you are not the person answering, whereas I am. As minister I have the opportunity to make an opening statement. That is what I am seeking to do. Labor senators are now in a dilemma: having taken a cheap shot at both the President and me, they find that one of their own, a deputy leader, has done exactly the same. That is what they are embarrassed about. I will not pursue the matter any further at this stage, Mr Chairman, but we may get questions during the course of Senate estimates about this. If that is the way these two want to play it, that is the way we will play it.

Senator ROBERT RAY—Thanks for the threat. We really appreciate starting off what I thought was going to be a rather brief and cordial session with a threat. It is typical of your behaviour.

Senator Abetz—You cannot take gratuitous whacks at me and the President.

Senator ROBERT RAY—Oh, poor old Eric!

Senator Abetz—Oh, poor old Robert! Why are you defending Mini-Me—Senator Conroy?

CHAIR—Order! Let us commence questioning. Of course you are entitled to answer questions in any way you think appropriate, Minister.

Senator Abetz—Thank you very much.

CHAIR—How about we commence with questions.

Senator FAULKNER—Ms Mason, have we available for the benefit of the committee the usual breakdown of ministerial staff?

Ms Mason—We do. Mr Edge can help you with that.

Mr Edge—We have a copy of the table that we have tabled at previous estimates which details the government personal staff and other personal staff as at 1 May 2004.

Senator FAULKNER—Thank you. Could we now have that document tabled for the benefit of the committee? That is helpful. I think we can say here, Dr Watt, the department and MAPS are to be commended on this process that we have established. As you know, it saves an enormous amount of time in the estimates process. Could I respectfully suggest that you show an example to Ms Scott, the Deputy Secretary of the Department of the Prime

Minister and Cabinet, because we might be able to do something similar in government advertising.

Senator Abetz—On the basis of things that happen elsewhere under different portfolios, I suggest that you adopt the rulings that the Labor senators invited you to adopt earlier on.

CHAIR—I do allow a bit degree of editorialising but I will take note of the answer.

Senator FAULKNER—We always look at PM&C as—

CHAIR—Being the model department.

Senator FAULKNER—setting the examples here. This is a good example, and I think it ought to be—

Senator Abetz—Here we go again. On a point of order, Mr Chair, you cannot allow this to continue.

Senator FAULKNER—acknowledged by those same members of the committee who are present.

Senator Abetz—The hypocrisy of Senator Faulkner! That is what needs to be acknowledged.

Senator FAULKNER—I do not know what you had for lunch, Senator Abetz, but I recommend that you go outside because it is obviously not agreeing with you. I think we ought to commend the Department of Finance and Administration for continuing this practice. It is good committee practice, and I hope that we acknowledge that, as well as a number of other issues, in the report of the committee at the conclusion of this estimates around. I will be making some suggestions about that, which I am sure you will agree with, in the report.

CHAIR—Senator Faulkner, I can see well inside the line of that statement.

Senator FAULKNER—That is a mixed metaphor, with respect.

CHAIR—It is good enough.

Senator ROBERT RAY—Mr Edge, I know that there are always ups and downs in this so you can always tell us where the additional staff come from. It has gone up by approximately 6.1, hasn't it?

Mr Edge—It has increased by 6.2 since 1 February 2004.

Senator ROBERT RAY—As well as you can, would you indicate where the increases have occurred?

Mr Edge—There are a couple of ways that can be done. It can be done by portfolio or it can be done by level.

Senator ROBERT RAY—Why don't you do both? Do it by level first, and then by portfolio.

Mr Edge—Okay. By level—and I will only mention levels where there has been a change—

Senator ROBERT RAY—Yes, I hope so.

Mr Edge—There has been an increase of 2.2 positions at the senior adviser level. There has been an increase of one position at the media adviser level. There has been an increase of one position at the adviser level, two positions at the assistant adviser level, two positions at the personal secretary level, and two positions at the secretary administrative assistant level.

Senator ROBERT RAY—There must be some minuses too.

Mr Edge—There are minuses as well. Perhaps it is better to just go through a plus and minus at the levels as I work through them. So there has been a plus of one senior adviser. Probably the most efficient way to do it is to talk about portfolio and level at the same time, and that will perhaps answer both elements of your question. I will try that and see how it goes. In the office of the Minister for Trade there is one additional senior adviser position and there is a minus one adviser position. In the office of the Minister for Foreign Affairs there is an additional secretary administrative assistant position and there is a minus of one personal secretary position. There is an additional media adviser position in the Environment and Heritage portfolio.

In the Small Business and Tourism portfolio there is one additional media adviser position and one additional assistant adviser position. In the office of the Special Minister of State there is 0.2 of a position at senior adviser level as a plus, and a minus of a media adviser position. There are also some pluses in parliamentary secretaries' offices. There is an additional adviser position in the office of the Parliamentary Secretary to the Minister for Health and Ageing, and an additional adviser position in the office of the Parliamentary Secretary to the Minister for Defence. In other areas there is an additional senior adviser position and an additional adviser position and an additional assistant adviser position in the government members' secretariat and the minus, there is an adviser position.

Senator FAULKNER—Sorry, that does not quite make sense. Run that by us again—the GMS?

Mr Edge—In the GMS there are plus three positions and minus one position.

Senator FAULKNER—What are the plus three?

Mr Edge—Plus three is a senior adviser, an adviser and an assistant adviser, and there is a minus of an adviser position.

Senator ROBERT RAY—If you could just explain why you do a plus and minus for the adviser position rather than say it is the same one. What is the explanation for that?

Mr Edge—These tables are compiled based on positions as they are created. These are positions that are created and have then been abolished. That is the way it works. It is not linked to occupants of the position; it is related to—

Senator ROBERT RAY—No, I did not think it was. But why would you record an adviser's position being abolished and then an adviser's position being created?

Ms Mason—It could be because there is a gap between the abolition of one and the creation of another. Our records would show that a plus—

Senator ROBERT RAY—But wouldn't it just show one unfilled until you get to this point?

Mr Edge—This is not about positions that are filled or otherwise; it is about positions that are created in the establishment.

Senator ROBERT RAY—The easier way to ask this is: when was the adviser's position abolished and when was the new position of adviser created? What is the timing? Then we might be able to understand.

Mr Edge—I would have to take that on notice. We should be able to get the answer for you quite quickly. I just do not have the information here.

Senator ROBERT RAY—Okay. Is there anything else?

Mr Edge—Yes, there is an additional secretary administrative assistant position in the office of the Leader of The Nationals in the Senate and minus one personal secretary position. Overall, when you look at the pluses and minuses, there is plus 11.2 positions and minus five, which results in the net increase of 6.2 positions.

Senator FAULKNER—The additional adviser in the minister for environment's office is Ms Niki Savva, is it?

Mr Edge—I am not in a position to confirm that. I cannot answer your question.

Senator FAULKNER—You do not know that?

Mr Edge—No, I do not know that.

Ms Mason—We do not have the names of the individuals, simply references to the positions. The practice in the past has been not to give the names of individuals.

Senator FAULKNER—That is not actually true. Often the names are provided—this one particularly. I am sure Ms Savva is well known to many members of the committee. It is a placement in the minister for the environment's office but Ms Savva has a more wide-ranging brief working across government. Actually, to be more accurate, she seems to be spending most of her time looking at the affairs of the opposition. But anyway, that particular position has been plonked—

Senator Abetz—Mr Chairman, this is meant to be a question and answer session where Senator Faulkner provides the questions and the answers are given by those at the table, not him answering his own questions to gratuitously take a whack at somebody.

Senator FAULKNER—I am not taking a whack at Ms Savva at all. I ask you then, Minister, to acknowledge or inform the committee if the additional media adviser in Minister Kemp's office is Niki Savva? Can you confirm that?

Senator Abetz—I will take that on notice.

Senator FAULKNER—You do not know?

Senator Abetz—I do not know.

Senator FAULKNER—And you can confirm that Ms Savva, along with Mr Hanke, has very much a roving brief in relation to her responsibilities? You would be able to confirm that for us, wouldn't you?

Senator Abetz—No, I cannot and I will not. What ministers do with their staff is not something that I comment on. You know that, but you phrase your question like that to try to

get it out there that certain people undertake certain tasks. I do not think that reflects well on those asking such questions.

Senator FAULKNER—Really?

Senator FIFIELD—Minister Abetz, the extra staff work as directed by their relevant minister, I assume?

Senator Abetz—That is right.

Senator FAULKNER—But not in this case, I think you will find, Senator Fifield. You probably know that, but if you do not know you should go and check with Dr Kemp. He will be able to tell you how it works.

CHAIR—Senator Faulkner, let us not have a debate.

Senator FAULKNER—It is a very poor effort that we cannot have that confirmed here. We cannot even have the name of the relevant adviser confirmed. Anyway, everybody knows.

Mr Edge—I will clarify that when I went through the additional positions in the first round you said there was some confusion about that. The reason is that I said there were an additional two positions at the personal secretary level. Unfortunately, that two should have had a minus in front of it so that explains why the numbers that I went through in the first round did not actually tally to 6.2.

Senator ROBERT RAY—Having gone through the portfolio side, let us go back to the levels side. Can you give us figures as to where the overall movements have been? In other words, has it top-ended or bottom-ended in terms of pay scale?

Mr Edge—I can certainly tell you where the net gains and losses are. It is per the information that I went through when we first started talking about numbers. There are an additional 2.2 positions at the senior adviser level.

Senator ROBERT RAY—Are these net figures?

Mr Edge—Additional.

Senator ROBERT RAY—So there are 2.2 at the senior level.

Mr Edge—Yes. An additional one position at the media adviser level, and additional one position at the adviser level, an additional two positions at the assistant adviser level, and as I have just said there is a loss of two positions at the personal secretary level and a gain of two positions at the secretary/administrative assistant level.

Senator ROBERT RAY—At the lower levels they have balanced out, and all the net increases are at the higher levels. Is that an unfair characterisation?

Mr Edge—The gains are at the levels that I have just said.

Senator ROBERT RAY—Yes, at the top end.

Senator FAULKNER—Just so that we are clear, what was the precise date on which the opposition staff entitlement was calculated?

Mr Edge—It is always calculated on the establishment as at 1 March.

Senator FAULKNER—Can you indicate what the government staffing figure was on 1 March 2004?

Mr Edge—I will just need to check that and I will get the answer to you in a very short amount of time.

Senator FAULKNER—Thank you. Is the current figure 391.6?

Mr Edge—That is correct, and that is the figure that is in the table.

Senator FAULKNER—As at 1 May 2004.

Mr Edge—That is correct.

Senator FAULKNER—If you would let us know what the figure was at 1 March 2004 we would appreciate it. Let us come back to that a little later when you have it available.

Senator ROBERT RAY—How many positions are now allocated to the Government Members Secretariat?

Mr Edge—There are 11.

Senator ROBERT RAY—Can you give me a breakdown of the levels and classifications at which people are employed there?

Mr Edge—It is in the table that we handed out. If you look at the second page of the table, you will see it in the box towards the bottom.

Senator ROBERT RAY—Yes, and just confirming that we have two senior advisers?

Mr Edge—Yes. And there are four advisers, four assistant advisers and one secretary/administrative assistant position.

Senator ROBERT RAY—Is that up by one or two on the previous establishment?

Mr Edge—It is up by two positions.

Senator ROBERT RAY—Do we know why they have had that increase? Maybe the minister can help us.

Senator Abetz—Undoubtedly it was considered desirable and needed.

Senator ROBERT RAY—Really? Why was it considered desirable and necessary?

Senator Abetz—The Government Whip has the jurisdiction of the Government Members Secretariat.

Senator ROBERT RAY—So it was his recommendation and request to government, was it?

Senator Abetz—I would assume that that is how it works. How it actually comes about or what commences the process, I am unable to say, but at the end of the day it is the Prime Minister that determines the staff allocations to the Government Whip and to various ministerial offices.

Senator ROBERT RAY—Do we know the expected salary payout that has been budgeted for in the next budget for this particular secretariat?

Senator Abetz—I think we will have to take that on notice.

Ms Mason—We will.

Senator ROBERT RAY—How would you find that out? You are taking it on notice, but is there a difficulty in finding that out? Is it a complex task?

Ms Mason—I do not think it should be. We may have to make an assumption that, for instance, if there are vacant positions they are likely to be filled at a particular level. We should be able to determine approximately what that amount would be.

Senator ROBERT RAY—That is the amount of salary and allowance? Most of these people would be on a ministerial staff allowance, I assume.

Mr Edge—We are not able to confirm that at the moment. The remuneration is obviously linked to the positions and the level of the positions.

Senator ROBERT RAY—But you know which positions attract ministerial staff allowance and which ones do not.

Mr Edge—Yes, we do.

Senator ROBERT RAY—So you would be able to calculate that in. Do they have a travel budget allocated to them or an indication of what their likely travel will be?

Mr Edge—It is my understanding that there is no travel budget that the department is aware of.

Senator ROBERT RAY—Who approves their travel?

Senator Abetz—They are under the jurisdiction of the Government Whip, and I would imagine the Government Whip would be approving any travel.

Senator ROBERT RAY—Thank you for saying what you imagine. I am actually looking for a factual answer.

Senator Abetz—Yes, but they are not my staff and they are not under my direction. Therefore, I am unable to indicate to you the exact information that you are seeking.

Senator ROBERT RAY—Except that on previous occasions both you and your predecessors have indicated to this committee that it is your department that provides the resources.

Senator Abetz—That is right.

Senator ROBERT RAY—It is in that capacity that I am asking questions. I am not asking whether you personally approve or direct their behaviour.

Senator Abetz—We can take that on notice and find out.

Senator ROBERT RAY—You do not know?

Ms Mason—The usual practice is for the employing senator or member to approve the travel of their staff.

Senator ROBERT RAY—Who signs their contracts? You say the employing member or senator does. Who actually is that? Who actually signs their contracts?

Senator Abetz—What Ms Mason said is right inasmuch as usually it is, and that is why I said it is my belief. You corrected me on that, saying that my belief was not good enough,

asserting what is usual may not be good enough either. Therefore, taking it on notice may well be the most desirable cause so we can give you the correct and detailed information, and at the same time we can find out who signs their contracts.

Senator ROBERT RAY—You did not talk about imagination on that. I would have thought we could determine that here. The other material we cannot determine here because you have to go off and find it. But do we know—not you necessarily, Minister; officials may be able to help here—who actually signs their contracts? Everyone that works under MOP(S) 3 has to have it signed off by an employer. Who is their actual employer in that sense?

Ms Mason—I spoke about the usual arrangements because I do not know in this instance. We will make inquiries about who has approved the travel and who has signed the contracts. I imagine that that can be done quite quickly. We have people back at the department monitoring the hearings, and they can check.

Senator FAULKNER—Do you have that 1 March figure yet, Mr Edge?

Mr Edge—Yes. The number of government personal staff positions was 387.6.

Senator ROBERT RAY—On previous occasions we have had evidence that some—not many—GMS staff had a home base in capital cities rather than Canberra. Is that still the case?

Senator Abetz—They are all home based in Canberra, as I understand it.

Senator ROBERT RAY—Is there someone regarded as being the head of the Government Members Secretariat? I understand that the Government Whip is the head, but most offices have a chief of staff. Is there a chief of staff or head of this office?

Senator Abetz—I think your prediction or suggestions at the last estimates were pretty close, Senator Ray. I was not able to confirm that, but certain things were widely rumoured and they have come to pass.

Senator ROBERT RAY—Answer the question. You and I are on the same level here, but this is for the *Hansard* record. Would you like to tell me who it is?

Senator Abetz—Mr Gerry Wheeler.

Senator ROBERT RAY—And he is employed as a senior adviser.

Senator Abetz—We do not want to start linking names with positions et cetera. I think there are difficulties with that, but that would be a fair assumption.

Senator ROBERT RAY—Why can't you answer that question? If you think I am going to go through all the lists—

Senator Abetz—I am seeking to avoid this being quoted back at me as some sort of precedent which would then allow you to trawl through every other person's name.

Senator ROBERT RAY—But I can ask you who your chief of staff is and you would have to tell me surely. Who is your chief of staff?

Senator Abetz—I do not think that those sorts of gratuitous questions are of assistance unless there are specific matters to be pursued in a particular case. Just to trawl through to gratuitously put people's names on the *Hansard* is not a practice that I have followed as Special Minister of State for the three years I have been in the position. I intend to keep that

as the precedent, albeit I accept that there may be very few exceptions to that and that is why I have indicated Mr Wheeler's name to you. If you were to say that he was at a senior adviser level that may well be a fair assumption, but I do not want to go trawling through individual's names.

CHAIR—I think we have had this issue before.

Senator ROBERT RAY—We have not only had it before but the estimates committee are about looking at government expenditure. There is a Government Members Secretariat. By it being allocated to the Government Whip in the House of Representatives where comity issues come up that he cannot appear as a witness, that gives us a very limited view. Previously, your side of politics has insisted that the head of aNiMaLs, as it was then called—National Media Liaison—appear before this committee. We have not gone that far. We have threatened it a few times because of the lack of transparency. We are entitled to ask who the head of this agency is and what level they are employed at. I am not going on an overall trawl but I can also ask on notice for who exactly is employed in this agency and at what level. I do not choose to today but I am entitled to.

Senator FAULKNER—It has been done before, though. We could go through all 391, but we are not going to.

CHAIR—We have had this discussion before.

Senator Abetz—I have just been given advice in relation to another question that Mr Jim Lloyd, the Chief Government Whip, does sign all the contracts.

Senator ROBERT RAY—That was easy, wasn't it?

Senator Abetz—It was indeed.

Senator ROBERT RAY—It is not so hard when you are not trying to cover up.

Senator Abetz—I reject that gratuitous suggestion there was a cover-up, Mr Chairman. If there were a cover-up, why on earth would I have volunteered the information that I just did? This is the sort of nonsense that we have to put up on a minute by minute basis in these estimates, and I do not think it is helpful.

Senator ROBERT RAY—Could you tell us what level Mr Wheeler is employed at? Not what you imagine, what you expect or what you fantasise over but actually what level he is employed at.

Senator Abetz—Once again, Mr Chairman, are you going to allow that to stand? If you do then in my response I would be allowed to talk about Senator Ray's fantasies and what he dreams about and what he hopes to do in the future. It really is not assisting.

CHAIR—Let's not go down that path. Perhaps if the questions and the answers were less provocative.

Senator Abetz—That would be most helpful. You have already had indicated to you that there are two senior advisers in the Government Members Secretariat. That is why I indicated to you that it would be a fair assumption to make that the person who heads it up may well be on a senior adviser level. That would be a fair assumption but, as I have indicated to you, I do

not want to set the precedent of us trawling through individual names and what levels they are employed et cetera.

Senator ROBERT RAY—I repeat the question. I do not want to assume anything. I want to know an answer to my question, not what I might be expected to assume.

Senator Abetz—I will take that on notice and give it consideration as to whether I want to make that information available.

Senator ROBERT RAY—You are serious in saying that you will not say at what level Mr Wheeler is being employed—that it is somehow secret or confidential? Are you really saying that?

Senator Abetz—What I am saying is that I want to give further consideration as to the desirability of setting a precedent whereby you could then trawl through everybody's name and have them in the public arena in the *Hansard* with their name, level et cetera and details of their employment. I would have thought that common courtesy, privacy et cetera would dictate that this would not be done unless there were genuine issues at stake. When you are told the make-up of the various positions in Senate estimates—the various classifications—and you are told that Mr Wheeler heads it up, it may be that Mr Wheeler is employed as the secretary's administrative assistant. That is a possibility, but I do not think many people would believe that he was heading it up. It would be a fair assumption to make that he might be a senior adviser, but I am not going to gratuitously allow people's names to be trawled through.

Senator ROBERT RAY—You are seriously saying of someone who heads up the Government Members Secretariat, who we have identified as Mr Wheeler, that you cannot and will not tell us, for some spurious privacy reason, at what level he is being employed. Are you serious?

Senator Abetz—I am serious about protecting individuals. I have been consistent on that throughout and I maintain that. If there are certain matters relevant in a particular way then it may be appropriate, but just to gratuitously start asking who is in which senior adviser position, what is their name and what level are they employed at—

CHAIR—Do you think you could make an exception in this case to consider—

Senator ROBERT RAY—It is not—

CHAIR—I understand your point.

Senator ROBERT RAY—Previously, we have had a full list of who was employed there and at what level. What has happened in the meantime?

CHAIR—I cannot force the minister to answer these questions.

Senator Abetz—I have not countenanced the public disclosure of names and positions and I am not going to start now, especially in an office that somebody else controls. I do not think it is good practice.

Senator ROBERT RAY—Can we have a private meeting?

CHAIR—Yes.

Senator ROBERT RAY—I am going to move that Mr Wheeler appear. Why wouldn't he?

Senator Abetz—You cannot just move it; you would have to subpoena him.

Senator ROBERT RAY—Oh, really? I suggest you go and read standing orders. We can call whoever we like.

CHAIR—The committee will suspend its proceedings to have a private meeting.

Proceedings suspended from 3.45 p.m. to 3.52 p.m.

Senator FAULKNER—Chair, I wonder if we could request the attendance of the senior portfolio minister, Minister Minchin, to answer some questions. I do not put it in any other form but the form of a request. Senator Minchin has been very cooperative in answering other questions for committee members on issues associated with those that are often dealt with when MAPS is before the committee. I think that might be a sensible way of proceeding. So my request would be to ask you, Chair, and the committee if Senator Minchin would consider attending, if he is available.

CHAIR—Minister, the committee has been discussing this issue outside informally. Would it be possible to have Senator Minchin attend?

Senator Abetz—The executive determines which minister appears at which estimates. I was asked to be here earlier than usual, earlier than had been anticipated, and I was more than happy to fit in with the committee's requirements. You can make a request of course, the executive will decide and we can take it from there.

CHAIR—Can the request be made to Senator Minchin as soon as possible?

Senator Abetz—If the committee has made such a determination, which I find quite bizarre—

CHAIR—No, not a determination; simply a request.

Senator Abetz—All right. If the committee has made that request—and I find it a bizarre one—I suggest it is up to the committee to pass that on, not for me to act as the committee's messenger. It is committee business, let the committee do it.

Senator ROBERT RAY—That is fair.

Senator Abetz—In relation to the GMS home bases that I referred to earlier, can I correct an answer. I indicated that all GMS staff had home bases in Canberra. The advice I was given was that, as at 1 May, that was the case. In fact, on 28 April, two days before that, somebody had their home base approved in Melbourne, as opposed to Canberra.

CHAIR—Thank you.

Senator Abetz—On the same issue of the GMS, as I have indicated on a number of occasions, I do not want to gratuitously trawl people's names and positions through the *Hansard*. I direct Senator Ray to page 117 of the *Fortieth Parliament: Parliament House Communications Directory* and certain things may become apparent to him from that.

Senator ROBERT RAY—Are all members of the Government Members Secretariat paid within the standardised salary bands—are there any positions being paid outside that?

Ms Mason—We will need to take that question on notice so we can check our records.

Senator ROBERT RAY—I have a few questions relating to correspondence dated 5 May, and signed by the minister, which talks about Remuneration Tribunal determination 2004/10. There are two issues, and the second one is in three parts. You might dig out that determination and have a look at it, and I will ask questions after Senator Brandis.

Senator BRANDIS—Minister Minchin and Dr Watt, I have two documents to give you: one is a letter from Senator Conroy on his official letterhead addressed to the householder which, according to the bottom paragraph, contains an enclosure which is the document printed on the thicker paper in pale green.

Senator FAULKNER—Have you tabled the documents?

Senator BRANDIS—I will table them now if you like.

Senator FAULKNER—No, it is fine.

Senator BRANDIS—The document printed in pale green, which has the headline ‘Mark Latham and Labor opportunity for all’, contains in two columns a number of short statements about Labor Party policy and implied criticisms of government policy. It was printed, as you will see from the bottom left-hand corner, by S. Conroy and an address is given. I am particularly concerned to direct your attention to the box in the bottom right-hand corner of the green document which displays a photograph of a person who apparently is Jenny Beales who is identified as the Labor candidate for McEwen. The reader of the document is invited, if they want more information on Labor’s policies, to contact Jenny Beales’s office. An address, telephone and facsimile numbers and an email address are given. At the bottom there is what appears to be the ALP’s web site: www.alp.com.

My question, Minister or Dr Watt, is this: the committee had some evidence from the Usher of the Black Rod on Monday which, as I understood it, suggested that similar content or text was not a proper inclusion in a document printed by the Senate Printing Office at taxpayer’s expense in relation to, I think it was, you, Minister, or in relation to another senator, a government senator. I have two questions. First, if this document were printed not by the Senate printing office but internally by Senator Conroy in his office, though at taxpayer’s expense, we would be within the guidelines to produce that document, including in particular the material about Jenny Beales contained in the box. That is my first question.

Senator Abetz—In general terms my response is that it would be appropriate as to the addresses given and other contact numbers. What you have given me is: ‘If you would like more information on Labor’s policy or any other assistance, please contact my office. Jenny Beales, Labor candidate for McEwen.’ I assume ‘my office’ is, in fact, Senator Conroy’s office, but I would have to check that detail. If it were Senator Conroy’s office and Senator Conroy’s office details then I think that would basically be okay—albeit you heard from another witness before the committee that they would not allow that. But they are exactly the same rules administered by Department of Finance and Administration and by the Senate.

Senator BRANDIS—You have anticipated, to an extent, my second question. I am at pains to say that I am not suggesting by asking these questions that Senator Conroy has done anything wrong. As I understand the rules, there is nothing wrong with this document either, as long as it is printed within his electorate office. But my second question is this: is it not anomalous that a document printed within a senator’s office at taxpayer’s expense is within

the rules, but if the same document were printed at the senator's request by the Senate Printing Office, it would be outside the rules? Is that not an obvious anomaly or inconsistency?

Senator Abetz—It is, in my respectful view, and that is where the quaint interpretation by Senate printing has occasioned some difficulties, as I understand it, for senators from all sides. I understand the Clerk has indicated a willingness to get rid of it, at Senator Ray's very helpful and bipartisan suggestion. I will keep pursuing that to ascertain whether we can overcome those difficulties in seeking to look after senators' and members' entitlements, part of which my department pays to Senate printing to do a particular job. It becomes very difficult when Senate printing refuses to undertake certain printing for a senator, when staff prepare a Senate newsletter on the basis of two precedents that have been allowed in the past and when Senate printing are confronted by those two precedents staff are told that those two previous ones should not have been allowed. When Senate printing has such an interesting interpretation of the rules and a varying interpretation, it does make it difficult. I think Senator Ray's suggestion is a good one. The President and I have been working towards that. Let's hope that we can effect such an outcome.

Senator BRANDIS—Given that it is desirable that there be consistency in the interpretation and application of the rules, are you of the view that the Senate Printing Office, perhaps acting under the direction of the Clerk, should try and observe comity with the practice observed by the department, rather than vice versa?

Senator Abetz—That would be the most desirable outcome, but I am not sure that that is possible.

Senator ROBERT RAY—Minister, it is many years since I have used Senate printing but the difficulty here is that, whilst you are limited to 5,000 a month and 60,000 a year, you may have only one large print run a year but you cannot do it. You have to have it spread over all that time. Don't you think it would be much better to move all these things to come under one administration? You have already moved travel allowance. This is just an anomaly sitting there.

Senator Abetz—I happen to agree that that would be the best outcome. To overcome the anomaly, there have been print runs—which Senate printing has allowed, which is an interesting thing—where you go round to all your Senate colleagues and get printing entitlements from other senators. So you would get your big print run done, and then next time you return the favour to the next senator who wants a big print run done. Because it is on a monthly entitlement it has become, I must say, quite cumbersome for those who do want to use Senate printing. I will keep pursuing an avenue that makes it workable, and if Senate printing does not want it I must say that that will be a good outcome.

Senator ROBERT RAY—Can I go back to that which I gave you a bit of notice to have a look at—that is, Remuneration Tribunal determination 2004/10. The first issue goes to life gold pass/severance travel and the need for greater accountability. Exactly what is envisaged here? What responsibilities and actions will be required of those who use severance travel and/or the gold pass?

Senator Abetz—I cannot find it. What part in the document is it? Is it under clause 1.3 of the document?

Senator ROBERT RAY—Maybe we have different documents. I am quoting from your letter, Minister.

Senator Abetz—I am sorry. I have Remuneration Tribunal determination 2004/10.

Senator ROBERT RAY—It seems we are at cross-purposes then. I will have a copy given to you. Even though you do not have the letter before you as I understand it, and I am not quite clear on the detail, if you use your entitlement, either severance or gold pass, you now have to in some way certify it. Would you explain to me what is involved there?

Senator Abetz—In undertaking severance travel a former senator or member needs to certify in writing that the travel was used for non-commercial purposes.

Senator ROBERT RAY—Will there be a time limit on that certification, as there is in travel for MPs?

Mr Gavin—I would imagine that it would be on each occasion that the travel occurs.

Senator ROBERT RAY—I hate those words ‘I imagine’.

Mr Gavin—The way it will work is that, at the time of the six-monthly tabling when we write out to each retired person who travels under entitlement, they will be invited to make the certification.

Senator ROBERT RAY—At that point, not after each travel?

Mr Gavin—As I understand it.

Senator ROBERT RAY—It will be on a six-monthly cycle.

Mr Gavin—Yes. It is probably worth mentioning that it was as a result of the committee’s consideration of the Members of Parliament (Life Gold Pass) Act that the government undertook to raise this matter with the tribunal.

Senator ROBERT RAY—So it has not come into action yet? You have not had to do it yet?

Senator Abetz—No.

Mr Gavin—I have been away, but as I understand it, no.

Senator Abetz—Since this determination was made, I do not think anybody has suffered a severance.

Senator ROBERT RAY—I thought it went on to say something about gold pass holders doing the same.

Senator Abetz—Yes. No.

Senator ROBERT RAY—That is clear.

Senator Abetz—Yes and no, which makes it very clear. The Remuneration Tribunal considers that, as a general principle, the same should apply to life gold pass holders. Why that terminology is used is that the Remuneration Tribunal does not believe it has any

jurisdiction or power to change the basis of people's entitlements once they have accrued under the life gold pass.

Senator ROBERT RAY—However, does that imply that a minister can institute or suggest such a procedure?

Senator Abetz—I do not think I could do so just of my own volition. I daresay—do not hold me to this—that I could regulate or legislate. Technically, I think that is available.

Senator ROBERT RAY—The next item is travel related issues. It says 'accompanied travel by senators' and members' nominees'. I must admit to a certain obtuseness here. I have read that three or four times and I am still not quite clear what it is saying. Could we have one of the officials tell us what it means?

Senator Abetz—What is unclear to you? It says 'a senator or member may be accompanied, when travelling domestically, by his or her spouse—

Senator ROBERT RAY—I think we understand that part.

Senator Abetz—or nominee'.

Senator ROBERT RAY—At present there is no limitation on a spouse also being a member of staff for the purposes of accessing domestic travel entitlements. So I assume that this is to deal with those who have an entitlement as a spouse who work under part III or part IV—mostly part IV, I would think—of the MOP(S) Act.

Mr Gavin—That assumption is correct. The Remuneration Tribunal determination used to say that a nominee could be anyone other than a member of staff. What the tribunal has done has been to delete 'other than a member of staff'. So a nominee can be any person they nominate, other than a child, and the effect is to allow a staff member to be either a nominee or a spouse.

Senator ROBERT RAY—What does that mean in terms of travel entitlement, let us say, to and from Canberra? Normally there is a staff budget that is calculated, I think, on 16 return trips a year or thereabouts. What does that mean for a person who is a staff member and qualifies as a spouse or nominee in terms of using the nine trips to and from Canberra?

Mr Gavin—It does not subtract from the entitlement as a spouse or nominee for the nine trips, for instance. But there is a rule that goes back into the early nineties that says that if you travel as the spouse you cannot claim travelling allowance—

Senator ROBERT RAY—I understand that.

Mr Gavin—and vice versa. So you travel to Canberra either as a spouse and now as a nominee or as a staff member.

Senator ROBERT RAY—I asked these questions before. What I am concerned about is that in some years—not all years, but some years—staff travel budgets are pretty tight. In other years—election years and others—you tend to have a lot more flexibility because there are fewer sittings. What I would not like to see occur—and I want you to assure me that it cannot occur—is that by employing a spouse you can have an additional nine return trips to Canberra that do not come off that staff travel budget. Even if they cannot claim travel allowance here, I want an assurance that that cannot happen.

Mr Gavin—I do not think that that assurance can be given to you. In fact, that is exactly what can happen.

Senator ROBERT RAY—I am appalled. It is not a criticism of the minister or the department. I just do not think that is at all a fair situation. I think there are enough difficulties, and I know there are varied circumstances as to why a nominee or spouse may be on staff. I do not make judgments there. I have concerns, but I do not make judgments. But to then give them an additional relief on the travel budget seems to me appalling. It gives them an advantage over all other members of parliament, and I do not think that is right. Is my logic wrong there, Minister?

Senator Abetz—I can understand what you are saying on that, although it would not stop, for example, a spouse travelling to Canberra and working as a volunteer in the MP's office. That would have the same effect—albeit they would not be drawing a salary. I accept that that would be the difference.

Senator ROBERT RAY—Senator Ray, who brings a normal staffer to Canberra—and may do at every session, which may mean 22 weeks a year—has to carefully juggle the travel budget, cabs and travel allowance. Yet, if that person happened to be a spouse—and let us say the travel was from Victoria—that would mean in effect about an extra \$5,000 in his travel budget. I take it this has been clarified by the Rem Tribunal. It is not a ministerial intervention, is it?

Senator Abetz—No.

Mr Gavin—The basic idea that you are talking about goes back a long way.

Senator ROBERT RAY—For nine trips a year you could travel business class as a spouse and for the rest of the time you could use 16 economy fares, so you could get 25 trips. It penalises those who do not employ their spouses.

Mr Gavin—I cannot comment. It is the system that has existed for a long time.

Senator ROBERT RAY—I did not know that. Why would we need this clarification if it has existed all that time? How has this changed?

Mr Gavin—Because it is in respect of the nominee. You suggested a possible person. But up until this was made, to be explicit: if you were in a same-sex relationship, you could not access it; but if in fact you were in a heterosexual relationship, either de jure or de facto, you could.

Senator ROBERT RAY—Let me get this clear. You are not allowed to have someone travel as a nominee and someone different travel as a spouse, are you?

Mr Gavin—That is absolutely true. This is to do with a same sex partner who was a member of staff compared with an opposite sex partner who was a member of staff. That was seen, as I understand, by the tribunal as being anomalous. This has removed that distinction. But the issue of a spouse being able to travel to Canberra goes right back to the eighties.

Senator ROBERT RAY—It seems to me that under this change now, if you did have a partner—either by legal marriage or de facto—and you wanted to increase your travel budget, you would just make whoever you wanted to come up here your nominee.

Ms Mason—May I put it a different way? You are arguing one way, but you can view it a different way. Let us say a member of staff who is either a nominee or a spouse may travel to Canberra under either of those entitlements—that is, if they are a nominee, they can travel as a nominee; and a spouse can travel as a spouse—or if they are on staff they can travel as a staff member. If they travel as a spouse or a nominee, they cannot claim TA. If they travel as a staff member, they can.

Senator ROBERT RAY—Do not horrify me. In my view, if you sleep in the same bed, you do not double up on TA. We are getting into a horrible morass here.

Ms Mason—If one were to deduct the spouse or nominee entitlements from the staff travel budget then that would have the effect of penalising somebody who had a spouse or a nominee on their staff.

Senator ROBERT RAY—I do not know. I think we have lost our way here somewhere.

Ms Mason—I am just saying that there are different ways of viewing it.

Senator ROBERT RAY—I think the solution would be to amalgamate staff and nominee travel into one pool. Then you would never have to worry about it.

Senator Abetz—That then gets into global budgeting.

Senator ROBERT RAY—No. You know, Minister, I have supported many global budgets, not a global budget.

Senator Abetz—Many global budgets; all right.

Senator ROBERT RAY—I think there is a big distinction in accountability, frankly.

Senator Abetz—Of course.

Senator ROBERT RAY—One might be for travel, one might be for printing and communications. These are Remuneration Tribunal determinations.

Senator Abetz—And that one was not a government requested one either.

Senator ROBERT RAY—I might comment on it in our report, Chair. I think it is manifestly unfair that, for those MPs with partners, they do not employ them. We should look at that. But does that give us any problems with certain recent changes? We do not want to go into details of that and we have been over that ground, but would this be seen as lightening up? You have tightened up, Minister, in recommending that all reports be published or available, if you like, and you have to certify very strongly. This seems to be an overall weakening of the rules or is it meant to apply just to those who want to change their plans when they are overseas? That is, you might have gone overseas on an official delegation and suddenly you get a wire saying: ‘There’s a big conference at Wilton Park that you really should attend,’ and you want to divert your trip afterwards, which you had not planned on.

Senator Abetz—That is, in fact, what drew it to my attention. Being bipartisan, without mentioning names, in fact it was one of your colleagues who indicated to me that, prior to an overseas delegation that MP had sought to make contact with a country neighbouring the country he was to visit. That was unable to be done. Whilst he was overseas, he was able to make contact and a few extra days were added visiting the neighbouring country. Unfortunately, when he came back, seeking reimbursement, legitimately and quite

aboveboard, I had no discretion whatsoever to make a payment out of that capped entitlement for the MP. I thought it was desirable that in those circumstances—and I think the term ‘exceptional circumstances’ is used—that payment would then be allowed to be reimbursed to the particular MP.

Senator ROBERT RAY—And that is a discretion that lies with the minister. So if someone capriciously goes overseas and thinks that they will fix up the paperwork later, they will be awfully sorry?

Senator Abetz—Yes. The payment can be made in exceptional circumstances and with my approval. I thought that the case that was brought to my attention was such a case, and it seemed no real protection for the taxpayer or anybody else that the MP could not change his itinerary as, in fact, he did.

Senator ROBERT RAY—Thank you. That is all on that determination.

Senator FAULKNER—I saw a recent media item, Minister, that indicated that there were broader concerns—in fact, it was on the much discussed Crikey web site.

Senator Abetz—A great source!

Senator FAULKNER—Sometimes it is raised in these estimates committees. I do not want to go to the substance of this; I do not know at all about it. It goes to the question that has been dealt with before, which is the appropriate use of the charter entitlements and it is an important issue, as you know. I think you would acknowledge that.

Senator Abetz—Any entitlement should be used appropriately.

Senator FAULKNER—This is one that has received some attention in the public arena. Certain issues have been raised before at this estimates committee about use of the charter entitlement and they have also exercised your own department. What I want to be assured of in relation to this particular matter is that you are satisfied that members and senators—senators in the main, I stress—are aware of the appropriate and proper use of this entitlement. Are you satisfied that the guidance that has been provided is adequate and that we need not be concerned by the flagging of this issue yet again in the public arena? Although the guidelines are clear, there is a responsibility that also rests on you and the department to ensure that those who are entitled to access charter entitlements are aware of the guidelines. That is my question to you: have you satisfied yourself about that?

Senator Abetz—I have a funny feeling there might be supplementary questions to this.

Senator FAULKNER—I do not think there will be. It is a serious question about guidance to members of parliament—in this case, mainly senators.

Senator Abetz—I will accept the question on that basis.

Senator FAULKNER—You would have to answer it anyway, but I can assure you—

Senator Abetz—In general terms I am satisfied. However, if information were brought to my attention which would suggest otherwise, I would act upon it. At this stage I am not aware of any inappropriate accessing of that particular entitlement. If information were brought to my attention we could revisit it, but I trust that the handbook and guidance from the department is such that it is relatively clear. I am not aware of the crikey.com article.

Senator FAULKNER—There is one media outlet that is raising the issue of appropriate use of charter flights. But who knows? I know of no basis to such suggestions. That is not my point. My point is that we can be assured that senators are aware of the appropriate guidance and guidelines in relation to the use of entitlements. That is the key point here. These things are being raised in a way that does not identify individuals. I am not asking about individuals, and I do not intend to ask about individuals.

Senator Abetz—I do not even know the story.

Senator FAULKNER—I accept that, but I want to be assured that you are satisfied that, for those who have that entitlement, there is adequate and appropriate awareness of how the entitlement should be used.

Senator Abetz—That is a question about the potential behaviour of 74 or 76 individuals with respect to information that is provided to them—whether they read it and absorb it and whether office managers advise them as to what is or is not appropriate use. I cannot account for all of the senators but mistakes occur—I am willing to accept that people may misread or make a mistake—although I do not think any mistake has been brought to my attention. I cannot recall any issues where people have repaid or where there have been assertions—

Senator FAULKNER—Are you saying that to your knowledge the entitlement has been properly used and administered since those guidelines were issued?

Senator Abetz—That is right.

Senator FAULKNER—That is good. I am saying to you that, although no parliamentarians' names are mentioned, today on one media outlet we have a story about a suggested abuse of entitlement. I just want to be assured that, as much as possible, those who have the entitlement are aware of its proper use. That is obviously a responsibility for the member or senator concerned but responsibilities also fall to the department in ensuring this.

Senator Abetz—I think that is the case for all entitlements in relation to the charter. I will see what that article says and, on that basis, whether we need to do anything else in relation to that entitlement, but at this stage nothing has been brought to my attention.

Senator FAULKNER—If you are satisfied that it is well understood and properly used—

Senator Abetz—I cannot claim that it is well understood. What I can claim is that entitlement issues are put in the handbook and it is then the responsibility of each individual senator and member.

Senator FAULKNER—We also had a similar situation from the same source, which is today's *Crikey* web site, talking about backbencher travel. They are described in the sense as 'representing a minister', which of course does occur—

Senator ROBERT RAY—Properly.

Senator FAULKNER—Yes, properly. You would be aware of that, Minister—it does occur. Are those organised and paid for by home departments of ministers, which I assume is mainly the case, or is there any DOFA role in relation to backbenchers representing ministers? Is there a DOFA role there?

Senator Abetz—Mr Gavin may be able to assist.

Mr Gavin—When a senator or member travels representing a minister the arrangement is that the cost of the travel, such as the fares, is borne by the portfolio department in the same way as when a minister travels. But the travelling allowance is paid by ministerial and parliamentary services, in the same way we do for ministers.

Senator ROBERT RAY—If the Special Minister of State should travel every six months then once all the bills come in—I understand how slow that is—those figures are revealed by way of publication. If someone uses their study allowance or goes on an official overseas delegation, it is published in a second section. So what happens to those? It is very unlikely, I know, but let's say Mr Howard picks up the phone and says, 'Robert, I want to send you to so and so'—I think I know where—

Senator Abetz—Depending on the destination, he may well.

Senator ROBERT RAY—Exactly.

Senator FAULKNER—I am sure you would give it back with interest, don't worry.

Senator ROBERT RAY—What I really want to know, Mr Gavin is: where is the transparency? Everyone else—Senator Abetz or me, when I travel—has the details there. What happens to those other ones?

Mr Gavin—The travelling allowance is shown against the senator or member. It is listed and, as I recall, it shows the date. It would also show the clause of the determination, which is something like 10(c) or (d). In fact, when you go back that is the clause of the determination that says when a senator or member travels representing a minister or Presiding Officer then—

Senator FAULKNER—Can I interrupt you here. We are talking strictly overseas.

Mr Gavin—I did not understand—

Senator ROBERT RAY—I think Senator Abetz understood what I was saying.

Senator Abetz—No, I thought you were talking domestically as well.

Senator ROBERT RAY—No, I am only talking about overseas. I thought you were looking at me rather strangely when I was explaining what I was talking about it.

Mr Gavin—Overseas the whole cost is borne by Ministerial and Parliamentary Services. It is shown against the minister who is being represented.

Senator ROBERT RAY—But does it show who represented them and how much it cost?

Mr Gavin—Yes.

Senator ROBERT RAY—Do you have an example there?

Mr Gavin—I think I would have trouble. If anyone has the tabling document—it is usually against the Minister for Foreign Affairs. It is usually against the minister who otherwise travels a lot. It certainly used to be shown when parliamentary secretaries travelled.

Senator ROBERT RAY—I understand that.

Mr Gavin—It used to be shown against the minister, though.

Senator ROBERT RAY—You publish a list of officeholders' overseas travel expenses, starting with ministers, going to parliamentary secretaries, to the Presiding Officers and I think to the Leader of the Opposition. They all appear in that list by name, you get where they went and the amount and sometimes you even get whether VIP travel was involved. How do we find out what other individuals have travelled that way?

Mr Gavin—To the best of my understanding, it is on the page shown against the minister who is being represented. It is shown in the tabled document under the minister who is being represented.

Senator ROBERT RAY—But it does not indicate who represented them?

Mr Gavin—Yes, the name of the person representing is there as well.

Senator ROBERT RAY—So it is 'Senator Abetz, \$10,000 for overseas,' then as a subset of that—

Mr Gavin—It would have a footnote saying, 'This trip was undertaken by Senator ...'

Senator ROBERT RAY—Is that footnote on the same page or is it at the end?

Mr Gavin—It is shown in the table, it has the date and then in brackets it shows—

Senator ROBERT RAY—To help me, could you take this question on notice. For the year 2002-03, could I have a list of who represented ministers, where they went and at what cost?

Senator Abetz—Overseas.

Senator ROBERT RAY—Overseas, 2002-03, so all the bills should be in well and truly.

Mr Gavin—We will give you a copy of the pages.

Senator ROBERT RAY—That would be good.

Senator MURRAY—And for what function.

Mr Gavin—That is shown already in the tabled document. A colleague has brought to my attention the fact that I need to correct one thing I said which was not in answer to your question—that is, when a senator or member travels domestically representing a minister, if it is charter travel it is actually charged against their own charter budget.

Senator ROBERT RAY—We have been through all that representational role because the lurk in 1997, when you wanted to claim travel allowance from Sydney, was to represent a minister. Since then it has all been washed clean, which is great.

Senator MURRAY—I have a question on a small field—something I have been following up at all the estimates. The signing off of management reports at year end generally is a signal that someone is not happy for some reason and in the normal course you would expect that to be resolved within six months after year end by which time the query can be cleared. I have always been interested in where there are long-term unhappinesses and people continue to be unwilling to sign off their management reports. The question is: not for the most recent financial year but for the previous financial years are there any former members or senators who have still declined to sign off their accounts?

Senator Abetz—There are, but I think Mr Barnes can help you.

Mr Barnes—Yes, there are still outstanding certifications from the previous years and we have in place a program of follow-up to approach these people and ask them if they will forward their certifications.

Senator MURRAY—Are there going to be cases where you are just going to have to give up—almost like a write-off provision? Are there cases which you would regard as hard cases where people are just saying that they will not certify it for whatever reason?

Mr Barnes—Yes, Senator.

Senator MURRAY—Are you able to break your group into those two categories—hard cases and resolvable cases?

Mr Barnes—I think the answer would be that there are some who have simply not forwarded the certifications. Their reasons have sometimes been stated—they may be issues regarding queries on the veracity of elements of the report. They are few. The others have simply not been forwarded.

Senator Abetz—Can I assist, Senator Murray? I hope this is of assistance. There is a table in front of me. You asked a question on 10 January 2004.

Senator MURRAY—Yes, and I am seeing if there is an update.

Senator Abetz—Yes, and I am just about to give you that update. For the financial year 1999-2000 the answer was that there were 10 not certified. As at 18 May that still remains 10, so there has been no movement there. For 2000-01 the answer was that there were 21 not certified; that has reduced to 19. For the financial year 2001-02 the answer was that there were 28 not certified; that has reduced to 23. For 2002-03 there were 94 not certified; that has reduced to 71.

Senator MURRAY—Thank you. That is of assistance. My interest, Minister and Mr Barnes, is this: where people have legitimate concerns, I think it is fair enough whether or not you regard them as valid. If they regard them as valid that is a reasonable approach for them to take—they want satisfaction before they will sign off. I am concerned with those who do not sign off and who have left the parliament. I would seek to ascertain from the department whether, now that the new processes have been introduced—and they are much improved processes; my compliments to the department—future instances of people who have left the parliament simply refusing to certify and sign off on their accounts will no longer occur, or if they do occur whether there is some means of penalising the people concerned.

Mr Barnes—The difficulty with the situation is that there is no compulsion for certification. On that basis there is no authority for us to follow up.

Senator MURRAY—I am thinking of an age-old contractual device which the minister would recognise and that is just withholding final payments until matters are certified. I would be interested as to whether if at the end of a parliamentarian's period of service—and that is about to happen for a number of parliamentarians with the coming election—it is legal or feasible for a certain payment to be withheld from a parliamentarian until such time as the final accounts are certified. You can take this on notice because I am not sure you can answer across the floor.

Senator Abetz—We can have a look at that. Just off the top of my head, most of them are charged to the department—be it the lease on your car, your petrol card, your office rent, your airfares, your telephone—

Senator MURRAY—I am thinking of travel allowances, for instance—the sorts of things which may be outstanding.

Senator Abetz—Travel allowance is one that I had not thought of. I suppose that would be about the only one. We will have a look at that. There is no capacity to force them, as I understand it—

Senator MURRAY—I understand. I am looking for a device, really.

Senator Abetz—so to withhold moneys on the basis of some other unrelated matter that is not legally enforceable anyway—

Senator MURRAY—That is why I would like you to—

Senator Abetz—would mean that the former member or senator could then sue the department and incur the department legal costs, which the department could not defend, as to why the payment had not been made.

Dr Watt—I think we have had that problem confirmed.

Senator Abetz—We have just had that confirmed. We can give you a considered answer rather than one just off the top of my head.

Senator MURRAY—You would agree with me, I am sure, Minister, that the certification of parliamentarians' management reports is an essential accountability and accounting step. In that respect, I think we all need to ensure that, where they are not genuine complaints—and I do not have a problem with that—we find a means to ensure that people meet their responsibilities. So if you have some further thoughts I think the committee would be interested.

Senator Abetz—We will take that on notice and give that consideration.

Senator MURRAY—Thank you.

Senator ROBERT RAY—While we are on the subject of certification, Ms Mason, I have had some contact with the department on this. I was told that a letter was going to be sent to me on Tuesday last week, I think. If it has been, it has probably missed me by going to Canberra first and then to Melbourne. It is probably there rather than here. I do not often get antsy with department certification and documentation, but there has been a change here. When we get the monthly report we, as members of parliament, are now asked to sign and attest to the accuracy of that report. How can I attest to the accuracy of the phone charges when I have not been sent a phone bill to check it off? How can I know that the newsagent has accurately charged the department for the newspapers I get?

It used to be, especially with the six-monthly ones—and maybe even the monthly ones, I cannot recall—that we had to sign to affirm that all these accounts were used within entitlements. I did that very readily, but I really have hesitated—I have not done it yet for the last month—to sign off on something when I have no idea whether it is accurate or not. That is my problem. I do not even know whether the cleaning bill for my office, which you now

include in the report, is accurate. How can I know? I think a lot of members are just signing them off to get rid of the bureaucracy and maybe they are signing their life away because they may be totally inaccurate. Sorry about the long preliminary, but I thought I would lay it all out.

Senator MURRAY—That is a good point.

Ms Mason—The enhanced certification was and is part of the department's desire to improve its administration of entitlements. I am aware that you have raised some issues in relation to that certification, Senator Ray. Those are being looked at. You have not yet been sent a letter, but I think the points that you raise about requesting certification in relation to amounts that are not within your knowledge are worthy of scrutiny and consideration, and that is being done at the moment.

Senator ROBERT RAY—I am very pleased. I think all MPs would like to sign off that they have used their entitlements legally and properly. This is not a criticism of you. I have said on the public record here that those monthly reports are getting better and better, and they are of great assistance in the management of your parliamentary life. So I think that everything is going forward. That was just my one problem.

Ms Mason—We certainly do have a continuous improvement program. We have been trying to get more information out to senators and members by way of circular. We have been trying to improve the certifications, and there are a number of things happening in the business improvement program. All of these things seek to improve the administration of entitlements. But if there are issues in the implementation of them then naturally we will take those into account. If modifications need to be made then we will look at doing that.

Senator ROBERT RAY—I have no further questions on MAPS.

Senator FAULKNER—I wanted to check something.

Senator Abetz—Does Senator Ray speak on your behalf?

Senator ROBERT RAY—We will put a question on notice. We were discussing whether we would ask for details here, but we may give it to you on notice now rather than give written notice.

Senator FAULKNER—One of the things that the document 'Government personal staff as of 1 May 2004' does not include are the special classifications, personal classifications, the special adviser classifications and so forth. Could you provide those not just for government but for opposition, minor party and other parliamentarians not affiliated with a major political party?

Senator ROBERT RAY—Having taken it on notice—and I notice one of the staff has already got it there—if we can have it now, that would be great, if we promise not to ask any questions on it!

Ms Mason—We are aware you normally ask about these matters, and we do have material prepared. If I could also try to take another question off those that are currently listed on notice, you asked earlier about the approval of travel for staff with the Government Members Secretariat. I talked about what the usual arrangements would be for a senator or member to approve that travel. I omitted to say that it could also be an authorised person.

Senator ROBERT RAY—I knew that.

Ms Mason—I was just being complete in my answer. In the case of the GMS, it is Mr Lloyd or Mr Wheeler, as the authorised person. I am informed, in checking who has been approving travel, that it has indeed been Mr Wheeler.

Senator ROBERT RAY—The senior adviser.

Senator Abetz—Can I provide what I assume may be assistance? I have not read the article to which Senator Faulkner referred in relation to travel. It had been indicated to me by somebody what the story may have been referring to, but I have just been handed something which indicates that that is not what the story was referring to, so my helpful information would not assist.

Senator FAULKNER—So you do not have something to add to that.

Senator Abetz—No, I do not. It had been suggested to me that the story was that somehow charter was being used to add on to people's domestic entitlements. Of course, the domestic entitlement is unlimited, so that did not jell. But the story seems to be different to that.

Senator FAULKNER—But in neither case—in neither press article—do we have any names mentioned. My concern goes, obviously, to the administration of these entitlements. If there is a suggestion that someone might be doing something wrong in the future, it is best for us to ensure that that does not happen. I much prefer people to get the appropriate advice at the appropriate time so we do not have to concern ourselves with mopping up after the event. That is the point of it. That was the charter entitlement. On the other matter of the question of representation of ministers, we have had a very extensive briefing from Mr Gavin and others, including unnamed others, in relation to the level of transparency that relates to that particular entitlement.

Dr Watt—Chair, is that it for the Department of Finance and Administration?

CHAIR—That is it, Dr Watt.

Senator ROBERT RAY—You can stay for the Governor-General's office if you want to, but I would not.

Dr Watt—I would have very little to contribute, Senator.

CHAIR—Thank you, Minister, and thank you, Dr Watt. We will have a five-minute break and then go on to the Australian Electoral Commission.

[5.01 p.m.]

Australian Electoral Commission

CHAIR—There are no questions for the Commonwealth Grants Commission. We will now move on to the Australian Electoral Commission. Welcome, Mr Becker and officers from the Australian Electoral Commission. We will commence with general questions.

Senator FAULKNER—Mr Becker, I read an article in the *Australian Financial Review* entitled 'Bombshell at the ballot box'. Did you see that? It was a major article that basically indicated concerns that staff of the AEC had about the collapse of electoral integrity and impacts on the election and what is happening at the AEC. I suppose, more broadly, concerns

about disruption to the election would be uppermost in your mind at this point of the political cycle, wouldn't they?

Mr Becker—I would not see disruption from the staff point of view as being an issue for us.

Senator FAULKNER—But there are staff problems, and we have flagged and will go through in some detail some suggestion that there also might be, because of a range of concerns, a disruption to the election. You are saying that disruption to the election is not a risk?

Mr Becker—There is always a risk, but I think it is a minimal risk. If we are talking about industrial action or anything like that, then I think that is highly unlikely. My people are very professional. In fact, the CPSU itself has said that they would not even contemplate advising any industrial action during the election period.

Senator FAULKNER—It is not the staff so much as systems breakdown and the like. That is the impact, isn't it?

Mr Becker—I am not too sure just what you mean by the systems breaking down, Senator. The systems are very robust.

Senator FAULKNER—Let us go through it in some detail. What is the current situation in relation to the certified agreement at the AEC? Would you give the committee a brief update of where we find ourselves at this time?

Mr Becker—At this stage we have submitted to DEWR the proposal for a certified agreement that we would like to put to staff as an LJ agreement not an LK agreement. We have had a response from DEWR to that. They have a few concerns about it because it does not fit neatly into the guidelines for a certified agreement. We are now trying to take it one step further to find out exactly what it is we need to do to ameliorate that situation. Of course, AWAs are always available to staff if they wish to avail themselves of that, and 40 per cent of our staff have already done so. That is about where it sits at the moment. By early next week we hope to have some clearer idea as to where we are going so that we can get back to staff with something concrete.

Senator FAULKNER—We have a situation where the Department of Employment and Workplace Relations knocked back your certified agreement. Is that correct?

Ms Davis—The department has not formally knocked back the certified agreement at this stage. There is a process whereby you formally submit. This is informal advice at this stage in terms of their view as to whether it meets the policy parameters. We have had a series of ongoing discussions with them about their view. The department's initial informal view was that what we were proposing did not meet the policy parameters. That is still under deliberation.

Senator FAULKNER—What is the status of that advice? Is it written advice?

Ms Davis—Yes.

Senator FAULKNER—Could you provide a copy of that written advice to the committee please?

Ms Davis—Yes, I can provide that.

Senator FAULKNER—Is it written advice that the draft certified agreement does not meet DEWR's policy parameters?

Ms Davis—At this stage, yes.

Senator FAULKNER—In what area?

Ms Davis—The advice from DEWR is that they feel that the pay increase that is being proposed as part of the package is above average, across the APS, and that there are no significant productivity improvements included in our proposed package. There is another concern about the up-front nature of one of the payments proposed in the package. That is the view that they have presented to us at this time.

Senator FAULKNER—Do you accept those views?

Ms Davis—No, we have a different view. While we can understand DEWR's interpretation of the pay rise, our view is that our staff have not had a pay increase since July 2002. We believe that the average pay rise should be calculated from July 2003 rather than when the agreement would be certified, which is probably at least a year after July 2003. We feel that the other productivity improvements included in the agreement are quite significant, so we have been discussing these issues with them.

Senator FAULKNER—Do you think you are winning the battle?

Ms Davis—I am not quite sure at this stage; I do not know that we are. We have been in contact with our staff and with staff representatives about this and we are just having to work through it.

Senator FAULKNER—Would it be possible to table that DEWR document? You may not have it with you.

Ms Davis—I do not have it with me.

Senator FAULKNER—If it could be provided to the committee as soon as you have it available, I would appreciate it and I am sure others would, too.

Ms Davis—Yes, I can try to organise that.

Senator FAULKNER—Minister, have you had any involvement with the AEC in pursuing the issue of the certified agreement?

Senator Abetz—Inasmuch as they have briefed me on the matter. I have not provided any guidance or advice, but I have been briefed.

Senator FAULKNER—You have been kept fully apprised of the situation.

Senator Abetz—Yes.

Senator FAULKNER—Would it be right to say that having the certified agreement outstanding in this sensitive period of the political cycle—obviously, in the lead-up to the election—is pretty problematic? Would you say that, Mr Becker?

Mr Becker—No, I would not. Our real concern is for the staff and in trying to get the best deal for them. I do not believe that our staff will create a problem for us because of the

certified agreement. It is more likely that they will act out the role as they always have and they will do it to the best of their ability. You also have to remember that they would miss out on quite a bit of overtime, election allowances and those sorts of things, so I do not see it as being problematic at all.

Senator FAULKNER—Is this about backdated pay increases? Is that what Ms Davis was saying to us?

Mr Becker—That is how they are reading it, yes.

Senator FAULKNER—They being DEWR?

Mr Becker—Yes.

Mr Dacey—We commenced negotiations in relation to our new certified agreement back in October 2002, so it is not something that we have left until this late stage. It has been a rather protracted issue in finally reaching agreement, which we did, with the union and the staff representatives as to the format in which we could put out a proposed certified agreement.

Senator FAULKNER—What proportion of the staff are on AWAs?

Mr Becker—About 40 per cent.

Senator FAULKNER—I was informed—it may not be accurate—that backdated pay increases were provided to staff on AWAs. Is that right?

Mr Becker—That is true. They were individual negotiations between me and the staff member.

Senator FAULKNER—Were they of a similar nature?

Mr Becker—It was just back pay. The net effect was they got their first three per cent from 1 July last year.

Senator FAULKNER—But we are talking about similar quantum for the certified agreement.

Mr Becker—Absolutely identical to what would otherwise be the case.

Senator FAULKNER—Identical with the certified agreement.

Mr Becker—If we had started a certified agreement on 1 July last year, the pay increase would have been identical to that which was given to the people who opted for the AWA.

Senator FAULKNER—So this is a three-year period we are talking about, isn't it or is it?

Mr Becker—We have extended it to three years purely and simply because we are looking for a productivity offset. We have had the productivity offsets ostensibly removed that we had there originally, so consequently we believe that if we went to a three-year agreement then at least we have got some view as to how things are going to pan out in the next few years which would have results in terms of productivity. There is the possibility that the intelligent character recognition might have clicked in by then also providing productivity offsets. It is not as though by going to a three-year term that we are trying to make it hard for our staff—we are not; we are trying to make sure that we get the actual certified agreement up as an LJ agreement.

Senator FAULKNER—I think you are saying to the committee, but correct me if I am wrong, that staff on AWAs—all of whom are probably doing exactly the same job—have been given 15 per cent pay rises over three years when the certified agreement has been, if not knocked back, at least disputed by the Department of Employment and Workplace Relations for the same pay increase.

Mr Becker—No, not quite. The pay increase that was offered to the AWAs was three per cent in the first year and 3½ per cent in the second year—a two-year agreement for the AWAs. We have only recently gone back to the staff representative and said, ‘If you agree to extend it to three years, we will agree to going to a four per cent, 4½ per cent out year pay increase.’ So they will get the three per cent, 3½ per cent, the four per cent and 4½ per cent, which according to DEWR—and they are correct—if it applies over three years, then it is going to be around about five per cent per annum, which is above the APS average.

Senator FAULKNER—I suppose there have been pay rises and bonuses for the senior executives at the AEC during this time.

Mr Becker—Yes. Last year there were, but they are annual bonuses. That is under a workplace agreement: that has got nothing to do with the CA—certified agreement.

Senator FAULKNER—I know that, but surely this leads to a situation where logically you would have a pretty significant morale problem in the AEC.

Mr Becker—Of course there is.

Senator FAULKNER—The people on AWAs are fixed up—backdated pay increases. There are pay rises and bonuses for the senior executive staff but for the majority of those who work at the AEC, nothing.

Mr Becker—We are very mindful of that.

Senator FAULKNER—Doesn’t that lead to a major morale problem in the AEC?

Mr Becker—It does lead to a morale problem, but you are saying does that then translate into a risk—

Senator FAULKNER—I am not actually saying anything; I am actually asking questions.

Mr Becker—You asked me earlier: doesn’t that translate into something which is problematic for the AEC? I am saying: I do not believe it does.

Senator FAULKNER—You are saying there are morale problems.

Mr Becker—Yes.

Senator FAULKNER—But that is not a problem. I do not understand.

Mr Becker—It is a problem, but you mentioned the election cycle that we are coming into and asked if that was problematic. I said, ‘No, I don’t believe it is because I believe our people are too professional for that.’ Yes, they do deserve a pay increase. Yes, it would be nice to resolve it, but I have no magic wand, I am afraid.

Senator FAULKNER—Is there potential for industrial action?

Mr Becker—As I said earlier—there is always potential for it—I do not believe that there would be industrial action to disrupt the election.

Senator FAULKNER—There has been some pretty bad publicity for the AEC of late. You must have been very disappointed in that feature article in the *Australian Financial Review*, ‘Bombshell at the ballot box’.

Mr Becker—That is a superheated article—there is no doubt about that.

Senator Abetz—I think we all suffer from disappointing headlines. I am not sure that is necessarily—

Senator FAULKNER—Most of us, fortunately, do not suffer from as many as you do, Minister.

Senator Abetz—Senator Faulkner, I am not sure that that is the case. Having been awarded certain prizes at your New South Wales state conferences for the most hysterical outburst, I do not think you are able to make that assertion.

CHAIR—Order! I know something about bad headlines myself. Just carry on.

Senator Abetz—It is a pity *Hansard* does not record the colour of his face!

Senator BRANDIS—You could read it into the record!

Senator FAULKNER—That’s right. We are entitled to laugh, surely. Mr Becker, what about overseas travel by senior AEC executives and members of the commission? Can you give us a little bit of an indication, say, from 1 January 2003, of what overseas travel of members of the commission and senior executives of the AEC we have had?

Mr Becker—I think we would probably have to take that on notice.

Ms Davis—We may be able to respond in a moment. We are just looking up some figures here. Sorry, we will not be able to tell you today. Can we take that on notice?

Senator FAULKNER—If you would take it on notice, I would appreciate it. I would like the costs of that overseas travel. What are your accounting arrangements? They are probably done on a financial year basis?

Ms Davis—Yes.

Senator FAULKNER—Why don’t we make it easier for you and say from 1 July 2003? Would that be easier in terms of providing that answer to the committee?

Ms Davis—Yes.

Mr Dacey—As a clarification, it is quite possible that a significant amount of that travel may not have been AEC funded. It may have been through AusAID funded projects. Do you want AEC funded travel?

Senator FAULKNER—Yes, just AEC funded travel, thanks.

Mr Becker—Just overseas, too?

Senator FAULKNER—Yes, just overseas travel—just so that we can get a feel for the travel by the senior AEC executives or members of the commission. That would be useful. If you could provide the detail of the dates, destinations, costs and the like, that would be helpful. I would appreciate that very much. I think it would be useful for the committee if you

were able just to give us a brief indication of how you believe things are looking in terms of preparation for the election which is due in the comparatively near future.

Mr Pickering—We have all our nationally managed contracts in place already. Our cardboard polling place equipment has been manufactured and is in storage. We have contracts in place in all states for the printing of ballot papers. Our polling places have been identified, and we are currently undertaking inspections of those premises. We will be providing for candidates a list of those polling places plus their entrances, which may assist them. We are doing something new this election too in that we are providing the Department of Foreign Affairs and Trade with PDF images of ballot papers, GVT posters and the like for use in the unlikely event that freight is slow getting to our overseas posts. That should mean our overseas voters are serviced better than they have been in the past. We also have Headquarters Australian Theatre lined up for postal voting services for our Australian Defence Force personnel who are located overseas in the Pacific, the Middle East, East Timor or on warships. That, in a nutshell, gives you the overview of the preparation.

Senator FAULKNER—What about the pre-booking of polling places? When does the commission start to turn its mind to that?

Mr Dacey—We have just about finalised the identification of the 7½ thousand premises we need, but of course you cannot prebook until we have a date. So it is often the case that at the last minute we may need to change the location of some polling places if the premises are not available.

Senator FAULKNER—Were you informed of a story on the ABC radio a couple of weeks ago that the AEC had booked a school hall for Saturday, 7 August? Was that drawn to your attention?

Mr Becker—I am not aware of it.

Senator FAULKNER—I did not hear it myself but a couple of my constituents drew it to my attention. They thought it was significant.

Mr Dacey—It was certainly on no say-so of mine.

Senator FAULKNER—I promised people faithfully that I would raise it with you, Mr Becker. So I have fulfilled that obligation.

Mr Becker—The only thing I can think of is that every polling place is being inspected. Perhaps during the inspection somebody might have got the view that that might have been the case.

Senator FAULKNER—I have not been aware of any provisional booking type approach that the commission has entered into historically. I do not believe that is the case. Can you correct me if that is not the case?

Mr Becker—No, it is not the case.

Senator FAULKNER—As you know, we currently have legislation before the parliament which in part includes proposals to change enrolment procedures—to effectively close the rolls when the writs are issued. Can you indicate what provisional plans the AEC has for any

enrolment campaign before the issue of the writs? If you do have such plans, what is the scale of them? Will this legislation before the parliament have an impact on any of those plans?

Mr Becker—I will ask Mr Brien Hallett to respond to that.

Mr Hallett—Ever since this legislation was foreshadowed we have developed a communication plan that basically relies on press advertising and public relations to make sure that Australians are fully informed were such changes to proceed. The latest costing was a little bit less than \$1 million. Obviously, we are waiting for the outcome in the parliament.

Mr Dacey—We are still proceeding with our plans for the advertising in that week of close of rolls—the current close of rolls period—if the situation remains as it is now. Those plans are in place.

Senator FAULKNER—Any such enrolment campaign would commence after the issue of the writs, would it?

Mr Hallett—Yes. Under the current arrangements, were the writs to be issued tomorrow for a hypothetical election we would run a week-long enrolment campaign as we have done for previous elections. When this current legislation was first foreshadowed we developed plans in case the situation changed. You may be aware that there was some discussion that this may have been an issue before the last federal election so we certainly had a plan ready in case we needed to inform Australians that the situation had changed. That plan has basically been sitting on ice, so to speak, but it basically involves the use of press and public relations.

Senator FAULKNER—You are saying that you have two options covered.

Mr Hallett—That is correct.

Senator FAULKNER—In other words, the option of the existing legislative situation remaining in place and the option of the legislation before the parliament getting through and the law changing are both covered.

Mr Hallett—That is correct, Senator.

Senator FAULKNER—If the legislation were to pass what is the current estimate of the number of people who would be impacted—both new enrolees who would not be able to be placed on the roll and those who are currently on the roll who would not be able to enrol in the proper electorate?

Mr Hallett—I believe that is a calculation we have not done as such but if we go back to the transaction figures for the last election we do know that we received more than 300,000 enrolment cards in that week-long period, of which more than 60,000 were new enrolments. I have had this question posed to me by members of press, and I have said to them that while we have not speculated on how many people may be affected we can look at the transactions at the last election or previous elections.

Senator FAULKNER—I think that is a very reasonable way to answer the question that I have asked. I have heard those figures that you have given. Are you able to be precise in those figures. I accept that they are thereabouts—300,000 and 60,000. Do you have precise figures?

Mr Hallett—I have, but not with me. I could take that on notice and they could easily be provided.

Senator FAULKNER—But it is close to those figures.

Mr Hallett—Yes, definitely. I think the figure was 69,000 new enrolments and around 350,000 or 360,000 transactions—that is, cards processed.

Mr Dacey—I think it has been around that figure for the last two or three elections, but we can provide that information.

Senator FAULKNER—It has been a pretty standard figure. Mr Becker, if the legislation before the parliament is passed, would you expect that would mean that in the order of 69,000 to 70,000 new enrollees would not have the opportunity to enrol and that the balance of 280,000-odd people would not have an opportunity to change their enrolment to their most recent place of address? In other words, would you expect to see the pattern that existed in recent elections repeated in this election?

Mr Becker—Not necessarily. It largely depends on how much time we have between the passage of the legislation and the calling of the election. If we do have time, we will be letting people know that they should not dawdle about this and get their name on the roll. We would probably be running a fairly significant campaign up to the time. I would not like to try to put a figure on the number of people who could otherwise miss out.

Senator FAULKNER—But isn't it true that most people accept that what jogs people's memories in this is the actual calling of an election. Isn't that true? Let's be honest. You accept that, don't you?

Mr Becker—Yes, the clan cards come off the fridge.

Senator FAULKNER—Yes, so you accept that.

Mr Hallett—I should add that, while we have said on a number of occasions that—you are quite right—the election is a catalyst for action, we are trying to take advantage in the current climate of the fact that we know an election has to be held either later this year or early next year. We have a large CRU mail-out that is about to hit letterboxes. We have commenced today with some public relations activities and tomorrow with some advertising, to let people know that there is election speculation out there and we want you to do it now and not wait until the election—particularly, if you get a letter from us, please do not put it on the fridge.

Senator FAULKNER—Good luck.

Mr Hallett—And as the minister quite rightly says, it is also a requirement to do it.

Senator FAULKNER—Yes, but good luck.

Mr Hallett—We will be able to report back to this committee as to how that went.

Senator FAULKNER—But we know, don't we, Mr Hallett, that it is the calling of the election that really jogs people's memories and gets them going.

Mr Hallett—Our experience to date has shown that the election is the major catalyst. Certainly, various activities we have tried over the years have had varying degrees of success. Hopefully, this activity will be met with a better response.

Senator MURRAY—I think there are half a million Australians who avoid getting themselves on the roll anyway. I would like you view on how these current efforts of yours

are going to reach into that body of people. What we are discussing now is those people who will react positively. But as we know from the JSCM report and your evidence to that committee, there is a very substantial number of Australians who just do not want to be on the roll at all. Perhaps you would add that to your answers.

Mr Hallett—One of the things I can add is that this mail-out is targeting addresses where we have not had any activity for two years—places where we might have people who are lying low, so to speak, or have overlooked it for a long time. They do have a responsibility to participate.

Senator Abetz—I also indicate for the record that the legislation that has been proposed would allow for people who are on the roll but want to change their particulars to not be cut off at 6 p.m. on the day the election is called. If I recall correctly, they would be given three days—hence the assertion that somehow there might be 60,000 new people and 280,000 who want to change their particulars being denied any access. The 280,000 would, of course, have three days, but there is a requirement under the current Commonwealth Electoral Act—and somebody will correct me if I am wrong, I am sure—that you update your details within one month. There are provisions in the Electoral Act which are there, which because of the seven days now allows people to simply ignore other provisions of the Electoral Act, and continuous advertising is seen by the government as an appropriate way to go. I would not want the figures that have just been asserted as being the basis of some headline or misreporting in the media, as there has been already on this issue.

Senator FAULKNER—We all know that the enrolment numbers show the greater proportion of the 300,000 enrolled in the last three to four days of the week after the writs were issued. So it is a very significant spike. Today's *Bulletin* magazine talks about a proposal for funding a new health card, to be known as HealthConnect, which would serve as a trial for implementing some sort of new identity card. I do not know whether the article is well sourced—it seems to be, but that is neither here nor there—but, given that the electoral roll is widely acknowledged as the best database of names and addresses in Australia, and given your systems for updating your database, has the AEC been involved in discussions about some sort of national ID card or a wider use of a national ID database?

Mr Dacey—No, not at this stage. We have been involved in interagency discussions with respect to identity fraud but, to my knowledge, there has been no discussion specifically about this particular health card. I have not seen the article. One of our officers is out just at the moment. He may be able to confirm that, but I am certainly not aware.

Senator FAULKNER—This is a *Bulletin* article, published today, and headed 'The advance Australia card'. I do not know a great deal about it and, because I have been in estimates, I have not had a great deal of time to concentrate on it. My only question goes to whether you, the AEC, have had any involvement in discussions.

Mr Dacey—Certainly not to our knowledge.

Senator FAULKNER—I want to ask you about another matter under section 93A(8)(b) of the act. Prisoners serving a sentence of greater than five years are not entitled to have their name placed on or retained on any roll or vote in a federal election. You are aware of that

provision, of course, Mr Becker. Could you or one of your officers very briefly outline the steps taken by the AEC to ensure that such prisoners are taken off the roll?

Mr Dacey—Our state managers liaise with the Controller of Prisons or with Corrective Services, whatever the proper title, in each state. They are required to forward to us a list of those persons who would be ineligible because of that subsection of the act.

Senator FAULKNER—After a person has served a sentence of that length, does the prisoner have to re-enrol or are they automatically placed back on the roll?

Mr Dacey—They have to re-enrol. It is up to the prisoner to take that step to re-enrol.

Senator FAULKNER—Have you had any contact with the various corrective services agencies through your state divisions about advice released prisoners are given in relation to enrolment? Do you know whether any proactive steps are taken?

Mr Dacey—No, I do not. I am not aware of any, but I can take that on notice.

Senator FAULKNER—Would you mind just checking for us, on notice, whether there are any?

Mr Dacey—Yes, we will.

Senator FAULKNER—It is not an urgent thing.

Mr Dacey—We will let you know, Senator.

Senator FAULKNER—It is not a matter that I was keen to have an answer to tonight, but it is an issue. As the shadow minister responsible for this area, I have had certain approaches from persons indicating that they either are or know prisoners who finished a prison term a considerable time ago believing that they are ineligible for enrolment or, in other words, that it is a permanent condition, if you like. I do not know how widespread that is; I do not know whether it is just one or two individual problems. But I am just interested as to whether any efforts were made in that area, given our broad and important efforts to ensure as many eligible people as possible have their names on the roll. Could I also ask whether the AEC has received any complaints alleging a breach of the section 326 bribery provisions in relation to Professor Flint?

Mr Dacey—Yes, we have.

Senator FAULKNER—Could you detail those for the benefit of the committee?

Mr Dacey—We have a complaint in relation to a possible offence under 326 in relation to that affair. We have now considered that complaint, and we advised the complainant today that the AEC's view, on advice from DPP, is that there is no offence disclosed.

Senator FAULKNER—So that matter has now been concluded as far as the AEC is concerned.

Mr Dacey—That is correct. On the information that we were provided by the complainant, that matter has been concluded.

Senator FAULKNER—So you did have a complaint lodged with you. I do not think I need to ask who the complainant was; I will not ask who the complainant was. As a result of that complaint being lodged, you sought advice from the DPP, did you?

Mr Dacey—We did.

Senator FAULKNER—Is that standard operating procedure for you?

Mr Dacey—Unless we have sufficient precedent or previous advisings but, in those sorts of cases—particularly in relation to 326, where there is certainly a dearth of precedent—it is our usual practice to consult with DPP.

Senator FAULKNER—Are you able to indicate briefly what the nature of the complaint was? I do not want to go to the complainant, but we know it is under section 326. They are the bribery provisions. That is right, isn't it?

Mr Dacey—They are, Senator. I would rather not go into the detail of the nature of the complaints. I would rather that be between the complainant and us at this stage.

Senator FAULKNER—All right. I suppose it is something that we can revisit at a later stage. Can you indicate to us when the complaint was lodged?

Mr Dacey—Off the top of my head, no.

Senator FAULKNER—I assumed it was sometime after all the publicity.

Mr Dacey—It was a couple of weeks ago. Off the top of my head, I cannot give you the exact date.

Senator FAULKNER—You seem to have dealt with this matter pretty quickly.

Mr Dacey—We try as best we can. Certainly, as we head into an election and we get more of these sorts of complaints under 326, 328 and 329, we have arrangements with DPP where, if we need to consult with them, we turn them around as fast as we can.

Senator FAULKNER—Did you seek any other advices before referring this to the DPP?

Mr Dacey—This particular matter?

Senator FAULKNER—Yes.

Mr Dacey—No we did not. We only looked at what we have on record internally in relation to similar issues.

Senator FAULKNER—I want to ask some questions relating to the funding and disclosure area. Ms Mitchell, these are largely in your area. For some time you have basically done a checklist of the major matters which the AEC is investigating, which has been helpful for the committee. Do you mind quickly giving us a brief status report on those matters, or any others that have been added to your priority list? If we do this in a similar way to how we have done it in previous estimates rounds, I suspect we will save an awful lot of time.

Ms Mitchell—The same six issues are still under consideration. We have not finalised any of them yet. They are progressing at different rates, however there are two matters that we feel are very close to conclusion—the two Liberal Party Queensland FEC matters. Today we received some more information on those matters which appears to get us to a stage where we can make our final considerations and come to a conclusion on those matters. I am hoping that, as we have foreshadowed before, we will be able to put those advices up on the web site in the not too distant future. We can also provide a copy of that to the committee.

Senator FAULKNER—For the sake of the record it is probably useful for you to identify the six issues. I know what they are, but it is important to identify them.

Ms Mitchell—There are two matters in relation to a complaint concerning the Liberal Party Ryan FEC in Queensland. These relate to the matter of a loan and Mr Michael Johnson. The other matter relates to the Liberal Party Bowman FEC. It relates to a gift in kind of office space to Mr Andrew Laming.

Senator FAULKNER—They are the two that are nearing conclusion?

Ms Mitchell—They are the two that are nearing conclusion.

Senator FAULKNER—And then we have the other four.

Ms Mitchell—There are two issues where we are looking at whether or not the organisations are associated entities—that is, Australians for Honest Politics and A Fair Go Alliance. They are still under consideration, as are the two issues in relation to commentary around donations made to the New South Wales Liberal Party and Mr Ruddock's campaign and the commentary around donations made to the South Australian ALP via a raffle organised by Senator Bolkus.

Senator FAULKNER—I do not want to go into most of these in great detail but, in relation to Australians for Honest Politics, has the AEC received advice on its formal investigation power?

Ms Mitchell—As a result of both of the matters relating to possible associated entities, since the last Senate estimates the AEC has given some detailed consideration to the precise nature of the extent of its powers under section 316, particularly subsection (3A). A submission was made to the commission—as in the three-person body—and as a result of that submission the AEC sought legal advice. A further submission was made to the commission and as a result of the two submissions and the legal advice the commission has now issued written guidelines to the authorised officers who are exercising the powers under section 316.

Senator FAULKNER—To put it into my layman's language, does that mean that the AEC is now using its section 316 power?

Ms Mitchell—In relation to these two matters, yes. That was delayed pending the commission providing the written guidelines.

Senator FAULKNER—I am not quite sure what you mean by the two matters.

Ms Mitchell—The Fair Go Alliance and the Australians for Honest Politics, because they are both possible associated entities.

Senator FAULKNER—So your advices went to both those?

Ms Mitchell—Yes.

Senator FAULKNER—Has the AEC issued any notices to produce documents?

Ms Mitchell—Yes, in both cases.

Senator FAULKNER—Are you able to say to whom?

Ms Mitchell—I would prefer not to.

Senator FAULKNER—Can you explain why?

Ms Mitchell—The notices have only recently been issued and I am not sure whether the people to whom they were issued have received them yet. I would prefer them to find out by receiving the letter first, rather than by comments made at Senate estimates.

Senator FAULKNER—Is there a time limit in pursuing these matters?

Ms Mitchell—There are time limits in pursuing these matters.

Senator FAULKNER—We are effectively faced with the statute of limitations here.

Ms Mitchell—In response I would have to say that, yes, to prosecute any matters, we are faced with the statute of limitations. But that does not prevent the AEC from pursuing matters, coming to a conclusion on those matters, publishing that conclusion and seeking voluntary compliance. That is process we are following at this stage anyway. Even if we run out of time to prosecute, and on some of these issues we have run out of time to prosecute, we would still seek voluntary compliance with the provisions of the legislation.

Senator FAULKNER—What are the timing considerations in relation to the Australians for Honest Politics organisation?

Ms Mitchell—We are past the time to prosecute on those. The organisation existed from August 1998 to July 2000, which would mean that should they be determined to be an associated entity they would have to have lodged returns for the financial years 1998-99 and 1999-2000. The due dates for those returns would have been October 1999 and October 2000. Given that we have a three-year period in which to prosecute we would have had to commence prosecutions, for the second return anyway, by October last year.

Senator FAULKNER—The offences here can be quite serious. They are under the Electoral Act and also under the Criminal Code Act. That is true, isn't it? I am not saying they are, but they can be quite serious.

Ms Mitchell—They can be.

Senator FAULKNER—But time has passed us by.

Ms Mitchell—Time has passed us by but, as I said, that does not prevent the AEC from looking into these matters, coming to conclusions and seeking voluntary compliance. That would still be the course of action that we would follow.

Mr Dacey—And, as we have indicated, publishing our reasons for coming to those conclusions as well.

Senator FAULKNER—But I think in this circumstance the committee is entitled to be satisfied that you have not dilly-dallied on this. Didn't you get advice on this in July 2003?

Ms Mitchell—The advice we got back then was in relation not to whether the organisations were associated entities but to whether there was a possible donor disclosure obligation in relation to one of the people mentioned in the matter. The advice at that point in time was not conclusive and indicated that, really, we needed a lot more detail to specify what had happened in order for it to be clear about whether an obligation existed.

Senator FAULKNER—Mr Dacey, at this point, obviously, I cannot jump to any conclusions. I think if I did not say that you would quickly say that to me. But I hope that when these matters are reported on, particularly if there is a negative finding, the issues in relation to these timing considerations are broadly canvassed, because they are a major concern. It does not go just to this individual case or to the principals involved in it. The key principal here is Mr Abbott, who is well known in this building. The broader issue of timing considerations is important and something the AEC, in my view, needs to have a mind to. I can assure you there will be members of parliament who will take a close interest in that. I think you would expect that to be the case. I think those issues warrant canvassing at some length in the material that you properly said you will make public.

Mr Dacey—We take that on board. The AEC shares the concerns of many about the time that some of these issues do take to clarify, and I would hope that, since there has been full consideration, particularly in relation to section 316, by the three-person commission based on some quite senior legal advice, we may be able to shorten the time frame for some of these inquiries in the future.

Senator FAULKNER—I think we are pleased to hear that two in the list of six ongoing matters are close to conclusion. In fact, those are the two you mentioned relating to the events in the Queensland division of the Liberal Party. My only surprise, I suppose, in your list, Ms Mitchell, is that there was not the addition of investigations of two National Party organisations—one was called Pilliwinks Pty Ltd and the other Doogary Pty Ltd—who donated over \$750,000 to the National Party. The reason I am a little surprised is that this has received some public exposure—that is, there have been articles in newspapers and the like—and I thought it would make its way onto your priority list.

Ms Mitchell—I am terribly sorry. That was a memory slip. It is in fact on our list and I mentioned it at last Senate estimates. I forgot to add it to my list for today's paperwork. Those matters are in fact under consideration at the moment.

Senator FAULKNER—So we can count that one in. I do not recall you mentioning it at the last estimates, but my memory is imperfect.

Ms Mitchell—I think Senator Nettle raised it at last estimates. Mr Dacey has just reminded me.

Senator FAULKNER—Anyway, I am pleased that that one is also now on the list. You have indicated that two matters are almost concluded and that they are two Queensland matters. One goes to issues in Ryan and Mr Michael Johnson. That was one. The other is in relation to the Bowman organisation for the Liberal Party. Does the Ryan issue include the fundraiser where the Australian cricket captain, Ricky Ponting, was a guest speaker?

Ms Mitchell—I cannot remember who was the guest speaker. There was certainly an issue relating to a fundraiser, but I cannot remember if it was one that Mr Ponting was a guest speaker at.

Senator FAULKNER—This has received some pretty recent publicity—in fact in late April this year. So it is quite a recent event. The Australian cricket captain, Ricky Ponting, thought he was going along to a community event, and it appears that he was reasonably

unhappy when he found it was actually a Liberal Party fundraiser. He basically did not know about it.

Ms Mitchell—Was that the fundraiser that was held in the current financial year and, therefore, we would not have returns for yet?

Senator FAULKNER—I think it was held in April, so I think this might be a different matter. That is what I am trying to establish.

Ms Mitchell—Yes, it is. It is not part of our current consideration because it is not yet due to be disclosed in the return.

Senator FAULKNER—I am looking to my advisers here on the Queensland Liberal Party! They probably were not invited.

Senator BRANDIS—I was not listening very carefully.

Senator FAULKNER—That is very wise, Senator Brandis. What an experienced politician Senator Brandis is.

Senator Abetz—I am sure it is pretty easy to switch off, Senator Faulkner.

Senator FAULKNER—I draw your attention to an article in the *Australian* on Thursday, 22 April 2004 entitled ‘Ponting in dark on Libs function’ which, in part, says:

Ponting’s manager, Sam Halvorsen, said the cricketer was not told the party was a Liberal fundraiser.

That was never spelled out to us—

he said.

It was all portrayed to us as a community-spirited exercise.

Mr Halvorsen said Ponting would not have accepted Mr Johnson’s invitation if he had known, because the cricketer did not support any political party.

Has that article been drawn to your attention? I know that you, in the AEC, keep a very close eye on these things.

Ms Mitchell—We do, and it is starting to sound familiar. There are so many clips and I have a very bad memory, I am afraid.

Senator FAULKNER—I am a bit worried that this is—

Ms Mitchell—I can check for you. I think I have said to you before that I actually extract clips that are relevant to the funding and disclosure section, and disclosure obligations of people, and we include them in a register of relevant clips that we keep. When it comes time to review the annual returns that relate to those clips, we look through the clips to give us some information about whether or not we feel disclosure returns have been correctly completed.

Senator FAULKNER—The thing is that Mr Johnson’s media release headed ‘Ricky Ponting Keynote Speaker at the 2004 Ryan Youth Leadership and Development Forum’ does not mention any connection between this event and Liberal party fundraising. It seems to me that this is the sort of thing where the AEC ought to be playing a role, don’t you think?

Ms Mitchell—I am not quite sure what the role would be.

Senator FAULKNER—It is pretty dodgy, isn't it, and outrageous if you get this situation where—

Senator Abetz—The law requires, as I understand it, a disclosure if it were a fundraiser. If somebody goes along to the wrong function because communication has not been properly maintained between the organiser of the function and the person going along, I am not sure that that necessarily would fall within the ambit of the Electoral Commission. What they are concerned about are the actual disclosures: how the money was raised, who raised it and whether it has been declared. But I am not sure whether, if I accidentally go along, through misinterpretation or whatever, to a Labor Party fundraiser that is necessarily—

Senator FAULKNER—It depends on whether you call them Labor Party fundraisers and not pretend they are something else. It is outrageous to get schools involved in cross-subsidising Liberal Party fundraising. That is the problem.

Senator Abetz—You are making an assertion that has not been established and the only requirement under the act is, as I understand it, that disclosure is made of the funds raised, if there were any funds raised at all. Whether or not there is a dispute between the organiser of the function and, be it the band who played, who did not know they were going to be playing at a Liberal Party function, or the guest speaker, who did not know that he was going to be at the Liberal Party function, or if the hotel did not realise that it was going to be a Liberal branch function that was going to be held there, I am not sure that is necessarily within the province of the AEC to be considering. All it is concerned about is to ensure that proper financial disclosure is made.

Senator ROBERT RAY—I think Mr Johnson himself in a press release tells us that over 140 local secondary school students took part in the local community's first Ryan Youth Leadership and Development Forum. But elsewhere we learn that the cheques to the value of \$150 a head were payable to the Ryan Liberal Members Fund. I would have thought that that starts to bring it within the ambit.

Senator Abetz—The financial side, clearly so—there is no problem with that. But whether there has been a misunderstanding between organisers or whatever—

Senator FAULKNER—It is not a misunderstanding; it is deception. That is what it is.

Senator Abetz—That needs to be withdrawn, Mr Chairman.

Senator FAULKNER—Have you seen these documents, Mr Chairman? I think you would be appalled!

Senator Abetz—Mr Chairman, that needs to be withdrawn. That is a reflection on a member of the parliament.

CHAIR—That is for the AEC to determine.

Senator FAULKNER—I am not withdrawing. It is a deception.

CHAIR—It is for the AEC to determine that, Senator Faulkner.

Senator Abetz—That is a reflection on the member for Ryan and it needs to be withdrawn.

Senator FAULKNER—It is not a reflection on the member for Ryan; it is a fact.

Senator Abetz—To accuse somebody of deception—

Senator FAULKNER—It is a fact.

Senator Abetz—No, it is not a fact. It is a matter still to be determined.

CHAIR—It is an allegation, Senator Faulkner.

Senator Abetz—It is an allegation. Are we going to require it to be withdrawn or not?

Senator FAULKNER—It only has to be withdrawn if it is unparliamentary. I have not been informed that it is unparliamentary. It is a fact. I am not withdrawing it unless it is unparliamentary. In fact, I am being very generous describing it as a deception—‘fraudulent’ would be better.

Senator BRANDIS—On a point of order, Mr Chairman: I draw your attention to standing order 193(3), which governs these proceedings. It states:

A senator shall not use offensive words against either House of Parliament or of a House of a state or territory parliament, or any member of such House ... and all imputations of improper motives and all personal reflections ... shall be considered highly disorderly.

Senator FAULKNER—On the point of order, Mr Chairman: no doubt you will rule in favour of Senator Brandis’s point of order. You always do.

Senator BRANDIS—My points of order are always well taken, Senator Faulkner.

Senator FAULKNER—You always do, Mr Chairman. You have a perfect record. You have agreed with Senator Brandis on everything.

Senator BRANDIS—Now you are reflecting on the chair, Senator Faulkner. It is disgraceful.

Senator FAULKNER—Let me say that I am calling this function deceptive. It is a deception and I am calling it fraudulent. It is a fraud. I am not saying that the member is a fraud; I am saying that the function is a fraud.

Senator Abetz—It was a function that was organised by the member for Ryan.

Senator BRANDIS—Have you ruled on my point of order, Mr Chairman?

Senator Abetz—He is defying your ruling, Mr Chairman. Are you going to uphold the standing orders or not?

Senator FAULKNER—You always rule in favour of George.

Senator Abetz—If you do not, it will be coming from this side of the table as well.

CHAIR—I do rule in favour of Senator Brandis’s point of order.

Senator ROBERT RAY—I was going to speak on the point of order.

Senator BRANDIS—Too late; it has been ruled on.

CHAIR—Senator Faulkner, you will withdraw an imputation against—

Senator FAULKNER—I think you should hear my colleague before you rule.

CHAIR—Sorry, Senator Ray, I missed you.

Senator ROBERT RAY—Firstly, I object to Senator Abetz in the middle of this issuing threats, but we will leave that aside.

Senator BRANDIS—He never issued any threats at all.

Senator ROBERT RAY—If Senator Faulkner were to accuse the member for Ryan of deceptive behaviour or fraudulent behaviour you would rule that out of order under that standing order.

CHAIR—Correct.

Senator ROBERT RAY—If Senator Faulkner were to describe the function that occurred as deceptive or fraudulent you could not rule it out.

CHAIR—I agree with that, but my understanding of what Senator Faulkner said was that he saw that the member's conduct was deceptive and fraudulent.

Senator ROBERT RAY—So he can withdraw that.

Senator Abetz—So Senator Bolkus's raffle was a fraud—

Senator FAULKNER—I do not believe I did that, Mr Chairman, but, if I did, I withdraw it. In speaking to Senator Brandis's point of order, which you have ruled in favour of, I made absolutely clear that I am talking about the function being a deception and a fraud.

CHAIR—And you would withdraw any imputation against—

Senator FAULKNER—But if you believe—incorrectly—that I have described the member for Ryan as deceptive and a fraud, I would withdraw that, because it was unparliamentary. I do not think I need to, because I did not say it. So I think we have worked that out. That is a great relief.

CHAIR—You have the call, Senator Faulkner.

Senator FAULKNER—So it is win-win, really. The function stands as deceptive and a fraud, and you have ruled in favour of Senator Brandis's point of order. Everyone is a winner!

Senator ROBERT RAY—Senator Abetz has just laughed at his own joke. Can we have that noted in his reference.

Senator Abetz—To call the Bolkus raffle a fraud is therefore allowed, is it?

Senator ROBERT RAY—Of course; it is not unparliamentary.

Senator Abetz—Of course it is. There is a clear imputation on Senator Bolkus.

CHAIR—Yes, there is.

Senator Abetz—I would have thought that all sides of politics—

Senator ROBERT RAY—Well, in that case, you will withdraw.

Senator Abetz—would agree that that sort of language being used against each other is not appropriate.

Senator ROBERT RAY—Come on, George: point of order. Be consistent. You will win again.

CHAIR—Senator Faulkner, you have the call.

Senator FAULKNER—I have told you that I have withdrawn.

CHAIR—You have the call, Senator Faulkner, to ask questions.

Senator FAULKNER—I was waiting for you to ask the minister at the table to withdraw.

CHAIR—No, Senator Faulkner. You have the call to ask more questions, and that is where we are it.

Senator FAULKNER—Oh, I see. I am sorry. So is this matter under active investigation by the AEC?

Ms Mitchell—If you mean the fundraising dinner that we were just discussing, no.

Senator FAULKNER—Ms Mitchell, the reason I am asking this is that you have indicated that the matter relating to Mr Michael Johnson, the member for Ryan, is nearing conclusion.

Ms Mitchell—Yes.

Senator ROBERT RAY—He is not a branch stacker.

Senator FAULKNER—Another matter, related to the federal electorate of Bowman, which is also nearing completion is the donation from a brothel owner to the Queensland Liberal Party. My question goes to whether the issues raised in the *Australian* on 22 April 2004, which is the fraudulent fundraiser that had—

Senator Abetz—Here we go again, Mr Chairman.

Senator FAULKNER—But that is all right, isn't it? 'Fraudulent fundraiser'—what is wrong with that? It is an adjective for 'fundraiser'. That is all right, isn't it? What is the problem? If I cannot use the adjective 'fraudulent' about fundraiser then let us just say 'the fundraiser', but now let me say whose fundraiser it was. It was the fundraiser of Mr Johnson, which had amongst others as guests Ricky Ponting, the Australian cricket captain. General Leahy was there, and he did not know he was at a Liberal Party fundraiser either. Is that matter currently subject to investigation by the AEC?

Ms Mitchell—No.

Senator FAULKNER—I think it should be.

Senator Abetz—Isn't that great? Under what power?

Ms Mitchell—Senator, as a general piece of information for the committee, the AEC would not normally look into whether or not financial disclosure obligations have been met until after the return that would include those amounts of money was due to be received.

Mr Dacey—In relation to whether particular guest speakers or guests may or may not have been aware of what the function was, I cannot see that that is a matter for the AEC. It is totally a financial disclosure matter.

Senator FAULKNER—Mr Dacey, the point here is that the AEC has a very good record of closely examining—it does not matter what partisan interest I might happen to have in it, which is not a significant one as a matter of fact. It is just a matter of common decency, basically—the press coverage of electoral matters in the broad. We have talked about that at this committee and at JSCEM and before, and I think that senators from both sides of the parliament know that is the case. I would think it appropriate that the AEC have a look at this

article and the supporting document. That is my view. If the AEC has given the same level of consideration to this matter as it has to other matters affecting both sides of politics, then I am satisfied with that.

Mr Dacey—And we do, Senator.

Senator FAULKNER—But I was a little concerned when the evidence was forthcoming from witnesses that there was not a strong recall of this matter. If you give it a consideration and you decide it is outside your ambit and not to be considered, fine. That is your decision. I was very concerned when I read about it. I think a lot of people were very concerned. Ricky Ponting and his manager were also very concerned, and so it goes on. Anyway, your consideration: I just wanted to know whether that was the matter in relation to the member for Ryan that was close to conclusion. I did not think it was.

Mr Dacey—No, it is not.

Senator FAULKNER—You have told us it is not. Thank you very much.

CHAIR—Senator Brandis?

Senator BRANDIS—Senator Faulkner, have you finished your questions about the current investigations by the AEC?

Senator FAULKNER—I am happy to cede to you. We always enjoy your penetrating cross-examinations.

Senator BRANDIS—I hope you do.

Senator FAULKNER—We do.

Senator BRANDIS—I have some questions about the investigation in relation to the Bowman FEC.

Senator FAULKNER—Do you mind me interrupting here? I think I said ‘brothel owner’ in relation to that, and I should have said ‘brothel manager’. Could I ask for the correction of *Hansard*.

Senator BRANDIS—You might have intended to say ‘brothel manager’, but that would not be correct either.

Senator FAULKNER—I thought it was a brothel manager.

Senator BRANDIS—It’s not. Senator Faulkner, I would like to put the public record straight through some questions about the Bowman FEC, but I would prefer to do so after you have asked your questions because I suspect the public record might stand in even greater need of correction after your questions than it does now.

Senator ROBERT RAY—We have been trying to explain to you for two or three minutes that we have completed our line of questioning.

Senator BRANDIS—Thank you. Out of abundant caution—

Senator ROBERT RAY—Unless you stimulate us!

Senator FAULKNER—At the moment we are very relaxed.

Senator ROBERT RAY—We look forward to listening and hearing about this.

Senator BRANDIS—I might stimulate you, but I would rather not let the innuendos stay on the public record.

Senator ROBERT RAY—From whom?

Senator BRANDIS—From Senator Faulkner—

Senator ROBERT RAY—There has been no innuendo.

Senator BRANDIS—in the manner in which his questions were expressed.

CHAIR—Order! Senator Brandis, you have the call.

Senator FAULKNER—You are very sensitive tonight!

Senator BRANDIS—I am always very sensitive about dishonest innuendos about people, Senator Faulkner. Ms Mitchell, you are the appropriate officer to whom to direct these questions about the Bowman FEC?

Ms Mitchell—Yes.

Senator BRANDIS—The investigation in relation to the Bowman FEC was commenced in January this year. Is that so?

Ms Mitchell—My records show that it was raised in an article in the *Courier-Mail* in September 2003 and that prompted—

Senator BRANDIS—When did the AEC decide to conduct an investigation? Was it sometime there after?

Ms Mitchell—Yes, it was sometime after the media articles.

Senator BRANDIS—Did the AEC respond to a complaint or did it act of its own initiative following the press article?

Ms Mitchell—It was much of a muchness. There has been a complaint but the media articles are really what prompted it initially. The timing was around about the same.

Senator BRANDIS—Was the complaint a complaint in writing?

Ms Mitchell—The complaint was in writing, yes.

Senator BRANDIS—What was the name of the complainant?

Ms Mitchell—I would prefer not to mention that detail.

Senator ROBERT RAY—Could I interrupt and assist you here? Is that FOIable?

Senator BRANDIS—I think it is.

Ms Mitchell—I do not know, I am sorry. I think we would have to take legal advice.

CHAIR—Good try, Senator Ray.

Senator FAULKNER—Can I assist, because I did press this in relation to the complaints lodged in relation to Professor Flint. I did not press earlier in this hearing in relation to the name of the complainant, you might recall.

Senator BRANDIS—I do, and that is a matter for you.

Senator FAULKNER—Yes, sure—and this is a matter for you. You do what you like.

Senator BRANDIS—I have asked the question. But you do not want to answer it. I understand why. When the findings of the investigation are published, is it likely that the name of the complainant will be disclosed in the findings?

Ms Mitchell—I think that is a matter that I would have to refer to the full commission for consideration.

Senator BRANDIS—Am I right in understanding that in the course of investigating this complaint the AEC did not consider it necessary to interview Dr Laming?

Ms Mitchell—To interview Dr Laming?

Senator BRANDIS—Yes.

Ms Mitchell—I am not aware that we have interviewed him. I guess it depends what you mean by interview.

Senator BRANDIS—Well, interviewed.

Ms Mitchell—There have been conversations.

Senator BRANDIS—Has there been a formal interview?

Ms Mitchell—The AEC would not normally exercise its powers to require a formal interview where we are receiving cooperation.

Senator BRANDIS—Are you satisfied with the level of cooperation that you have received from Dr Laming?

Ms Mitchell—We have not had to exercise our formal powers, Senator.

Senator BRANDIS—Does that mean that the answer to my question was yes?

Ms Mitchell—Yes.

Senator BRANDIS—Thank you. Senator Faulkner used the expression ‘the donation by the brothel owner to the Queensland Liberal Party’, which he subsequently amended to ‘the donation by the brothel manager to the Queensland Liberal Party’. Ms Mitchell, is it correct to say there has been no evidence of any money or an in-kind donation going to the Queensland Liberal Party, the Bowman FEC or any associated Liberal Party entity from either a brothel owner or a brothel manager?

Ms Mitchell—The AEC does not consider what the occupation of the person is, Senator.

Senator BRANDIS—It is the case, is it not, that Dr Laming received an in-kind donation of office space in a commercial building in the suburb of Capalaba? That was the subject matter of the investigation—

Ms Mitchell—Yes.

Senator BRANDIS—that the value of that in-kind donation was disclosed in Dr Laming’s return and that the AEC has not found any fault with that return?

Ms Mitchell—There was an amount disclosed in Dr Laming’s return. The issue has been whether or not that was correct, as the information in Dr Laming’s return conflicted with information in a return from Capalaba Real Estate.

Senator BRANDIS—And it is also the case, is it not, that the Capalaba Real Estate return was amended by a figure of a few hundred dollars—not by a substantial amount—and that the AEC was satisfied with that amended return?

Ms Mitchell—The return has been amended. It would be pre-emptive of me to say that the AEC is satisfied at this stage, because I do not think we can do that until we have actually concluded the matter.

Senator BRANDIS—What, by the way, remains to be done before the matter is concluded?

Ms Mitchell—The consideration of the information that we received today.

Senator BRANDIS—I am not going to ask you what that information was, but are you able to give us a rough idea in terms of the number of working days you expect to take to consider that information?

Ms Mitchell—I can only say ‘shortly’, Senator, because I am not sure at this stage whether we would want the decision on whether the matter has been finalised to be referred to the full commission, and it can take some time to organise.

Senator BRANDIS—Are you treating this as a matter of urgency?

Ms Mitchell—Yes.

Senator BRANDIS—Are you aware that Dr Laming has been endorsed as the Liberal Party’s candidate for this year’s federal election?

Ms Mitchell—Yes.

Senator BRANDIS—So you would be, as a matter of commonsense, aware that the fact that these as yet not concluded investigations are a matter of concern to him, so he would—and Dr Laming is a personal friend of mine—be very eager for this investigation to be concluded as soon as possible. You can understand his position, can’t you?

Ms Mitchell—I can understand that position, and we will conclude it as soon as we can.

Senator BRANDIS—Particularly since not a syllable of criticism has been directed to Dr Laming in the course of this investigation by anyone from the AEC and, as you have told me, you are perfectly satisfied with his cooperation with your investigation.

Ms Mitchell—I can understand that.

Senator BRANDIS—The in-kind donation of commercial office space in a shopping centre in Capalaba was unrelated, was it not, to allegations that other premises managed by a person who was also the property manager of the commercial premises were used as a brothel?

Ms Mitchell—What the premises are used for is not part of the AEC’s consideration.

Senator BRANDIS—It may not be but it is important in view of the fact that the allegation has been made to you by Senator Faulkner in this committee that there was a donation by a brothel owner or a brothel manager. It becomes relevant because Senator Faulkner has made that issue relevant. You can see that, surely?

Ms Mitchell—It is not the AEC’s place to make moral or ethical judgments.

Senator BRANDIS—I am not concerned about moral or ethical judgments. I am concerned with correcting the false statement that Senator Faulkner put on the record in these proceedings about 20 minutes ago.

Senator FAULKNER—I am only quoting the newspaper and what has been described here before.

Senator Abetz—Could I suggest that that is not for the AEC to get involved in but it is quite a proper matter for Senator Brandis, as a member of the committee, to draw to the committee's attention.

Senator BRANDIS—Ms Mitchell, can you also confirm that the AEC has determined that the person who originally lodged the return reporting the in-kind donation of the commercial office space, that is one John Bonney, was in fact not a necessary person to lodge a return because, as the building manager—not the building landlord or the building owner—he could not have been the donor of that office space?

Ms Mitchell—As I said, Senator, given that we have not actually reached our conclusion in this matter I do not think we can say that we have determined anything. That is one of the propositions that has been put to us.

Senator BRANDIS—Ms Mitchell, I understand your position that you do not make moral and ethical judgments. Dr Laming is a respectable surgeon; he is a person of very high repute and his reputation is being smeared for base political reasons that are perfectly transparent. His name has been connected with the allegation that moneys have been received from a brothel manager. The facts, as you must have pursued in your investigation, Ms Mitchell, are that the commercial premises that were donated as an in-kind donation to his 2001 campaign did not operate as a brothel, they were not in a building that operated as a brothel, the person who owned those premises did not operate a brothel, and the person who managed those premises did not operate a brothel on those premises or any other premises. The allegation that links the notion of moneys received from a brothel to Dr Laming is an entirely false, fictitious notion of no substance.

I do not ask you to adopt that proposition tonight but, given that the falsehood has been put on the public record by a baseless assertion by Senator Faulkner, I ask you when you are publishing your findings to address that issue and make it—if your findings be to this effect—as transparent as can be that that allegation is a falsehood.

Mr Becker—We cannot do that, Senator. This is only a matter of disclosure. Let's face it, we are not commenting on anything because we do not know at this stage exactly what the outcome will be. In terms of trying to qualify those sorts of things, it is not a role for the AEC.

Senator BRANDIS—Mr Becker, I understand why you might say that but you would surely understand, from what I have just said and from what you heard Senator Faulkner say earlier in the evening, that if the allegation is made in the context of an inquiry about the status of your investigation and that allegation is absolutely, totally false then it is relevant for you to deal with that matter so as to reassure people of the falsehood.

Mr Becker—I am not sure what section of the act we would use for that. It certainly would not be in the funding and disclosure provisions.

Senator BRANDIS—It would be enough because the subject matter, as Ms Mitchell has told us, of the investigation was the in-kind donation by the owner of commercial premises of space from which to operate a campaign office for the 2001 election. It would be enough as is the case that neither those premises nor the owner of those premises nor the manager of those premises had any relationship whatsoever to the ownership or operation of a brothel—none whatsoever. The allegation was mendacious, disgusting and absolutely false.

Senator Abetz—Which is what we might expect from Senator Faulkner but, with respect, the Electoral Commission cannot—

Senator Faulkner interjecting—

Senator BRANDIS—Yes, you did. You said, ‘The donation by the brothel owner to the Queensland Liberal Party,’ which you then qualified.

Senator Abetz—I do not think it is fair to ask the Electoral Commission to comment.

Senator FAULKNER—Out of the *Australian* article headed ‘Brothel row divides Liberals’, that is right.

Senator ROBERT RAY—I was just asking, seeing that you follow the clips. Senator Brandis is getting excited and saying Senator Faulkner made this allegation. As I read it here, the meeting was—

Senator BRANDIS—I said he had put the allegation on the public record.

Senator FAULKNER—It was on the public record two estimates committees ago.

Senator ROBERT RAY—I am sorry, I thought the *Australian* newspaper was a public record.

Senator FAULKNER—You should read *Hansard*. It is available to you.

Senator ROBERT RAY—Have you talked to a Mr Collins? He is quoted in the *Australian*, the source of Senator Faulkner’s comments, as having alleged that Dr Laming—and I accept it is only an allegation—received donations from a brothel manager. Have you talked to Mr Collins? Who is he?

Ms Mitchell—I cannot remember off the top of my head whether that is one of the people we have been in contact with.

Senator BRANDIS—I might agree with Senator Ray about this, Ms Mitchell. What I want is for that allegation which has been made in the newspapers in the context of this investigation to be falsified—if it be your finding—so that the falsity of that allegation becomes a matter of public record.

Ms Mitchell—Senator, we have made it quite clear to the people that are involved in this matter that what the AEC is looking at is whether disclosure obligations have been met. That is the sum total of what the AEC can look at. I do not see how we can agree to what you are asking.

Senator ROBERT RAY—Senator, you have at least had your right of reply, which as I read here was denied to you by the state president, Michael Caltabiano. So we are far more generous at this committee than are your own colleagues. I assume this allegation is made by

a fellow Liberal if he contested the preselection. I assume it is a member of the Liberal Party that has made these outrageous allegations. I do put this to the people at the table: if it turns out that there is no case to answer, and the allegation has been made by a factional opponent within the Liberal Party, Senator Brandis is correct—that person should be named. You cannot hide in coward's castle carrying out internal internecine warfare on the Queensland Liberal Party and get away with it.

Senator BRANDIS—I might say further, Ms Mitchell, that if your investigation discloses that the allegation is a falsehood, it would not be beyond the discharge of your statutory obligation to so find.

Ms Mitchell—Senator, the allegations that have been made to us are in relation to whether or not disclosure obligations have been met. We will address those allegations, and that is what I believe is within our power to address.

Senator BRANDIS—It is certainly within your power but, given the way in which this has been contextualised and dressed up—

Senator ROBERT RAY—By your own.

Senator BRANDIS—by a false, disgraceful, mendacious allegation—

Senator ROBERT RAY—By your own.

Senator BRANDIS—What I am suggesting to you, Ms Mitchell, is that it would not be beyond the bounds of your discharge of your statutory obligation—and, in all the circumstances, fair—to deal with that conclusively.

Mr Dacey—I think it would be beyond the bounds. We have heard what you said, and we will look at that. But I am sure from what Ms Mitchell has said that it is quite clear that we have particular powers in relation to disclosure issues. As far as other issues are concerned in relation to the matter, I am sure it is beyond the bounds of our powers.

Senator BRANDIS—When you look at it, you might consider whether or not it is fair, in all the circumstances, if indeed what your investigation discovers is that there was no donation by a brothel owner or a brothel manager or anyone associated with the operation or ownership of a brothel in the provision of the subject premises to Dr Laming.

Senator MURRAY—How would they know that?

Mr Dacey—We certainly will not be inquiring as to the occupation of those people—

Senator MURRAY—A point of order, Mr Chairman.

Senator ROBERT RAY—I have one too. I take it there are no legal proceedings on this outrageous matter that we are transgressing here. I am just looking for guidance there because, if Senator Brandis's assertion is right that there is absolutely no basis to this newspaper article—

Senator BRANDIS—That is my assertion. There is no basis whatsoever.

Senator ROBERT RAY—I accept that is your assertion, and we make no allegation other than saying that the allegation is on the public record. I would have thought the strongest—

Senator BRANDIS—Your colleague Senator Faulkner did take it a bit further, Senator Ray, and it was quite unfair for him to do so.

Senator ROBERT RAY—He is quoting from the newspaper. He is quite able to do so, exactly the same as you would do. But we believe there is none so we can continue to—

CHAIR—Senator Murray, you have a point of order.

Senator MURRAY—My point of order is this: I quite understand why Senator Brandis feels strongly about the matter, but I am concerned that the nature of the interaction is moving towards badgering the witness.

Senator BRANDIS—I have finished.

Senator MURRAY—Yes, but the point should be made. The witness has answered with regard to her powers very clearly, and I suggest that this is more a matter of addressing reputation through legal process than is possible through the powers of the AEC as I understand them and as I understand the witnesses to have answered.

Senator BRANDIS—Senator Murray, all I have asked the witnesses to do is to consider whether or not, in the exercise of their statutory power, given the way in which this investigation was precipitated, it might be fair to at least treat of and dispose of that issue. Mr Dacey has been kind enough to say he would consider it, and that is all I am asking him to do. If they do not have the statutory power to determine the fact, they do not and there is nothing I can do about it.

Senator ROBERT RAY—Can I follow that up?

CHAIR—Yes.

Senator ROBERT RAY—Mr Becker, do you have any powers to intervene in internecine warfare in the Queensland Liberal Party?

CHAIR—All right, Senator Ray, I do not think that is appropriate.

Senator Abetz—Very droll. Let us keep moving. Are there any other questions?

Senator ROBERT RAY—It is serious. He does not.

Senator FAULKNER—Yes, I have more questions on the same matter. Ms Mitchell, can you confirm—

CHAIR—Thank you for that, Senator Ray.

Senator ROBERT RAY—Hunt and kill your own. Don't bother us with it.

Senator Abetz—Stop interrupting Senator Faulkner.

Senator ROBERT RAY—You are absolutely right.

Senator FAULKNER—Ms Mitchell, can you confirm that this matter was first raised in an article on 22 September 2003 in the *Courier-Mail* newspaper? I think that is how it came to your attention.

Ms Mitchell—Yes.

Senator ROBERT RAY—It was not just tonight, right?

Senator FAULKNER—No, it came to the attention—I think you in fact gave evidence to that effect, didn't you, Ms Mitchell?

Ms Mitchell—Yes, it was a *Courier-Mail* article on 22 September.

Senator FAULKNER—2003.

Ms Mitchell—Yes.

Senator FAULKNER—You can also confirm that this particular matter—what do you call the Bowman—

Senator Abetz—FEC.

CHAIR—It is the Federal Electoral Council.

Senator FAULKNER—relating to the Bowman FEC of the Liberal Party was raised at the last round of Senate estimates hearings?

Ms Mitchell—Yes, it was.

Senator FAULKNER—You would recall that it was raised by me?

Ms Mitchell—Yes.

Senator FAULKNER—Has your attention been drawn to an article in the *Australian* newspaper dated Monday, 10 May 2004 pertaining to this matter? I hope it has, as it is pretty important.

Ms Mitchell—I remember a recent article, but you are going to have to prompt my memory a bit more.

Senator FAULKNER—It is entitled—

Senator ROBERT RAY—No, do not use that first word. Say, 'Something row divides Liberals'.

Senator FAULKNER—No. Its headline says, 'Brothel row divides Liberals'.

Ms Mitchell—Yes.

Senator FAULKNER—We canvassed this issue which I am generously now describing as the Bowman FEC, but I have described it as the brothel incident at previous estimates round. It did not seem to attract much attention at the time, but I suppose Senator Brandis was asleep then. Can you confirm that the article in the *Australian* on Monday, 10 May says:

The meeting was in uproar when Mr Collins alleged Dr Laming—

Senator Abetz—Mr Chairman, can I suggest to you that whether an article says something or not is not within the province of AEC officials to respond to.

Senator BRANDIS—Can I speak to the minister's point of order, Mr Chairman?

Senator ROBERT RAY—Before you do that, George, can the minister raise points of order at this meeting? He can make points, but I do not think he can raise a point of order.

Senator BRANDIS—Well I will raise a point of order, and I will adopt what the minister says. And I will say further that it is perfectly obvious to everyone here what is going on. Senator Faulkner is seeking to agitate allegations and accusations—

Senator ROBERT RAY—Mr Collins has done that.

Senator BRANDIS—which bear upon the character of a person for no reason other than the plainest partisan motives. It is an inappropriate use of the procedure, and nor is it relevant what is reported in the *Australian* or not. This matter has been canvassed by me because I wanted the public record clarified as plainly as possible, and Mr Dacey and Ms Mitchell have generously agreed to consider the extent to which they are able to do so—

Senator FAULKNER—This is not a point of order.

Senator BRANDIS—in the discharge of their statutory function to deal with those innuendoes and allegations. It advances the matter nothing to give Senator Faulkner an opportunity now merely to reiterate the allegations which the witnesses have undertaken to consider and deal with.

Senator FAULKNER—I hope you will hear me out on the point of order.

CHAIR—Yes, Senator Faulkner.

Senator FAULKNER—I actually could not give a damn about the Bowman FEC, which I thought you would have gathered by now.

Senator Abetz—Good. Let's move on.

Senator FAULKNER—But I have referred to this matter previously at Senate estimates.

CHAIR—I am aware of that, Senator Faulkner.

Senator FAULKNER—The issue of the 'brothel' has come up previously too. In shorthand earlier in this particular meeting I did mention that and I said 'brothel owner'. And because this article in the *Australian* in inverted commas uses the terminology in one place 'a brothel manager'—which I wanted to quote in full; I won't bother—

Senator Abetz—This is not a point of order.

Senator FAULKNER—and in another, saying:

... John Bonney then told the meeting that "I am that brothel manager".

Senator Abetz—He is just putting it into the *Hansard* record.

Senator FAULKNER—I merely wanted to indicate that my use of the term 'brothel owner'—

Senator Abetz—It is schoolboy debating tactics, this.

Senator FAULKNER—I corrected to 'brothel manager'. I don't know whether there is anything in the allegation or not—I couldn't care less.

CHAIR—Senator Faulkner, why don't we—

Senator FAULKNER—Just listen, Mr Chairman. My understanding was that the whole issue was about a donation that was received—I don't know from whom—of a certain amount. My recollection is that it was in excess of \$6,000 and that was somewhat less—only a small amount less; around \$1,500—than an amount that was disclosed. That was my understanding of the issue. I have no interest in any of these individuals. Nor do I have any interest, frankly, in myself being involved in the internal affairs—

Senator Abetz—If nobody is interested—

Senator FAULKNER—of the Queensland division of the Liberal—

Senator Abetz—let's move on.

Senator FAULKNER—If no-one is interested, that is a good idea. I agree with you both: let's move on.

Senator Abetz—We are in heated agreement.

CHAIR—Any further questions for the Electoral Commission?

Senator FAULKNER—I don't have any.

CHAIR—Senator Murray has the call.

Senator MURRAY—I wanted to ask you, Mr Becker, about money. I know you have complained quite vigorously about the nature of your budget, your resources, with this committee, with the Joint Standing Committee on Electoral Matters and in direct correspondence with members and senators either en masse or individually. I think the important question to ask you, Mr Becker, is: are you now satisfied with the money you got following the review conducted by the Department of Finance and Administration and as announced in the budget?

Mr Becker—The short answer is: we would always like more.

Senator Abetz—Never enough! I was expecting that.

Senator MURRAY—Perhaps you would explain in what areas you would like more and in what areas you are satisfied.

Mr Becker—I might hand over the detail to have the assistant commissioner. I have to say that we are pleased, of course—but, as I said earlier, it is never enough.

Senator MURRAY—I need a more specific answer, because you were very specific in your complaints prior to the process of review and to the budget announcement. I am really looking for a specific answer which says, 'These are the areas we think are adequately funded; these are the areas for which we could do with more money if there was some; and these are the areas we are dissatisfied with.' That is really the answer I am after.

Ms Davis—Perhaps I can explain it a little bit more. One of the advantages that has come out of the resource review by the department of finance has been that we have a revised funding model, which takes into account the electoral cycle. That is a big advantage to us in terms of our varying expenditure pattern, which we have never had before. As far as any specific area, there is no one area. At the end of our consultation period with the department of finance, there was a slight difference in what the costs associated with our disburse network might be as we move forward in the out years. What has been agreed is that there will be another review in 2006-07 to see how we are tracking with that and whether additional funding will be required. We feel that the costs associated with the maintenance of the property and IT costs et cetera will probably increase a little bit more than the WCI. We have an agreement and that will be looked at again in 2006-07.

Senator MURRAY—Is there any area in which you consider yourself underfunded?

Ms Davis—We are able to put forward new policy proposals for any areas in which we consider ourselves underfunded, so that might arise out of future recommendations or discussions that might happen with JSCEM. At this stage we received additional funding for the roll integrity unit, for instance, and for matters associated with the implementation of the JSCEM recommendations. As the commissioner has said there are always areas that, as we move into the future, we will have as priority. We were talking about enrolment initiatives before and, again, we have indicated that we see that review in 2006-07 capturing how we are tracking against what the demands might be on AEC services.

Senator MURRAY—So, specifically with your understanding of your requirements under the act and with respect to your understanding as to what future projects may face you, your evidence to the committee is that you are not underfunded and that you have sufficient funds to do your task pro tem?

Ms Davis—Yes.

Senator MURRAY—I want to indicate how seriously I consider this matter. The AEC, in my view, conducted an unprecedented campaign to alert members and senators and the relevant committees—this committee and the Joint Standing Committee on Electoral Matters—to a severe funding problem. It is very important that you satisfy us that, as a result of the department of finance review and, as a result of the budget, you are fully funded in a manner which is satisfactory to you. It is no good saying, ‘Everybody would like more money pro tem.’ I really want a precise answer.

Ms Davis—I suppose the answer to your question is that the AEC is very satisfied with the outcome that came from the funding review. If we are talking about a matter of public record, whether that be internal or external, the AEC do have concerns that were recognised by the department of finance, and obviously by government, as we move into the future in the out years. But I think that our concerns in that regard have been recognised and we think that we will be able to cope quite adequately until that time.

Senator MURRAY—Are you going to put on the record what those concerns are concerning the out years and what they mean in monetary terms?

Ms Davis—Our concerns in the main are associated with the increasing costs that are not funded through the wage cost index. We are also subject to the continuing application of the efficiency dividend and over time—

Senator MURRAY—Employee costs, fundamentally?

Ms Davis—No, not really employee costs. The policy is that agencies cover those costs themselves. But the very nature of our disburse network is one issue that concerns us greatly in the sense that we have very high property costs and associated IT infrastructure costs.

Senator MURRAY—In other words, the divisional offices?

Ms Davis—Yes, the divisional offices in the main, but included in that is our head office, of course. In the main, the divisional office presence but, as I said—

Senator MURRAY—Just remind me, most of those offices are leased, not owned. Is that right?

Dr Watt—All of them.

Senator Abetz—They are all leased.

Dr Watt—Senator, can I just make a couple of points?

Senator MURRAY—I would be happy to hear from you, Dr Watt, but you have a stake in the AEC being satisfied with your findings, and I wanted to make sure on the record that they said they were satisfied with your findings.

Dr Watt—We have a great stake in not just the AEC being satisfied by the findings of what was a joint review rather than a Finance review, which meant that there was full input by the AEC, but we have a considerable stake in the two other reviews that were done and announced in this budget process: one for the Health Insurance Commission and one for the Department of Immigration and Multicultural and Indigenous Affairs—DIMIA. It was a pretty long process in which I think both sides came to a common conclusion. I think where we are now leaves the AEC in a reasonable position. Looking forward, the efficiency dividend and the way costs are indexed are issues that all budget funded agencies have to bear in relation to their running costs and we all have to manage within them. Whether that is easy or not we always have to do it, so the AEC is not alone in that.

In one sense your question about particular areas being issues might be thought of in these terms. There is considerable flexibility in every agency's budget to move resources around. If there were to be particular areas that either now or in the near future were of concern to the commissioner and his staff, there would of course be scope to redeploy resources to those areas. That is a management problem again for all of us. It does not provide a huge amount of flexibility but it does provide some.

Senator MURRAY—In the answer Ms Davis gave us were the words 'efficiency dividend' and concerns that the AEC has about that in the future. I—and I heard Senator Ray recently—have always pointed out that there is a logical absurdity to the idea of an unending efficiency dividend because if you keep knocking a per cent off everything eventually you disappear. Never mind, we will leave that to the side. There has to be an end to that process.

Dr Watt—I disagree. There are two sorts of efficiencies and it is wise to distinguish between them—this is the economist in me, and I am sorry for it. One is what I call static efficiency. An organisation may have come through a period when it was generously funded or resourced, for whatever reason, and over time that resourcing can be cut. It is almost what you would call a hollow log. I am not suggesting the AEC has any hollow logs or ever did. The other efficiency is dynamic efficiency. There are new ways of doing things. There are new technologies that can be exploited. The costs of these technologies decline. There are new opportunities to deploy staff with greater flexibility. These are dynamic efficiencies. You might not have access to a particular aspect of that now. It might come up next year; it might come up the year after. They are ongoing. You are right: if you are talking about any one time, there is a given amount you can squeeze out of an organisation because it has been historically funded. That obviously is finite, but if you say—

Senator MURRAY—That is what I am referring to. I am well aware of what I would refer to as productivity gains.

Dr Watt—Both of them give you productivity gains. I think over time that dynamic efficiencies are much more important than static ones. I think for public sector managers we have been meeting the efficiency dividend for a long period of time. I cannot remember when it came in—I think it was in the mid-1980s. I do not see any reason why you cannot go on meeting it. It does require you to manage and be alert to efficiencies and opportunities.

Senator MURRAY—I agree in terms of the productivity case you put but I feel very strongly about a crude and continuing one per cent cut—let me give you an example. I met some people in Esperance. I actually did an adjournment speech on it and I wrote to the minister concerned. Their grant was \$100,000 from memory—I forget all the details—but they were being required to cut one percent off it every year and they were providing a disability service. That is just stupidity. In the manner in which you have outlined the matter it is entirely different. If what you are referring to by an ongoing efficiency dividend is a productivity measure, I have no quarrel.

Dr Watt—The efficiency dividend is effectively a productivity measure that says, ‘You can do more with less.’

Ms Davis—The view of the AEC and the department of finance in any negotiations—as Dr Watt said, it was a joint review—on the potential for productivity measures within the AEC is somewhat limited by some of our structural features. You mentioned employee costs before, and of course that is a feature. We obviously would like to continue to pay our work force and the casual work force that we use for electoral events at competitive rates. That is a pull for every government agency but, given our particular structure—and we are fairly unique in such a small agency having a dispersed network and still having to maintain those costs—that will probably remain a concern for the management of the AEC, whether it be this particular management or future managements.

So we are as satisfied as we can be. I suppose it is a matter for the public record that we anticipate there might be an increasing gap as the years go on, particularly if there are additional legislative requirements placed on the AEC—for instance, in the area of funding and disclosure—which might come out of the current submission. Then we would want to be able to draw that to attention because we feel that that may not be able to be found within existing appropriations.

Dr Watt—I think that is a fair point. We think that the AEC is the right size in terms of its funding for its task now. Curiously, Finance has an interest in keeping the AEC the right size.

Senator BRANDIS—I have a couple of questions, and you might want to take these on notice. Firstly, what is the total cost in 2003-04 for the provision of electoral roll data to MPs and others by means of ELIAS? How many MPs who receive ELIAS actually make use of it?

Mr Becker—I do not know that we could tell you much about the latter.

Mr Dacey—So you are asking how many we send it to, which parties get ELIAS and the cost?

Senator BRANDIS—Yes. My second group of questions—and I am sure that you will need to take these on notice—is: are there any plans for any polling both at the next federal

election to be located outside the electorates which they are set up to serve? If so, at which locations, for which electorates and for what reasons?

Mr Becker—There will be some. Since we have had a round of redistributions just recently, we might have a few more than we would otherwise have. I would have to take that on notice.

CHAIR—I also have some questions to place on notice. Mr Becker and officers, thank you very much for your assistance. Dr Watt, thank you very much for your assistance today. Minister, thank you for your assistance.

[6.55 p.m.]

PRIME MINISTER AND CABINET PORTFOLIO

Consideration resumed from 25 May 2004

In Attendance

Senator Abetz, Special Minister of State

Office of the Official Secretary to the Governor-General

Mr Malcolm Hazell, Official Secretary to the Governor-General

Ms Amanda O'Rourke, Director, Honours Secretariat

Mr Gary Bullivant, Corporate Manager

Office of the Official Secretary to the Governor-General

CHAIR—Welcome. Mr Hazell, do wish to make an opening statement?

Mr Hazell—No, thank you.

Senator FAULKNER—My question arises from a *Sydney Morning Herald* article of 10 May 2004 entitled 'A man of vision, not invisibility'. You would have seen that article, I am sure.

Mr Hazell—Yes, I did.

Senator FAULKNER—The article quotes the Governor-General:

'I want to visit our troops in the field as commander-in-chief, to tell them what a great job they are doing.' He ticks off the places he would like to go: the Solomon Islands, Bougainville, Papua New Guinea, East Timor, Iraq.

In relation to Iraq, the article also quotes the Governor-General as saying 'this is being looked at'. Is the Governor-General scheduled to visit any of the places that he wants to visit this year: Solomon Islands, Bougainville, PNG, East Timor or Iraq?

Mr Hazell—No.

Senator FAULKNER—The Paul Sheehan article described the Governor-General, Major General Jeffery, as 'frustrated'. Did you see that in the article?

Mr Hazell—Yes, I did see that.

Senator FAULKNER—I was concerned when I read that. Can you tell us whether that is the case?

Mr Hazell—That is a journalist's interpretation.

Senator FAULKNER—But no-one sought to correct the record?

Mr Hazell—In terms of the level of frustration?

Senator FAULKNER—If you do not think it is accurate, did anyone correct it?

Mr Hazell—I think the point is that the Governor-General has proceeded to do the job that he set out to do, and others will make their decisions about how well he does it.

Senator FAULKNER—If there are any frustrations, have they been expressed directly to the Prime Minister?

Mr Hazell—I am not privy to any discussions or the content of the discussions between the Governor-General and the Prime Minister.

Senator FAULKNER—So you do not know?

Mr Hazell—I do not know.

Senator FAULKNER—I had suggested to me that the Governor-General had asked for a new Governor-General's insignia to be developed. Is that right?

Mr Hazell—That is news to me.

Senator FAULKNER—You do not know of that?

Mr Hazell—No. In fact, I am sure I would have known had that been the case. I can tell you that is not the case.

Senator FAULKNER—This is a defence insignia, I think. That is fine. I did not know whether it was correct either. I assured my constituent that I would raise it directly with the expert, namely you, Mr Hazell. So I will be able to write back and inform my constituent that that is not the case. Thank you for that. I did want to ask you about a government contract under the Gazette Publishing System 1322399. This refers to accommodation in the Berkeley at Wilton Place in Knightsbridge, London. Do you know anything about this?

Mr Hazell—That hotel was suggested to us for when the Governor-General made the visit to London and to Singapore, which we discussed at the earlier estimates committee meeting.

Senator FAULKNER—That is what I wanted to check. The cost of accommodation at the Berkeley of \$31,124.34 is quite substantial, isn't it?

Mr Hazell—Accommodation in London is always expensive and that is by no means a top of the range hotel.

Senator FAULKNER—There is no need to be defensive, Mr Hazell; I am not suggesting it is. I am just trying to establish whether that was for the Governor-General's recent trip to London and whether those amounts were paid.

Mr Hazell—That is right.

Senator FAULKNER—It would not be only the Governor-General's expenses; there would be staff who travelled with him as well, wouldn't there?

Mr Hazell—That is right.

Senator FAULKNER—How many staff members travelled with the Governor-General on his trip to the United Kingdom?

Mr Hazell—There was me, two personal staff and, as with previous governors-general, we take a doctor and security.

Senator FAULKNER—Were all those people—security, three staff and a doctor—staying at the Berkeley?

Mr Hazell—Yes.

Senator FAULKNER—How many nights accommodation at the Berkeley?

Mr Hazell—I would have to check, Senator.

Senator FAULKNER—I thought it was a little under a week. That was my understanding from what was said publicly.

Mr Hazell—I would have to check the details. I think it would have been under a week. I cannot tell you exactly how many days but it would have been under a week.

Senator FAULKNER—It was five or six days, maybe? Anyway, you will get me the precise figure.

Mr Hazell—I can get that figure for you. I am sorry I do not have it at my fingertips.

Senator FAULKNER—How many rooms were there at the Berkeley?

Mr Hazell—There were rooms for the number of people who went. There was one room for the Governor-General and Mrs Jeffery, one room for me, one room each for the two other personal staff, a room for the doctor and security had their own rooms as well. That is all.

Senator FAULKNER—Are you able to say how many were in the security detail?

Mr Hazell—We travel with two of our own AFP security. I do not think that one of the AFP details stayed at the Berkeley.

Senator FAULKNER—So it was six rooms?

Mr Hazell—Yes, I think that is right. My office does not pay the costs for the security. That is an AFP cost.

Senator FAULKNER—So there were six rooms at the Berkeley, but in fact you were paying the cost of five rooms.

Mr Hazell—Yes.

Senator FAULKNER—I saw from this schedule that it seemed to be either five or six nights. At six nights it would be a cost of \$5,187 per night. Do you think that was value for money?

Mr Hazell—In terms of accommodation costs in London, I am certainly advised by our High Commission that that was a very reasonable deal.

Senator FAULKNER—Is there a water exclusion zone around Admiralty House in Sydney?

Mr Hazell—No, Senator, to the best of my knowledge.

Senator FAULKNER—You would not be aware whether there is a water exclusion zone around Kirribilli House?

Mr Hazell—No.

Senator FAULKNER—There are many more questions I would love to ask you, Mr Hazell, some of which I will put on notice, but I understand that committee members are required urgently in another place.

CHAIR—Are there any further questions?

Senator MURRAY—It is a sign of a change of Governor-General that there are fewer questions than there used to be from me.

CHAIR—Thank you, Mr Hazell and your officers, for your assistance tonight.

Committee adjourned at 7.04 p.m.