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Official Committee Hansard

SENATE

STANDING COMMITTEE ON FINANCE AND PUBLIC
ADMINISTRATION

ESTIMATES

(Additional Budget Estimates)

TUESDAY, 13 FEBRUARY 2007

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

Tuesday, 13 February 2007

Members: Senator Mason (*Chair*), Senator Forshaw (*Deputy Chair*), Senators Carol Brown, Fierravanti-Wells, Fifield, Moore, Murray and Watson

Senators in attendance: Senators Allison, Mark Bishop, Bob Brown, Carol Brown, Faulkner, Fierravanti-Wells, Fifield, Forshaw, Lundy, Mason, Milne, Moore, Murray, Robert Ray, Sherry, Watson and Wong

Committee met at 9.04 am

FINANCE AND ADMINISTRATION PORTFOLIO

In Attendance

Senator Minchin, Minister for Finance and Administration

Senator Ian Campbell, Minister for Human Services

Senator Colbeck, Parliamentary Secretary to the Minister for Finance and Administration

Department of Finance and Administration

Executive

Dr Ian Watt, Secretary

Mr Philip Methven, Executive Officer

General

Mr Jonathan Hutson, General Manager, Corporate Group

Mr Ian McAuley, Branch Manager, Parliamentary and Corporate Support

Mr Michael Hirschfeld, Branch Manager, Strategic Partnerships

Ms Philippa Crome, Branch Manager, HR Services Branch

Mr Geoff Hill, Director, Portfolio Coordination Unit

Mr Glenn Black, Senate Estimates Coordinator

Ms Helen Roden, Senate Estimates Coordinator

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

Ms Kym Partington, Branch Manager, CFO Unit

Ms Kim Petrovic, FeSG Point Person

Outcome 1: Sustainable government finances

Mr Phil Bowen, Deputy Secretary

Dr Paul Grimes, General Manager Budget Group

Mr Lembit Suur, Division Manager, Industry, Education and Infrastructure Division

Mr John Ignatius, Division Manager, Social Welfare Division

Mr Peter Saunders, Division Manager, Government and Defence Division

Ms Jackie Wilson, Division Manager, Budget Policy and Coordination Division

Ms Trixie Makay, Special Adviser, Budget Group Review Implementation, Budget Group

Ms Donna Phillips, Branch Manager, Budget Coordination Branch

Mr Tim Pyne, Branch Manager, Budget Analysis Branch
Ms Abbie Clark, Budget Group Point Person
Ms Kathryn Campbell, General Manager, Financial Management Group
Ms Anne Hazell, Division Manager, Financial Reporting and Cash Management Division
Mr Brett Kaufmann, Branch Manager, Financial Reporting Branch
Mr Michael Culhane, Acting Division Manager, Superannuation Division
Mr Alan Greenslade, Branch Manager, Future Fund Branch
Mr George Sotiropoulos, Branch Manager, Superannuation Policy Branch
Ms Sandra Wilson, Special Advisor, Superannuation Policy Branch
Mr Colin Plowman, Director of the Office of Evaluation and Audit
Mr Mike Loudon, Division Manager, Financial Framework Division
Mr Marc Mowbray-d' Arbela, Branch Manager, Legislative Review Branch
Ms Bronwyn Gould, FMG Point Person
Mr John Grant, Division Manager, Procurement Division

Outcome 2

Mr David Yarra, Acting General Manager, Asset Management Group
Mr Robert Butterworth, Division Manager, Shareholder and Asset Sales Division
Mr Rick Scott-Murphy, Division Manager, Property and Construction Division
Mr John Grant, Division Manager, Procurement Division
Dr Guy Verney, Branch Manager, Special Claims and Land Policy Branch
Mr Mark Heazlett, Branch Manager, Telstra 3 Sale Taskforce
Ms Joanna Reeve, AMG Point Person
Mr Brett Quester, Director, EOIT

Outcome 3

Ms Jan Mason, General Manager, Ministerial and Parliamentary Services
Ms Kim Clarke, Branch Manager, Entitlements Policy
Ms Carolyn Hughes, Branch Manager, Client Services
Mr Ken Sweeney, National Manager, COMCAR
Mr Greg Miles, Branch Manager, Entitlements Management
Mr Greg Smith, Ministerial and Parliamentary Services Point Person

Outcome 4

Ms Ann Steward, General Manager, AGIMO
Mr Patrick Callioni, Division Manager, AGIMO
Mr Michael Dupe, Investments and Enabling Projects Branch

Australian Electoral Commission

Mr Ian Campbell, Electoral Commissioner
Mr Paul Dacey, Deputy Electoral Commissioner
Ms Barbara Davis, First Assistant Commissioner Business Support
Mr Tim Pickering, First Assistant Commissioner, Electoral Operations
Mr Andrew Moyes, Assistant Commissioner, Roll Management
Mr Andrew Baker, Acting Assistant Commissioner, Communications and Information Strategy
Mr Kevin Bodel, Director, Funding and Disclosure

ComSuper

Mr Leo Bator, Chief Executive Officer
Ms Cindy Briscoe, Deputy Chief Executive Officer
Ms Michelle Crosby, Chief Finance Officer
Mr Jeff Alchin

Australian Reward Investment Alliance

Mr Steve Gibbs, Chief Executive Officer
Mr Peter Carrigy-Ryan, Chief Operating Officer

Commonwealth Grants Commission

Mr John Spasojevic, Secretary
Mr Malcolm Nicholas, Assistant Secretary
Mr Philip Parkins, Director, Corporate Services

Future Fund

Mr David Murray, Chairman, Future Fund Management Agency
Mr Paul Costello, General Manager, Future Fund Management Agency
Mr Rob Barnes, Future Fund Management Agency

CHAIR (Senator Mason)—Welcome. I declare open this meeting of the Senate Standing Committee on Finance and Public Administration. The Senate has referred to the committee the particulars of proposed additional expenditure for 2006-07 for the parliamentary departments and the portfolios of Prime Minister and Cabinet, Finance and Administration and Human Services. The committee may also examine the annual reports of the departments and agencies appearing before it. The committee has fixed 30 March 2007 as the date for the return of answers to questions taken on notice. The committee's proceedings today will begin with the examination of the Finance and Administration portfolio, followed tonight by the Human Services portfolio. I propose to proceed by opening with general questions and then calling on the outcomes and outputs in the order listed on the agenda.

Under standing order 26, the committee must take all evidence in public session and this includes answers to question on notice. I remind all witnesses that, in giving evidence to the committee, they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee, and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee.

The Senate, by resolution in 1999, endorsed the following test of relevance of questions at estimates hearings: any questions going to the operations or financial positions of the departments and agencies which are seeking funds in the estimates are relevant questions for the purpose of estimates hearings. I remind officers that the Senate has resolved that there are no areas in connection to the expenditure of public funds where any person has discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise. The Senate has resolved also that an officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy. They shall be given reasonable opportunity to refer such questions asked of the officer to superior officers or to the minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted.

If a witness objects to answering a question, the witness should state the ground upon which the objection is taken. The committee will then determine whether it will insist on an answer, having regard to the ground which is claimed. Any claim that it would be contrary to the public interest to answer a question must be made by the minister and should be accompanied by a statement setting out the basis for that claim.

The committee welcomes the Minister for Finance and Administration, Senator Minchin, and Dr Watt and officers from the Department of Finance and Administration. Minister, do you or Dr Watt wish to make an opening statement to get the ball rolling?

Senator Minchin—No, thanks.

Senator SHERRY—I have a program issue with Dr Watt. My assumption is that questions relating to Googong Dam would come under, outcome 2, output 2.2?

Dr Watt—They would. Googong Dam is part of the property area, under outcome 2. However the responsibility for Googong resides with the parliamentary secretary. You would have seen him on some media comments. He may wish to be here for those questions.

Senator SHERRY—I indicate that I will be asking some questions on that matter when we get to outcome 2.

Senator WONG—Dr Watt, I presume you are aware of the discussion we had with Prime Minister and Cabinet last night at the estimates hearing.

Dr Watt—I saw a little of it.

Senator WONG—I understand from the evidence given by the officers in that hearing that you were contacted by a deputy secretary of Prime Minister and Cabinet on either 19 or 22 of January this year in relation to the water announcement.

Dr Watt—That is correct. I was rung by Ms Goddard—I think she was acting secretary in Dr Shergold's absence—late on the afternoon of the 22nd, if my memory serves me correctly. I think it was a Monday.

Senator WONG—Late in the afternoon of the 22nd. That was a phone call, was it?

Dr Watt—That is correct.

Senator WONG—As I understood Ms Goddard's evidence last night, that discussion with you was the first occasion on which Finance had been advised of the \$10 billion proposed announcement.

Dr Watt—Yes, that is correct.

Senator WONG—So, prior to that stage, no-one to your knowledge in your department had been advised of the scale of expenditure that was proposed?

Dr Watt—As far as I am aware, before that phone call we had not been advised either that there would be an announcement of any size or of the scale of the announcement.

Senator WONG—So you were neither advised that there would be nor the size of it?

Dr Watt—No.

Senator WONG—In that phone call did Ms Goddard ask you to look at some draft costings?

Dr Watt—Ms Goddard did not ask me to look at anything.

Senator WONG—Sorry, did Finance?

Dr Watt—Ms Goddard asked if we would run our eye over, lightly—I think that is probably the best way to put it—the costings that had been worked out by the task force of PM&C.

Senator WONG—Do you often get phone calls where you are told about \$10 billion worth of expenditure that you are not aware of?

Dr Watt—It is not unknown.

Senator WONG—Are you surprised that Finance was not consulted prior to 22 January?

Dr Watt—I am rarely surprised, if ever. There is no right or wrong approach on considering costings. There is no cookie-cutter template. Sometimes we are involved very early in the process, in relation to the development of costings; at other times we are involved later in the process.

Senator WONG—It is not just costings; it is \$10 billion of expenditure over the next 10 years. It is a very significant.

Dr Watt—It is a large amount.

Senator WONG—It is a large amount of money, isn't it? Wouldn't it be usual for Finance to be aware earlier than three days prior to an announcement that the government was proposing to spend \$10 billion?

Dr Watt—Again, there is no one approach to these issues. It would be common for us to be involved earlier, but that is not always the case.

Senator WONG—You said 'run your eye over' the costings. Did you express any surprise or concerns to Ms Goddard about the scale of the expenditure which was proposed?

Dr Watt—Ms Goddard and I had a very brief discussion. I do not remember the details of the discussion because it was a very short one. It covered a couple of issues other than this particular issue. She gave me a short summary of the package and asked if we could please look at the costings in the broad, and I indicated that we would. We made arrangements for one of my officers to talk to someone at PM&C about setting up a meeting the following day.

Senator WONG—Was the amount of \$10 billion over 10 years discussed in the phone call late in the afternoon of 22 January?

Dr Watt—That order of magnitude.

Senator WONG—And you had no inkling of this prior to that discussion?

Dr Watt—I had no inkling, as I said, either that there was to be a package or an announcement. But, as was pointed out last night, there has been a great deal of work done by the bureaucracy on water issues for a very long period of time, so the fact that people were working on water issues was not something that was a particular surprise to me. People in PM&C have been working on water issues for a decade or more.

Senator SHERRY—You indicated that work had been done. What work to date had been carried out by the department of finance?

Dr Watt—I would have to check that. When I said ‘work done’, I was not referring to what was announced in this specific package but more generically to work about water related issues, which goes back to the work done several years ago on the dryland salinity package. That is not the right title, but that goes back to the early 2000s.

Senator SHERRY—My question goes to relevant work done. It obviously became subsequently known not to you but to the department.

Dr Watt—I am not aware of any work germane to this package that was done by the department—

Senator SHERRY—To that date.

Dr Watt—Until that day. However, that does not mean that there was not work done on relevant water issues under another guise. I simply do not know the answer to that.

Senator WONG—I do not have the *Hansard* in front of me, and I might be incorrect when I say this, but my recollection is that Ms Goddard indicated that there had been discussions at a departmental level prior to 22 January. Are you aware of any official from Finance who was involved in discussions prior to 22 January that were germane to the 25 January announcement?

Dr Watt—I am not aware of what Ms Goddard said on that subject last night. I am not aware of any discussions on the package with Finance officials before 22 January. I have now confirmed that; that is correct.

Senator WONG—Thank you.

Dr Watt—But that does not mean there were not discussions about broader water issues.

Senator WONG—I think we clarified with the phrase you used, ‘germane to the 25th announcement’.

Dr Watt—A useful phrase.

Senator WONG—When were you provided with the draft costings?

Dr Watt—I was not.

Senator WONG—Sorry, when was Finance provided with the draft costings?

Dr Watt—There was a meeting the following morning between officers of the department of finance and officers of the water task force in the Department of Prime Minister and Cabinet. At that stage, some information on the costings was provided to Finance.

Senator WONG—Was that in written form?

Dr Watt—I think now, as I was not present at the meeting, I might get one of my officers to come to the table.

Senator WONG—I am very happy for you to do that.

Mr Suur—After Dr Watt spoke to Ms Goddard on Monday, 22 January, I phoned Dr Tony McLeod, whose name and number I had been given by Dr Watt, and arranged for a meeting to take place at nine o'clock the next morning.

Senator WONG—That is the morning of the 23rd?

Mr Suur—That is right.

Senator WONG—Did you attend that meeting?

Mr Suur—I did.

Senator WONG—Were you the only Finance official at that meeting?

Mr Suur—No, I was not. Mr Jeff Painton and Ms Tanya Cvijanovic also attended.

Senator WONG—Who was present from the PM&C task force?

Mr Suur—Dr Tony McLeod, Mr Steve Costello and Ms Lex Vaccarella.

Senator WONG—Were you provided with written costings at that point?

Mr Suur—We were given a draft profile for the program.

Senator WONG—What was included in the profile.

Mr Suur—It was a page-long document.

Senator WONG—Did it look something like page 22 of the announcement?

Mr Suur—No, it had more detail than that. It had programs broken down by line item and a 10-year profile.

Senator WONG—In this meeting, was anybody present from any of the relevant ministerial offices?

Mr Suur—No.

Senator WONG—So it was just PM&C task force members plus Finance? Is that right?

Mr Suur—Ms Vaccarella comes from the fiscal area of the Department of Prime Minister and Cabinet, so she is outside of the task force.

Senator WONG—Were there any changes, as a result of that meeting, to the draft costings or the profile and program information with which you were provided?

Mr Suur—The profile was a draft profile. It was provided as an aide-memoir to our discussions.

Senator WONG—I am asking in terms of what happened on the 25th. Were there any changes to the costings in order to make the announcement with the costings table that was provided on the 25th?

Mr Suur—The costings that were announced on the 25th were consistent with the costings that we were given on Monday, the 23rd.

Senator SHERRY—You received the aide-memoir, as you refer to it, on Monday 23rd.

Mr Suur—No, Tuesday 23rd.

Senator SHERRY—Sorry. What was the process following that meeting in Finance to evaluate that aide-memoir—the subprograms listed and the indicative costings that Finance then undertook?

Mr Suur—Following our meeting on the Tuesday morning, there were some issues that we were interested in pursuing—and we did that by telephone and by email with the Prime Minister's department.

Senator SHERRY—You say there were 'some issues'. What particular issues were you attempting to examine?

Mr Suur—I would rather not go into the detail, because we still have not done the detailed work on the individual components of the program. These were, I suppose, some broad issues that we were seeking to clarify in relation to the costings that the Prime Minister's department had done for the package.

Senator SHERRY—So, at this point in time, it was clarifying issues. What were those issue? Were they issues of definition, of coverage or of the particular proposed expenditures?

Mr Suur—Those sorts of issues.

Senator SHERRY—So, if I understand you correctly, in Finance you still have not done full work on examining the costings of what has been released?

Mr Suur—That is correct.

Senator WONG—So when is that intended to be finalised?

Mr Suur—To some extent it is conditional on the governance arrangements for the program being agreed by the Australian government and the state and territory governments.

Dr Watt interjecting—

Senator WONG—Dr Watt and Mr Suur, can I make this point: I understand that the government has made an announcement conditional on certain governance arrangements. That is one issue. So the whole package, to some extent, is conditional on arrangements being entered into between the Commonwealth and the states. There is a separate issue as to whether or not what you are offering has been fully costed. As I understand your evidence, Mr Suur, you are saying that you have not yet finalised the program level costings which made up the Prime Minister's announcements.

Mr Suur—Our focus is on getting costings that can be published in the budget papers, and they are contingent in part on the kind of arrangement that is struck between the Commonwealth, the states and the ACT government about the shape and nature of the program.

Dr Watt—Again, I think I heard Ms Goddard say last night, Senator, that the profiles had to be finalised and could not be finalised until we knew the governance arrangements. We do not know which year we are going to spend the money.

Senator WONG—You do not know which year you are going to spend the money?

Dr Watt—Until you finalise the governance arrangements, you cannot finalised the spending profile.

Senator WONG—But the Prime Minister has already announced \$10 billion over 10 years. Are you saying that that is not correct?

Dr Watt—No, that is not what I said at all. What Ms Goddard said to you last night was that you could not finalise the spending profiles until you had finalised the governance arrangements. It does not mean that you cannot spend \$10 billion over 10 years.

Senator WONG—Well, where are you spending it?

Senator SHERRY—You could conceivably spend \$20 billion over 10 years on the basis of that argument.

Senator Minchin—There is an assumption that it is \$1 billion a year—obviously, 10 over 10—but the point the department is making is that it may not necessarily be \$1 billion a year. The profile of the \$10 billion over that decade may differ, with smaller up-front spending and then bigger spending in subsequent years.

Senator WONG—So it may be \$10 billion over 10 years but loaded at the back end?

Senator Minchin—That is possible, obviously, yes.

Senator WONG—Do you currently have a funding profile which underpins the Prime Minister's announcement?

Mr Suur—There is a profile that was prepared by the Prime Minister's department.

Senator SHERRY—So there is a profile over time? Is that what you are referring to?

Mr Suur—Yes, it is over a 10-year period.

Senator SHERRY—I understand that it is over a 10-year period, but is it annualised, for example? Are there indicative expenditures on a year-by-year basis?

Mr Suur—Yes.

Senator SHERRY—There are. And have you had an opportunity to verify that indicative expenditure on a year-by-year basis as yet?

Mr Suur—No.

Senator WONG—How much in the profile is in the first year?

Dr Watt—I think that is something you would be better off asking the Prime Minister's department.

Senator Minchin—The first year would be, potentially, 2007-08 and, to the extent that there is a request for expenditure in that year and the subsequent three years in the forward estimates and the budget, that will be revealed in the budget documentation and be the subject of estimates here. As I said last night, an offer has been made to the states—and, obviously, the final construct of this proposed expenditure will be a function of whatever agreement is finally reached with the states and the strategic assessment of what is required and when and where.

Senator SHERRY—Senator Minchin, as much as I admire your department's ruthless efficiency—justifiable ruthless efficiency, I have to say—in perusing the expenditure proposals that are presented by various government departments, what work is going to take

place between now and the May budget on estimating the annualised costs? Are you going to attempt to do that work?

Dr Watt—I think I am being buttered up, Senator.

Senator SHERRY—You know how reasonable I am in terms of the respect I have, generally, for the approach you bring to the purveying of expenditure.

Dr Watt—Again, as I think I heard Ms Goddard say last night, the work would be done to produce the cost estimates that we need to put in the budget by item, by department, by year and so forth. That work will be done.

Senator SHERRY—Do you believe it will be done by the budget?

Dr Watt—Yes, I do believe it will be done by the budget.

Senator SHERRY—What work has been done by Finance since 25 January on attempting to ascertain these expenditures in greater detail? Has there been any more work?

Mr Suur—We have arranged a meeting for later this week with the new department of employment and water resources—which has responsibility for this function and to which the task force that was established in the Prime Minister’s department has transferred—and we will be starting our detailed costings work at that stage.

Dr Watt—Just to show how acronyms can affect you, Senator, it is the Department of the Environment and Water Resources.

Mr Suur—And I said ‘employment’.

Dr Watt—Yes, you said ‘employment’.

Senator WONG—It is because they are both DEWR, but I presume someone smart in government is going to work out how to change the acronym.

Dr Watt—It is DEWR and DTEWR. There could be a lower case ‘t’ in there, I believe.

Senator WONG—I think you had better do something about that.

Dr Watt—It is something I discovered.

Senator WONG—It sounds like something out of *Dr Who*?

Senator SHERRY—Have officers been identified in the new department for you to work with, Mr Suur?

Mr Suur—As you can see, I am still struggling with the departmental name; let alone the detail of which officers I will be meeting with later this week. I understand that they are officers who were involved in the task force that was located in the Prime Minister’s department.

Senator WONG—MYEFO was released on 20 December or thereabouts. Was it late December, Dr Watt?

Dr Watt—I was not here; I was on leave.

Senator WONG—You lucky man!

Dr Watt—I was very lucky.

Senator WONG—Mr Suur, is that right?

Mr Suur—I think Dr Grimes could probably help us with that.

Senator WONG—So you were on leave, too. Was anyone at Finance working? Senator Minchin, maybe you could help.

Senator Minchin—In December, I think.

Senator WONG—So sometime in late December?

Senator Minchin—In mid-December.

Senator WONG—When is the budget system closed off for the production of the MYEFO?

Dr Watt—I might need to change personnel. Could you hang on a tick?

Senator WONG—I am happy to do that. Mr Suur, I would not leave if I were you—but you can if you wish. I am going to go back to water.

Dr Watt—I will get Mr Bowen to help us.

Senator SHERRY—This is perhaps an opportune time to clarify, Mr Bowen, what your position is and for how long it is to be.

CHAIR—Welcome back, Mr Bowen.

Mr Bowen—I am still a deputy secretary in Finance. I am no longer head of the budget group. I am currently offline. I am preparing to go to Manila to take up the position of Australia's director at the Asian Development Bank. I take up that position on 1 April, and I hope to have the majority of March to reorganise my life and get up there.

Senator SHERRY—We might deal with this in a little more detail later. I am sure you have not forgotten the exchange we had, Dr Watt and Mr Bowen, at the last estimates. If my recollection serves me correctly, I was travelling in a plane back to Tasmania the day after the estimates and I saw the position that you formerly held advertised in the *Financial Review* on the Friday of that estimates week. Is that correct?

Dr Watt—That would be right.

Senator SHERRY—I might have some more questions about that later.

Dr Watt—The process had been in train for a very long while.

Senator SHERRY—I must say, I was a little surprised that there was no indication of the process as part of the exchange we had at that estimates concerning the matters identified in the budget group.

Dr Watt—The two are completely unrelated. That is the important point. This appointment was in train for a long time before that estimates hearing, but the appointment is confidential, as I understand it—Mr Bowen can correct me—first, until it goes to cabinet and then until it is shared with the constituency. Mr Bowen's constituency includes a number of countries other than Australia, who have to be advised and/or consulted before a new ED is announced.

Mr Bowen—They actually have to elect me.

Dr Watt—Mr Bowen has to be elected. Given Australia's position in the constituency—

Senator SHERRY—You sound like a budding politician, Mr Bowen. That could be dangerous.

Senator WONG—Senator Minchin can help you out.

Mr Bowen—I am sure a number of people in this room could help me. But Dr Watt is right: it was an awkward situation last time in that the announcement is made by the Treasurer once cabinet has signed off, and the Treasurer at that point had not made the announcement. So it was not possible to say anything at that time. I was still doing the head of Budget Group job and I only left that position on 29 January.

Dr Watt—I would emphasise again that there is no link between the two issues—none.

Senator SHERRY—Perhaps there should be, but maybe I will explore that later when Senator Wong has finished her questions.

Dr Watt—I do not think there should be.

Senator SHERRY—Let us just see the sort of response I get from our newly-elected official at the table.

Senator WONG—I do not think telling Senator Sherry that there is no link will stop him asking questions, Dr Watt. I presume given the evidence that Dr Watt has given today that there was no discussion prior to the production of MYEFO about the proposed \$10 billion?

Mr Bowen—I will speak for myself in my former role: no, there was not. I think you asked when the close-off was for MYEFO. We can give you an exact date, but it was around 15 December.

Senator WONG—So at that stage there was no indication from PM&C or any other department of a proposal to spend \$10 billion?

Mr Bowen—No.

Senator WONG—Can we just go back, Mr Suur, to the meeting of the 23rd. You were provided with a funding profile. I cannot recall whether you said this in relation to Senator Sherry but you queried some aspects of it, but broadly there was agreement. Is that correct?

Mr Suur—We were broadly comfortable with the methodology the task force had used to construct the estimates.

Senator WONG—Normally, through a cabinet process, an announcement of this level of expenditure would go through a formal agreement and sign-off process with key departments, including Finance, wouldn't it? You would be asked to sign off on the costings?

Dr Watt—That is the usual process but, as I said, there is no one-size-fits-all. There have been occasions where packages have been announced before costings have been finalised.

Senator WONG—Did you ever sign off on these costings?

Dr Watt—No, we have not signed off on the costings.

Senator WONG—So the department of finance has still not signed off on the costings of the package that was announced on 25 January?

Dr Watt—We have not signed off on the costing. As Mr Suur said, we were not asked to sign off on the costing; we were asked to run our eye lightly over it, and we did, to see if there were any major issues relating to costing. Mr Suur has also said that we were broadly comfortable with the methodology and the assumptions.

Senator WONG—When you said ‘broadly comfortable’, Mr Suur, was there any element of the costing package with which Finance disagreed?

Mr Suur—We have not done the sort of detailed work that would allow me to answer that question honestly.

Senator WONG—Because you have not had time to? Is that right?

Mr Suur—Yes.

Senator WONG—If you were given the funding profile on the morning of the 23rd and the announcement was on the 25th, there was no possible way in which Finance could verify in detail the veracity of the costings which form the basis of the announcement.

Dr Watt—We were not asked to.

Senator WONG—No. But there was no way you could have.

Dr Watt—We were not asked to.

Senator WONG—Could you have done it?

Dr Watt—The answer is: it depends. It depends upon the nature of the costings. Some costings are very simple; some costings are complex.

Senator WONG—You say that there are a range of ways in which certain decisions are made, Dr Watt, and this might be a little different but not completely—there are announcements made without Finance costings. Are you able to tell us what precedent there is for a \$10 billion announcement which has not been through a process of verification and sign-off by Finance?

Dr Watt—I would need to take that on notice.

Senator WONG—How long have you been the secretary to this department, Dr Watt?

Dr Watt—Five years.

Senator WONG—In any of the time prior to this since you have been secretary, can you recall an announcement of \$10 billion that has not been through a process of Finance verifying the costings and signing off?

Senator Minchin—Mr Chairman, I think this is a process of questioning which could be likened to entrapment. This is probably a unique situation. It is an offer by the Commonwealth in relatively broad terms—

Senator SHERRY—Entrapment! Dear, dear!

Senator Minchin—to four state governments and a territory government that, in return for them agreeing that the Commonwealth should manage the Murray-Darling Basin on their behalf, involving the formal referral of their powers, the Commonwealth is prepared to put on the table an investment of this size. That is a unique situation. Once agreement is reached with

the states—and obviously there is, as has been said many times, considerable detailed work to be done to finalise the investment, the details of that investment, the costing of that investment and the profile of that investment. So I object to a line of questioning which seeks to entrap officials in relation to a unique situation where an offer has been made by the Commonwealth to the states and the final package has not been determined. As it is, of course Finance and Treasury will be formally involved in the detail of the costings to be presented to the parliament.

Senator WONG—Minister, which is the answer? I am not going to go down the entrapment path, but is the answer that there is precedent or is the answer that there is no precedent because it is unique?

Senator Minchin—I am not going to waste my officials' time by having them looking around for precedents or otherwise. I am informing you that this is a rare occasion on which the Commonwealth government is making an offer to four state governments and a territory government that, in exchange for a referral of constitutional powers, the Commonwealth is prepared to make a particular investment. I do not know of any precedent for that. There may be, but I am not aware of it. So I am not at all happy with a line of questioning which is based on it being unusual. It is unusual.

Senator WONG—With respect, Minister, your happiness is not really the issue here, is it?

Senator Minchin—Yes, it is, because I will direct them not to answer your questions—

Senator WONG—All right. Are you going to do that?

Senator Minchin—so my happiness is at issue.

Senator WONG—Are you going to do that?

Senator Minchin—I am responding to this particular question by indicating to you that I do not like what you are doing with officials by seeking to entrap them in your political web, and I am making it clear to you that this is a unique situation, where an offer has been made by the Commonwealth in relatively general terms to the states, seeking their response to it.

Senator SHERRY—Sorry, Chair, it is not up to the minister to indicate whether he believes we are wasting the time of officials or not; it is our time. It is part of the scrutiny process.

CHAIR—No. But, Senator Sherry, the minister is quite right to say that this should be just about process.

Senator SHERRY—We are entitled to ask questions and receive a response to the questions we are posing. They are perfectly legitimate questions.

Senator Minchin—I am entitled to direct officials not to answer your questions.

Senator SHERRY—I can probably understand the minister's touchiness, given the lightweight costings of this program. But, at the end of the day, that is a political response from him. We are entitled to receive reasonable answers to reasonable questions, and to date they have been perfectly reasonable.

CHAIR—I will listen closely.

Senator Minchin—I do not think there is much more that officials can add to the answers they have given on this matter.

Senator WONG—There are a range of occasions, are there not—

Senator Minchin—They are not historians. They are not here to tell you the history of the way in which these matters are dealt with by the Commonwealth government. They have given you the answers in relation to this situation, and we are not here for a history lesson.

Senator SHERRY—Chair, that is an extraordinarily unreasonable approach by the minister. There are many occasions, as you would recall yourself, when we ask about the development of policy and costings or programs and costings in the past. We have done that on numerous occasions. If that is what the minister classifies as history, these estimates proceedings would not last long.

Senator Minchin—Strictly speaking, these appropriations are about additional estimates by the department of finance. The package announced by the Prime Minister has nothing to do with additional estimates.

Senator WONG—There is no money appropriated in the additional estimates for it because you have not done any costings.

Senator Minchin—It is properly, and it will be, the subject of budget estimates when the government comes to the parliament seeking an appropriation for this revolutionary investment in the Murray-Darling Basin, with which your party and your New South Wales government agree. But, at this stage, it has absolutely nothing to do with additional estimates. It is very tolerant of us to entertain any questions on this matter because they have nothing to do with additional estimates.

CHAIR—Senator Wong, let us just stick to the process questions.

Senator SHERRY—Yes, and get answers to them.

Senator WONG—There are a range of occasions, are there not, when the Commonwealth will offer money or indicate that money is available subject to certain contingencies? I can recall, for example, university funding which was contingent upon certain industrial relations arrangements being entered into, and so forth.

Senator Minchin—Again, I do not think they are appropriate questions for the department of finance. They are general, historical questions.

Senator WONG—Is Finance a central agency? Is Finance responsible for expenditure?

Senator Minchin—They are general, historical questions.

Senator WONG—Apparently, you are out of the loop, Minister.

Senator Minchin—I beg your pardon?

Senator WONG—Apparently this department is out of the loop.

Senator Minchin—Don't be ridiculous.

Senator WONG—Two days before \$10 billion is spent, and you do not know about it.

CHAIR—Senator Wong, if you could direct your questions more specifically, that would help everyone.

Senator WONG—I am asking questions. Are there occasions when funds—

Senator Minchin—That statement is factually incorrect. You said ‘two days before \$10 billion is spent’. Not a dollar has been spent. An offer has been made to four states and a territory.

Senator WONG—I am sure that the Prime Minister will be happy with your qualifying the grand announcement on the 25th, Minister. I want to go back to Finance’s role in other announcements. There have been occasions, have there not, when Finance has had to cost funding offers which were contingent upon certain events occurring—for example, in the higher education sector? Were you asked to verify costings—

Senator Minchin—Again, Mr Chairman, I do not think these questions are at all relevant.

Senator WONG—This is about Finance’s role in costing government announcements. I know you are touchy, Minister, about these issues.

Senator Minchin—These are quite irrelevant questions to additional estimates. They have nothing to do with—

Senator WONG—Frankly, it is not your decision to say what is relevant.

Senator Minchin—Expressing opinions on what packages are or are not—

Senator WONG—I am asking about Finance’s role. How is that not relevant?

Senator Minchin—I think the questions have been answered in full on this. I do not think there is any more that officials can say on this.

Senator WONG—I am asking about Finance’s role, for example, in costing higher education expenditure which was contingent upon certain industrial relations arrangements being reached by universities. As I recall, 2.5 per cent of funding was subject to what was called the HEWRS. Was Finance involved in doing those costings?

Senator Minchin—Officials have made it clear that—

Senator WONG—You have not allowed them to answer. This is a complete abuse of the committee’s time.

CHAIR—Senator Wong, I will come back to you. Minister, you have the call.

Senator Minchin—In the process of developing a spending proposal, the point at which Finance is intimately involved in its costing will vary from initiative to initiative. In this case, the point at which the detailed involvement of Finance will occur will be at a later point than that at which the offer was made to the states. The point at which Finance will be involved will vary from occasion to occasion, depending on the circumstances and the nature of the offer. This one involves a transfer of constitutional authority. So it is quite different from anything else that Senator Wong may point to. But to trawl through all the various types of announcements and initiatives that a government takes and the point at which Finance becomes involved is a complete waste of all of our time.

Senator WONG—This is taxpayers’ money—

Senator Minchin—And not a dollar will be spent until the states agree. The states are playing politics with it at the moment.

Senator WONG—This is taxpayers' money and I am asking questions about finance—

Senator Minchin—And you will have every opportunity at the budget estimates.

Senator WONG—If I could finish, Minister.

CHAIR—Senator Wong, you have the call.

Senator WONG—I am asking questions about Finance's role in preparing costings associated with an education announcement. Are you seriously telling this committee that you do not want that question answered?

Senator Minchin—I do not think it has anything to do with additional estimates.

Senator WONG—That might be your opinion. Are you saying that—

Senator Minchin—It is your opinion that it is relevant, and it is my opinion that it is not.

Senator WONG—Yes, and this is Senate estimates and I am a senator asking questions in an estimates committee.

Senator Minchin—At an additional estimates committee.

Senator WONG—Yes.

Senator Minchin—We are happy for you to trawl through every detail of the additional estimates which Finance is seeking.

Senator WONG—Do you want me to get out the annual report and go through it?

Senator Minchin—Sure, if you like, but I would like your questions to be relevant.

Senator WONG—They are relevant, Minister. You might not like them. I think that is the issue, and we are all very clear about that. Higher education funding of 2.5 per cent—

CHAIR—Put your question and then the minister will assess whether it is—

Senator WONG—I have put it. Higher education funding of 2.5 per cent was conditional on compliance with what was then called the HEWRS—the higher education workplace requirements. It was certainly an industrial relationship arrangement. Was Finance involved in developing or verifying those costings?

Senator Minchin—Again, I make the point—

Senator WONG—If you do not want them to answer, just direct them.

Senator Minchin—that the point in a process of policy development and implementation at which Finance gets involved in the detailed costings will vary from program to program. Labor senators can play a political game of trawling through all the various government programs of expenditure involving the states to try to define at what point Finance gets involved in it—and we could spend all morning doing that, if you like—but it will vary. In this case, the point in the process at which Finance would be involved in the detail of costings will be at a later stage than it might be in relation to other programs. That is perfectly acceptable.

CHAIR—So you cannot draw a direct analogy.

Senator Minchin—That is right. In my view, you cannot draw a direct analogy.

Senator WONG—Can we just clarify: the minister has given a political answer. Is he directing the officials not to answer my question; and, if so, can he indicate the basis for that?

Senator Minchin—I am indicating to the chairman that I think that this is an irrelevant line of questioning that seeks to have officials comment upon the point at which they are asked by the government to provide detailed costings, which will vary from time to time.

Senator WONG—We understand that.

Senator Minchin—I am happy for officials to say at what point in relation to various programs they are involved in the costings, if they have that information to hand. They may well not have that and may need to take these questions on notice. I would preface anything that the officials would want to say by saying that, from program to program, the point at which Finance will become involved will vary. That is an important presupposition to any answers they may wish to give.

Senator WONG—That is the preface. Are you directing them to not answer?

Senator Minchin—I am happy for them to entertain your questions, although they may need to take them on notice if you are asking for information as to the point at which they became involved in various previous program decisions.

Senator WONG—Dr Watt, do you want me to repeat the question? I have asked it three times, and I am sure that you understand the question.

CHAIR—Would you like that question again, Dr Watt?

Dr Watt—I would. I may well understand it, but I nevertheless would like to hear it again.

Senator WONG—I was asking about other occasions when the government has made announcements that were contingent upon certain events occurring before expenditure would flow. The example I used was higher education funding contingent upon certain industrial relations arrangements being entered into by universities. In relation to that announcement or similar types of announcements, has Finance been involved in verifying the costings and signing-off on the package?

Dr Watt—I would need to check the specific details of that package. I would be surprised if we were not.

Senator WONG—You would be surprised if you were not.

Dr Watt—I would need to check. I cannot confirm that.

Senator WONG—Dr Watt or Mr Suur, do I understand from your earlier answers that you will release the funding profile and details associated with it for the budget estimate process?

Dr Watt—I do not understand the question.

Senator WONG—As I understand it, the funding profile has been prepared and detailed costings are yet to be done. Mr Suur's answer, I thought, was that it would be done prior to and for the budget estimates process. Is that right?

Dr Watt—The final costings, including a best profile, will be included, as they always are, in the budget measures document. That is how they would be released. We would not be releasing them separately.

Senator WONG—I appreciate that, but you are involved in the process whereby there will be figures within the budget estimates process which underpin—

Dr Watt—There will be figures in the budget estimates and, I presume, a series of measures in the budget measures document.

Senator WONG—When you do this detailed work, what if you work out there is a problem with the costings?

Dr Watt—That is a hypothetical question.

Senator WONG—It is a pretty reasonable question.

Dr Watt—A hypothetical question.

Senator WONG—You had 48 hours or less than 48 hours to check the costings. What happens?

Dr Watt—It is a hypothetical question.

Senator WONG—What would happen?

Senator Minchin—I do not think it is a reasonable question.

Senator SHERRY—Perhaps we can deal with an issue that is not, I think, hypothetical. If final agreement with the states is not reached by the close-off of budget preparation, surely then you would only be able to make best estimate of expenditures up to the agreed, whatever it is, policy framework at that time.

Dr Watt—That is correct.

Senator Minchin—A government decision would need to be made about the budget treatment of what would still be an offer.

Senator SHERRY—Yes.

Senator Minchin—There would need to be a formal decision about how we would treat it if there is no agreement by the—

Senator SHERRY—An example that comes to mind, which I will be touching on briefly later on with respect to Finance, is the superannuation budget package announcement in the budget. It was not completed at budget time; it was only subsequently completed in terms of the costings.

Dr Watt—That is correct.

Senator SHERRY—We did not get a program breakdown in the May budget of those elements. We did not get that breakdown till final announcement in, I think, November.

Dr Watt—Let me just confirm that. That is correct.

Senator WONG—I am just a little bit unclear. If you go through your costing process and you work out that, for example, the costing should actually only be \$9 billion or \$11 billion, what will occur through the budget process?

Dr Watt—I am a bit reluctant to answer to the question because it is hypothetical.

Senator WONG—But it is a process question; it is a genuine process question. What happens? You have an announcement; you do your costings; let us say they are \$1 billion out, either under or over. How is that processed through the budget estimates preparation?

Senator Minchin—Can you put your question more generally? It is difficult for officials to be drawn into, frankly, the political debates surrounding this particular issue. If you want to ask a general question about how matters are dealt with in a budgetary process, that is fine, but you are seeking to put officials in the middle of a significant public, partisan political debate about this matter. And it is hypothetical and it is reasonable to not—

Senator WONG—I am actually just trying to clarify what happens if the costings are either under or over. Presumably, as I understand it, you would take the \$10 billion, check your costings and then allocate it to various programs, which would be reflected across a number of departments, presumably—because, if you look at the announcement, there would be a number of departments whose expenditure would be affected. Am I correct in saying that what would happen is that you would adjust the expenditure through those departments to reflect the revised costings? Is that what would occur? So, if it is \$11 billion, you would adjust that; you would adjust your costings and therefore your expenditure through the estimates process—the budget process for the various departments.

Senator Minchin—The point is that, in relation to this offer, finance advice was sought in relation to the methodology, the task force worked out a program of expenditure, and that has been forwarded to the states. In relation to any program, between the announcement of the program and the detailed work that goes into the preparation of the budget papers et cetera, information comes to hand that suggests that for one reason or another—and this happens in governments under both persuasions—in the full development of the thing other issues arise and information comes to hand that was not available at the time of the original announcement.

If, for example, you find that a given amount of money will only purchase 99 per cent of the outcomes that you thought it would, then you have a decision to make—you either increase the pie or you leave the pie the same but indicate that you are now only going to get 99 per cent of the outcomes. So in a general sense governments, in the development of policy initiatives from the moment of initial announcement through to their formal appropriation and delivery, invariably have to make those sorts of decisions as to whether a program, based on information that comes to hand, is increased in size or the scale of the outcomes sought is wound back.

I am not suggesting for a minute that that is likely to occur in this case. As I said, there is confidence in the robustness of the methodology applied but, as has been said many times, this is subject to what the states may come back to this week in terms of conditionality on their agreement to transferring their powers. They may say, ‘We want more money here, more money there; less money here, less money there.’ So I expect there is still some way to go on this, but additional information that comes to hand and additional constraints that may be put on this by the states will affect the detailed work on this.

Senator WONG—Subject to the states signing off, is the \$10 billion locked in?

Senator Minchin—As I understand it, the government has made a firm and absolute commitment to an expenditure of \$10 billion over 10 years on this range of water initiatives.

Senator SHERRY—And the extent of that expenditure in each financial year in the forward estimates, department by department, on the basis of information known at the close-off at budget time, will be published in the budget papers?

Senator Minchin—That is true, just like any other measure.

Senator WONG—Mr Suur, to save Senator Minchin jumping in again, I understand the argument from the table that there are different processes for different announcements. The normal process is where an announcement goes through a cabinet submission and a cabinet approval process, and Finance is asked to verify the costings and sign off on them, Can you take me through what would normally happen and which level officer—presumably an officer in a particular group within the department—would work with, say, Environment or whichever department proposed the details? Would they go through the methodology underpinning the costings? Can you take me through that process briefly?

Mr Suur—There would be an exposure draft of the cabinet submission that would be circulated to us that would include costings. We would engage with the relevant department or departments or agencies about the costings contained in the submission. We would look at the working documents that they used to derive those estimates. There would be discussions and meetings between us about those estimates, and we would go through a process of formally agreeing to those estimates. That would often involve Finance having a view that was calibrated a little differently from the number that the agency arrived at. We may have a different view about the assumptions or volume or price of particular constituent parts of that costing.

Senator WONG—Would that be done at your level, Mr Suur, or at a more junior officer level?

Mr Suur—There are advisers within the budget group with expertise in particular portfolios, areas and so on.

Senator WONG—So within your budget group there would be somebody who is across water?

Mr Suur—Yes.

Senator WONG—Was that person involved in the meeting on the 23rd?

Mr Suur—The branch head in question was away on that day. Ms Cvijanovic has some background in this area, although she is a relatively new officer, and she did attend the meeting.

Senator WONG—Did the relevant branch head, who is the person within Finance who has knowledge of water issues, return from leave at any time prior to the 25th?

Mr Suur—She returned on the 25th.

Senator WONG—So she never had the opportunity to view the costings prior to the announcement?

Mr Suur—That is right.

Dr Watt—I think the point Mr Suur is making is that, even though the branch head was on leave, the issue for us was not available expertise.

Senator WONG—In terms of working documents—

Dr Watt—I think the point Mr Suur is making is that, even though someone was on leave, the issue for us was not available expertise.

Senator WONG—Yes, I understood that.

Senator SHERRY—Just to be clear, you have a person in Finance who has some particular expertise in water policy and costings thereof?

Mr Suur—We have a team of people who deal with issues to do with portfolios like agriculture, forestry and fisheries, environment and now water resources. They have varying degrees of background in different issues. We have people who have worked on different sorts of water initiatives in the past. If your question is do we have someone who is an expert on water policy in my division then I would have to take that on notice.

Senator SHERRY—Perhaps I would describe this as ‘a level of knowledge expertise in the water area broadly’. I am not trying to entrap you; I am just interested in the level of expertise you have to examine expenditure proposals in this area given their priority now.

Mr Suur—I would have to take that on notice. There are people who have worked on this in the past in different areas.

Senator SHERRY—Since the announcement by the Prime Minister, have you or is it planned to upgrade the level of expertise by the employment of a new officer or officers in this policy area within Finance?

Mr Suur—It is not something that we could do at short notice. Water is an emerging priority and a big area of public policy activity. Certainly that is something that we would consider when we recruited new staff for the division.

Senator SHERRY—I appreciate that you cannot do it at short notice, but have you considered that? Is there anything in train to upgrade background skills, either internally or by bringing in new expertise in this particular policy area?

Mr Suur—There is nothing in train, but we have had discussions about it.

Senator SHERRY—There is another issue arising from this discussion. There would have been expenditures to date—obviously relatively minor in terms of the water package. There has been some development process evaluation within departments. How would those expenditures have been met? Would they have come from the contingency reserve? They would have been very minor in the context of \$10 billion, but where would the expenditures have come from?

Mr Suur—I would like to clarify that question. You are asking about expenditures that have been incurred in relation to this particular package?

Senator SHERRY—Correct. I am asking about expenditures to date.

Mr Suur—I imagine that any costs have been met from within the existing resources of departments and agencies. I am not responsible for the Department of the Prime Minister and

Cabinet, which hosted the task force. That question is better asked of them or of the budget group official who is responsible for that department.

Senator WONG—Who is the budget group official?

Dr Grimes—I think that is probably best directed to the Department of the Prime Minister and Cabinet because it goes to the resourcing of their functions.

Dr Watt—I think Dr Grimes's answer is a sensible one.

Senator WONG—Mr Suur, you might have answered this, but were there any meetings subsequent to the meeting on the 23rd involving Finance officials, germane to the announcement on the 25th?

Mr Suur—No.

Senator WONG—When you determined that you were broadly comfortable with the costings, did you or your officials look at the assumptions which underpinned various elements of the costings?

Mr Suur—I said that we were broadly comfortable with the methodology used to derive the costings.

Senator WONG—Yes, does that mean that you did or you did not consider the assumptions which underpinned the methodology?

Mr Suur—In the discussions that we had with the Prime Minister's department, we asked them to run through some of the assumptions that they used as a test of reasonableness in relation to how they derived the costings.

Senator WONG—Dr Watt, I presume the answer that 'Finance was broadly comfortable' means that you are broadly comfortable with the methodology of the costings?

Dr Watt—I have not gone into the methodology. I do not usually get involved in costings issues. In fact, I tend to think that they should be resolved at officer level, including up to Dr Grimes. If my officers tell me they were broadly comfortable with the methodology, I am sure I am broadly comfortable with the methodology.

Senator WONG—Mr Suur, are you able to tell us, for example, in relation to the \$3 billion structural adjustment component of the costings, what the assumptions were in determining that figure?

Mr Suur—As I recall—and I have not had the advantage of seeing the details of the costings—the major component in that is the cost of buying back water rights.

Senator WONG—What do you mean when you say that you have not had the advantage of seeing the detail of the costings?

Mr Suur—As I described the process of our involvement, we were given a page which had the different components of the plan in it and a draft 10-year profile. To date, aside from the announcement itself, that is the only documentation that we have received in relation to this plan.

Senator WONG—A single page?

Mr Suur—Yes.

Senator WONG—Are you able to tell me what value was allocated to the per megalitre buy-back underpinning the \$3 billion?

Mr Suur—I would rather not do that, Senator.

Dr Watt—I think that is a question to the Department of the Prime Minister and Cabinet or the Department of the Environment and Water Resources.

Senator WONG—When you say that you would rather not do that, I would appreciate it if you could indicate the basis for that.

Senator Minchin—As Dr Watt has said to me, Mr Chair, I think it is, by and large, unprecedented for the Department of Finance and Administration to go through in detail the way in which it costs particular proposals. The officials have already indicated—and we are going over old ground again and again—that, in this case, in the preparation of the offer document made to the states, the department was involved in assessing the methodology used. The department has made that clear. It has made it clear that it was not involved in the details of the costing but only in the methodology in anticipation that the department will be involved in detailed costing work as this plan progresses. We are just repeating ourselves.

Senator WONG—I asked a very specific question, Minister, and if you do not want the officials to answer it or they are not answering, I think it is appropriate for you to indicate to the estimates committee the basis on which the answer is not to be given. In terms of the assumptions of the costing, I asked a specific question about the value per megalitre that is assumed in the \$3 billion structural adjustment. How much money are you assuming, per megalitre, that the Commonwealth would have to pay to buy back a megalitre?

Senator Minchin—Senator Wong, I said to the chairman that it is, I think, unprecedented for the department to go through in any detail the basis on which it costs proposals. That is not something that we make public.

Senator WONG—You do not want to tell people how much you are going to pay them to buy back a megalitre?

Senator Minchin—That was not your question, Senator Wong.

Senator WONG—Yes, it is. What is the assumption about the—

Senator Minchin—You just said, ‘You are not prepared to tell people how much you are prepared to pay?’ If the states stop playing politics and we get a program out there where we are going to invest in the Murray-Darling Basin, obviously the responsible department, the Department of the Environment and Water Resources, will have detailed proposals to put to individuals. But that was not what you said.

Senator WONG—What are you assuming that it will cost you?

Senator Minchin—You are accusing us now of hiding from the Australian public. That is nonsense. You asked about the basis on which the department costed something that was given to it. We do not go into the details of our costing of other departments’ proposals. As and when the Department of the Environment and Water Resources is out there offering to buy back licences, of course there will be a detailed proposal put to the public.

Senator WONG—Minister, if you are not going to allow them to answer, can we at least do this properly and indicate the basis of you either directing—

Senator Minchin—They did. They have done it three times now.

Senator WONG—No, they have not. That is a political response.

Senator Minchin—No, I said we do not go into the detail of the basis on which we cost proposals put to us by other departments.

Senator WONG—I was not aware that was in the resolution of the Senate in terms of what can be asked and answered in Senate committees. So what is the ground on which you are saying that this is not—

Senator Minchin—You can ask whatever you like, but I am just telling you that we do not go into the detailed basis on which the department costs on policies.

Senator WONG—On what ground? Is this a public interest ground? Is this a cabinet-in-confidence ground? What is the ground?

Senator Minchin—I do not care; you can call it what you like. I am just telling you why we are not answering the question.

Senator WONG—Because you are not interested in making sure we of the committee actually comply with the Senate orders in relation to questions asked and answered? You could at least do it properly.

Senator Minchin—That is a matter for you. You can say whatever you like about your committee. I am just telling you that officials are not going to answer detailed questions about the basis on which they cost.

Senator WONG—So you are directing them not to answer the question—is that right?

Senator Minchin—They are not going to answer those questions. They have already said they are not in a position to, and I am defending their decision not to answer your question.

Senator WONG—Has the net impact on the water package been costed into the fiscal and cash balance in each of the current forward estimate years?

Senator Minchin—That will be done, as we have said, in the budget to be presented this year.

Senator WONG—To date, has it been done?

Senator Minchin—No.

Senator WONG—So you do not know what the impact will be at this point.

Senator Minchin—We have already said that there is only an indicative profile and the formal profile. As and when the states agree to accept this offer, it will be in the budget to be presented in May and will be subject to full estimates and proper estimates hearings in the budget estimates.

Senator WONG—So you are not able to provide me with any information about, for example, the split between annual appropriations and special appropriations?

Dr Watt—No, that has not been done.

Senator WONG—Basically, none of the PBSs for additional estimates. Would there be any indication of the \$10 billion expenditure in the forward estimates period?

Senator Minchin—Of course not, because we are not seeking money from the parliament. Additional estimates are about seeking moneys from the parliament.

Senator WONG—I am just clarifying that that is the case.

Senator Minchin—It is a silly question. We have already told you: as and when the government has a formal agreement with the states that triggers the expenditures of this money, we will come to the parliament seeking those moneys in budget appropriations which will be the subject of budget estimates, but in these additional estimates we are seeking \$200 million.

Senator SHERRY—Minister, it is not a silly question.

Senator Minchin—This department is seeking a few hundred million dollars in additional estimates, and you are entitled to ask about that, but this has nothing to do with additional estimates.

Senator SHERRY—It is not a silly question. We are entitled to check to see whether there are any expenditures in the additional estimates. The department's answer happens to be no, but we are entitled to ask and to at least check and verify whether there has been any allocation.

Senator Minchin—You are, but we have already answered that question.

Senator WONG—Presumably you are only offering money that you have already decided to spend; otherwise it is not a real offer. What you are focusing on in your answers, Minister, is a decision to spend the money. So you have offered money. If it is real money, where is it coming from?

Senator Minchin—The Prime Minister has said that we are prepared to spend \$10 billion over the 10 years—I think 2007-08—on investing in the Murray-Darling Basin if the states are prepared to hand over their money. It was made clear, on my recollection, subject to correction, that the profile would commence in the 2007-08 year—that there was no expenditure in the 2006-07 year but the expenditures would be from 2007-08, subject to negotiation with the states and meeting all the other requirements—and when we present the 2007-08 budget the appropriations requested will be revealed. That has been clear from the day of the announcement.

Senator WONG—There is just one question. I think the minister has answered one aspect of funding conditions, which is that it is contingent upon governance arrangements. Are there any funding conditions associated with this package other than the governance arrangements you have referred to, Minister?

Senator Minchin—You are asking the wrong department, in a sense. I am happy to try to answer your question, but really it is a PM&C or DTEWR question. But, off the top of my head, no, I do not think so.

Senator WONG—Is Finance aware of any conditions in relation to states contributing funds?

Senator Minchin—Again, you are asking me a detail which I would have to refresh my memory on. I think there is an expectation that the states will continue certain levels of investment of their own in certain activities. As is always the case, you have to be very careful when you put money on the table that the states do not withdraw from various spending activities, which results in a zero-sum game. There is, I think, as part of the package a request that the states continue certain forms of expenditure and do not use this offer to withdraw, but I cannot give you the detail of that off the top of my head.

Senator WONG—Was Finance asked to provide any advice in relation to comments on this plan provided by the Murray-Darling Basin Commission, in particular the suggestion that the funding was insufficient?

Dr Watt—No, Senator.

Senator Minchin—Just for the record, Wendy Craik, who is CEO of that commission, issued a statement indicating that she was in error in suggesting that there was any shortfall.

Senator WONG—Can you tell me who was in contact with Ms Craik prior to that statement?

Senator Minchin—It is malicious to suggest that Ms Craik was subject to any intimidation in issuing the statement.

Senator WONG—I think you are the first person to raise the word intimidation. I asked who was in contact with her.

Senator Minchin—It was reasonable for me to infer from your question that you are suggesting that Ms Craik was heaved—

Senator WONG—Not everybody has such a dark way of thinking.

Senator Minchin—and I reject that inference out of hand.

Senator WONG—Did anyone from your office contact Ms Craik prior to that statement going out, Minister?

Senator Minchin—No.

Senator WONG—I am happy to move off water. I want to briefly ask some questions—Senator Murray may want to also—in relation to Finance's response to Audit report No. 23: *Application of the outcomes and outputs framework*.

Proceedings suspended from 10.17 am to 10.32 am

CHAIR—We are still on general questions.

Senator WONG—I have some questions regarding Audit report No. 23, which deals with the outcomes and outputs framework. It is some seven years since the framework was introduced—is that right?

Ms Campbell—Yes, approximately seven years.

Senator WONG—The consideration of the success, I suppose, of the framework by the Auditor-General would suggest that, seven years on, departments have a fair bit of work to do in relation to both utilisation of the framework and its effectiveness. Would you agree with that?

Ms Campbell—I think the report actually was quite a positive report on agency performance, particularly in regard to their performance information. It recognised some of the difficulties, but it also indicated that there was some best practice being carried out, and the report was very useful in pointing out some areas where further work could be done, both for agencies and for Finance.

Senator WONG—Can I take you to page 73 of the report, Ms Campbell—and I am indebted to my colleague Senator Murray, who reminded me of this table. This is, in tabular form, an indication of the Audit Office's findings of the extent to which the agencies use outcomes and outputs cost and performance information in decision making. If you look at budget planning, you will see that the best result there is that 52 per cent use it extensively; in agency priorities, 47 per cent use it extensively; and 12 per cent never use it—and that is a figure through agency priorities, budget planning and resource allocations. The very best indication is that about half the agencies actually use the outcomes and outputs cost and performance information in their decision making. So I am a little confused as to why you think that this report was positive.

Ms Campbell—The figures you talked about were responses that said they were used extensively. If you go to the next line as well, it talks about when they had been used sometimes in that planning process.

Senator WONG—Was that the criterion—that the government is happy with the framework, which is, 'We sometimes use the outputs framework to guide our decision making'?

Dr Watt—You would not expect agencies to solely use the outputs and outcomes framework in all aspects of decision making.

Senator WONG—No.

Dr Watt—I do not think that is what the Auditor-General has said and I do not think you would expect any survey to show that. In our own department, there are times in decision making when we use the outputs and outcomes framework and there are times when we look at inputs that might not be closely aligned with the framework. It depends on the decision you are making.

Senator MURRAY—If I could intercede, your difficulty is that agencies are using this 'rarely' or 'never' between one quarter and a third of the time. Your riposte works with respect to 'extensively', because you will not use it in every circumstance, but the 'rarely' or 'never' is a worry. Dr Watt, as you know, my persistent view has been that Finance has it right and their approach, guidelines, attitudes and efforts are on track, but you have very great difficulty in enforcing these measures. My concern is that this table, amongst other things in this report, indicates insufficient internalisation into a number of agencies and that it is not natural to their processes. As soon as you get a high figure of 'rarely' or 'never' when you are talking about agency priorities, which is not their run-of-the-mill stuff—this is about priorities or budget planning, which Senator Wong quite accurately remarks is a particular emphasis—the 'rarely' or 'never' thing indicates to me that there is insufficient internalisation of this financial philosophy. In your defence, you are right to say, 'Well, this isn't a problem with everybody

and every agency,' but you have to recognise that the figures themselves indicate real shortcomings, and so does this report.

Dr Watt—'Rarely' and 'never', I agree, is disappointing. The only caveat I would add is: I wonder how I would fit under that category if I were a small agency with one outcome and one output or two outputs? I might find that I do not make as extensive use of it as I would if I were a large agency with several outcomes and a dozen or more outputs. I do not know where 'big' and 'small' fell in that survey, but that is just a point that occurs to me.

Ms Campbell—As you said, we have been doing further education on the framework and on informing agencies of how to utilise it. We continue to provide advice in those regards. Material has been provided by the ANAO. We are considering that, analysing that and looking at better ways in which we can help agencies to implement the framework.

Senator MURRAY—In my own view—and, as you know, I have long experience and an interest in this sort of field, not just in politics—a lack of ready reference, if you like, to these issues in between a quarter and a third of the instances signals a bigger problem than your initial response to Senator Wong's question indicated. I personally do not lay the blame at Finance's door; I lay the blame where it should be, which is with the agencies and the ability of their financial officers and chief executive officers to internalise these processes and philosophies. The question is: what can you do about it? That is what is in my mind.

Ms Campbell—As we stated before, we are looking at the framework to determine whether or not there are methods of simplifying it and making it easier for agencies to be able to implement, understand and internalise within their organisations.

Senator MURRAY—Sorry, Senator Wong, I interceded.

Senator WONG—Thank you. The issue you raised, Dr Watt, about what if you are one agency and you have one outcome or one output, does that not really emphasise one of the issues which the Auditor-General raises—that is, the difficulty associated with high-level outcome statements? As I read the Auditor-General's report there are a range of issues about the framework which are discussed. One of the issues that is raised—there is some discussion on page 22 if you want to look at it—is the effectiveness of using very high-level outcome statements. Obviously that is an issue which opposition senators and minor party senators through Senate estimates have experienced some difficulty with—that is, the meaningfulness of very high-level outcomes and how much accountability that actually brings to the framework. The ANAO says, and I quote:

The ANAO considers high-level outcome statements can contribute to agencies experiencing difficulties in demonstrating the link between their outputs and the outcomes to which they contribute and can provide limited information for decision-making.

It goes on to point out that Senate committees and other reports have raised this issue. I take Senator Murray's point that this is an agency issue. But you are in charge—are you not?—of trying to make this whole framework work. Is Finance looking at giving some guidance to agencies which says, 'You actually need to be a little bit more specific about the outcomes you identify'?

Dr Watt—Just before we get into that, there is a horses for courses issue here. You are quite right: a very large agency with, say, one outcome might look pretty high-level—it might

look like you did not have a great deal of transparency or application of the outcomes-outputs framework. On the other hand, if you have an agency with a funding base of \$50 million—that is not unheard of in the Commonwealth; in fact it is probably quite common for many small agencies with a tightly-focused mission—then one outcome and one output might be perfectly reasonable. It just depends. So, in a sense, while there might be something in the Auditor-General's point, it depends on the particular agencies and departments you are talking about. Something which is a high-level outcome for one agency could actually be quite prescriptive and detailed for a small agency with a narrow focus.

Ms Campbell—Senator, you asked what Finance was doing in regard to this matter. The department commenced a progressive review of agency outcomes in 2005 and we are continuing to work with agencies in looking at their outcomes to determine whether they remain appropriate and meet the guidance. We are also revising our guidance, and we will particularly take into consideration what the ANAO has said in this report in our guidance and training materials—and they will be made available to agencies in the next few months.

Senator WONG—What is the time frame on the revised guidance?

Mr Loudon—One of the issues that we do want to take into account is the outcome of the inquiry by the Senate finance and public administration committee in relation to transparency and accountability. So one of the reasons we are continuing to work on the guidance is so that we can incorporate any findings from that inquiry. So we are not rushing to complete the guidance until we see the outcomes of that particular inquiry, as well as taking into account the issues that were raised in this report.

Senator MURRAY—You will be happy to know that our draft report is ready. It depends on the timing of the chair as to when it is tabled.

Senator WONG—Is this the report to which the Auditor-General refers at page 29 at paragraph 59 where it says:

... Finance advised it was in the process of updating its guidance material. The ANAO considers that in updating its guidance, Finance should also take into account the findings of the 2006 SFPAC inquiry ...

Mr Loudon—Yes.

Ms Campbell—Yes.

Senator WONG—So post this report being released, are we going to have a time frame for this?

Ms Campbell—We will be moving quickly. We would expect to have the guidance out before the end of this calendar year.

Senator WONG—Subject to the chair signing off on the report, we will look for to a discussion of that in May.

I have one question about administered item indicators. The report states on page 61 at paragraph 3.23:

The ANAO found that approximately one fifth of the surveyed agencies with administered items indicated that none of their administered item indicators addressed the effectiveness, quality, quantity or cost of their administered items.

Can you tell me what you understand that to mean and Finance's view about that?

Ms Campbell—I think it is a very factual statement that the ANAO found, that one-fifth of agencies had not provided indicators for their administered items, and we will include that in our revised guidance.

Senator WONG—‘Administered items’ is administered expenses, isn't it? So you can only pay in relation to certain things—job seeker account, for example.

Ms Campbell—We will check with our budget group people, but some of those administered items are administered by departments on behalf of the government—

Senator WONG—In accordance with a piece of legislation.

Ms Campbell—In accordance with the legislation, or it can also be an annual appropriation for which there is a purpose.

Senator WONG—It often will deal with funds which are paid directly to members of the public.

Ms Campbell—That is true. And there are also items of assets—for example, Parliament House.

Senator WONG—It is a concern, isn't it, that 20 per cent of the agencies identified had no items which address the effectiveness, quality, quantity or cost of their administered items.

Ms Campbell—I think, before we became incredibly concerned, we would want to know which one that referred to and whether or not they were large administered programs—

Senator WONG—So not knowing what you are doing with a small amount of money is okay. I am sure that is not the position.

Ms Campbell—No, I do not think that is what I was saying. If you looked at some of those payments to the public that we spoke about, they are included, particularly in some of the agencies like FaCSIA and Department of Employment and Workplace Relations—there are descriptions within their outcomes and outputs framework. I think it would be worth our having a look at whether or not it referred to smaller amounts which may be captured as part of the departmental outcome or output structure.

Senator WONG—Have you considered which of the 20 per cent?

Ms Campbell—We have not yet.

Senator WONG—When are you intending to do that, if you are intending to do that?

Ms Campbell—We will do that as part of our consideration and revision of the guidance as we consider this report as well, as the report from the other committee on accountability and transparency, in refining our guidance on this matter.

Senator WONG—Table 3.4 on page 62 indicates, in a tabular form, the performance of administered item indicators with better practice characteristics, in particular in relation to targets and benchmarks, I think. It is a very low compliance with best practice or meeting of best practice. As I understand from what this table tells us, no agencies had all of their administered items with benchmarks in accordance with best practice. Is that right?

Ms Campbell—That is what the table indicates with regard to benchmarks.

Senator WONG—You do not disagree with the table?

Ms Campbell—I do not disagree with the table. This is the advice the ANAO has provided as part of their survey. If we look at what it says, we are talking about proportion of administered item indicators with better practice characteristics. I think the report says elsewhere that there was some evidence of better practice, but obviously there was room for improvement. I think this is a good example of where we will look, in our revised guidance, to provide a focus on the administered items.

Senator WONG—What it shows is that targets and benchmarks are rarely included in the majority of indicators.

Ms Campbell—We are talking about administered item indicators.

Senator WONG—Correct, this is administered items.

Ms Campbell—Targets were not included 25 per cent of the time and benchmarks were not included 48 per cent of the time.

Senator WONG—And the percentage which had targets in relation to all the administered items was only 29 per cent. The picture is that very few of the agencies which had administered items have incorporated targets and benchmarks into the management of those administered expenses.

Ms Campbell—I think that is the evidence that the ANAO has presented.

Senator WONG—How do they know if the money is doing what it is supposed to do—I am not suggesting fraud—in terms of the actual effectiveness of taxpayer expenditure?

Ms Campbell—I think if the agencies do provide detail in their annual reports about those expenses then, despite the fact that they have not done the better-practice characteristics, I do not think that we should say that they are not providing that. They are not doing it in that format.

Senator WONG—But as I understand it—and I had only just come into the parliament, or perhaps I was not even here, when the framework was first introduced—the point was to try and give a better framework for managing performance, better transparency in terms of the management of money, the expenditure of moneys et cetera. Your answer to me is, ‘Well, we can look at the annual report.’ What is the point of having a framework if the majority of agencies are not using it effectively in a whole range of areas, particularly in relation to administered items?

Mr Loudon—One of the issues with that table is that there are a number of different types of better-practice indicators. The two that you have highlighted are targets and benchmarks. But the figures in relation to the first four characteristics of better practice have fairly good responses in relation to the activities of agencies. I do not think the report is suggesting that agencies are not providing performance information or indicators. I think out of the seven better-practice characteristics there are, as you have pointed out, two that are of specific concern. Whether indicators are specific, measurable, achievable and relevant is something that agencies seem to be able to hit the mark on.

Senator WONG—Forty four per cent have ‘measurable’ in relation to all their outcomes or their performance targets.

Mr Loudon—These are against better practice—

Senator WONG—We are seven years down the track aren’t we? I could understand that answer if we were a couple of years down the track and people were still finding their feet, but we are seven years down the track on this. Are you really saying that you think this is an acceptable level of performance?

Ms Campbell—We are saying that this is a valuable piece of work that we are going to take on board. We are going to look at providing enhanced guidance and training materials to agencies, assist them in providing these details, and maybe have a look at the framework and see whether in some areas it may be too complex. Is there a reason why agencies are not able to meet this better-practice guidance. So we are coming at it from a couple of different angles. Let us improve knowledge and understanding, but let us also look at the framework—and, without taking away any of the accountability and transparency, see whether we can make it easier for people to comply with.

Senator MURRAY—That sounds to me as if you are going to create better tools, but you still have no means of making sure that the CEOs and the CFOs use those tools. That is an issue, as you know, that we have had a discourse on many times. To use the word we used earlier, how do you get agencies to internalise these things and to activate them? Will you be able to find a means through your minister for a cabinet directive to internally audit reports to CFOs or something? I accept you are going to do something about improving the tools you are going to provide, but how do you make them use the tools? That is the problem we have here; that is the problem Senator Wong is highlighting—the agencies are not doing the job adequately enough.

Ms Campbell—The devolved nature of the framework, as you would be aware, allows the chief executives to implement these systems. We do provide guidance. There is material encouraging them and, of course, committees like yours asking them about these measures and understanding their documents. It is in their best interest to use this material so that it is able to be understood freely. We will need to continue to push that message and to work with them to facilitate that process.

Dr Watt—I suppose the more questions they get about their outputs and outcomes the more likely they are to take an interest in it.

Senator MURRAY—Yes, but the difficulty for us as a committee is that, firstly, there are not that many senators who would get into the depths of this sort of material, quite naturally; and, secondly, this sort of report does not particularise—that is, it does not say, ‘Here is the agency with the problem,’—so that senators can then take the report and go to the agency. Only you can do that. We do not have the material provided to us to enable us to do that.

Ms Campbell—We do not have that material at this stage. We can talk to the ANAO to give us directions about whether they were mainly small agencies or large agencies. That would provide us some assistance in refining our guidance or working with those agencies to address some of these concerns.

Dr Watt—Just in your response to the aside about the roles of users—

Senator WONG—Yes, I just want to be clear. It is very good of Ms Campbell to say that Senate estimates can perform that accountability function, but ultimately this is a matter for government. This is the government's framework. It is not appropriate, I would suggest, that Senate committees become the enforcers of a government framework.

Dr Watt—I was not suggesting that. What I was suggesting, though, is that the more feedback people get from the users, generically, of the data that agencies provide, the more likely they are to take an interest in what they provide. It is not just a matter of government pushing or Finance pushing, it is also a matter of others asking.

Senator MURRAY—The problem that senators have experienced with CEOs of many agencies—and I do not point the finger at yours—is a kind of stonewalling. Senators will ask them about what has been described as a high level outcome because it is vague, generalised, insufficiently benchmarked and inadequately disaggregated in terms of its component parts, and they will feel they are being stonewalled and cannot get at the real quality that should lie behind that outcome. So we badly need the assistance of government to enforce a better application of the framework so that senators can react to it. That is my impression from the interaction of senators with estimates committees.

Dr Watt—I do understand your problem, and I can appreciate that when you get presented with high level outcomes they are genuinely hard to deal with. I would agree with that. I guess the more people who push, the more likely we are to get something useful.

Senator WONG—We need to move on. Can I clarify Senator Murray's question previously about the enforcement issue? Just remind me: you provide guidance but agencies are not required to comply?

Ms Campbell—Agencies are required to comply. In the past we have talked about who enforces that. We spoke last year about a mechanism whereby, once an ANAO report is issued, if there is an issue in respect of a breach of compliance, the Secretary to the Department of Finance and Administration will write to the relevant chief executive officer to point this out and, if necessary, the Minister for Finance and Administration will write to the relevant portfolio minister. This is to strengthen the responsibilities of portfolio ministers and remind them of them.

Senator WONG—Can we just set aside specific responses to the Audit Office reports. I understand that what you have outlined is specific: the agency says, 'Yes, we will do this because the Auditor-General has recommended it.' More broadly, Finance prepares the guidance on how the framework operates, and that is what you are going to look at after the committee report and subsequent to this report from the Audit Office. But technically agencies are asked to comply with the framework and there is no compliance mechanism to ensure that they do, is there?

Dr Watt—I do not think that—

Senator WONG—I am not trying to make a political point. I am trying to find out exactly what the process is.

Dr Watt—I am not trying to treat it as a political point. Agencies do comply with the outcomes and outputs framework. They are appropriated on the basis of outcomes and outputs. They establish outcomes and outputs and all the documentation is done on outcomes and outputs. In a sense, it is not that they are not compliant; they are. To take Senator Murray's point, the issue we are talking about is agencies embracing the framework enthusiastically as a decision-making tool. I think that is where Senator Murray is; he is not saying he is not. That is what we cannot make happen.

Senator WONG—You cannot make them use it as a tool?

Dr Watt—No, we cannot make them embrace the framework enthusiastically as a decision-making tool.

Senator MURRAY—But you see at the heart of what Senator Wong and I are groping towards is a sense that there are indications of a failed philosophy. I do not think the philosophy is wrong. I think it is a failure of implementation. If I can explain, the ANAO report describes outcomes as:

The results or impacts on the community or the environment that the Government intends to achieve.

In other words, the whole purpose was that you would have it focused on delivering and achieving what the policy was constructed for and what taxpayers were paying for. That meant that the outcome had to be measurable. It had to be tangible so people could be held to account. That is a highly attractive philosophy in any organisation, but especially in government. If you turn to page 25 and 26 of the key findings, in the dot points on paragraph 42 it says:

- many indicators did not incorporate targets or benchmarks and other better practice characteristics.

Over the page, it says:

- in some instances performance indicators were no longer relevant and meaningful ...

The whole purpose of outcomes is that you measure it and you have targets so that a minister can say, 'Look, bureaucrats, I have devised this policy and you are not delivering.' The parliament can say that. That is the worry. It is not just a wish that they could do better; it is that agencies are actually not reporting in the framework that the government constructed for a real purpose. There is deep concern in here; and if I was in your place, Dr Watt, I would be very frustrated, frankly.

Dr Watt—There are some frustrations around the framework; that is one of them. The point I would make is that, when you look across international best practice in this field, everyone struggles. I would just leave it there. You are right. They should be measurable. They should be measured. But they are not easy things to measure. Even if you get the outcomes perfectly right, they are not easy to measure.

CHAIR—That is an optimistic prognosis, Dr Watt.

Dr Watt—We will keep working at it.

CHAIR—I am sure you will.

Dr Watt—But, in a sense, you cannot do it with the wave of a wand. If we could, we would. As someone said, you have to win the hearts and minds, and it takes time.

Senator WONG—I look forward to speaking to you again in the next estimates round about your progress. Very quickly, can we move to Audit report No. 15: *Audits of the financial statements of Australian government entities for the period ended 30 June 2006*. There were a number of issues here. I know we are short of time so I will try to be very brief. On pages 30 and 31 it talks about some of the history associated with the compliance with the financial management legislation. There have been previous Audit Office reports indicating shortfalls by Australian government entities in the level of compliance with financial management legislation. I understand that last year Finance released a circular dealing with a certificate of compliance which the chief executive is required to certify. Is that the primary mechanism by which Finance is proposing to deal with the issues identified in this and previous reports around compliance with financial management legislation?

Ms Campbell—That is one part of a three-pronged approach. The first is the compliance certificate asking the chief executives to write to their minister and copy in the minister for finance indicating that their organisation has complied. The other two approaches involve, as we discussed earlier, an education process to ensure that people understand the framework, that they are aware of their obligations and that they are able to comply. The third is to have a look at the framework to see whether there are ways we can simplify it to make it easier for people to comply with. That is our approach to this issue.

Senator WONG—The response on this report and on the other report—the two reports that we have been discussing—is essentially the same process?

Ms Campbell—There are elements of the same process. The outputs and outcomes are obviously much more detailed processes. The outcomes and outputs is one component of our framework compliance strategy.

Senator WONG—The decision was made to require certification by the chief executive rather than the minister.

Ms Campbell—Under the Financial Management and Accountability Act, the chief executive is responsible for the finances of the department.

Senator WONG—Where does the ministerial accountability for compliance come into this process?

Ms Campbell—The chief executive writes to their minister after 15 October each year, providing details of compliance with the framework.

Senator WONG—I understand that; it is in the audit report. I am asking: if it is wrong, where does the ministerial accountability in this process arise?

Ms Campbell—The Financial Management and Accountability Act requires the chief executives to be responsible for the operations of their department, which is what we are dealing with with the compliance certificate.

Senator WONG—So there is no ministerial accountability in relation to that certification?

Ms Campbell—The minister receives that report.

Senator WONG—Does that make the minister accountable or not?

Ms Campbell—No.

Dr Watt—The chief executives are responsible for the financial health or otherwise of their agencies.

Senator WONG—Thank you.

Senator SHERRY—I want to go to the budget estimates and actuals management—BEAM—which we have discussed on previous occasions. Will it be ready for the 2007 budget or the PEFO?

Ms Campbell—The BEAM system was used for the 2006-07 Mid-Year Economic and Fiscal Outlook.

Senator SHERRY—There is some additional functionality that the system can give. Can you indicate in what way the presentation of budget papers will change in the forthcoming budget as a consequence of that additional functionality?

Ms Campbell—There is no plan at this stage to change the budget papers at all.

Senator SHERRY—At all?

Ms Campbell—No.

Senator SHERRY—Isn't it correct that the BEAM process can provide estimates at program level?

Ms Campbell—Yes, that is correct.

Dr Watt—We have always had some estimates programming.

Senator SHERRY—I accept that.

Dr Watt—The difference is that with BEAM we get a larger number, although not that large an increase, and we get more robust estimates than we have had before.

Senator SHERRY—I accept that caveat. Why won't the details of program level be presented in the next budget papers?

Ms Campbell—That is a decision for the government. At the moment the details are provided at the outcome and output level.

Senator SHERRY—I understand that. Perhaps the minister can indicate why the government has made a decision not to provide the details at program level in the next budget papers.

Senator Minchin—I will let Dr Watt answer that question.

Dr Watt—I think the answer is that, going back several years, we have presented on an outcomes and outputs basis, and that is the way we appropriate. We have not presented program data. One or two agencies do—I appreciate they are in the budget documentation—but the majority do not. At the moment the government has not considered whether it would wish to make use of the new system and present program data.

Senator SHERRY—So it can be produced with the caveats that we have discussed, but at this point in time it is a government decision to not do so.

Dr Watt—It has not made a decision; it has not considered it. If you were thinking about that, the first thing you would want to ask is: is that cutting across your outcomes and outputs

framework? The second thing you would want to ask is: before you start making that data public, do you want to have a bit more practise to work out how robust it is?

Senator SHERRY—It may also depend on where I am sitting this time next year. The chair and I just had a discussion about that. I note the system is able to produce estimates over 15 years. Senator Mason, just think about that—15 years.

CHAIR—Senator Wong will still be here.

Senator SHERRY—We have been in opposition for 11 years.

Ms Campbell—We are just checking to determine whether that is the case. The agencies are entering them in a four-year period, as they have normally done in the past.

Senator SHERRY—I understand that it is a four-year period.

Dr Watt—Most of that is history, not prospective, I think.

Ms Campbell—It may be what has happened.

Senator SHERRY—Is my understanding incorrect? I understand that the system can produce estimates, not in all areas, over 15 years.

Ms Campbell—We will check on that and come back.

Dr Watt—We will check that, but maybe there is a confusion between the fact that we might have some data going back a decade and, if you add on the forward estimates, you get 15 years.

Senator SHERRY—I do not think that is quite the approach.

Dr Watt—We will check for you. We are a bit surprised.

Senator SHERRY—For example, the application with respect to the *Intergenerational report*, which I think projects out expenditures to 2040 or 2042 in some areas. Presumably, BEAM would be of great assistance in that process.

Ms Campbell—That work is formed by the Department of the Treasury. They are aware of the forward estimates, and that information would be available to them should that assist in their deliberations.

Dr Watt—It would help, but you are really running a series of longer term models which would take your current baseline and project out and perhaps use the first year of the forward estimates rather than a draw much more on BEAM, I suspect.

Senator SHERRY—Am I correct in understanding that at least to some extent with the *IGR*, which I think is probably the best example of long-term forward projection estimates, Finance would be consulted? It would not be just the department and the particular programs that would be included in the *IGR*; you would be part of that process of consultation in the preparation of the *IGR*.

Dr Watt—The answer is yes. Mr Bowen is nodding. We can tell you a little about what BEAM does, if you like.

Senator SHERRY—I think we have discussed it on a previous occasion. I am just trying to get some idea of where we are at with it.

Dr Watt—It has the capacity for 10 forward years and five actuals.

Senator SHERRY—That is 15 according to my calculation.

Ms Campbell—The 10 years is primarily for some large agencies, such as Defence, that have long capital programs; it is not for every agency.

Dr Watt—We would not use it for every agency. We probably would not use it for most agencies.

Senator SHERRY—I accept that it would be difficult to practically do that in many areas. Does the system have the capacity to tag or flag programs for review and evaluation that Finance has a level of question mark concern about in terms of the estimates and the possible risk that the estimates may vary?

Ms Campbell—I am not sure whether the system has that capacity and a technical box that you can tick, but obviously there are processes within Finance to deal with estimates where there may be concerns of increases in the future.

Senator SHERRY—So, for example, for price escalation or demographic change which could lead to a particular escalation of a particular program and, say, impact on health, the PBS, for example—those types of issues—does BEAM assist you in that regard? Or is that more an evaluation of a possible risk factor by an officer or officers?

Ms Campbell—I think that is an evaluation. Obviously BEAM would have the raw data, the estimates, to look at going forward, but that knowledge management additional would primarily reside in the budget group of the organisation.

Senator SHERRY—Okay.

Dr Watt—You do not need BEAM as a recording device. You may use it as such, but you do not need it.

Senator SHERRY—I have a couple of questions about the contingency reserve. Keep an eye on this one, Brett—keep an eye on the contingency reserve!

Dr Watt—A very arcane subject, Senator!

Senator SHERRY—For some, but I find it quite interesting. I have been following this contingency reserve for 11 years.

CHAIR—For a while, now, Senator Sherry!

Senator SHERRY—That is right. From time to time, we have had some very capable people advising us on this contingency reserve. Dr Grimes, could we go to the contingency reserve. I have just been examining the figures going back to 1999-2000. Regarding the contingency reserve in the forward estimates in the MYEFO, is my understanding correct that it is now at about \$20.5 billion?

Dr Grimes—We will have to find the relevant expert.

Dr Watt—You have added up four years worth, I take it?

Senator SHERRY—Yes.

Dr Watt—2006-07, 2007-08, 2008-09—

Senator SHERRY—Yes.

Dr Watt—You said, ‘\$24 billion over four years’?

Senator SHERRY—No, \$20.5 billion, approximately. That is in MYEFO. In the budget papers, it is 24.7 or 24.8.

Dr Watt—We agree with your estimate.

Senator SHERRY—Approximately.

Dr Watt—Approximately—yes.

Senator SHERRY—I always feel a little nostalgic going back over these figures! If I go back to 2004, the approximate size at the MYEFO was approximately \$14.4 billion. Do you think that is approximately correct?

Dr Watt—I would have to check on those numbers; we do not have them with us. But, for the sake of supposition, let us proceed.

Senator SHERRY—Let us assume that \$14.4 billion is approximately correct. And then, if I go back to 2001, it is about \$7.6 billion in the MYEFO. So we have 2001, 7.6; 2004, approximately 14.4; and now we are at approximately 20.5 in the MYEFO. Why is the contingency reserve increasing, and increasing significantly, over time?

Dr Grimes—I am happy to just answer in very broad terms. I have to confess to being at something of a disadvantage, having only joined the department in the last two weeks, so you will have to forgive me if I cannot go to the full details of your question. But clearly one of the factors that has occurred over recent years is the increase in the overall size of the budget itself.

Senator SHERRY—Yes.

Dr Grimes—There is a provision for conservative bias—and I know you are well aware of this—which is a mathematical function of the overall level of expenses, so one would expect that the level in the contingency reserve would increase over time. As has been included in the budget papers—

Senator SHERRY—Sorry, just before you go on, Dr Grimes: the level of increase? Over that period it was 7.6, 14.4 and 20.5. I hardly think the budget has grown proportionately.

Dr Grimes—I am now going to the point that you are making.

Senator SHERRY—Good—thank you.

Dr Grimes—In the budget papers for some time there has been a general description of the items that are in the contingency reserve. You may not have those budget papers with you at the moment, but the last set of budget papers for 2006-07 at page 6-31 provides some indication of the items that are included in the contingency reserve. As you will know from previous experience, there are a number of items that can be included in the contingency reserve for different reasons. They include matters that are commercial-in-confidence, security-in-confidence items, items that cannot yet be allocated across individual agency estimates. I know it has been the case for many years that the amounts that might be allocated in the contingency reserve will depend very much on just what sorts of items might be on the

agenda at any point in time. So there is not a necessary expectation that the contingency reserve will remain at a particular level or, indeed, grow at a particular stable rate of growth. Obviously, because the contingency reserve is used to include items that are commercial-in-confidence and security-in-confidence, it is not possible for us to provide a very detailed breakdown of items in the contingency reserve.

Senator SHERRY—But, for example, at the time of MYEFO on the budget, you would then, to varying degrees, only have a knowledge of some allocations that are to come from the contingency reserve. That will vary from budget to budget and from MYEFO to MYEFO, won't it?

Dr Grimes—Yes.

Senator SHERRY—It may be a relatively small part of the contingency reserve that is only known at that point in time—by either budget or MYEFO time.

Dr Grimes—I am not really sure of the point you are trying to get at.

Senator SHERRY—Let us take the MYEFO figure for 2006-07. What is the approximate level of the contingency reserve that Finance, at that point in time, believed would be 'called on'?

Dr Grimes—I think you may actually be—I am not sure whether you are—wanting to refer to the conservative bias allowance?

Senator SHERRY—Yes.

Dr Grimes—There is a conservative bias provision in there. I would have to refer to another officer to get the exact figures on that. I know how it was constructed some years ago.

CHAIR—What is it called, Dr Grimes? A conservative bias? Some of us agree with that!

Dr Watt—Mr Bowen will correct me if I am wrong. He can explain conservative bias better than I can, but I will have a go. There is a longstanding tendency for non-macroeconomic program parameters to continually run ahead of the estimates. This is not prices and wages; it is other things. No matter what we do, no matter how much we try and improve our program estimates, this tendency remains.

CHAIR—Yes, I understand.

Dr Watt—It might be as simple as program managers tending to be overly optimistic as to how little they will spend on existing programs in future years. Estimates always seem to drift up. This has happened for 20 years or more. That is the conservative bias allowance.

Senator Minchin—It is described, Mr Chairman, on page 43, as:

... an allowance for the tendency for estimates of expenses for existing Government policy to be revised upwards in the forward years ...

Dr Watt—It is primarily non-macroeconomic parameters. Prices and wages change; we know that, and we adjust the estimates. We have forecasts and we adjust them. But these are parameters outside that.

Senator SHERRY—Is there an officer who can assist us on the conservative bias? It would have been a couple of years since we have examined it in some detail. Is it a significant factor in accounting for the significant growth in the contingency reserve in recent times?

Mr Bowen—There are a couple of things. One is the conservative bias, and it does progressively increase over the period of the forward estimates. As I think you are aware, it is progressively reduced as you get closer to each estimates year. It is taken out of the estimates when you get close, and it is taken right out of the budget estimate.

There is another factor in the estimates this time. If you go to page 101 of the MYEFO document that was published in December, there is a measure there on the Australian Army additional infantry battalion. That measure description indicates that there are certain costs that have not yet been finalised, including for the second additional battalion for the enhanced land force, and these costs have been included in the contingency reserve—until such time as they have been properly costed and can accurately be included in the budget estimates.

Senator SHERRY—In that case you would have some indication of the figure, wouldn't you?

Mr Bowen—Yes, of course, because we put the figure in. The figure has not been disclosed, and it is a substantial figure. It is an indicative cost but it does not have the status of a firm costing to go into the budget estimates. That would explain a significant component of that increase, for example, from \$14.4 billion to \$20.5 billion. That plus the increase—

Senator SHERRY—Sorry, you say 'from \$14.4 billion', but I went back to 2001-02 when it was \$7.6 billion.

Mr Bowen—The budget is significantly greater now than it was in 2001—

Senator SHERRY—But three times!

Mr Bowen—No. If you go to 2001-04, the budget is higher, and there would have been other one-off amounts, which I do not have in my mind—

Senator SHERRY—Sure, but there are always one-off amounts of estimates of expenditure that are indicative. That is what we have the contingency reserve for.

Mr Bowen—That is partly what we have it for.

Senator SHERRY—In part—yes.

Mr Bowen—What I am trying to say is I am giving you an example of one very significant cost for the second battalion enhanced land force, which I know about and which I could remember, and which I confirm by looking at page 101 of MYEFO. That would, together with the increase in the budget over those forward years, and the increase in the conservative bias, I think go a very long way to explaining the increase from 14 to 20. In fact, I am almost certain that would be the major increase. As to the increase between 2001 and 2004, that is a little more difficult for me to bring to mind; in fact, I cannot today.

Senator SHERRY—This is a question for the minister. Minister, isn't the contingency reserve effectively, in part, becoming an election reserve, given the increase in size over the last seven or eight years?

Senator Minchin—That is quite an assertion. I am not sure how you figure it is an election reserve.

Senator SHERRY—I am just looking at the exponential growth in the contingency reserve—Surprise, surprise, in the election year too! If I look back, \$14.4 billion back to \$7.6 billion in the years running up to the election. Now we have \$20.5 billion according to the MYEFOs in the run-up to each election.

Senator Minchin—It is a very prudent provision for the tendency, as has been indicated, for programs to cost more than is estimated in the out years. It is prudent to provide for that. I can see what you are getting at. You are trying to find some money you can propose to spend; that is what you are about.

CHAIR—That is not very charitable, Minister—even if it is the truth.

Senator Minchin—I respect Senator Sherry; I know what he is on about.

Senator SHERRY—I think the analysis might cut both ways, Minister, on these figures, because I do not think the budget expenditures, in aggregate, have increased or tripled since 2001-02. I can understand a contingency reserve going up for the factors we have discussed, but we are talking about a tripling of the contingency reserve; and—surprise, surprise!—it just happens to coincide with the run-up to the election.

Senator Minchin—It is done on a four-year cycle. It is adjusted every budget for the four forward estimates years. It is purely coincidental.

Senator SHERRY—Oh, it is coincidental. I would have thought the contingency reserve would grow roughly in line with the growth in budget expenditure. There may be some factors that lead to it being slightly in excess of the growth of expenditure, but three times is very substantial. You do not believe it is—

Senator Minchin—The government is being prudent.

Senator SHERRY—It is not, in part, an election reserve—you will not be drawing on the contingency reserve at all, then?

Senator Minchin—It is a formula that is a prudent allowance for that tendency we previously described and, to the extent you wind that back, you are just saying that, as an opposition, there is more money that you can promise to spend.

Senator SHERRY—Well, there is more money that you can promise to spend.

Senator Minchin—No, because we are providing for it in the contingency reserve.

Senator SHERRY—So, to come back to that earlier answer, there will not be any election promises made by the coalition that will draw on the contingency reserve—you are ruling that out?

Senator Minchin—Any promises we make will be based on the budget estimates as presented.

Senator SHERRY—Including the contingency reserve?

Senator Minchin—It is provided there as it appears in the spending column, and then you are left with indicative surpluses. Both parties are free, when they go to the election, to

indicate the extent to which, if any, they are prepared to propose to the Australian people a run-down of the projected surpluses for new programs, changes in program parameters or cutbacks in one area and provision for new areas. But you take the forward estimates as they are—and the level of spending and the level of surpluses. Yes, sure, both parties are open to indicate a run-down of those surpluses and then engage in the political debate that would surround that proposition.

Senator SHERRY—That is right, and that may or may not include the contingency reserve.

Senator Minchin—But that does not follow, because the contingency reserve will appear in the forward estimates as a specified item of expenditure—

Senator SHERRY—An estimated item.

Senator Minchin—All of this is estimated.

Senator SHERRY—It is indicative—

Senator Minchin—When you indicate that the aged pension will cost so much in 2010, it is an estimate. Then there is a resulting surplus—because of our extraordinarily good financial management we are dealing with surpluses not deficits. It is always galling to treasurers to know that, as a result of their good management surpluses, we then face oppositions who go around proposing to spend them. But that is a matter for the political—

Senator SHERRY—Or in the case we discussed earlier, prime ministers announcing uncosted \$10 billion water plans.

Senator Minchin—It is costed; it is \$10 billion.

Senator SHERRY—That is his prerogative.

Senator Minchin—This is quite right. We are indicating that, because we have done so well to build up a surplus position and pay off your debt, the nation is now in position where it can afford to make this investment—yes, that is our position.

Senator SHERRY—So you do not believe the contingency reserve effectively, in part, represents a de facto election reserve.

Senator Minchin—I would categorically deny that, because it appears as an expenditure item in our forward estimates, with a resulting surplus. We are indicating that as a result of that good management, prima facie—let us, for the sake of the argument, say that it is \$1 billion a year over 10 years—\$1 billion a year will come from the surplus to be invested in the Murray-Darling. Take that as a proposition; that is what we are saying.

Dr Watt—The contingency reserve and the surplus are a zero-sum gain. If you put more in the contingency reserve, you have a smaller surplus.

Senator SHERRY—Yes, I understand that.

Dr Watt—And vice versa.

Senator Minchin—But I accept that it would suit you to have less in the contingency reserve and more in the surplus that you can then promise to spend in other ways.

Senator MURRAY—But the essence of a contingency reserve is generally that it is not all spent—isn't that right?

Senator Minchin—To the extent that it is not the ultimate surplus that eventuates, it will be higher than you might have thought, but that is a good outcome.

Senator MURRAY—But the history of contingency reserves is that they have not all been spent. Isn't that right?

Dr Watt—No, that is not quite correct. There are two components. One is the conservative bias allowance, which is an allowance based on best guesses of historical overall program behaviour. The other part of the contingency reserve—take the additional funding put in for the first and second battalions, for example—is where government has made a policy commitment but we just do not know the exact amounts involved. Therefore we may spend less; we may spend more. But it is not a contingency reserve against remote possibility.

Senator MURRAY—I understand that, yes.

Dr Watt—If I can put it better: it is there because there are reasons such as commercial-in-confidence, negotiating reasons or because we cannot cost completely adequately yet. That is why it is in there.

Senator MURRAY—Let me put my question differently. If you went back over the 10 budgets that the coalition government has brought down and you looked at the aggregated headline figure of the contingency reserve for each of those budgets, you would not find that all of those reserves had been drawn down. That is my expectation, because the nature of a reserve is invariably that unforeseen events prevent the drawing down of—

Dr Watt—No, in fact we may have spent more than the contingency reserve in some years. That is the point. It is not for unforeseen events.

Senator MURRAY—No, I understand that, but unforeseen events can prevent a contingency reserve being drawn down.

Dr Watt—Or, to take the example of the additional funding for the first and second new battalions, it could cost us more. We do not know the answer.

Senator MURRAY—At the heart of Senator Sherry's question is: has the contingency reserve been fattened up so that it will not be drawn down and therefore is available? That is right, as I understand it.

Dr Watt—It is important to remember the two different constituents. One is the specific line items which are put in there such as the one we have discussed. As you know, we have always had commercial-in-confidence issues and so forth in there. Things that come in later in the budget process that we cannot spread across individual programs are in there from time to time, and so forth. The other is the conservative bias allowance. So they are quite hard. They are individually itemised, and they are quite firm. We may have got the costing wrong. We may be too high or too low, but we have a costing in there. The conservative bias is, by definition, more of an estimate. We have always acknowledged that. So there are two things in there.

Mr Bowen—But the conservative bias is drawn down completely at budget time—

Senator MURRAY—Yes.

Mr Bowen—so it is not in the budget.

Dr Watt—It is drawn down over four years. It steps down each year.

Senator MURRAY—I do not want to speak for him, but the point Senator Sherry was making is that the contingency reserve being larger than usual may—not does, but may—indicate that it has been fattened up a bit, and that is—

Mr Bowen—The contingency reserve in 2006-07—and there is no conservative bias in that, so it is free of anything of that nature—at MYEFO is \$386 million. That is the level of it.

Senator SHERRY—Yes, but then if you look at the out years—

Mr Bowen—Yes, the conservative bias kicks in. Also, in the out years, you have that second battalion somewhere in there.

Senator SHERRY—Sure. But there will always be examples—not necessarily of second battalions or defence—of that type of expenditure; not defence specifically.

Mr Bowen—Yes, there can be.

Senator SHERRY—My issue is that, looking back historically through to 2000-01, in the total figures allocated to the contingency reserve, sure, there are rises and falls, but the trend since that time has been significantly upwards.

Dr Watt—There is one other point which I can make very briefly—that is, we now tend to make greater allowance in the contingency reserve for possible changes of SPPs that are up for renegotiation. We never used to do that—which meant that we were effectively publishing our negotiating remit before we started to negotiate with the states. But we now put in an unchanged nominal amount, is that right?

Mr Bowen—There is a base level in the estimates.

Dr Watt—We now put in base level funding in the published documents and a negotiating amount in the—

Senator SHERRY—A negotiating parameter?

Dr Watt—Suppose I put it this way. Suppose you had a program that had a couple of add-ons and you were asking yourself the question, ‘Do I intend to keep those add-ons’—they are only meant to be temporary—‘or do I not?’ would you put that money in your base figuring before you started to negotiate about it? It is a good question.

Senator SHERRY—I just want to turn to a couple of issues about the Charter of Budget Honesty. I am sure Dr Watt and the minister are aware of this. There is a letter from the shadow minister for finance, Mr Tanner, which I understand has been referred to Senator Minchin by Dr Watt and Dr Henry in Treasury—and I understand why that has been referred, Dr Watt. Can the minister indicate when a reply is expected? Has it been drafted?

Senator Minchin—This is the letter of 24 November—

Senator SHERRY—Yes.

Senator Minchin—from Lindsay Tanner to—

Senator SHERRY—Concerning access to departmental resources 12 months before an election, for costings.

Senator Minchin—Sure.

Dr Watt—It was referred to the minister for finance and the Treasurer.

Senator SHERRY—Yes. I referred to Dr Henry. I assumed—sorry.

Senator Minchin—I would certainly want to reply to that letter. It was addressed to the Secretary to the Treasury, not Finance—not to ministers. I think the proposition is that the Treasurer and I will formally respond to that on behalf of the secretary.

Senator SHERRY—You are not able to indicate at the present time, in the absence of a formal response, what your response is?

Senator Minchin—I am sorry, Senator Sherry?

Senator SHERRY—Senator Minchin, you are not able to indicate here what the response is in the absence of a written response as yet?

Senator Minchin—No. I think it is best to wait until we formally respond to Mr Tanner.

Senator SHERRY—Can you give me an indication of the time line for a response? Is it likely to be weeks or months?

Senator Minchin—I would hope it would be in the next week or two—it should be.

Senator SHERRY—Regarding the costing of election commitments—the unit within Finance—Dr Watt, are there any specific resources being—

Dr Watt—We do not have a unit for costing election commitments.

Senator SHERRY—You don't?

Dr Watt—Never have.

Senator SHERRY—What will be the process? Will it be the same as on previous occasions? Can you give us an outline? Has the matter been given any consideration as yet?

Dr Watt—After each election we do review how our process went, in consultation with Treasury. Although we do the vast bulk of the costings—they are, as you know, costed revenue proposals, and we are jointly and individually responsible for the costings—we may tweak the process in a couple of very minor ways, but at this stage we are not considering any substantive changes. I will just check that.

Mr Bowen—Clearly, the new management will be looking at how that is managed in the budget group, I am sure. The core of the costing is done by the staff in the subject matter areas. There is some coordination of that at the centre, in our budget coordination area. The question is whether we may need to beef that up a little bit. But it is something that I am sure Dr Grimes and his senior people will be looking at. Having said that, substantively the process should not change.

Dr Watt—As you know, each election the Treasury secretary and Finance secretary publish a short handbook on the costing of election commitments. That is being updated now. It is not the highest priority around, but it is being updated. I would not be surprised if there

are one or two little tweaks to that, but I would be surprised if there are any more than that. It is always our intention to publish that in adequate time for all political parties who are interested to get on top of it before the election.

Senator SHERRY—And the involvement of officers from other departments will vary depending on the particular area and whether those officers are still within the particular policy area identified, presumably?

Mr Bowen—It depends on the issue. From time to time we would consult, normally, with the subject matter experts in a line department, yes.

Dr Watt—And from time to time we need their data as well as their expertise. But, at the end of the day, they are Treasury and Finance costings.

Senator SHERRY—I want to refer to some issues with respect to AusTender redevelopment. I am trying, hopefully, to get to ComSuper before we break for lunch at 12.30. Can you provide me with an update of the redevelopment of AusTender?

Mr Grant—Certainly. The AusTender redevelopment has been in progress for coming up to a year. At present it is on time and on budget, and we would expect it to be fully implemented on 1 July this year.

Senator SHERRY—Refresh my memory. Is that the original projected date for the completion?

Mr Grant—That was our original date, yes.

Senator SHERRY—What improvements in information will occur as a result of the redevelopment of AusTender?

Mr Grant—There are a number of improvements. First of all, we are updating the software that captures the information, so it becomes more portable. Secondly, we are putting in place mechanisms that check that the information that is meant to go in is going in. So, for example, if there is no reference to whether a supplier is a consultancy or not, it will ask. Thirdly, it will actually allow much better searching of the database so that any stakeholder will be able to have a look at how government procurement contracts that have been awarded are going. So, for example, in an open tender—which is usually from \$80,000 and above—you will be able to watch the tender progress and the award.

Senator SHERRY—You say ‘how the expenditure is going’. Will that be on a monthly—

Mr Grant—It is not expenditure; I should correct myself. What AusTender does is to provide offers—in other words, opportunities or approaches—to the market, and then when the decision is made it publishes the contract awarded. It does not deal with expenditure.

Senator SHERRY—But it would include the parameters over which the expenditure would need to be spent. It might be a year, two years, three years, five years.

Mr Grant—It includes the period of the contract from start date to completion date and the total expenditure.

Senator SHERRY—Will that result in improved information being made available under the current Senate order?

Mr Grant—In my view, yes. At present, for procurement contract reporting, there are three reporting requirements. One is the Senate order, the second in relation to contracts is the annual report and the third is AusTender. Each year the ANAO undertake an audit of compliance with those three reports and usually they find some problems. The AusTender system will allow an audit trail for the data that is put in, and it will also automatically generate the annual report and the Senate order requirements. In doing so, it should make it much, much easier both for the stakeholders who use the information and for the departments.

Senator SHERRY—You referred earlier to ensuring accuracy and timeliness, identifying where perhaps it does not occur to requirements. Will there be then an improvement in the compliance process, if you like, going back and attempting to rectify lack of accuracy and timeliness?

Mr Grant—I did not actually say ‘timeliness’.

Senator SHERRY—I know you did not.

Mr Grant—Timeliness has not been an issue. Contracts awarded are expected to be entered into AusTender within six weeks of the award, and there is a pretty good compliance with that. In terms of accuracy, what the new system will do is to make it easier to identify where there might be an issue. For example, with the use of industry sectoral codes in terms of what you are buying, we are introducing a new code—the United Nations coding system—and it will make it extremely easy for agencies to code the nature of the supply correctly. When it comes to putting in perhaps a duplicate order, it will ask: is this a duplicate order or is this an addition to an already placed contract? So, there are a range of mechanisms in there that will allow agencies to be advised if there is a perceived issue, and they will have the choice of saying yes or adjusting the record.

Senator SHERRY—You mentioned the UN—is that the United Nations?

Mr Grant—That is right. It is a UN classification code across industries. It is called the United Nations—I can get the correct terminology for you if you want it.

Senator SHERRY—You can provide it on notice. I do not want you to go into too much detail. What is the advantage of using a UN system? Is it for international consistency?

Mr Grant—It is for international consistency. Also, within Australia, most state governments use it, so it brings consistency.

Senator SHERRY—Why, in particular, is the UN seen as the benchmark in this area?

Mr Grant—I do not think it is a benchmark. I think it is simply that there have been a lot of different types of industry classifications. The one at present is becoming adopted by many governments.

Senator SHERRY—So it is an emerging world standard, if you like.

Mr Grant—You could put it that way.

Dr Watt—An emerging world statistical standard is, I think, the best way to put it.

Senator SHERRY—So you are confident that the performance will improve under the revamped AusTender system?

Mr Grant—Because it allows the linkage between the original data and then the reporting, I think the information will be better understood. In addition to that, what we are hoping to do with the AusTender redevelopment is to rationalise the reporting so that, for example, with the Senate report or the annual report, any stakeholder can simply go to AusTender to find that information.

Senator SHERRY—There is use of commercial-in-confidence matters. We would be concerned at the overuse of that but put that aside for the moment. How will commercial-in-confidence matters be dealt with in the revamping of the system?

Mr Grant—The system will require agencies to identify whether there are commercial-in-confidence matters associated with either the contract or the outcome of the contract. Where there are, they must identify that. As you are already aware, Finance has issued guidelines based on an audit report of three or four years ago about the reasons why you may have a commercial-in-confidence requirement for a contract or an outcome. We would expect no change. We have been seeing a continual decrease in the use of commercial-in-confidence where it is inappropriate, and we think that this will make agencies clearly determine, up-front, whether or not there should be commercial-in-confidence attached.

Senator SHERRY—The issue from my perspective is not just the level but also the consistency of application, which obviously impacts on the level from department to department. What about consistency?

Mr Grant—I think overall the consistency is quite good. As I said, we have seen a reduction in the use of commercial-in-confidence provisions. In all contracts it is very clear that we may be required to provide information under legislation and to committees such as this Senate committee. I think that agencies now take a very practical approach to whether there should be commercial-in-confidence requirements on a contract.

Senator SHERRY—I have a few questions in this area on Public Sector Superannuation advice, and then I want to move to ComSuper, which hopefully should take us through to 12.30.

Senator MURRAY—Senator Sherry, with respect to that issue we were just discussing, this committee will be producing a report soon that intersects with AusTender.

Senator Minchin—Senator Sherry, do you think we could arrange to deal with the Googong Dam issue at 1.30, and then I can arrange for Senator Colbeck to be here straight after lunch. Is that possible?

Senator SHERRY—I am happy to do that, but I think the Future Fund were indicated to come on at 1.30. I understand there were travel arrangements and commitments were given.

Senator Minchin—We had better stick with that; that is fine.

Senator SHERRY—I am happy to deal with the Googong Dam issue straight after for Senator Colbeck's purposes but after the Future Fund. I had discussed the issue of reversionary benefits for same-sex couples on previous occasions, which I am sure you can recall.

Ms Campbell—Yes.

Senator SHERRY—We have a letter to the member for Bennelong concerning reversionary benefits to interdependent couples. In the letter, Minister, you state:

Technical matters and budgetary considerations need to be fully examined before any decision can be made.

The reversionary benefit has not been implemented yet. The Department of Finance and Administration has been working on this for 2½ years. I can certainly recall discussions every year for the last 2½ years on this. What are the technical matters that still need to be examined?

Ms Campbell—Because of the nature of the CSS and PSS as being unfunded defined benefits schemes, the recognition of a spouse within the scheme means that those people become eligible for a pension for life.

Senator SHERRY—Yes, I understand.

Ms Campbell—It is also the criterion you would use to recognise what we call ‘interdependent’ relationships. They are the technical issues which lead to budgeting impacts, and these matters continue to be considered.

Senator SHERRY—What are the specific issues? You have been examining this for some 2½ years now.

Ms Campbell—There are a number of options which are available to consider, if the government were to decide to do this—and those options have been worked up including costs that go with those options.

Senator SHERRY—I note in the letter that Senator Minchin said that budgetary considerations need to be fully examined. I think that is consistent with the approximate line he advanced at the last estimates. We discussed the Mercer Human Resource Consulting actuarial report which was dated 9 July 2004. Have there been any further reports from Mercer on this issue?

Ms Campbell—I am not sure whether you would call them reports. We have, from time to time, sought actuarial advice on various options in regard to a number of elements of superannuation policy. I do not have them before me.

Senator SHERRY—Of course. But we are going here to the issue of interdependent same-sex couples. You are aware of the Mercer Human Resource Consulting actuarial report of 2004 on this matter?

Ms Campbell—Yes.

Senator SHERRY—So that has been finalised and received?

Ms Campbell—Yes.

Senator SHERRY—In that case, Minister, why was my request under FOI refused for that completed report of 2004?

Ms Campbell—We are just checking on what grounds it was refused. I want to check because I was on leave during that period, but I understood that the request to have it provided without fees had been refused. We will check that and get back to you.

Senator SHERRY—Thank you. We will get to the issue of fees—and obviously I am going to get a copy of the report if I pay for it, by the sound of it.

Ms Campbell—I do not think I said that.

Senator SHERRY—Has there been any further formal report received from Mercer Human Resource Consulting, or any other actuarial firm for that matter, on this issue since 2004?

Ms Campbell—We have asked actuaries, from time to time, to look at options to consider. There are a number of ways of recognising it.

Senator SHERRY—I understand that.

Ms Campbell—So we have asked them to do work on it. I am not sure I would call it a report. I would call it asking for actuarial advice on these matters.

Senator SHERRY—Whatever the form of description, there would be a response—presumably in writing. I know that the Mercer document of 9 July 2004 could be accurately described as a report. I see the officers coming back. Do we have an update on the provision of this report?

Ms Campbell—To go back to your FOI request, I understand that we declined to waive the fees and that we have not heard from you since that correspondence.

Senator MURRAY—It is a savings measure.

Senator SHERRY—Yes, extracting money from the opposition in the interests of advancing policy development for same-sex couples. It is an outrage, Minister. It really is. I want to be clear about this. We have this July 2004 report—

Senator MURRAY—You would get a discount because you are married.

Senator SHERRY—Have there been any other documents or reports—however you want to describe it—from Mercer on this matter or from any other actuarial firms?

Ms Campbell—We have asked for and received further actuarial advice to support our policy development.

Senator SHERRY—From whom?

Ms Campbell—From Mercer.

Senator SHERRY—And how many such documents have been received to date other than the original report of July 2004?

Ms Campbell—We received one in 2006. We asked some questions and they provided advice to us.

Senator SHERRY—Approximately when in 2006 was that?

Ms Campbell—September or October 2006.

Senator SHERRY—Okay. Has the department, since the September-October 2006 document response from Mercer, made any further requests for any further documents in this area?

Ms Campbell—We have not asked for any further actuarial advice from Mercer.

Senator SHERRY—So we have two actuarial advice documents, reports, or whatever they are described as. Can I have a copy of the September-October 2006 document that is now completed?

Ms Campbell—I think the material that is provided in that report really goes to the advice that we are providing to government. Government is yet to consider the matter and take a decision on it.

Senator SHERRY—But presumably both documents have been paid for. As a matter of fact, they have been completed. I am sure that Mercer have been paid for the actuarial assessments. I do not see the difficulty in providing a factual actuarial assessment that has been paid for by the taxpayers' money.

Ms Campbell—The material that is provided—the results of those actuarial advices—will be used to provide advice to government in the development of these policies.

Senator SHERRY—In terms of the July 2004 report, which is well over 2½ years ago, when will that be made publicly available?

Ms Campbell—We continue to use that material to develop policy options for consideration by the government.

Senator SHERRY—In the FOI request—to Mr Challis—dated 21 September 2006, the department wrote: 'The release of the figures in question is likely to impact deleteriously on the future decision-making process of the government, as the document is out of date and based on an earlier long-term cost report.' If the report is out of date and based on an earlier long-term cost report—and you obviously have the newer report, which you have confirmed—why can't that report be provided?

Ms Campbell—I think that would therefore be incorrect, and it would be better for us to wait until we have finalised the advice.

Senator SHERRY—In terms of your advice to government, you have an updated report. I may accept that that should not be made available, but why shouldn't the earlier report that has been concluded—not acted on—and has been paid for be made public?

Ms Campbell—That report still goes to advice provided to government. The content of that report goes to government as a form of advice on this matter.

Senator SHERRY—But it is not the document on which decisions are to be made, according to the department itself.

Ms Campbell—The decision making is best informed by the latest version of the actuarial advice that we have been provided.

Senator SHERRY—Yes, I understand that, but the earlier document, apparently, is not the document to be used for the basis of advice, according to your own response—the department's response, not yours personally—under the FOI, so I fail to see why the earlier report cannot now be produced publicly.

Senator Minchin—We have already told you that, if you indicate to us your willingness to pay the fee for it, we will consider that. We are waiting for your response to that.

Senator SHERRY—In the actuarial assessment made on costings, does it contain an estimate of the number of same-sex couples who would be affected by the reversionary benefit being applied to existing members of the CSS and the PSS?

Ms Campbell—The work we have done I think applies to interdependent relationships more generally than simply same-sex couples.

Senator SHERRY—You think it applies to interdependent relationships more generally. Does it disaggregate? Surely there must be an assessment. There are different interdependent relationships. Surely there must be a categorisation of the different interdependent relationships—or does the actuarial report just deal with it in the aggregate?

Ms Campbell—I am advised that it just deals with it in the aggregate.

Senator SHERRY—In dealing with interdependent couples in the aggregate—that is the latest report that you have received. Did the earlier report disaggregate between same-sex couples as a group within interdependent relationships?

Ms Campbell—We are not sure, Senator Sherry. We will check on that.

Senator SHERRY—I would be happy to check on it too. If you pass the document over to me, I will be happy to examine it.

The number of CSS and PSS recipients with interdependent partners who might die in a particular year: obviously that is a relevant issue, as regrettable as it is. Was that examined as part of this actuarial assessment?

Ms Campbell—The actuaries would have taken those matters into consideration when they were coming forward with the advice on the likely cost implications of recognition within the schemes.

Senator SHERRY—In the latest report, what is the estimated number of interdependent couples within the CSS/PSS in aggregate?

Ms Campbell—I think we are then moving into the area of what is in the report and the advice that we are providing to government on a matter that—

Senator SHERRY—No, I am not asking for advice to government. I am asking for factual data, laid out in a report, paid for by public moneys. You may or may not give advice, depending on the level of costs identified. That is your business, frankly, and I do not want that. That will be the business of the minister when he comes to a conclusion. It is not the advice I want—let me make that clear. It is the document which identifies, as a matter of fact, an actuarial report. I must say: I have never had difficulty getting a completed actuarial report on the PSS, the CSS, the military superannuation funds—over many years. I have never had a problem getting the actuarial report, once they have been completed.

Ms Campbell—Senator, this report is about a policy development option, not about the schemes per se. We do make available the long-term cost reports, which are about the schemes; but this is about a potential policy development which the government is yet to consider.

Senator SHERRY—Of course. I understand. But the report is identifying matters of estimated fact—actuarial costs. The report itself is not providing policy options; that is for

you individually, and other officers, to make recommendations to the minister—which I do not want.

Senator Minchin—But the point is, is it not, that the report is commissioned in order to enable policy advice to be formulated. In a sense, we are not going to disaggregate that report from the policy formulation process, because it was only commissioned for the purpose of enabling advice to be provided.

Senator SHERRY—Minister, you have received, as much as you can actuarially assess them, these cost factors—and there is a degree of estimate in any actuarial assessment; I accept that. But that is received, and the department will examine it, and you may look at it personally—I do not know. But the department will provide you with advice on costing issues amongst a range of other matters. As I said, I would not expect details of advice that goes to you—and you make your decision whenever you make it, if you make one. It is the actual information document, or two of them, that have now been completed—one of them over 2½ years ago.

Senator Minchin—I appreciate your interest in the document. I can understand why you would like it. But given that it was, as I am advised, only commissioned in order to enable the government, because of its interest in this area, to be provided with advice on the matter, then I do not think we are in a position to release it until we formulate a position on this matter. You may want to talk to the public sector union; they may have some information that would be of use to you. But in terms of the information we have, it was only commissioned in order to enable advice to be formulated.

Senator SHERRY—Minister, are you aware that in response to representations by a group of coalition MPs—including Mr Entsch and cabinet minister Mr Turnbull—the Prime Minister himself has ‘pledged to remove discrimination from eight areas of Commonwealth legislation, including superannuation’? Are you aware of that broad pledge by the Prime Minister?

Senator Minchin—I do not have the statement in front of me, so I will not seek to dispute what you are putting to the committee here and now, but I am certainly aware of the interest in this matter from a number of coalition MPs. I commend them on their interest in it. We are also interested in it.

Senator SHERRY—Sure. But it is not just coalition MPs. I can recall—and I think you were going to refresh your memory on Senator Coonan, who handled this matter in terms of legislation in this Senate—a specific written and verbal commitment. I am looking at Senator Murray because it was given to the Democrats, on the record in the Senate. It must be three or 3½ years ago now, Senator Murray? Can you give us an explanation as to why this matter has not yet been acted on?

Senator Minchin—I do not think there was a time line referred to in Senator Coonan’s statement, and I cannot add to the reasons that have been ably presented by Ms Campbell.

Senator SHERRY—My recollection is that there was no time line, but I think a reasonable person would have expected that, after three or 3½ years, the matter would now have been finalised. Certainly members of the gay community have raised this issue with me and I am sure they have raised it with Senator Murray from time to time. I note that in the Senate

debates on these matters he raises it, as I do. Over three years is a reasonable time frame, Senator Minchin.

Senator Minchin—As we have said on numerous occasions, this proposition does have significant implications for the budget and the unfunded liability, and they have to be taken account of in every budget round to determine whether you are in a position to move on that front or whether the implications are such that further consideration is warranted.

Senator SHERRY—I agree with you that it may affect the liabilities, although another alternative would be to specifically allocate expenditure as part of an ongoing program so that you do not increase the liabilities of the fund—a specific program earmarked for the cost of this if it were ever implemented.

Senator Minchin—I do not think you could get away with that in an accounting sense. It must, by definition, affect the unfunded superannuation liability.

Senator SHERRY—If you pay it on an ongoing basis.

Senator Minchin—To the extent that there is an expansion in the class of people to whom the Commonwealth is liable, the liability increases.

Senator SHERRY—Sure. But if there is a specific expenditure program marked ‘interdependent couples payment’, that would not increase the liabilities, would it? That would be an alternative way to do it.

Senator Minchin—Yes, you could, I suppose, technically from an accounting point of view, make a specific provision in your expenditure profile that would mean your expenditure increases at the expense of the surplus. The way that we would approach it, of course, as you know, is to establish a future fund to ensure that surpluses and proceeds of asset sales go towards meeting the liabilities.

Senator SHERRY—Yes, I understand. We are getting to the—

Senator Minchin—But, yes, you can. There are many ways to skin the cat. But, nevertheless, it increases Commonwealth outlays at some point.

Senator SHERRY—Yes, I accept that. I do not have any more on this. Perhaps Senator Murray wants to—

Senator MURRAY—Ms Campbell, for an actuary to come to a view as to statistical likelihoods, they need raw data. So my question is, with respect to the possible or likely number of interdependent relationships that may arise within the ComSuper family: did you—you the government, not you the person—provide any data in briefing Mercer?

Ms Campbell—Mercer do quite a bit of actuarial work for us on the PSS and CSS schemes. They have access to the data for the PSS and the CSS, so they will have been able to use that data to make those assessments.

Senator MURRAY—But the issue at hand with respect to interdependent relationships—and I appreciate that that is a larger aggregated figure than just same-sex relationships—is how many there are or might be. I have seen figures, as you have, which estimate, for instance, the number of same-sex couples that may be affected. The question is: did you or the

department provide an estimate of the number of interdependent relationships that you believe there are, I presume based on reasonably credible information?

Ms Campbell—We did not. We relied on the actuaries to use the community norms against the profiles within the PSS and the CSS. We do not have that information available, which is one of the difficulties.

Senator MURRAY—In that case, if the actuary came up with a view as to how many interdependent relationships there might be, how can you be assured that that is a credible conclusion? Have you, for instance, initiated a peer review of the material?

Ms Campbell—No, we have not had the material peer reviewed. We do rely on the actuaries to provide these estimates, and they are refined over time. With any estimates on superannuation, as you are aware, they are actuarial best estimates, and we do rely on the actuaries in formulating our policy advice.

Senator MURRAY—I wonder what precedents there are available to the actuary in terms of data material. I assume that they might have to go overseas to countries which do provide for interdependent superannuation schemes and establish the demographic percentage that way.

Ms Campbell—I understand that there is some available advice in that regard. A number of the schemes, of course, are accumulation schemes, where it does not really matter. If they are not being paid a pension, there is an amount of money at the end of the person's association with the scheme which is paid out to the dependent party. But we do understand that there are some schemes where there may be some available data.

Senator MURRAY—So am I to understand from your answers to Senator Sherry that, if this committee or a senator were to ask the department to tell us what the estimated numbers of potential superannuants in the interdependent relationship category were, you would answer in the negative because you think that is part of the policy advice to government?

Ms Campbell—We believe that, in developing the policy advice, that is part of the advice we are providing to government at this stage. And we do not have the numbers; we are relying on the actuarial advice.

Senator MURRAY—So what would you do if Labor, in the next election, were to ask you under the Charter of Budget Honesty provisions to cost for them interdependent relationship superannuation provisions on the basis we have been discussing? Where would you draw the information from?

Ms Campbell—We would rely on the best available information we have.

Senator SHERRY—Which in this case would not have been published.

Ms Campbell—That is correct.

Senator MURRAY—But which is in your possession.

Ms Campbell—Yes.

Senator MURRAY—I look forward to the Labor Party asking you to do the costing.

CHAIR—Thanks, Senator Murray.

Senator SHERRY—Just to conclude: what was the definition of the groups included within interdependent relationships in addition to same-sex couples? Just let us clarify that.

Ms Campbell—Let me just find the exact words. This is from the Superannuation Industry (Supervision) Act. The definition is:

... 2 persons (whether or not related by family) have an interdependency relationship if:

- (a) they have a close personal relationship; and
- (b) they live together; and
- (c) one or each of them provides the other with financial support; and
- (d) one or each of them provides the other with domestic support and personal care.

Senator MURRAY—This provides for where a son, for instance, might live with his mother, whom he cares for, and when he dies—through, say, illness—he would be able to leave his money to his mother in the superannuation string.

Ms Campbell—Yes, and often siblings who have lived together for many years.

Senator MURRAY—That is right.

Senator SHERRY—When that original definition was inserted in the SI(S) Act, was there any estimate of persons in this type of relationship, interdependent couples, in the broad population?

Ms Campbell—I am not aware of that. We would have to take that on notice.

Senator SHERRY—Yes, take it on notice. That is it. I just want to do a couple of issues on ComSuper before we finish for lunch.

[12.25 pm]

ComSuper

CHAIR—We now move to output 1.1, Superannuation administration services. I welcome witnesses from ComSuper.

Senator SHERRY—There are a couple of issues I want to touch on. I am sure you are aware that there is a significant skills shortage in the financial services sector in terms of the ability to identify and employ persons with superannuation skills. Has that impacted on ComSuper at all?

Mr Bator—ComSuper has embarked on a very large training program over the last three years. We have engaged the assistance of ASFA, the Association of Super Funds of Australia, and AIST, the Australian Institute of Superannuation Trustees, in providing training to our people. PS146 is the standard training which is required for all people to answer telephone calls and provide general advice. We have had around 240 people through that training course. We have also had, from memory, around 50 people do higher levels of ASFA training. We have quite a number of people who are now reaching the point where they could provide trustee services with some minor additional qualifications. The Canberra climate is a tough one in terms of getting people full stop. As you would be aware, there is lots happening and lots being implemented. ComSuper has been reasonably successful in attracting people, and we have embarked on a very extensive training program. I think we may not be suffering as much as some of the other funds—if they are in fact suffering.

Senator SHERRY—I was particularly interested to look at your benchmarking results on administration costs. I have a couple of questions. On page 14 it says, ‘ComSuper versus Australian peers.’ When you refer to Australian peers, are you referring to comparable public sector funds in other jurisdictions—or are you referring to industry funds and retail funds within that Australian peers comparison?

Mr Bator—The benchmarking which we have been undertaking for the last five years is in direct comparison with other defined benefit fund administrators in Australia and overseas.

Senator SHERRY—I notice that you are administering the accounts for PSSap?

Mr Bator—We are indeed.

Senator SHERRY—Which is the new accumulation section?

Mr Bator—Yes, it is. This year will be our first benchmarking against other accumulation style funds. We have not previously done that

Senator SHERRY—Are you able to give me some details on the costs of operation per account for the PSSap?

Ms Crosby—The fees we are charging for PSSap are \$106 per contributor at this point in time.

Senator SHERRY—What does that represent as a percentage of account balance?

Ms Crosby—I did not have that information to hand.

Senator SHERRY—You do not have it to hand; but do you have it?

Ms Crosby—We can obtain information.

Senator SHERRY—Could you take that on notice, thank you. You have obviously done the benchmarking. I am sure you do not have a copy here—you could take this on notice—but can I be provided with a copy of that evaluation?

Mr Bator—Do you mean for us against other DB schemes?

Senator SHERRY—Yes.

Mr Bator—Yes, that is possible.

Senator SHERRY—When will the cost comparison be made in terms of the DC element?

Mr Bator—We are currently providing information to the benchmarker. We are meeting with them in about a fortnight’s time to look at the preliminary information from that. I would not imagine that to be available until sometime in July or August though.

Senator SHERRY—Is there an issue—because it is a new section, PSSap accumulation—around the base cost, which you have said is \$106 per member, but low account balances for some members? It is not a mature fund, in other words. It is a start-up fund.

Mr Bator—It is a start-up fund. There are obviously two factors that influence us. First is the fact that we had to build a system and put a system in place for a scheme that we really did not have experience or a system to run. So that adds to our costs. The other element is that it is a smaller number of members. We do have quite a high relative balance for members,

though, with quite a lot of people—given the age demographic of people joining the APS at the moment. Many people are rolling in substantial balances.

Senator SHERRY—But, nevertheless, your average account balance in the accumulation fund at this point in time is—

Mr Bator—It is quite low.

Senator SHERRY—It is quite low but it will grow quite significantly over time. Will that reduce the total charge as a proportion of the member's balance? It must do, mustn't it?

Mr Bator—I certainly would hope so, and I know that the Department of Finance and Administration would expect so. Over time, as we get an increasing number of members, obviously we will get scales. I doubt whether we will ever reach the scales of a CBUS, with 500,000 or 600,000 members, but the scheme is slightly different from those as well.

Senator SHERRY—Yes. But the start-up costs, the implementation costs: how have they been paid for?

Mr Bator—ComSuper paid for those out of its own fees that we were receiving from the administration of CSS/PSS.

Senator SHERRY—And will that cost, whatever it was, be hypothecated as a charge in future years to recover the moneys against the accumulation members?

Ms Crosby—At this stage, no. We are in discussions with the department of finance on funding arrangements for PSSap into the future, but that has come out of ComSuper's operating revenue and expenditure to date.

Senator SHERRY—Okay.

Mr Bator—I would just point out: with the figure of \$106 that Ms Crosby pointed out, that is the fee we charge. There is no other fee imposed on either employees or members by ComSuper. Our fee is our revenue; whereas it is probably not a valid comparison when we might look at an industry fund which might say it is \$70 because there are other fees that go on top of the \$70.

Senator SHERRY—I understand that. Also, that is not a cost that the member pays for in the case of the PSSap—or the general public sector, for that matter?

Mr Bator—No. The employer pays that.

Senator SHERRY—One other issue of concern, but it is a general concern in respect of all superannuation funds: operating costs appear to be going up, not coming down.

Mr Bator—We have entered into a range of improvements within ComSuper, firstly on training, as we pointed out. We have also been required to enhance our systems to deliver better services to members, and at the same time you would be aware that the government's requirements, which are properly being improved, again add a level of cost to ComSuper as well as to other administrators.

Senator SHERRY—I understand all of that. It is not a criticism of ComSuper in particular. I suppose my political observation is that the argument for fund choice was that costs would come down. But everywhere they seem to be going up.

Mr Bator—I do not have any comment on that.

Senator SHERRY—Nor should you, but the minister is not saying either. The approximate number of people and the growth in the PSSap?

Mr Bator—It was well above what we expected, so obviously we are the choice fund in the APS at the moment.

Senator SHERRY—The member is not paying the fee; I am not surprised that you would be the choice!

Mr Bator—I can give you those figures. I just do not have them off the top of my head.

Senator SHERRY—You can take it on notice. When a person leaves the public sector and is a member of the PSSap, are they able to exercise their choice of fund with a new employer?

Mr Bator—Yes, they are.

Senator SHERRY—Even in the private sector?

Mr Bator—Yes, they are. It is a fully functioning accumulation fund.

Senator SHERRY—Okay. You would not have had the problem yet of lost accounts—a favourite topic of mine. What arrangements have you made for lost accounts?

Mr Bator—Like all other superannuation funds, we do report those to the Australian Taxation Office.

Senator SHERRY—Will you have an ERF in place, or will they—

Mr Bator—We do have an ERF in place. We basically have just renegotiated the ERF, and we do have one of those in place for lost—

Senator SHERRY—I have one final question before we finish for lunch. AGEST is effectively a government accumulation fund, and now we have the PSSap, which is a government accumulation fund. Have there been any discussions about a possible merger of the two?

Mr Bator—I think that would probably be a question to put to the department of finance rather than us. It is not a question I have been asked—

Senator SHERRY—But you may be aware that—

Mr Bator—No, I am not aware.

Senator SHERRY—Is the department of finance aware of any discussions between AGEST and the PSSap? It is not a political issue; I am just interested to know whether there have been any discussions on a possible merger.

Ms Campbell—I do not understand that there have been any discussions between ARIA and AGEST.

Senator SHERRY—I think I can pursue any other issues in May. Thank you very much.

Dr Watt—I have one minor point of clarification, responding to a question of Senator Sherry's. You asked about the product code used in AusTender. It is called the United Nations Standard Products and Services Code—a great name, I am sure.

CHAIR—Have we finished with outcome 1 for the department?

Senator SHERRY—Yes, other than the Future Fund Management Agency, which we are presumably starting with at 1.30.

CHAIR—So we have finished with outcome 1.

Senator SHERRY—Yes. We are into outcome 2 after the Future Fund Management Agency. I would anticipate 45 minutes, maybe an hour, with the Future Fund.

Dr Watt—Thank you very much.

Proceedings suspended from 12.37 pm to 1.39 pm

Future Fund Management Agency

CHAIR—The committee will now examine the Future Fund Management Agency. Mr Costello, do you wish to make an opening statement before I invite senators to ask questions?

Mr Costello—This is a new experience for me. I had not come prepared with one; I thought I was in your hands. I am happy to turn myself over to you.

CHAIR—Occasionally people make opening statements, but I am not sure if it is advisable or not. I am not yet sure myself. Thank you anyway; it is good to see you here.

Senator SHERRY—Thank you and, firstly, congratulations, Mr Costello.

Mr Costello—Thank you.

Senator SHERRY—I note and have followed your experiences in New Zealand. I am sure you will do very well.

Mr Costello—Thank you.

Senator SHERRY—Firstly, I would like an update on appointment of senior staff to the Future Fund. Where are we at the present time?

Mr Costello—Some months ago now we advertised three key positions. We have been successful in attracting people to two of those three positions; the third remains on watch. So either later on this week or early next week, that will be the subject of some discussion with one of the candidates in terms of his own transition out of the organisation he is with. Within the next week, we will be announcing two positions. The first we advertised was for someone to head up the finance function for the agency, essentially audit management and risk management; and the second was for operations, really the management of our back office and settlements of all the funds transactions. We have been successful in securing high-quality people for those two appointments. For the third position, which is a person to head up our investment strategy area, that search is ongoing and, I suspect, is likely to continue for another month or so. We are really putting our energy into that now.

Senator SHERRY—Thanks for that. Have the two persons being appointed been named publicly yet?

Mr Costello—No. As I say, in one of those organisations, that is still being communicated over the next day or so.

Senator SHERRY—That is fair enough. What are the salaries for the positions?

Mr Costello—Obviously we have made some material progress in agreeing that, but, given we have not named the people yet, I am not sure what the protocol and the timing of this is. Obviously the annual report will have those, and perhaps after they have been appointed it is something we can come back to you on.

Senator SHERRY—Yes, we will have an opportunity to discuss it before the publication of the annual report. I will deal with that another time; I understand the circumstances.

Mr Costello—Okay.

Senator SHERRY—Just in terms of securing people, I am generally aware that in the finance sector there is significant pressure to secure skilled persons. I have never seen so many compliance officers being appointed around the superannuation funds that I have had dealings with. Has that been a difficulty?

Mr Costello—I am very pleased to say that, in terms of these early roles, I am very happy with the quality of both of these candidates. We are very clear that this next appointment is critical. I think we may well end up being in a better position to respond after we have looked at that. I am very hopeful that the Future Fund, because of what it represents for people, stands a very good chance of attracting the highest-quality talent. I think there is a lot about our organisation that makes it a very attractive place to work.

Senator SHERRY—Regarding these three key appointments, presumably there will need to be other what can be described as slightly lower level key appointments.

Mr Costello—Sure.

Senator SHERRY—In what areas would they be?

Mr Costello—The approach I have taken is that the building of these teams has to start with the people we are appointing, I have taken no-one else on a permanent basis until these key appointments are made. Obviously these people are thinking about the structure of the organisation beneath them. I have been talking with them about that. That is right. There are a number of other appointments that will need to follow now that we have these key people in place. As you can imagine, it is something that both they and I have already started to think about before they start.

Senator SHERRY—Yes, I understand the approach. Presumably you have your key ‘team leaders’.

Mr Costello—Indeed.

Senator SHERRY—They and you will overview the selection of further skilled staff.

Mr Costello—That is right. As I think everybody understands in this industry, the results are testimony to the people we employ. So while we are anxious to get underway and we certainly have planning happening there, both the board and I have no intention of compromising the quality of the people we get for speed. I think we are in the right spot there, where we are able to balance the two competing interests.

Senator SHERRY—Was there international advertising for those positions?

Mr Costello—The search for the chief investment officer is international as well as domestic. For the others we focused on the Australian market. We felt we could meet the skills there.

Senator SHERRY—Which company is handling the search?

Mr Costello—Spencer Stuart. That is the firm the board used for my own appointment.

Senator SHERRY—I am just trying to recollect, but were you the foundation CEO of the New Zealand fund?

Mr Costello—I was.

Senator SHERRY—I want to establish this for the record. I am aware of a number of announcements about the funds that are now in the name of the Future Fund. I think some of them, if not all, are still on hand for deposit at the Reserve Bank. Could you run me through the various commitments on allocation of funds and where those funds currently rest? Presumably they are with the Reserve Bank in the main—if not all.

Mr Costello—I have prepared a summary. There was wide acknowledgment of the first \$18 billion received in May of last year. There was an additional \$18.6 billion received in January of this year. That consisted of \$10 billion from the 2005-06 government budget surplus and the first instalment of the proceeds from the T3 sale of \$8.6 billion, summing to \$18 billion.

Senator WONG—What was that date?

Mr Costello—The date on which the most recent instalment was paid was 22 January.

Senator SHERRY—Are those amounts all held on deposit at the Reserve Bank at the present time?

Mr Costello—They are.

Senator SHERRY—Obviously earning the government bond rate.

Mr Costello—Essentially.

Senator SHERRY—Have there been any further public announcements of further allocations of moneys?

Mr Costello—There is a further \$3.6 billion, representing the remainder of the 2005-06 budget surplus, which we are expecting to be paid later this month.

Senator SHERRY—Has any of that money yet been invested outside the Reserve Bank?

Mr Costello—No.

Senator SHERRY—When do you anticipate that the commencement of the placement of those funds will occur?

Mr Costello—Presently, in addition to trying to secure high-quality people, we have been working with the board on developing both the medium- to long-term strategy for the fund and thinking around the challenge of investing that over the short- to medium-term. We have a number of steps to complete before that can commence, the most important being the establishment of the back office for the fund. It is widely known within the sector that we

have a tender in the marketplace presently for a bank to act as custodian for the fund. They will of course undertake all the transactions and the settlements, and we really are unable to invest in the market until we have that in place.

Senator SHERRY—When do you envisage that appointment will be made?

Mr Costello—We are sort of mid-way through assessing the responses now, so over the next couple of months we would expect that to be concluded. It is certainly our plan that we are able to begin the transition of assets out of the Reserve Bank during this financial year. We think it is important to be a little coy about both the direction and the speed of that transfer. There is a great deal of interest within the broader financial services community around both of those things. I think it is fair to say that we are on track to begin that process in the remainder of this financial year.

Senator SHERRY—I understand your reason for coyness, as you put it, but will the medium- to long-term investment strategy be published?

Mr Costello—I think it is very important that we need to get some sense about how the fund is being invested. As part of a general statement of investment policies, we need to publish that as soon as practicable amongst a range of other policies that we are presently developing that will guide how the portfolio is invested.

Senator SHERRY—I noticed recently an article by Macquarie Bank Research that indicated that it believed the balance of the Future Fund would be \$120 billion by the years 2011-12. Unfortunately it did not include an earnings rate. What would you expect the balance of the fund to be in 2011-12?

Senator Minchin—That is probably a question for Finance itself.

Ms Campbell—Senator, the balance will depend on the transfers that the government chooses to make over and above those that have already been announced. On those announced and using an expected rate of return of about 7.2, we believe it will be in the order of \$80 billion.

Senator SHERRY—Sorry—an \$80 billion base? I am not clear on what you have just said.

Ms Campbell—I am sorry, Senator. I thought you were asking for the estimate of the balance of the fund?

Senator SHERRY—No. What would you expect the balance of the fund to be in 2011-12? Sorry, \$80 billion?

Ms Campbell—Yes—with the announcements that the government has already made on transfers to the fund and an assumed rate earning.

Senator SHERRY—Of 7.2, did you say?

Ms Campbell—Of approximately 7.2 per cent.

Senator SHERRY—Isn't that higher than the indicative rate of return we were given by the chair, Mr Murray? I thought we were looking at a rate of return of about 5-5½ over the long term.

Mr Costello—Perhaps I could comment on that.

Senator SHERRY—If you could—thanks.

Mr Costello—Of course, the mandate from government requires us to produce—allowing for a transition period as we get the fund established—a minimum real return of between 4½ and 5½ per cent. I think that any figures around the seven to 7.2 or 7.5 reflect expected inflation plus the five per cent.

Senator SHERRY—That is inflation?

Dr Watt—That is a nominal figure.

Senator WATSON—So 7.2 per cent is a real figure.

Senator SHERRY—No, nominal. When I applied five per cent to current allocations, I did not see where Macquarie Research got to \$120 billion in 2011-12. Perhaps off the back of Macquarie's earning rates! But they did not indicate the rate of return. That is 4.5 to 5.5 after fees and charges—all the costs?

Mr Costello—Yes. That is what we would expect it to deliver. That is really what the Commonwealth could expect, so yes.

Dr Watt—I suspect that Macquarie have assumed that further surpluses will be transferred, whereas the government has said it will consider it if—and, if so, how much—after it knows each budget outcome.

Senator SHERRY—It was not clear to me what rate of return they incorporated—or, indeed, their fees, which would be interesting. On the issue of fees, Mr Costello, what is your anticipated fee level that would be part of the investment of the funds?

Mr Costello—It is not something that we have done a lot of work on, but obviously, having been responsible for these types of portfolios over the years, we can have some sense of where fee levels are. And of course it fundamentally depends on what you invest in. There is no strong sense that fees are necessarily declining for skill. In fact it is often observed that genuinely skilled managers are able to command even higher fees for their services than they were in the past. The good news is that investors are paying a lot less for areas where they are not directly in the market for those skills. It is really way too early to indicate a fee level for the fund, given that we have not set any specific allocation to the more expensive asset classes being

Senator SHERRY—I understand there will be different fee levels for different asset allocations and classes, but you surely must be able to indicate an indicative level of overall fee based on your experience.

Mr Costello—Based on experience for a well diversified portfolio, of a smaller size than this—so that would expect some additional purchasing power coming to the fund—general fees tend to sit somewhere in the 30 to 40 basis points; that is 0.3 to 0.4 per cent.

Senator SHERRY—You referred to a smaller fund than this. Is there an economy of scale, or does that economy of scale start to level out once a certain bulk is reached?

Mr Costello—I think that is a fairly correct assumption that it does. Certainly in some areas it starts to level out. There are some areas where essentially relatively fixed fees can

drive that down materially. We do notice some organisations around the world that are able to achieve investment management at considerably lower costs. Often that comes at a price of simply not allocating money to those sectors where the fee premiums and the associated reward premiums are higher.

Senator SHERRY—Are you able to tell us what the real rate of return was in New Zealand for the fund there?

Mr Costello—The model we approached there was that we essentially benchmarked progress against a risk-free rate. We took the approach and said that, in return for taking risk with public assets, we had to demonstrate an excess return. In the almost four years since its inception that fund is travelling at around 15 per cent per annum.

Senator SHERRY—Real?

Mr Costello—No, it is 50 per cent nominal, and the target rate was the risk-free rate plus 2½ per cent, and that was around 8.7 percent; so it is a little under double.

Senator SHERRY—What was the proportion of assets invested outside New Zealand?

Mr Costello—About 80 per cent.

Senator SHERRY—Are you able to give us an indication of approximately where—in terms of asset breakdown and geographically—that was placed?

Mr Costello—I can certainly give some sense. There is an annual report which does break this down with a map of the world, which makes it very easy; so it may be something I could easily send to you. Not surprisingly, the North American market is a major destination for off shore assets. Approximately half of global assets in listed markets tend to be in the US, and so, allowing for Europe and Asia, that tended to be the direction of international equities. That fund was starting to build its program in areas like timber, infrastructure and private equity around the world—again split between North America, Europe and the Asia-Pacific. To be fair to that fund, probably the best thing I could do is to send you the information.

Senator SHERRY—When the two-year escrow period ends for Telstra, what assumptions are you considering in terms of the sell-down of the remaining Telstra shares?

Mr Costello—At this stage we have yet to receive the Telstra shares, so our energy is going on preparations for that right now. When we are not looking at that, we are focused on establishing a structure for the organisation and a strategy for the investment of the cash assets. The short answer is that our present attention is not focused on dealing with this challenge two years down the track; we are dealing with more present ones. We are, of course, conscious of the interest in the issue and thinking about how we will resource the organisation to be able to manage the shareholding during the escrow period and, in particular, thinking around our position once that is up.

Senator SHERRY—What is a balanced portfolio allocation of Telstra shares?

Mr Costello—I guess it would depend ultimately on the allocation to the local equity market, but I think it would be completely uncontroversial to say that it is many times less than the allocation that this fund would have. I would need to go away and do some numbers on that, but I think we are materially overweight in Telstra in a diversified portfolio sense.

Senator SHERRY—Have there been any sensitivity analyses done on returns on different mixes of assets over time?

Mr Costello—Indeed. This is excluding Telstra?

Senator SHERRY—Yes.

Mr Costello—Indeed. This is the work we are focusing on now in order to assist the board in building a strategy for the fund, so we can begin the transition program. A lot of work has been done to date and more is ongoing as we refine our assumptions.

Senator SHERRY—We have already touched on the medium to long-term investment strategy. When will that be published?

Mr Costello—Our annual report in June obviously represents an important opportunity to communicate more broadly where the fund is going. I would not anticipate us publishing this, particularly given my comments earlier about the need to manage the transition program to market quite carefully. Our annual report is probably going to be the key disclosure opportunity in terms of the way the organisation is thinking around how the portfolio will be built.

Senator WONG—There were some public reports associated with the time you received the second bundle of money which indicated that the investment mandate would be released soon. Do I understand your answer to Senator Sherry to be that the investment mandate will not be released until the annual report is disclosed?

Mr Costello—There are a number of terms here. The investment mandate is, of course, government's instructions to us.

Senator WONG—Correct. I am interested in knowing when that is going to be released, if it has not been yet.

Mr Costello—Certainly the first mandate has been released. It is our understanding that there is some very slight revision to that, largely reflecting the fact that the T3 process has been concluded. That is in the hands of the minister for finance.

Senator WONG—Perhaps Ms Campbell can assist me.

Ms Campbell—The investment mandate is a public document that will be released when it is issued.

Senator WONG—Has it been issued to Mr Costello, or not?

Ms Campbell—Not as yet, but we expect that to happen in the very short term.

Senator WONG—So you do not currently have an investment mandate.

Ms Campbell—The updated one. There is the original one and the updated one to reflect the minor changes with Telstra.

Senator WONG—That is what was reported around the time that—

Ms Campbell—Yes.

Senator WONG—When is the revised mandate going to be released?

Ms Campbell—In the next month or so.

Mr Costello—My point around the strategy was really how we intend to deliver on that mandate—so, having been given those instructions, what kind of portfolio we are trying to build in order to be able to achieve the objectives that are set out in the mandate.

Senator WONG—The revision to the mandate is associated with the handling of the Telstra shares, is it?

Ms Campbell—Yes.

Senator SHERRY—That mandate, in terms of the instruction to the board and Mr Costello, is a formal order, I assume, signed off by the minister?

Ms Campbell—It is a direction.

Senator WONG—That is public, isn't it, the current one?

Ms Campbell—Yes.

Senator SHERRY—That power is ongoing, is it not?

Ms Campbell—To provide a mandate; yes.

Senator SHERRY—The power to formally change the mandate.

Ms Campbell—Yes.

Senator SHERRY—Is that approved by cabinet, or is it at the discretion of the minister?

Senator Minchin—I think formally it is a matter for minister, like the FIRB or something, but naturally ministers, if they are making significant decisions, would seek the advice of their cabinet colleagues.

Senator SHERRY—There is no requirement in the act, though, for a formal cabinet sign-off?

Senator Minchin—The department has given the authority to the minister, but obviously ministers do discuss significant issues.

Senator Minchin—It is you, the Minister for Finance and Administration, not the Treasurer, isn't it?

Ms Campbell—And the Treasurer.

Senator Minchin—No, it is joint.

Senator SHERRY—We touched earlier on the residue Telstra shares. When are they to be transferred? Do we have a date yet, or a likely date?

Ms Campbell—We expect towards the end of this month.

Senator WONG—This month—the entirety of the balance of the shares?

Ms Campbell—Yes.

Senator WONG—To Mr Costello?

Ms Campbell—To the Future Fund.

Senator WONG—You really will be materially overweight then won't you? Not you personally, Mr Costello.

Senator SHERRY—I touched earlier on the issue of the Macquarie research. What does the legislation provide if the targeted asset level is achieved before 2020?

Ms Campbell—The legislation provides that moneys can be drawn from the fund to pay for those superannuation liabilities once the target asset level has been reached.

Senator SHERRY—So, if it was achieved in 2018, you could commence drawing then?

Ms Campbell—Yes. I think the legislation says that if, on 1 July, the fund is above the target asset level, you can draw down.

Senator SHERRY—You can commence drawdown regardless of the date?

Ms Campbell—Regardless of the date, yes.

Senator SHERRY—I do not want to go back to the dependent couple-same sex issue, but I was having an exchange with the minister about the treatment of that. If it were to happen, one of the options is that it would increase the liabilities on the fund—depending on the size of an increase in liabilities. Would that require a change to the projections on the fund balance drawdown date of 2020? Presumably it would.

Ms Campbell—The actuaries have a look at the unfunded liability on a regular basis, and because the MSBS is not a closed scheme and is still taking members, obviously there needs to be an adjustment regularly to look at what the current state is. Were there to be a policy change, that would be taken into consideration when the target asset levels were set by the actuary.

Senator SHERRY—Is the actuarial assessment placed with the board to do the update, or is that placed with the department of finance?

Ms Campbell—With the Department of Finance and Administration. We engage the designated actuary to provide the target asset level.

Senator SHERRY—What, approximately, is the budget allocation for that and for the work ongoing that is carried out by the Department of Finance in respect to the Future Fund?

Ms Campbell—I will just get the exact number. It was a measure last year in the budget.

Senator SHERRY—Yes, I think it was in the order of \$1½ million or \$2 million.

Ms Campbell—It was approximately \$750,000. We can get the exact figure, but it is in that order.

Senator SHERRY—Now that a substantial part of the work in establishing the Future Fund has been completed, and obviously effectively delegated to the board and Mr Costello, who will do the ongoing work, will there continue to be a budget allocation for the Future Fund in Finance? The oversight?

Ms Campbell—Yes.

Senator SHERRY—Is that included in the forward estimates as part of the budget allocation? I am sure it was \$1 million or \$1½ million.

Ms Campbell—Yes, it is included in the forward estimates, and that is to pay for things such as the designated actuary to do the target asset level and for a very small team to provide advice to the minister.

Senator SHERRY—I notice that officers have come to the table. Can you help me on those estimates?

Mr Culhane—I will have to go and get those.

Senator SHERRY—If you could. If you cannot get them by the end of the questioning, which will not be going much longer, perhaps just by the end of the day.

Ms Campbell—We should be able to provide that quite quickly.

Dr Watt—There might be one point we might go back to, and that is the transfer of the shares for the Future Fund. There are two further small parcels of shares to be transferred over and above what will be transferred at the end of this month. One relates to the buffer stock, which is held by our joint lead managers. That will revert to the Commonwealth in a couple of months time, and it will be transferred thereafter. The second relates to the pool of shares the Commonwealth holds to pay the retail bonus to small shareholders who hold their instalment receipts for 18 months. When they have paid their second instalment receipt they get some bonus shares. Any residual from that small pool will also be transferred after that 18 months. These are pretty small amounts of shares by comparison with the transfer that will occur very shortly, but, nevertheless, they are not insignificant.

Senator WONG—So those two categories of shares will not be transferred—is that what you are saying?

Dr Watt—They will be transferred but not at the end of February. They will be transferred when the Commonwealth no longer needs to hold them.

Senator SHERRY—Do you have an approximate valuation on the buffer stock and the pool of shares?

Dr Watt—I can get one for you. The buffer stock is about 20 million shares. The bonus shares held until instalment receipt time are about 93½ million shares. We do not know how many of those we will need to pay to small investors until we know how many people do not sell their instalment receipts.

Senator WONG—What is the quantity for the end of February then?

Dr Watt—Sorry?

Senator WONG—The end of February transfer comprises how many shares?

Senator Minchin—It is two billion shares.

Dr Watt—I think it is 2.1 billion.

Senator Minchin—We had around six billion and we sold four billion, and two—

Dr Watt—The second and third transfers are minnows.

Senator WONG—Minnows?

Senator SHERRY—Those minnows can add up over time.

Ms Campbell—We have an answer to that question on the funding provided to the Department of Finance and Administration. It is \$700,000 per year.

Senator SHERRY—I know it is in the budget papers.

Senator WONG—Mr Costello, as I understand your answers to Senator Sherry in terms of the time frames around getting people on board et cetera, you are not able to indicate approximately when you will actually start investing?

Mr Costello—No—I meant to. I indicated that, in terms of getting people on board, the critical first step was getting, as Senator Sherry put it, the team leader. It is really part of the commitment that each team has to be built by that person. Now that we have got two of those three team leaders coming to start with us over coming months, I expect those teams to start being filled out. On the issue of when we can start investing, I indicated that we are getting our back office capacity up and running. That will take us about another two months, including the key appointment of a bank to act as our back office. We will put all those things together, and we intend to start the transition process, moving some from cash to other market assets, during this financial year. We will be underway by June.

Senator WONG—So around June you will commence the process. When did the fund get its first instalment?

Mr Costello—I understand it was in May last year.

Senator WONG—And that was how much in May 2006?

Mr Costello—That was \$18 billion.

Senator WONG—And that was until 22 or 23 January, when you got the next lot?

Mr Costello—That is correct.

Senator WONG—What is the opportunity cost on leaving \$18 billion, which is—I think you answered Senator Sherry—at the government bond rate held on deposit at the Reserve Bank, as between what taxpayers might have earned if you had been investing.

Mr Costello—I mentioned the government bond rate and, essentially, they are very short-term government bonds. It is on essentially the overnight rate. So it is presently earning around 6¼ per cent. Of course, the government's requirement of the fund, once it is fully established and a whole range of things have been put in place, is that we would earn at least five per cent above the inflation rate, so we are looking for a figure, I guess—depending on where official inflation estimates are—somewhere around 7½ per cent. So, a little over one per cent would be the short answer.

Senator WONG—So 1½ per cent or 1¼ per cent.

Mr Costello—Against that, I guess, is the fact that investing money requires a carefully thought out plan and some skilled people to put that in place, and that is where, I guess, effort has gone to date. You may be aware that I started my role in late November. I feel like I have been putting a lot of energy into trying to get things up and running since that time.

Senator WONG—Yes, I am aware you were only appointed towards the end of last year. But, essentially, for over a year—before you are investing—these funds will be earning around 1¼ per cent less than you would expect them to earn.

Mr Costello—Over the long term, going forward.

Senator WONG—So it is an effective loss to taxpayers.

Senator Minchin—That is a very long bow, Senator Wong. We have accepted the professional advice of Mr Costello and what is an outstanding board.

Senator WONG—You did not appoint him until November.

Senator Minchin—The government would be very unwise to just rush to market with this.

Senator WONG—You announced this a year ago, didn't you, Minister?

Senator Minchin—Yes, that is right, and we have accepted the professional advice of Mr Costello, who is an outstanding recruit, and the board itself—and I do not think I have heard any criticism from the Labor Party in relation to its membership—that the government would be very unwise and irresponsible to rush to market with this. We have got to get this right; this is a long-term fund to pay for its unfunded superannuation liabilities. The worst thing the government could do would be to rush to market before you had a properly set up team and a properly thought through investment strategy. We have got to be very careful with this fund, as Mr Costello and Mr Murray have said in terms of the impact of this fund upon the market. So the fund is in extremely professional hands and I think you should commend us for accepting that professional advice as to the rate of investment.

Senator WONG—The delay on the government's side in terms of getting the thing up and running was I think probably where my criticism—

Senator Minchin—Now you are criticising us for delaying this. I cannot believe the audacity of the Labor Party for criticising us in relation to the establishment of this fund. The only reason we were able to set up this fund is that we have generated surpluses, which you have provided no help in generating. You are going to raid the fund. You have the audacity to sit here when you are going to raid the fund of its earnings and make it impossible for it to meet its target, so do not start lecturing us.

Senator WONG—You are very sensitive today, Minister.

Senator Minchin—Don't you start lecturing us about delays in setting it up, for goodness sake. I am not going to sit here and put up with that.

Senator SHERRY—The minister is very touchy today—gosh! There is no criticism, frankly, because Mr Costello was not around in May last year, so do not jump the gun like that, Minister.

Senator Minchin—It was your line of attack. I responded to it.

Senator WONG—I was not criticising Mr Costello.

Senator SHERRY—Gosh, you are touchy today. You must be very sensitive about something this week.

Senator Minchin—Yes, very sensitive about your ridiculous political lines of attack.

Senator SHERRY—It is not ridiculous. Wouldn't it have been—

Senator Minchin—The criticism is that we were slow in setting up this fund.

Senator SHERRY—Can I ask the question?

CHAIR—Senator Sherry, you have the call.

Senator SHERRY—Wouldn't it have been a perfectly reasonable approach to have placed the \$18 billion with existing funds managers as an interim measure given that the likely earnings rate would have been higher than the government bond rate at the Reserve Bank? Wouldn't that have been a reasonable consideration to take as an interim measure?

Senator Minchin—I would not have thought so. I think it much better, given that the surpluses have accrued and are to be dedicated to a Future Fund under professional management, that they come under the control of the fund and that it be invested with the Reserve Bank pending the proper establishment of an investment strategy and an investment team. And they have to think through very carefully the rate at which these moneys are put into the market, because we have said time and time again that we do not want to unduly affect the market. This is a substantial sum of money, so we think that, on balance, this has been eminently the responsible course. To the extent that, as a result of our prudent management, we have surpluses, it has always been traditional that they sit at the Reserve Bank. It is a continuation of what has always been the position, until the fund is in a position to properly invest those funds. So we think it is, on balance, the prudent course.

Senator SHERRY—Mr Costello, perhaps you will understand the concept. It would have been perfectly reasonable to have placed the initial \$18 billion for a limited period through existing fund managers and then have it revert back to the Future Fund's direct oversight, wouldn't—for an interim period?

Mr Costello—As you can imagine, I am reluctant to be drawn into a conversation that does not involve me per se. The only point I would make is that it assumes that someone—

Senator SHERRY—You are an expert. No-one, including me in particular, is questioning your expertise in this area.

Mr Costello—I appreciate that.

Senator WONG—We know that you know more about making money than we do.

Mr Costello—I appreciate that.

Senator SHERRY—Certainly the minister!

Senator WONG—Maybe not Senator Sherry!

Mr Costello—The point I was going to make is that it assumes that someone has sat down and determined what level of risk they are prepared to take in allocating that money to another manager. I think that is the point: a risk-free rate is a good place to start. Every decision to take risk has to be justified in terms of what is expected in return for that. I think that is really the point the minister is making: an organisation needs to come together around that before it really starts taking risks with other people's money. Unless there was a very clear statement about the government's appetite for risk, I think that allocating money to another organisation would have been a very brave step in the absence of ownership of that risk.

Senator SHERRY—That is a risk you will be, in effect, taking when you start placing the moneys.

Mr Costello—That is right, and I think that is the minister's point. Our job and what we are focused on now is determining exactly how much risk we should take, what we expect to

get back for that and how we can constantly try, with finesse, to lower the amount of risk for each unit of return we are seeking. A great deal of effort right now in our organisation is going to answering that question.

Senator SHERRY—Nevertheless, if the \$18 billion on 5 May last year had been placed in a balanced, diversified fund, it would have earned more than the government long-term bond rate, wouldn't it?

Mr Costello—That is absolutely a matter of fact—of course, with the benefit of hindsight. There have been other periods when, over a year of being with a diversified manager, that risk-free rate would have underperformed. I think that is something worth remembering always when we look at these things.

Senator SHERRY—Sure. From your knowledge, what has been the average rate of return of diversified funds over the last six months?

Mr Costello—It is probably nudging double digits.

Senator SHERRY—Is it 10 or 11?

Mr Costello—Possibly in the nine to 10 range.

Senator FIFIELD—Senator Sherry, I can well imagine that you would be crying blue bloody murder if the Commonwealth put those funds in the hands of a private manager. I remember the cries with the Treasury currency swap, so I could only imagine what the opposition would be saying if the government had not taken this particular course of action.

Senator SHERRY—I suppose it is largely in retrospect, but I would not, because I would have thought that the return from a short-term—that is, six months to a year—diversified market rate of return would, on balance, have exceeded the government's long-term bond rate. Anyway, that is a judgement that has not been made. Once you have completed the construction of the fund, Mr Costello, will there be any overview analysis—an independent analysis—of that process, as to how that construction period has gone?

Mr Costello—That is not something we have given any attention to. As you are aware, in the absence of having an internal team, we have engaged a professional advisory firm to assist us in exploring these issues. As we publish our thinking on this vexed issue and how we have approached it, I am sure there will be no shortage of comment on the way that we have gone about it. No doubt, some of that comment will be public and observations will be made.

Senator SHERRY—Certainly from me—and others, I am sure. But I am actually interested in a professional analysis as well.

Mr Costello—The short answer is that, at this stage, we are focusing on trying to get our thoughts together. We have not thought about how, at the end of that process, we will invite some self-critique, apart from constantly trying to improve it.

Senator SHERRY—We have a not dissimilar fund in the Australian Reward Investment Alliance.

Senator Minchin—ARIA.

Senator SHERRY—The old CSS-PSS. I am not sure of the balance of their funds. Will you be comparing, benchmarking, against their performance in a not dissimilar fund?

Mr Costello—It is something that we have thought about. An early question, when we sit down to design the fund, is: to what extent is the comfort of similarity of return an important driver for us? The position that the board has taken after discussing it with us is that that should not be a key driver. Our mandate is, of course, quite different. Governments essentially said to us that, all things being equal, it does not require withdrawals from the fund for approximately another 12 or 13 years. Even after that time, the level of withdrawals will be modest, relative to the expected rate of return. That puts us really in a different starting position to a fund where people are coming and going all the time. Therefore, we basically will take the position that, while we will always be benchmarking the quality of the portfolio that we have—how efficiently we are generating return for risk—it is not a key driver for us at all to performance in the market.

Senator SHERRY—Are you suggesting that you can take a more longer term time horizon on investment?

Mr Costello—I think that is a natural thing for this fund to do, relative to a fund that is managing flows of members in and out on a regular basis.

Senator SHERRY—Would that lead you to conclude that a higher rate of return can be generated as a consequence of taking a longer term investment horizon?

Mr Costello—I think there are really two options here, and it is all about risk and return. Certainly it says that, if you are investing for the long term, to generate the same level of return you can take lower risk because you are able to hold a greater proportion of liquid assets. Essentially, their role is to reduce risk in the portfolio. So essentially it is a choice which we will continue to explore. When you have the opportunity, you can put that into higher return for the same risk or, conversely, lower risk for the same return, and that is a continual judgement that we will be making through time.

Senator SHERRY—Historically, it will be interesting to examine the rate of return through the Future Fund versus ARIA, for example—and I hope I will not be doing it from this side of the room. What about international comparisons? Obviously, we have touched on New Zealand and you work there. There are a number of similar type funds around the world. Will you be doing international benchmarking?

Mr Costello—The short answer is yes. We are already in contact with other similar sovereign funds set up around the world. I have got every intention of making sure that the future funds around the table on these discussions are comparing approaches to what are fairly similar challenges, albeit for slightly different purposes. We are very well networked as a fund with that community. We also intend to participate in global benchmarking surveys, which will really tell the government and the board, once we are up and running, just how efficiently we are running the program. It is absolutely a firm intention—in fact, a decision—by the board to participate in those surveys.

Senator SHERRY—You mentioned the international comparisons. Which countries are you familiar with in terms of your New Zealand position?

Mr Costello—In the last five to 10 years, in addition to the slightly older Norwegian government, the governments of Ireland, France, Sweden and Canada have set up very similar funds. All have a 2020 target date before any withdrawals are made. While the mandates vary

and the purpose of the fund varies, that gives us enough in common to compare how we might learn from each other's experience.

Senator SHERRY—Will that information be included? I appreciate that at start-up you have to place the funds, and you have the special issue of Telstra. Will that comparison be an ongoing feature of the annual report?

Mr Costello—To be honest, I have not thought that far ahead. I think that we would always make readers aware that, while the fund has a particular position within Australia, there are similar funds around the world, in the way that they are doing that. Probably most readers would be interested in what we are doing with the fund rather than having a lengthy discussion about how different or similar it is to others. It is certainly something that we are aware of. Each of those organisations is quite transparent about the way it has structured its portfolio. There is a lot of information there for interested people.

Senator SHERRY—The issue of fees generally in investment funds for retirement purposes—effectively it is for a retirement vehicle—is an issue of public contention in a whole range of areas. I am sure you are aware of the public debate in these areas. Regarding the issue of commissions or reward for achieving higher than benchmark rate of return, have you considered that factor—in this case, obviously, in wholesale as distinct from retail distribution?

Mr Costello—It is not something that this board has considered, because it is a rather secondary issue compared to where we are at the moment in terms of trying to build the portfolio. Certainly, a view which is increasingly adopted by organisations like this is that skilled investment managers are worth paying. You should save your money on lucky investment managers. So, if you really think that you have a good ability to be able to distinguish between skilled and lucky managers, you should have no great reservation about paying the skilled ones and giving nothing or very little to organisations to manage the rest of your exposure. On balance, I think that overly focusing on cost without recognising the return after cost can be a bit misleading. We will be trying to balance those two very much.

Senator SHERRY—On the issue of skill, there are a lot of skilled investment managers that in a particular year may perform below the benchmark.

Mr Costello—I think that is absolutely right. There are also a lot of lucky ones who call themselves skilled.

Senator SHERRY—Yes, that is right. You are obviously conscious of that issue.

Senator WONG—Mr Costello, I am sorry, but I have forgotten the name of the fund in New Zealand.

Mr Costello—The New Zealand Superannuation Fund.

Senator WONG—They signed up to the UN Principles for Responsible Investment, didn't they? Were you involved in that decision?

Mr Costello—Yes.

Senator WONG—Firstly, very briefly, what were the reasons that led you to take that decision?

Mr Costello—Very briefly, the legislation did make an awareness of these issues explicit, so it was something that the board had to consider. What made this attractive was that it was a group of institutional investors around the world who were charged with generating return as their primary objective—a chance to come together and say how could they reconcile pursuit of high returns with these responsibilities. So it was a natural forum to participate on an issue like this.

Senator WONG—In your view, were there any negative financial consequences to that decision?

Mr Costello—No.

Senator WONG—Has the issue of whether or not the PRI should apply to the Future Fund been discussed by the board?

Mr Costello—No. It is really very, very early, and at this stage we are focusing on the structure of the portfolio.

Senator WONG—Thank you.

Senator SHERRY—Just on the issue of SRI, I just happened to look at news on the Global Pension website over the lunch hour. A controversy has erupted in New Zealand in respect to the superannuation fund. You are nodding. You are obviously aware of what I am going to lead up to.

Mr Costello—I have read that.

Senator SHERRY—Okay. That is, investment in nuclear power. That was not outside the prescribed mandate in New Zealand?

Mr Costello—No. Obviously the article suggested that it may have been. These are, as I think everyone would agree, complicated issues and fine lines to draw on. The article did to some extent explain the approach that that fund took. It really looked to the law makers of the land to say what was an acceptable activity and what was not, and that largely guided the policy on the shape of the portfolio.

Senator SHERRY—Was there anything in either the New Zealand legislation or the investment guidelines issued to you—and I do not refer to you personally, although you would obviously have had a major say—that prohibited a particular area of investment in New Zealand?

Mr Costello—No.

Senator SHERRY—None at all, including asset class or level of overseas investment?

Mr Costello—No.

Senator SHERRY—I have nothing further, Chair. Thank you, Mr Costello.

CHAIR—As there are no further questions for the Future Fund Management Agency, Mr Costello and Mr Barnes, thank you very much. We will see you again in a couple of months.

Mr Costello—We will come prepared with a statement next time.

Senator SHERRY—We like time for questions.

CHAIR—I call the committee to order. The committee will recommence its examination of the Department of Finance and Administration.

Senator SHERRY—I first want to go to the ownership of the Googong Dam. Can it be explained to the committee who, in the opinion of the Commonwealth and the Department of Finance and Administration, currently owns the Googong Dam?

Senator Colbeck—It is the view of the Commonwealth that the Googong Dam site is owned by the Commonwealth.

Senator SHERRY—On what basis is it a view that it is owned by the Commonwealth?

Senator Colbeck—Because we bought the site in, I think, 1973 or 1974, and it has not been transferred to anybody else. We bought the land for the construction of the Googong Dam in 1973.

Senator SHERRY—When we are talking about the dam, of course we are not just talking about ‘the dam’; we are talking about ‘the site’?

Senator Colbeck—The site.

Senator SHERRY—The reservoir and the land surrounding is the site.

Mr Yarra—If you look at the title register you would see that the Commonwealth is the owner of a boundary, a cadastral boundary, which is the dam area.

Senator Colbeck—Dam site.

Senator SHERRY—In a letter dated 7 July 1988, from the then Acting Treasurer, Mr Dawkins, to the then Territories Minister, Mr Punch, it was stated:

I agree with your proposals that ACT water and sewerage assets be transferred to the new authority on the basis that they be represented by a notional loan from the Commonwealth of \$91.287 million, with interest payable six monthly at an annual rate of 11.36 per cent, and the principal repayment in equal annual instalments over 35 years.

Given there was an approximately \$90 million loan from the Commonwealth and it is linked to the assets, isn't there an argument that ACTEW was to pay \$90 million to the Commonwealth for the asset?

Mr Yarra—My understanding is that that was a loan put on the books of ACTEW as an appropriate thing for a commercial entity of that nature to have, that the loan was not related to particular assets per se. It was not paying off an asset. The reference to ACT water and sewerage assets was general rather than specific. Our sense has always been that the loan was on the books as part of the creation of the commercial entity.

Senator SHERRY—How much of that loan remains as debt?

Mr Yarra—I have a number here for you. I am advised that \$15,581,000 remains as of January 2007. To be precise, \$15,581,300.

Senator SHERRY—Is that still being paid at the annual rate of 11.36 per cent?

Mr Yarra—Correct.

Senator SHERRY—Can you clarify for the committee which assets, in the view of the present government, were intended to be transferred under this arrangement, as described in Mr Dawkins' letter? If it was not the dam, what was it?

Mr Yarra—My sense of the whole history of this thing is, in fact, that there has been great confusion of terminology about things like 'the Googong Dam', 'the ACT water and sewerage assets' and 'the land'. Those terms have been used often interchangeably, and that lack of precision has now, today, caused the confusion that we have. We know for certain that we own the land, but as for the water and sewerage assets, the dam wall et cetera, the work we are doing now with the ACT administration is designed to bring clarity to that.

Senator SHERRY—I have got a copy of a certificate signed by Mr PM McGrath, the Chief Executive of ACTEW, and also signed by Mr WJ Harris, who is described as the 'Former Administration Delegate of the Minister for the Arts and Territories'. Do you have that?

Mr Yarra—If that is an attempted transfer document, we would have a copy of that.

Senator SHERRY—Good. The certificate—

Dr Watt—Could you tell us the date?

Senator SHERRY—It was 27 September 1989.

Dr Watt—Thank you.

Senator SHERRY—Are you familiar with the document?

Mr Yarra—The certificate that we have on deck is dated 22 February 1989, so I do not know the document to which you are referring.

Senator SHERRY—I will refer to the one I have, which is dated 27 September 1989, because that is the one I have got a copy of. This document, which is signed off by Mr McGrath and Mr WJ Harris, states:

The attached balance sheet and supporting notes represent the assets and liabilities held by the Commonwealth for the supply of water or the provision of sewerage services as at 30 June 1988 which were transferred to the Australian Capital Territory Electricity and Water Authority on 1 July 1988 in accordance with section 84(c) of the (then) Australian Capital Territory Electricity and Water Ordinance 1988.

It has an attached balance sheet as at 30 June 1988. On the copy you have—you have a different date—do you have a balance sheet?

Mr Yarra—I am now pretty clear that it is an ACTEW document, which we have not necessarily got, but I am following what you are reading there.

Senator SHERRY—I have got a copy of the document and the balance sheet, which has the notes representing the assets and the liabilities. I am looking at this balance sheet and it has 'System Assets'. It starts off with 'Googong Dam', and there are values; 'Other Storage Dams', with values; 'Reservoirs', with values; 'Bulk Supply Mains'; 'Water Treatment Works'; 'Water Pumping Stations'; LMWQCC—I do not know what the acronym stands for; 'Sewerage Treatment Works'; 'Tugg/Molonglo/Bel Sewers'; 'Reticulation Augment'; 'Other Mains & Sys.'; 'Sanitary Services'; 'Water Meters & Covers'. And there is a range of other

'Non-System Assets', including 'Motor Vehicles' et cetera. The balance sheet provides a depreciated estimate for Googong Dam, as part of the overall water and sewerage assets, of \$15,176,000 as at the date of 30 June 1988. What parts of the Googong Dam would this amount have been referring to?

Mr Yarra—That is an ACTEW document, so I really could not comment. I can understand the logic that is driving that document—their sense of ownership of water and sewerage assets. But, really, I could not comment on the components of that. That would have been arrived at by their accountants.

Senator SHERRY—Of course it would. But it clearly lists the Googong Dam.

Mr Yarra—Right. That is what I am saying when I talk about what I will call 'received wisdom'. That is, there was a very strong received wisdom, in my opinion, that everybody, including the officials in Finance, up until recently, agreed with. It started with ACTEW and the ACT administration at the time they were part of the Commonwealth. It was also picked up by the same ACT administration staff that tried to transfer assets to themselves with this flawed instrument. It was followed by ACTEW putting assets on its books from way back. There were multiple letters and references in correspondence to the ownership of the assets and the transfer of the dam. That was all received wisdom.

The language was quite imprecise. The fact is that, all along, the title to the land has remained with the Commonwealth. The control of the water is governed by an intergovernmental agreement, and the assets, the improvements—the dam wall, the pipes, et cetera. Now there is a lack of clarity because of that. We are absolutely clear, for example, that the land could never have been transferred, because that can only be done under the Lands Acquisition Act. No instrument has ever been effected under the LAA. So there is that confusion over the assets which we now need to clarify. We are clear on the land.

Senator SHERRY—I will come back to your earlier comment, I will deal with this in a bit more detail. You used the phrase 'up until recently'.

Mr Yarra—Yes.

Senator SHERRY—What date are you referring to when you refer to 'up until recently'?

Mr Yarra—I am referring to a period during 2006. I am talking about this renewed activity and interest in Googong Dam—officials in our department in particular becoming involved and, quite reasonably in my view, taking up the received wisdom, which was very strong. My reading of it was that it was very strong. We briefed the then parliamentary secretary, Sharman Stone, and she wrote a letter. At the time we thought that letter was absolutely right. It was based on the received wisdom. We had found nothing to contradict it; we had pretty well complete due diligence to support that. The fact that we continued to do due diligence after the letter was sent was really a matter of completeness.

Senator SHERRY—Which letter are you referring to?

Mr Yarra—Sharman Stone sent a letter to the ACT Chief Minister in September 2005, discussing the Googong Dam and the transfer of the Googong Dam to the ACT. That letter was entirely consistent with the received wisdom up until that time. It is only because our officers continued their due diligence in unlikely areas that turned up this final view that we

now have. All the officials have done since then is to make sure that the correct view is now in the public domain.

Senator SHERRY—What do you mean by the description ‘in unlikely areas’?

Mr Yarra—We found the information that led us to make further inquiries on files that were not actually logically related to the Googong Dam. We were doing it for completeness. We had done a pretty good analysis of all the logical files—this is going back 15 to 20 years—and had done a complete analysis of those files. We only did those other files for completeness, just in case.

Senator SHERRY—What did that turn up?

Mr Yarra—The thread that it turned up was the answer to a question by then Senator Richardson, in which he said that of course it was never the intention of the Commonwealth to transfer ownership of the land; the intention was always for the ACT to manage the dam.

Senator SHERRY—When you say ‘an answer’: an answer where—on the public record?

Mr Yarra—Yes. It is in the Senate *Hansard* of 24 November 1988 at page 2742. Senator Richardson was answering a question, probably from Senator Jenkins. I do not have the previous page.

Senator SHERRY—Was that in question time or in matters of public interest?

Mr Yarra—Matters of public interest.

Senator SHERRY—Not doubting the powers and authority of Senator Richardson—former or otherwise—a minister can answer a question, but that does not mean that what they say is legally correct.

Mr Yarra—That is absolutely true; so, of course, when we found that reference we launched further inquiries. We spoke to the drafter of the legislation and the instructor—the person who prepared the drafting instructions—and we confirmed from a number of angles that it was never the intention to transfer the title of the land, that was purchased in 1973, to the ACT government. It was always intended that the ACT government would manage the dam on behalf of the Commonwealth through an agreement.

Senator SHERRY—What about the assets on the land?

Mr Yarra—That is the thing. Because of the vagueness of the language over the years, water and sewerage assets of the ACT, Googong Dam et cetera, all got bundled together and hence people made their own conclusions from that imprecise language. I am now saying that, with the benefit of the analysis that we have done, we need to unbundle the ownership of the land from the control of the water, from the improvements on the land, and those improvements—correct me if this is an accountant’s thing—that includes the dam, the pipes, et cetera. We now need to get clarity on the improvements. We know about the land and we know about control of the water, of course, because that is set out in an agreement. We now need to get the assets, these improvements, sorted out so that ACTEW can regularise its accounting.

Senator SHERRY—What do you mean by getting the assets regularised? Who owns those assets—as distinct from the land?

Mr Yarra—For example, ACTEW has been accounting for some time now, with a qualification in its accounts that it does not have title to Googong Dam. And it has been using assets for some time and booking the revenues on the basis that it has some sort of hold over those assets that generate the revenue. In my view, they need now to get some certainty about how they account for the revenue streams coming from assets that have got an uncertain status in law for them, and we need to be clear on that—noting that we own the land.

Senator SHERRY—There was a letter dated 29 November 2004 from Fraser Roughton, Portfolio Manager, Portfolio and Asset Property Management Branch, to Mr Stewart Chapman of the ACT Treasury. The letter thanks Mr Chapman and Mr John Dymke of ACTEW for meeting with DOFA officials. The letter goes on to confirm the outcome of the meeting and states:

The transfer of Googong Dam (the dam) to the ACT is scheduled to take place on 16 December 2004.

It further states:

The whole of the land being transferred is contained in Lot 7 Deposited Plan 592796 and Lot 1 Deposited Plan 255492 and as highlighted in the map handed to John Dymke.

Can you describe for the committee what parcels of land are dealt with by this section of the letter?

Mr Yarra—I will have to respond without seeing the document that you have. I will assume that it is talking about the land which makes up the 5,000-hectare title that the Commonwealth has to this land, and it is describing that title. It may have been, in the past, a number of different portions, so I am assuming that is what they are talking about.

Senator SHERRY—The assets on the land—dam, water, pipes. Is there anything else?

Mr Butterworth—I think there is a range of houses and fences—things of that nature.

Senator SHERRY—Who paid for the construction of the houses, dam, roadworks and pipes?

Mr Butterworth—Some of them would have been constructed before the ACT government came into existence. They would have been constructed by the Commonwealth. In the meantime, of course, 19 years have passed. There would have been improvements to those structures. There may, indeed, have been additional structures built within that time. I am aware that there have been car parks, roads and things of that nature constructed over the last 20 years.

Senator SHERRY—I have a copy of another letter dated December 2004. It is addressed to Mr ML Harris of the ACT Chief Minister's Office from Mr Simon Lewis. Is Mr Lewis still with us?

Dr Watt—Mr Lewis is on leave.

Senator SHERRY—He is on leave, is he?

Dr Watt—Yes.

Senator SHERRY—That makes it a touch more difficult. Is he still General Manager of the Asset Management Group?

Dr Watt—Mr Lewis is in transition from being General Manager of the T3 task force to return to his substantive position as General Manager, Asset Management Group. He is still the substantive person.

Senator SHERRY—Good.

Dr Watt—When he comes back from leave, that is exactly where he will go, but he is having a well-earned break.

Senator SHERRY—To come back to this? The reference number is 0405009. The letter states:

I am writing to confirm certain undertakings between the Commonwealth of Australia and the Australian Capital Territory ... Government concerning the transfer of Googong Dam and associated water infrastructure to the ACT ... These undertakings are made to correct errors and omissions made during the process of establishing self-government for the ACT in 1988.

It goes on to say:

In order to transfer the land and associated infrastructure at the Googong Dam in New South Wales ... to the ACT, the Commonwealth agrees:

- To an exercise of its power pursuant to the Lands Acquisition Act 1989 (LAA), that will transfer freehold title in the Googong Dam and its assets to the ACT Government.
- That it will not seek consideration in exchange for the transfer of the Googong Dam land—
and—
- To be bound by the undertakings made in this correspondence.

That would seem to indicate an intent to transfer the Googong Dam, the assets and the land to the ACT government.

Mr Yarra—That is an intent that reflects the received wisdom, which we have subsequently determined was not the correct intent.

Senator SHERRY—I know it has been indicated that Mr Lewis is on leave. Has he been spoken to about this matter?

Mr Yarra—I have not spoken to him. I will assume that he has not been spoken to by other members of staff.

Dr Watt—But we are well aware of the correspondence.

Mr Yarra—Yes.

Senator SHERRY—What is the status of the letter? Is it a draft? Was it sent?

Mr Yarra—I think the letter was sent. I remember the letter. All of our actions up to the point where we formed the view that, in fact, the Commonwealth continues to own the land and never intended to transfer the land were consistent with the received intent, including our interactions with other government departments within the Commonwealth and with the ACT administration. All of our actions were consistent with that. We were acting with good intent to progress what we thought was the appropriate outcome, and certainly we gave all of the undertakings in good faith. We subsequently determined that that was not the correct position and moved as quickly as we could to make sure that that correct position was clear, and that is how this thing has rolled out since then.

Senator SHERRY—So at that point in time it certainly reflected the overall intent of the Commonwealth, or at least DOFA, in relation to it?

Mr Yarra—No, it reflected the Commonwealth's interpretation of the received wisdom that grew from the original ACT administration when it was within the Commonwealth—therefore, they were the Commonwealth then. They were the ones who were in a position to correctly articulate the Commonwealth's position.

Dr Watt—Should have been in a position.

Mr Yarra—Yes—should have been in a position—and it turns out that that was incorrect. Nobody, until our finance officers of 12 months ago, challenged that received wisdom. We have now absolutely clear evidence that it was wrong all along, and we now have to take corrective action.

Senator SHERRY—I think the evidence is disputed.

Mr Yarra—Senator, it is not disputed, in my view. We have title—

Senator SHERRY—Hang on—it is disputed. Your view is different from other people's view; therefore, there is a dispute.

Mr Yarra—But I can show title to the land.

Senator SHERRY—But there is a dispute. At least let us acknowledge that. You are very determined in your view—

Senator Colbeck—The dispute is over intent.

Senator SHERRY—taking up your personal view—

Mr Yarra—Actually, I am talking about facts.

Senator SHERRY—But there is a dispute, isn't there? Let us at least acknowledge there is a dispute.

Mr Yarra—Maybe on intent; not on facts. There may be on intent. It may be that another outcome should be the case, but the fact is that we own the land. Whether that was an appropriate outcome is up for people to discuss.

Senator SHERRY—I have a copy of another letter from the department of finance, from David Yarra, who was the Acting General Manager—that is you.

Mr Yarra—Yes.

Senator SHERRY—Did you send the letter confirming the undertakings relating to the proposed land transfer?

Mr Yarra—I do not know. I am not across that detail.

Senator SHERRY—It is your letter.

Mr Yarra—Yes, it might be my letter—

Senator SHERRY—April 2005.

Mr Yarra—but I have not got the letter handy.

Senator SHERRY—Are you aware of the letter? I am not asking whether you have it handy here and now, but are you aware of the letter?

Mr Yarra—I am aware of the correspondence that we have had—yes.

Senator SHERRY—What is the status of the letter that you are aware of?

Mr Yarra—I am not a lawyer, but I would say that the status of the letter is that it is a letter between officials. It is no more than that.

Senator SHERRY—You say you are not a lawyer—not you as an individual, in terms of your own position in all of this, but has the department sought legal advice on this dispute?

Mr Yarra—We have a range of advice from a range of experts on where we stand in the matter. Our understanding from that range of advice is that the letter and letters of themselves are not legally binding on the Commonwealth.

Senator SHERRY—Who have you sought legal advice from?

Mr Yarra—We have sought legal advice, I am advised, from Clayton Utz.

Senator SHERRY—Anyone else?

Mr Yarra—That is all I am aware of.

Senator SHERRY—What about the Commonwealth's legal officers?

Mr Yarra—Not that I am aware of. The Commonwealth's legal officers?

Senator SHERRY—The Attorney-General's Department.

Mr Yarra—No.

Senator SHERRY—You have not?

Mr Yarra—Not that I am aware of.

Senator SHERRY—Okay—I just wanted to clarify it. When did the department take legal advice from Clayton Utz?

Mr Yarra—I have not got a date, but we can get that quite quickly for you.

Senator SHERRY—Thank you. Doesn't the fact that there are two letters—and I have referred to them—indicate a very real intent, at least within the department of finance, to transfer the land and the assets?

Mr Yarra—My view is: no. They reflect a very real intent to implement the received wisdom—our perception of the government policy.

Dr Watt—Which was incorrect.

Senator SHERRY—So you dispute that these letters indicated even an intent at that time?

Mr Yarra—No—I am making a very fine point. At that time, our understanding of government policy and government intent was that the land be transferred, and we were acting consistent with that. We were wrong. The policy was not that. As public servants we would always act, of course, consistent with government policy and intent. If it changed, then we change our position. So those letters reflect our understanding of the government intent and policy, and that understanding was wrong.

Senator SHERRY—What was the date when you—not you particularly, personally, although you are obviously heavily involved in all of this—the department, decisively changed its view?

Mr Yarra—I do not think there was a particular date. Once Sharman Stone had sent her letter, we continued our work and we became suspicious, progressively. It took some time for a number of us to form the same view. One of our officers, who was doing most of the work on it, had confirmed that view. So we progressively became of the view.

Senator SHERRY—You say you became suspicious. It is almost as though you are inferring there is some sort of cover-up by the ACT government.

Mr Yarra—No. I will withdraw the word ‘suspicious’ if that is what it implies.

Senator SHERRY—Concerned or worried?

Mr Yarra—No. I will say that we saw a loose end, that we were uncomfortable and we needed to sort out that loose end.

Mr Butterworth—It was early in 2006 that we examined the archives in detail.

Senator SHERRY—This is a serious matter. There must have been a point at which, having gathered material together, presumably advice went to the minister-parliamentary secretary on this matter. Presumably, he would have to have been informed. There must have been a date when this matter came to crystallisation?

Mr Yarra—I do not know that date. There probably was.

Senator SHERRY—There had to have been.

Mr Yarra—Typically, with the way that we interact with ministers, we have dialogue as well as formal written advice. It is probable that we had dialogue first and then confirming advice.

Senator SHERRY—I understand that, but at some point in time there has to be a—

Mr Yarra—We will find the brief that provides that advice and get the date for you.

Senator SHERRY—Thank you. A side fax on 26 March 2005 from Tooley Elliot of DOFA to the Water Policy Office of the ACT government states:

In order to assist with the proposed transfer would you please provide us with a copy of the ACT Government’s 30 June 2004 valuation of the Dam detailing the land parcels, and also identifying the individual assets and infrastructure which are included or excluded.

Again, this was before you had come to the conclusion?

Mr Yarra—Correct.

Senator SHERRY—And, again, you do not believe that that indicates the intent of the Commonwealth?

Mr Yarra—No, Senator.

Senator SHERRY—Then we come to the letter of 29 September 2005 from Dr Sharman Stone—which you have already referred to—as Parliamentary Secretary to the Minister for

Finance and Administration, to Mr Ted Quinlan, then Treasurer for the ACT. The letter is signed. Do you have that in front of you?

Mr Yarra—No, Senator.

Senator SHERRY—You do not? It states:

I am writing to you concerning recent efforts to rectify the attempted transfer of Googong Dam ... its associated assets (the dam) from the Commonwealth of Australia to the Australian Capital Territory ...

It goes on to say:

You might be aware that officials from the Department of Finance and Administration ... and the Department of Transport and Regional Services have been negotiating with officials from the ACT Government about how to effect the original intention of the transfer.

Mr Yarra—Yes.

Senator SHERRY—In terms of the documents, the exchange of letters, that go back nearly 20 years, isn't there a clear intention of the Commonwealth to transfer the Googong Dam?

Mr Yarra—No, Senator.

Senator SHERRY—There is not, despite all of this correspondence earlier?

Mr Yarra—No, because the authoritative statements of government at the time were contrary to that; the legislation was contrary to that. The model that we have with Googong Dam that we have now established, in fact, is the same as the model with the other dams in the ACT. I have no reason to believe that there was ever an intent to transfer the bundled Googong Dam and all the assets to the ACT.

Senator SHERRY—Perhaps if I come to Senator Colbeck as the parliamentary secretary. You have heard the material—and I am sure you have been briefed on this, Minister—but how can you claim that it was always intended the Commonwealth would own Googong Dam?

Senator Colbeck—I suppose that is going back to the original intent based on the information that came out from the agency's investigation of the matters. As far as I have been briefed, there has never been a decision by the government to sell the dam and it was quite clear, from the information that was given to me, that the intent was always—in respect of the Commonwealth government—that the dam would be retained in Commonwealth ownership.

Senator SHERRY—What was the problem with Dr Stone when she wrote on 29 September 2005? Did she have a problem in signing off on that letter?

Senator Colbeck—I think that has been clearly articulated by Mr Yarra, in that the received wisdom at the time—based on the claims by the ACT government and ACTEW—was that there was an intent. The actual investigation of the facts reveals quite clearly that there was not an intent.

Senator SHERRY—I referred earlier to the date at which the crystallisation of the view occurred.

Mr Yarra—I can give you some dates.

Senator SHERRY—Great—thanks.

Mr Yarra—We first briefed our minister on 15 June 2006. Our advice from Clayton Utz was on 24 July 2006. That was confirming a copy of advice that we got previously from Transport in November 2004. The Clayton Utz advice is dated 24 July 2006.

Senator SHERRY—When was the first time the Commonwealth wrote to the ACT government to explicitly explain its position—new position, I would argue; but, anyway, the position?

Senator Colbeck—I attempted, over the period of a week, to make personal contact with the Chief Minister, Mr Stanhope, to personally put the actual position of the Australian government. On 23 January we actually managed to make contact. We had a conversation that evening in relation to the Australian government's perspective. We agreed that our officials should commence meeting to clarify the issues at an officials level and that we would then meet in approximately a month to finalise discussions after our officials had had the meetings that we had agreed on. I faxed him a letter, I think the following day, from my office to confirm the conversation.

Senator SHERRY—Did that meeting take place?

Senator Colbeck—It has not yet, but our officials have had several meetings to attempt to unbundle and clarify the issues.

Senator SHERRY—The letter by Dr Stone that we have touched on was copied to the Prime Minister, the Treasurer and the Minister for Finance and Administration. That is correct, isn't it—they all received a copy of that letter?

Mr Yarra—That is my memory.

Senator SHERRY—Is it just coincidence that it was after that date that the Commonwealth's position changed. You argue it did not change, but I would contend that it did change after those three ministers were notified, including the Prime Minister.

Mr Yarra—Absolutely coincidence. It was a product of our continuing to do our due diligence.

Dr Watt—The process of change occurred a long time after that letter.

Senator SHERRY—What is the understanding of the Commonwealth on the allocation of the water from the Googong Dam?

Mr Yarra—I will speak firstly generally. As I understand it, that is set out in an intergovernmental agreement; it is governed by that agreement. We could talk about the details of that agreement.

Senator SHERRY—Basically, what is your understanding? Is it that the ACT government controls the distribution, or the Commonwealth?

Mr Yarra—I think it is by consultation—the fundamental principle.

Mr Butterworth—The Canberra Water Supply (Googong Dam) Act 1974, which is an act of the Commonwealth parliament, says in part:

The rights to use and dispose of all waters in the Googong Dam Area and to control, restrict or interrupt the flow of all waters in and from that Area are vested in Australia—

that is, the Commonwealth. The next clause says:

The rights referred to in sub-section (1) are exercisable—

by the ACT Executive—

on behalf of Australia.

Senator SHERRY—What is that instrument?

Mr Butterworth—This is the Canberra Water Supply (Googong Dam) Act. That act is administered by Transport.

Senator SHERRY—By whom?

Dr Watt—The Department of Transport and Regional Services.

Senator SHERRY—Is the department aware of a Googong Dam levy of approximately \$40 that commenced in 1974?

Mr Yarra—No.

Senator SHERRY—It was placed on residents in the ACT—how many I am not sure. You are not aware of that levy?

Mr Yarra—I am not aware. I do not think any of our officers are aware.

Senator SHERRY—Are you aware that the people of the ACT were paying via that levy for the construction of the Googong Dam?

Mr Yarra—No, Senator.

Senator SHERRY—Minister Parliamentary Secretary, have you had representations from Senator Humphries on this issue?

Senator Colbeck—I actually had a conversation with Senator Humphries. He came seeking a briefing on the matter, which I gave to him one day last week.

Senator SHERRY—Have you had representations from any other members of federal parliament on this matter?

Senator Colbeck—I have had conversations with Mr Nairn.

Senator SHERRY—Has he formally written to you, or have you formally written to Mr Nairn, about the matter?

Senator Colbeck—I do not believe he has formally written to me. I have not formally written to him.

Senator SHERRY—Have you had any other representations from anyone else in the parliament?

Senator Colbeck—I have been in communication with the Prime Minister's office obviously as it became an issue, so that they were aware of our discussions.

Senator SHERRY—What about Senator Minchin?

Senator Colbeck—Yes, I have obviously been liaising with his office in relation to the matter.

Senator SHERRY—Is he cc'd briefs you receive as a matter of course?

Senator Colbeck—Generally.

Senator SHERRY—Do you know if he was cc'd on this matter?

Senator Colbeck—Not without seeing the brief, but I would imagine that he would have been.

Senator SHERRY—Could you confirm that for me please?

Senator Colbeck—Sure.

Senator SHERRY—Finally, Parliamentary Secretary, are you aware of any arguments or disputes about where water from the Googong Dam should be allocated to?

Senator Colbeck—Only through the public process that has occurred over the last couple of weeks where the New South Wales opposition has put some proposals forward as part of its election platform to redirect some of the water. Again, subsequent to my conversations with Mr Stanhope, there has been obvious publicity from representatives of the Queanbeyan area in relation to the potential use in that area.

Senator SHERRY—Right. So the Queanbeyan area. Is that the only area where it is suggested water be redirected to?

Senator Colbeck—That is my observation from public statements and newspaper articles that I have seen. I am not aware of any specific proposals other than those.

Senator SHERRY—What do you mean by the Queanbeyan area? What is your understanding of that?

Senator Colbeck—That is an area outside the ACT.

Senator SHERRY—I know that. Are you just talking about the urban Queanbeyan? I do not know how Queanbeyan is defined in any sort of definitional sense.

Senator Colbeck—Your knowledge would probably be very similar to mine senator. I do not have any specifics.

Senator SHERRY—You mentioned the reference to the New South Wales opposition's position on water diversion. That is the diversion to Queanbeyan, is it?

Senator Colbeck—No, I believe they had a proposal to pipe some water to Goulburn.

Senator SHERRY—To where?

Senator Colbeck—To Goulburn.

Senator SHERRY—Goulburn. We are going to pipe water from the ACT to Goulburn?

Senator Colbeck—That was the proposal that was put forward by the New South Wales opposition as part of their election platform, as I understand it.

Senator SHERRY—Is there a water pipe link between Googong and Goulburn at the present time?

Senator Colbeck—I am not aware of that.

Senator SHERRY—I notice the officials nodding.

Mr Yarra—No, Senator.

Senator SHERRY—There is not?

Mr Butterworth—Based on our local knowledge, Senator, there is no pipe.

Senator SHERRY—Thanks for the local knowledge. So it would involve the construction of a pipe to Goulburn. Given the present dispute about ownership of the dam, has the Commonwealth been involved in any infrastructure proposals to pipe water to Goulburn?

Senator Colbeck—Not that I am aware of, Senator.

Senator SHERRY—I assume there is a pipe to Queanbeyan? I have no local knowledge but I know it is closer.

Mr Butterworth—Based on local knowledge, the infrastructure treats Queanbeyan as though it is part of the ACT. It is part of the network of water facilities.

Senator SHERRY—I thought that would be the case. Okay, thank you very much.

Senator Colbeck—I think as a matter of course that all of my briefs are cc'd to Senator Minchin.

Senator SHERRY—If you could just verify that this one was. Generally I knew that that was the case.

Mr Yarra—I can confirm for the record that the minister for finance was cc'd in on the briefing to the parliamentary secretary.

Senator SHERRY—Thanks.

CHAIR—Did you finish Outcome 2?

Senator SHERRY—No, we have a couple of areas to go. I have some questions on improved and more efficient government operations in Outcome 2.

Dr Watt—We can move to those if you want?

Senator SHERRY—Yes. I was intending we should.

Senator SHERRY—I am not dealing with Outcome 3. I think it will be Senator Faulkner, Senator Ray or both, handling that.

CHAIR—Usually, yes.

Senator SHERRY—Okay. I want to deal with a couple of matters relating to the Uhrig report.

Dr Watt—Yes, senator. We can deal with those?

Senator SHERRY—Are there any officers coming forward?

Dr Watt—Yes, they are coming.

Senator SHERRY—Thanks.

Dr Watt—Where would you like to start, senator?

Senator SHERRY—I would not want the officers to miss the questions in transit. We had a very bad experience in the Senate the other day when Senator MacDonald—by the time he left his office and got into the chamber—missed the removal of 173 reports from the *Notice Paper* due to the ruthless execution of the acting president in removing them page by page from the *Notice Paper*.

Dr Watt—I apologise senator, but we have lost a relevant officer. They must have thought they were in outcome 1 and could go home.

Senator SHERRY—Oh, did they? If they have gone, we might have a practical issue.

Dr Watt—They have gone; they are certainly not here. They are back in the department. They are being rounded up, but it will take 10 or 15 minutes.

Senator SHERRY—Perhaps we should come back to them later. While that is occurring, I wanted to ask some questions in respect of asset sales. Can we deal with those first?

Dr Watt—Yes we can.

Senator SHERRY—The Finance Senate contracts order for 1 July 2005 to 30 June 2006 shows that \$77.377 million is expected to be spent on Telstra, including \$1.87 million on Mr Cousins's company George Patterson Pty Ltd. Is the \$77.377 million the complete bill for Telstra, or are there more bills to come?

Mr Heazlett—The \$77 million is not the complete cost for the sale of Telstra. It has been indicated previously, at the time of the allocation of Telstra shares, that we expect a total sale cost in the order of \$250 million. There are still payments being made. Final invoices have not been received for all items, so that is still only an estimate.

Senator SHERRY—The \$77.377 million comes off the \$250 million. Is that the bottom line?

Mr Heazlett—That is correct.

Senator SHERRY—Approximately.

Mr Heazlett—That is a selection of contracts that fall within that category.

Senator SHERRY—When would you expect the bulk of the bills to have been received and then paid?

Mr Heazlett—We would expect the bulk of the bills to be received and paid within the next month or so. But there will be some bills for the final instalment collection, which is quite some time away.

Senator SHERRY—Turning to the Medibank Private sale, what quantum of money has been spent on that to date?

Mr Yarra—In the 2006-07 budget, \$20.3 million was appropriated to conduct the sale. We expect, now that there is a change in the decision on the mode of sale, that we will need extra funding to support the initial public offering. But that will be appropriated in future budgets. Nevertheless, the total value of current contracts that are being let for sale advices, through to the completion of the sale, is approximately \$8.54 million.

Senator SHERRY—Is that on top of the \$20.3 million?

Mr Yarra—No, it is part of it. It is not a spend. Those are the contracts we have let, but they go out to the end of the sale. Some of that \$8.54 million will be spent this year and the rest of it will be spent in future years.

Senator SHERRY—Turning to page 35 of the PBS, note 4, on the Christmas Island detention centre refers to construction costs associated with Christmas Island IRPC, Villawood IDC and the National Portrait Gallery. The costs of the construction of the centre have been blowing out. Is that correct?

Mr Yarra—The current estimate of the cost of the construction of the centre is \$396 million. ‘Blowing out’ implies that we do not have the funding. Of course we have the funding.

Senator SHERRY—‘Blowing out’ is a term I would use in respect of the original budget figure. What was the original budget figure in February 2003?

Mr Yarra—I can give you an earlier number. In February 2003 the budget was set at \$276.2 million.

Senator SHERRY—This brings me back to my definition of a budget blow-out. If I have my figures right, it was \$276.2 million in February 2003 and we are now up to \$396 million. That is a cost increase of approximately \$120 million.

Mr Yarra—The move was from \$276 million to a published budget figure of \$336 million. I am just looking for the date when we published that.

Senator SHERRY—Did you say \$336 million or \$396 million?

Mr Yarra—No, \$336 million in January 2005. That \$336 million was the first number that reflected the approach to market for the major contracts. We had all the major tenders in, including for Balderstone, which is the head contractor. Until that time we had no sense of how that would go in the heated construction market at the time. The figure of \$336 million has grown to \$396 million because we have had a series of things happen on the site, including problems with the port crane.

Senator SHERRY—I will get to the problems, but I want to get back to this blow-out of \$120 million.

Dr Watt—I think Mr Yarra is explaining why it is not a blow-out.

Senator SHERRY—Can you understand why I would consider an increase from \$276 million to \$396 million—\$126 million—as a blow-out? A serious cost escalation?

Dr Watt—I think we can explain that. We can agree it is a cost escalation for good causes.

Senator SHERRY—Presumably the department was involved in that \$276 million estimate back in February 2003. It must have had some indications of what the likely construction costs would have been back in February 2003 when it made that estimate.

Mr Yarra—My sense of that number is that it was the number the department inherited when it took over the project from Immigration.

Senator SHERRY—So we can blame Immigration for fouling up the cost estimate?

Mr Yarra—I am not saying that. I am just saying that that is the number.

Senator SHERRY—You are not saying it, but I am. You took that figure from the department of immigration.

Mr Yarra—We inherited that number. We then progressed the project to go to market.

Senator SHERRY—You inherited the number. Given the sizeable cost increase, if I can use that description, have you gone back to the department to try to determine how they got it so wrong?

Mr Yarra—I have no appetite to go back and do that while the project is moving ahead and being constructed.

Senator SHERRY—Why is that?

Mr Yarra—Because that is their business, not my business.

Senator SHERRY—Again, you are getting a bit personal about these questions I am putting. I would have thought it was a concern. This figure jumps out. The increase has jumped out to our advisors. It is a sizeable increase in commitment of public funds. I would have thought it was part of Finance's remit to at least carry out some investigation as to why the department got it so wrong—not Finance, the immigration department.

Dr Watt—We have looked at the basis of the cost estimates as they have changed. Remember that we have gone through a period of rapidly rising construction costs, which this has been in and we have had an overheated construction market, including the Queensland market where the original contract was supplied from. That has certainly added to the costs all the way through this project in the last three or four years. The other point to make is that, as Mr Yarra said, until we had entered into an agreement with Balderstone, only then did we have tender quality costings. Without those tender quality costings, you can get surprises up and down.

Senator SHERRY—This is the sort of thing that would be covered by the contingency reserve, would it?

Dr Watt—No, it is not.

Senator SHERRY—Thank goodness for that.

Dr Watt—We do not have a contingency for construction costs or any other cost increases beyond standard ones.

Senator SHERRY—Perhaps I can throw some light on this. In a previous representational role, I questioned the department. You do not appear to have done so. It is not simply a blow-out in construction costs, as I recall from the questioning I carried out on this matter, or an underestimate of construction costs. There were some fairly fundamental design flaws, as I recall.

Mr Scott-Murphy—I take carriage of the delivery of the Christmas Island project. It is true that, when we took over the project in 2003, the budget provision was not considered adequate to complete the project. At that time we looked for a more effective way of delivering the project by going down a traditional delivery form rather than a fast-track delivery form. We took it to market and were fortunate, I believe, in getting high-quality bids for a project in a remote location that is complex and risky. The tender quality bid we got

from Balderstone Hornibrook was judged to be the best value. We have been delivering the project since that date.

Senator SHERRY—Have you been oversighting this project since it came over from the department?

Mr Scott-Murphy—Yes, I have.

Senator SHERRY—You referred to its being complex. Obviously there is a logistical issue—the location of Christmas Island, presumably transporting equipment, construction materials, the labour force et cetera. I understand that those were issues. Were there any other complexities aside from those matters I have indicated?

Mr Scott-Murphy—Indeed there were. The remote location always brings with it challenges such as the geology of the site. We had complex limestone formations with voids that had to be levelled.

Senator SHERRY—This is a conversation I remember with the department. There was the risk of the entire centre collapsing into the ground and disappearing.

Mr Scott-Murphy—That was only one of the risks we dealt with.

Senator SHERRY—It was a pretty big one, wasn't it?

Dr Watt—You have to have a roughly level playing field.

Senator SHERRY—Not just level. You actually have to have a foundation that would survive.

Mr Scott-Murphy—Indeed.

Senator SHERRY—As I recall, there were casks, and I think there were covered caves.

Mr Scott-Murphy—Yes, indeed we had covered caves; and we had limestone pinnacles. We had all of this in an environmentally sensitive area.

Senator SHERRY—We will get to the environmentally sensitive area—that being the crabs, I assume.

Mr Scott-Murphy—We had complexities such as the climatic conditions.

Senator SHERRY—Before we get to the climate, let us go back to the caves. I was slightly amused when I heard about it at the time, but it is a pretty serious issue.

Mr Scott-Murphy—Indeed.

Senator SHERRY—I can understand that this was a cost blow-out. How were they going to stabilise a site that was effectively going to be built on top of caves, where the risk of collapse was significant?

Mr Scott-Murphy—Indeed, there were challenges there. We took professional advice to get the correct method for levelling and consolidating the site to be satisfied that there was no risk of subsidence or lack of bearing capacity in the substrata. The design solution for that and the construction methodology has been entirely effective. We can be certain that the site presents no such risks now.

Senator SHERRY—And the other risks you were starting to touch on?

Mr Scott-Murphy—We had climactic risks. Obviously, in the Indian Ocean in the northern latitudes we have cyclone loadings on the buildings, and we have seismic loadings because of the proximity to fault lines. In the period since we have been constructing it we have suffered a near pass with a cyclone, we have had a tsunami and we have had a 6.4 Richter scale seismic event.

The centre itself needs to be able to withstand all of those loads as well as the risk of damage to the centre through its use, so there have been significant challenges. The logistics of bringing materials to the site presents unusual challenges because of the dependency of taking out-of-gauge cargo from lighters onto the wharf through one crane.

Senator SHERRY—We will get to the crane, because that is another budget issue. Unfortunately, it is related to this indirectly in the sense that it has added to cost.

Mr Scott-Murphy—We also have what is called the swell season, where loading and unloading of barges presents unusual challenges because of the swells going through the harbour. All of these conspired to make it quite a demanding project.

Senator SHERRY—When did you and the department become aware of these design challenges?

Mr Scott-Murphy—When we first became involved in the project. We took it over in February 2003.

Dr Watt—I think we were aware before the project. The government decided to move the project, which I think is a fair description. One of the reasons the government was interested in moving it was that it was realised that it was a difficult project. Therefore, the idea was to tap the small pool of construction expertise that exists outside Defence and the Commonwealth.

Senator SHERRY—That presumably did not exist in the immigration department, in part.

Dr Watt—I think the answer is that, when agencies take on new tasks, they have to learn from scratch. Mr Scott-Murphy and his team, small though it is, have a fair amount of construction experience—and that is worth something.

Senator SHERRY—I accept that. I am not in any way criticising there. Were the issues you identified also identified by the immigration department prior to passing the project over to you?

Mr Scott-Murphy—I cannot speak for the department of immigration, but it became obvious to us when we looked at it in great detail that the costs needed to be greater.

Senator SHERRY—I accept that, but presumably some sort of brief would have come from immigration to you. In that brief—in the passing over of the project—did they identify these issues?

Mr Scott-Murphy—I would have to take that question on notice to be able to respond accurately.

Dr Watt—I would be very surprised if some were not identified but, equally, given that the process was still in its early stages, I would be very surprised if they were all identified.

Senator SHERRY—When is the construction due to be completed?

Mr Scott-Murphy—Our current program will have it completed in the second quarter of this year.

Senator SHERRY—When will it be ready for occupancy?

Mr Scott-Murphy—We are planning the practical completion—the date when all the physical work is done and commissioned. Then there is a process whereby the Department of Immigration and Citizenship, together with their service provider, will complete their fit-out requirements that are not part of our head contract and install the operations. I would expect that that might take a further three to four months.

Senator SHERRY—Has the department indicated when occupancy will commence?

Mr Scott-Murphy—We have no reason to think that it would be—

Dr Watt—You might need to ask the department that question.

Senator Ian Campbell—That was asked in an estimates I was at yesterday. The department of immigration said, very clearly, the middle of the year.

Senator SHERRY—The middle of next year?

Senator Ian Campbell—No, the middle of this year.

Dr Watt—There are existing detainees on Christmas Island, I think.

Senator Ian Campbell—Sorry. The question was about when they expecting to take over this new facility. They are expecting to take it over in the middle of the year.

Senator SHERRY—You are right. It would have been a question for immigration.

Senator Ian Campbell—I was at that estimates hearing yesterday where that question was asked, and the answer was the middle of the year.

Senator SHERRY—Yes, but having initiated a construction project that has increased considerably in cost, the usage of this particular site once it has been completed will be interesting to observe.

Senator Ian Campbell—I think the answer given by the head of Immigration and his officials yesterday was that the use of these sorts of facilities—and you can track the use of Port Hedland, Port Augusta, Baxter and all these things—is very hard to predict. It depends on things that are outside the control of the government; it depends on all sorts of exigencies. The government has stuck by this project because we believe that, in the long term, it is a very useful facility for us to have. I think the government went into it knowing full well that it was a difficult environment, with a small 'e', to construct such a facility.

Over the years we have certainly had a lot of experience at Christmas Island, which I know from having been the territories minister for a short stint. Although this has been a much more costly project than the finance minister, the Treasurer, I or Dr Watt would have wanted, the reality is that it is a facility that can play an important role for many years to come. In terms of predicting the usage of it, if our immigration policies are successful it will never have anyone in it. It would be very hard to predict, but it will be a very useful facility and part of the overall border protection and immigration strategy of the government.

Senator SHERRY—Are you aware of the number of persons that would be held by this facility at maximum capacity, in terms of the construction specifications? What was it designed to hold?

Mr Scott-Murphy—The design capacity is 400, but it has an overflow capacity of a further 400. So its normal capacity would be 400, but in times of—

Senator SHERRY—So, at normal capacity of 400, that is about \$1 million per person in construction, or half a million dollars if we include the overflow capacity.

Mr Scott-Murphy—That would seem correct.

Dr Watt—You can amortise it over a long period of time.

Senator SHERRY—I am sure you can. But that is in terms of the construction costs. Coincidentally, I think—and this is unrelated—for Christmas Island there is also an allocation of \$60 million for the Christmas Island port crane?

Mr Yarra—That is the \$60 million that takes it from \$336 million to \$396 million.

Senator SHERRY—Okay.

Mr Yarra—One of the contributing factors is the port crane.

Senator SHERRY—So that money is only in small part for the port crane?

Mr Yarra—No, the port crane has caused delays and interfered with the construction schedule, and that has generated costs for us in progressing the project.

Senator SHERRY—So it is a reason. Did the crane itself fail?

Mr Yarra—The crane initially had a crack in its foundation. For how many days did we lose the crane?

Mr Scott-Murphy—We had it out of service for several months, cumulatively.

Mr Yarra—So the foundation was rebuilt, the crane was reinstalled, and I think it kicked off at the end of January 2006. It was back in operation in January 2006.

Senator SHERRY—So the cost of the repair and rebuilding of the crane is included in that total?

Mr Yarra—No, that was done through DOTARS, Transport, who own the crane.

Senator SHERRY—So the department of finance in its construction work is not taking responsibility for the failure of the crane?

Mr Yarra—No.

Dr Watt—We are not funding the failure of the crane, let us put it that way; we are funding the consequences.

Senator SHERRY—To come back: did the department take into consideration the demands on the crane when they evaluated the project?

Mr Yarra—Firstly, the crane, the Favco, was a relatively new crane, from memory—

Senator SHERRY—New or not, I am just interested to know whether they took this into account.

Mr Yarra—but there was a comprehensive risk analysis done. Interestingly, more recent information on the crane is that it is actually quite worn, and that is partly because of the large increase in activity for the crane. So I am not sure, necessarily, that we factored in crane failure, but it was certainly picked up in the way we contractually got Boulderstone on deck. It was covered in our contract with them.

Senator SHERRY—I have to say, and this is not a criticism of you or the department, that we had major geological problems, climate problems, crane problems—every problem you can conceivably think of—with the construction of this project.

Dr Watt—It was certainly challenging.

Senator SHERRY—If we are in government, I may use that! ‘Challenging’—I love that description! Are there any projects that you can think of that have presented similar challenges?

Dr Watt—No, absolutely not on our construction menu. All the rest are relatively straightforward.

Senator SHERRY—Have you visited the site?

Mr Scott-Murphy—Yes, I have.

Senator SHERRY—I would not criticise you for that. I think the challenges, as you say, are pretty significant.

Senator Ian Campbell—Building the runway in Antarctica was a lot easier than this, seriously—and cheaper.

[3.54 pm]

Senator SHERRY—I will now ask about Uhrig, and that will be it from me.

Dr Watt—We have the people back. The reason they decamped was that Uhrig is actually in outcome 1—

Senator SHERRY—Oh, is it?

Dr Watt—and we thought outcome 1 was finished, but we have brought them back.

Senator SHERRY—I should apologise. I will not take responsibility, because my brief is headed ‘Outcome 2’, and it was passed to me by another colleague.

CHAIR—The committee thanks you for your assistance.

Senator SHERRY—Thank you, yes—and we will not be long. I think we will be finished in five minutes tops. Just briefly: the recent Uhrig public update available from the department is dated 1 February 2006. Where are we up to with the Uhrig implementation?

Ms Campbell—Approximately 96 per cent of the assessments have been done. I will ask Mr Mowbray-d’Arbela to provide a little more detail on the numbers there.

Mr Mowbray-d’Arbela—The assessments are due to be brought to the department for completion of the project by the end of March. As Ms Campbell just mentioned, we have 96 per cent of those in—that being 156 out of 162.

Senator SHERRY—Were they given a deadline to get their responses in?

Mr Mowbray-d'Arbela—Yes, they were. That was last year.

Senator SHERRY—When last year?

Mr Mowbray-d'Arbela—I apologise, but I do not have the date to mind.

Senator SHERRY—Do we have an approximate month?

Ms Campbell—We do. The first deadline was March 2006. Then there were some administrative order changes. We were aiming to have everything done by the end of the financial year 2005-06. The ministers are aware of the ones that are outstanding. They are working on it and have been in correspondence with us about why they have not finalised their reviews.

Senator SHERRY—Here we are in February 2007, more than seven months after the deadline.

Mr Mowbray-d'Arbela—There were, typically, issues that we were talking with the departments about. These have been coming in later because there have been some issues for us to talk through. Departmentally, we have been aware of the issues.

Senator SHERRY—Surely they could have talked to you about these issues prior to June 2006. If you are going to have a deadline and there is obviously going to be some exchange of views between departmental officials, why could they not meet the June 2006 deadline?

Ms Campbell—Some of them were transferred to organisations at the start of last year. The organisation wanted to get a grip on how the organisations worked and how they would best fit into the new department portfolio arrangements. There are a few of those still outstanding. The gaining portfolio was trying to work out the best structure for them.

Senator SHERRY—Was that the only excuse, or was that the excuse in all cases? Are there other excuses?

Ms Campbell—That was the primary reason provided.

Senator SHERRY—Were there any other reasons advanced?

Mr Mowbray-d'Arbela—The complexity of the issue sometimes.

Dr Watt—Not everyone agreed with the assessment.

Senator SHERRY—No. I am sure that is the case. It does not mean that they cannot meet a deadline in response.

Ms Campbell—If we had talked about deadlines, they may have responded and said that there were still discussions going on. The deadline was about finalisation—whether or not they were finalised. These people have responded. They have not ignored us. We have been working with them.

Senator SHERRY—So there were 156 received and there are six to go. Do you believe they will be in by the end of March.

Mr Mowbray-d'Arbela—Yes.

Senator SHERRY—Why will they not be in by the end of February? There are only six of them.

Mr Mowbray-d'Arbela—They may be.

Senator SHERRY—You have been very lenient, I think, unlike Finance.

Mr Mowbray-d'Arbela—We work with agencies.

Senator SHERRY—I know you do, but I think you have been a bit overly lenient.

Mr Mowbray-d'Arbela—There are some complex issues.

Senator SHERRY—It was to be June last year, then another six months, and now it is going to be another three months.

Dr Watt—Money is quick but structure is a bit slower.

Senator SHERRY—The end of March is the deadline. What is the process from there?

Ms Campbell—These are ministerial led evaluations. The agencies then put in place the changes that have been agreed upon. A number of those changes have already been put in place and legislation has gone before the parliament. There is still some legislation to go and then that phase of the process will be complete. We also put forward guidance on how people should create entities in the future. That, of course, is an ongoing process.

Senator SHERRY—You say 'ongoing'.

Ms Campbell—Should an entity be created, the guidance is there on what is best practice and what considerations—

Senator SHERRY—Are the guidance principles Uhrig put forward operational now and being followed in the creation of new entities?

Ms Campbell—Yes, they are.

Senator SHERRY—At the end of the day, who effectively decides? Is it the individual minister of the department? Is it Finance? If there is a dispute or difference, does it go off to cabinet?

Ms Campbell—The minister of the agency where the assessment is undertaken writes to the Minister for Finance and Administration.

Senator SHERRY—Yes.

Ms Campbell—We always try and work with the agency to make sure that there is an agreed recommendation at the end of the day. Should there be disagreement, the ministers would then discuss the issue.

Senator SHERRY—And then, presumably, if they cannot agree it would ultimately go off to cabinet.

Ms Campbell—I do not think we have got to that process.

Senator SHERRY—So that is not anticipated?

Ms Campbell—No.

CHAIR—We have now finished with outcome 2.

Proceedings suspended from 4.00 pm to 4.17 pm

CHAIR—I call the committee to order. The committee will now examine outcome 3 for Ministerial and Parliamentary Services.

Senator ROBERT RAY—Do you understand that knowingly giving false or misleading information is a serious offence?

Ms Mason—Yes.

Senator ROBERT RAY—For the minister's knowledge, we had a question answered on notice that this appears on 49 of the 64 forms that you and I have to sign. So we are just making sure it is reciprocal, in case you were wondering. Ms Mason, you wrote to us on 3 November correcting evidence given at an estimates committee on 31 October. I want to start off by giving you an elephant stamp. Where there is incorrect evidence, correcting it at the earliest opportunity is always pleasing. You have done so. Often departments take two or three months to correct evidence. You have done it within four days. So well done on that. We do not need to follow through any of that correction of evidence at this stage.

My first area of questions goes to the announcement that members of parliament were going to be granted a fourth electorate officer. I make it clear from the start that I do not oppose this, but I do have some questions surrounding it. Was this a decision made by cabinet or by the minister? I think both have the power to do so, by the way.

Ms Clarke—It was a decision taken by the Prime Minister.

Senator ROBERT RAY—I see; I did not mean to exclude him. So the Prime Minister made the decision?

Ms Campbell—That is correct.

Senator ROBERT RAY—When was the decision to grant the fourth electorate officer either made by the Prime Minister or conveyed to Minister Nairn?

Ms Clarke—It was conveyed to Minister Nairn on 10 January this year.

Senator ROBERT RAY—Had the matter been raised with the Prime Minister by Mr Nairn or did the Prime Minister, John Howard, pass on his views to Mr Nairn, or don't you know?

Ms Clarke—Minister Nairn wrote to the Prime Minister about the matter.

Senator ROBERT RAY—When did he write to the Prime Minister about the matter?

Ms Clarke—According to my records, he wrote on 17 November 2006.

Senator ROBERT RAY—Had the department been giving this matter consideration before then, or was this a direct initiative out of the minister's office? I am trying to find out where the start of this process is.

Ms Mason—We were aware of the concept, the policy option, some time before that.

Senator ROBERT RAY—When were you informed of the Prime Minister's decision? Was it on the same day?

Ms Clarke—Yes, that is correct. It was on the 10th.

Senator ROBERT RAY—What was the rationale for the fourth staffer? I ask this because I think it may have been mentioned in the minister's circular to us.

Ms Clarke—The rationale for the additional position was that there had been no increase in staffing resources since 1984 and that the workload of senators and members had become greater and more complex, due to the advent of things like email and, I guess, the heightened community expectations of government services and the like. That created a greater workload for senators and members and their staff.

Senator FAULKNER—I noted that Mr Nairn publicly described the arrival of email as having led to a 'surge' in correspondence to MPs. Is the department aware of any statistical basis for this? What statistics do we have to bear that out?

Ms Mason—I do not think the department has any particular statistics on that issue.

Senator FAULKNER—Are you aware of any statistics that support the minister's claim about a surge in correspondence to MPs?

Senator Ian Campbell—I think, quite frankly, if you were to ask any member or senator about the amount of correspondence that has been created as a result of their getting onto the internet—in fact, it would be the same for anyone in this building—you would be told that the interaction between us and our constituents has increased phenomenally. I think anyone who is in this business knows that.

Senator FAULKNER—I am interested in the anecdotal evidence that you might have, but I was just wondering whether there was anything substantive that the department could point to, given Mr Nairn's public statements. What you say might be right.

Senator Ian Campbell—What I say is right. You may not deal with the email traffic that comes from correspondence to you.

Senator FAULKNER—As a matter of fact, I do.

Senator Ian Campbell—That is good.

Senator ROBERT RAY—You picked the wrong person to say that to.

Senator Ian Campbell—I do not know. Some people do not.

Senator FAULKNER—Some people do not, but I do. You seem to have misunderstood the question.

Senator Ian Campbell—You asked the department whether they had done some sort of survey or whether they had some scientific evidence of it.

Senator FAULKNER—No, I did not ask them whether they had done any research. I just asked whether there was any—

Senator Ian Campbell—You can ask them, 'Did the sun get up this morning and did it set?' You would probably have to ring the observatory to get that information, but I think anyone in this building knows that email traffic has surged massively—and you do not need a scientific examination to prove that.

Senator FAULKNER—For what it is worth, Minister, I did not ask about whether the sun got up in the morning or not. I think it is true: obviously there has been a growth in email. It is

also true to say that, in fact, the email facility was not available a number of years ago. My own view, which is not empirically based but anecdotally based—it is just one person's experience—is that there has been a very significant increase in email traffic and a very significant decrease in paper correspondence, or at least there has been a decrease; how you measure significance is in the eye of the beholder. That is why I am just asking whether there is any empirical basis for this that the department is aware of. It is a perfectly reasonable question. Whatever you might think about it or what your experiences have been are helpful and useful for us all to know, but I am asking whether there is any particular evidence that the department can point to—and there is not.

Ms Mason—There is no empirical evidence; but I think it is true to say that, in the period since 1984, we have seen a number of changes in the work practices that have impacted on the workloads of senators and members. If you cast your mind back, the advent of the fax machine changed expectations regarding the speed of dealings between various people. Email has done a similar thing. There are more emails floating around generally—without having statistics to support that assertion—and there is an expectation on the part of senders of emails that they will receive a speedier response.

Senator FAULKNER—I am glad you raise the issue of faxes, because that is an example of something that has just completely dropped away, and I am sure that the department would appreciate it. The amount of fax communications to members and senators has dropped dramatically over the same period of time. Anyway, my question was whether there was any empirical evidence. The answer is no. Fair enough. Thank you.

Senator ROBERT RAY—Now that I understand the process a little better, I assume that you would have done some annualised costing of the extra, I think, 226 staff. Can we have the annualised costing, including oncosts?

Ms Clarke—The costing for the additional staffing resources is in the portfolio additional estimates at page 18.

Senator ROBERT RAY—But, with respect, I assume that only covers the rest of this financial year. I am asking whether the department has done an annualised costing. I would have thought that, before a decision was made, any government would want to know what the cost of the decision was.

Ms Clarke—The costing on page 18 goes from 2006-07 out to 2009-10.

Senator ROBERT RAY—So what is the annualised cost?

Ms Clarke—I have not added it up, but I can read out the figures per annum that are in here.

Senator ROBERT RAY—But what I am really trying to get to is that, when Minister Nairn was considering writing to the Prime Minister about this, I assume at some stage it was costed on an annualised basis.

Ms Mason—Correct, and the figures vary year by year. There are various components in the costings. They include operating capital and departmental expenses. The figure for operating expenses for 2006-07 is \$9.58 million; the figure for operating expenses for 2007-08 is \$15.72 million.

Senator ROBERT RAY—So essentially that is the annualised cost, isn't it?

Ms Mason—As I said earlier, the operating costs fluctuate year by year.

Senator ROBERT RAY—Yes, but it is approximately \$15½ million.

Ms Mason—For the operating costs, yes.

Senator ROBERT RAY—What other costs are there?

Ms Mason—Capital and departmental.

Senator ROBERT RAY—What are they estimated at?

Ms Mason—You are asking about 2007-08?

Senator ROBERT RAY—Yes, we might as well take that.

Ms Mason—It is \$1.84 million for capital and \$1.14 million for departmental.

Senator ROBERT RAY—So I would not be too far from the mark to say that this decision cost almost \$18 million a year. Funnily enough, I did that calculation on the back of a postage stamp and came up with that figure, so that is good. So it is \$18 million a year. In that same decision, the minister indicated that there would be no alteration to ESA. Is that correct?

Ms Clarke—Yes, that is correct. There is no alteration to ESA or to the relief budget.

Senator ROBERT RAY—Remind me again of the dates of the ballot for the certified agreement.

Ms Clarke—The ballot for the certified agreement ran from 27 November through to 10 o'clock in the morning on 8 December.

Senator ROBERT RAY—So the staff voting in that had no knowledge that there would be a fourth staff member who would make claims on ESA, did they?

Ms Mason—Correct, because the decision was not taken until after that point.

Senator ROBERT RAY—But, in the iterative process of decision-making, this was under way. In other words, they did not have the full amount of information available to them that they would have liked when they cast their ballot.

Ms Mason—There was an option under consideration and the decision was not taken until a later point. I would also make the point that, in relation to the ESA budget for each office, if you provide an additional member of staff, it actually relieves the pressure on that ESA budget because the ESA allowance is provided in lieu of overtime. If you have an extra staff member to share the workload, there should be less of a demand on the other staff to work overtime hours.

Senator ROBERT RAY—I accept what you say, but I am making a different point: the staff voting on it thought the ESA would have demands only three ways.

Ms Mason—Correct.

Senator ROBERT RAY—Now it has demands four ways, they think, 'Oh, I didn't have the proper amount of information available to me when I cast that ballot.'

Ms Mason—Potentially there is less of a requirement for the staff to work additional hours now that there is an additional staff member in each office or available to each office.

Senator ROBERT RAY—My point is that they would have liked to know that at that time.

Senator Ian Campbell—I think it is fair to say that they did have the full amount of information available at the time, because the decision was not made until later. The decision could have gone the other way, as you know.

Senator ROBERT RAY—It might have gone the other way if they had known this, but I do not think it would have.

Senator Ian Campbell—No, I mean the decision by the minister and the Prime Minister. They could have easily said, 'No, we're not going to do that.'

Senator ROBERT RAY—I do not have Mr Nairn's statement in front of me. Do you have it there? I am only going from memory now, but I thought that Mr Nairn in his statement said that issues coming out of the certified agreement and issued raised with him were part of what impelled him to have a fourth staff member. Is that right?

Ms Mason—We are trying to get it quickly. Are you talking about a media release?

Senator ROBERT RAY—Or a circular; whatever it was that we got announcing this.

Ms Mason—A circular.

Senator ROBERT RAY—I apologise for not bringing it with me.

Ms Mason—That is okay. Just bear with us for a moment.

Senator ROBERT RAY—We might come back to it in a few minutes to get that sequence right. In the granting of a fourth staff member, was any consideration given to the knock-on consequences to office space in your existing rented offices, which I assume number 226 at least?

Ms Mason—Yes, indeed. Mr Miles can assist you with that question.

Senator ROBERT RAY—Thank you, Mr Miles.

Mr Miles—Our state managers have been in discussion with quite a lot of electorate offices about ways in which they might accommodate an additional staff member. In fact, there are about 65 or 70 so far where we have paid visits or arranged for people to go out and come up with some design options which would enable them to make better use of existing space to accommodate an additional person. In addition, we have been working with them to provide additional desks, chairs, phone handsets and those sorts of things. There are only a couple of cases—two that I am aware of at this stage—where there could be serious space constraints upon the office. If that is the case, our intention is to address those as soon as possible—but probably not before the expiration of the current lease on the property.

Senator ROBERT RAY—There is a square metrage limit at the moment as guidance. Is there some intention into the future for new leases to expand that to take into account the fourth staff member?

Mr Miles—Certainly that is something that is under consideration. There is a guideline of 150 square metres, but over time the average has crept up and it is currently at around 170 square metres.

Senator ROBERT RAY—In some cases you used to have to enforce the 150 or 170 and artificially leave space behind. I can remember some instances of that.

Mr Miles—That is not a practice that is terribly easy to negotiate.

Senator ROBERT RAY—I just thought you could absorb that space back in; that is all.

Mr Miles—Yes. I think there are very few of those these days.

Senator ROBERT RAY—At this stage you estimate that at least two officers really are over the office—

Mr Miles—We have had an approach from one office where the member has asked whether adjoining space to the office could be acquired, and we are looking at that at the moment. Another office is simply saying at this stage that they do not believe they will be able to fit a person in, and we are just making sure that is the case.

Senator ROBERT RAY—As I found out a few months ago—not that it is a requirement for me any more—you had a ministerial directive, dating back to Minister Young's days and then reinforced by Minister Abetz, limiting one full-time staffer to Canberra. Is there any intention to relax that—in the case of tight office space—for a period of time so that more than one staffer can be located in Canberra?

Mr Miles—Certainly that is one of the options that we have already considered.

Senator ROBERT RAY—Have you?

Mr Miles—Yes. There has been no recommendation put to the minister yet, but I think that, where there is a clear space constraint, that would be an obvious option.

Senator ROBERT RAY—I am pleased with that. I think that is a sensible move. Have you enlarged any of this year's training programs in anticipation of 226 new staff? I would imagine that the new staff would need more training than the old staff—and you have, overall, more staff numbers now. Are you going to increase your training program?

Ms Clarke—Our training program this year is focusing on two legal courses that we will be running at the end of this month and at the end of March. We will be running a larger induction and office management set of courses later this year.

Senator ROBERT RAY—Later on in the year?

Ms Clarke—That is correct.

Senator ROBERT RAY—We already had a number of MPs who had a fourth staffer. Did they get a fifth one? This is in rural electorates where we are trying to equalise the workload because of the size of the electorate.

Senator Ian Campbell—And they have a lot more work to do than us.

Senator ROBERT RAY—They have a lot more ground to cover. Did they go to a fifth staffer?

Ms Clarke—They have the additional office and the additional staff member and then they will get a fourth staff member for the main electoral office.

Senator ROBERT RAY—A fourth staff member for the private office?

Ms Clarke—That is correct.

Senator ROBERT RAY—I follow that. Are you going to have to increase computer allocations to offices?

Ms Clarke—The minister issued a circular saying that there will be an additional PC made available to accommodate that new staff member.

Senator ROBERT RAY—And that is included in the costs that you went through before?

Ms Clarke—That is correct.

Senator ROBERT RAY—Can you identify any other resources I have not mentioned that will need to be provided for this increase? We have mentioned computers, office space and training. Have I overlooked anything of a substantive nature?

Ms Clarke—Off the top of my head, I think we costed for the additional space, the additional computer and staffing. I think that was about it.

Senator ROBERT RAY—Can we come back to the circular and what it said. Have we found it?

Ms Mason—We have.

Senator ROBERT RAY—Could you remind me, if you can find the relevant section—I thought it was explained somewhere—what triggered this process?

Ms Mason—The circular says that it anticipates that the additional position will reduce the need for existing staff to work additional hours and will alleviate pressure on the relief staff budget and that, therefore, the allocation of an additional position does not include any proposal to adjust the cap on the electorate staff allowance or the relief staff budget.

Senator ROBERT RAY—I thought there was a reference that it was in the process of the certified agreement that this increased workload was brought to attention.

Ms Mason—Apologies, Senator; I skimmed over the relevant paragraph. The relevant paragraph is:

The current staff allocation of three positions for senators and members has not varied since 1 July 1984. In more than two decades, the parliamentary and electorate workload has increased significantly and become more complex. Therefore, Senators and Members of the House of Representatives will be allocated an additional electorate officer to assist with the workload brought about by improved communications and new technology in recent years.

Senator ROBERT RAY—Getting back to the dates: the minister writes to the Prime Minister on 17 November and the announcement is made on 10 January. When did this concept first come to the attention of the department as an idea for consideration?

Ms Clarke—It first came to the department on 1 June 2006.

Senator ROBERT RAY—On 1 June?

Ms Clarke—Yes.

Senator ROBERT RAY—I can tell you—it does not affect me—that there will be a few unhappy people around this building to know that it had been under consideration for that long. They believe they negotiated the certified agreement under different conditions. I am making you aware of that.

Ms Mason—That was a policy option that the department was asked to do some work on. It would not have been appropriate for us to divulge the confidential considerations of government in those certified agreement negotiations. As the minister said earlier, it is quite conceivable that the decision may not have been in favour of granting an additional electorate officer. If that were the case and we had led staff to believe that it might be provided, we may have misled them. They may have made a decision to support the CA process on the understanding that their workload would be relieved by an additional staff member, and then it may not have been delivered. You would expect them to be upset in that circumstance as well.

Senator ROBERT RAY—I have not described your behaviour as inappropriate, but I think it is unfortunate in the circumstances. I notice that the department has now introduced a requirement for proof of identity for new employees. It is on the form, and you go to other websites to find out what that is. When were members of parliament informed about this? I usually pick up these things, but I cannot remember reading a letter or a circular on it.

Ms Mason—We are a bit bemused. Which form are you referring to?

Senator ROBERT RAY—You are going to see 226 of them shortly, if not already. They are employment forms.

Ms Mason—I think we will have to take that on notice and check the form that you are referring to, because the officers at the table are not aware of any particular changes having taken place.

Senator ROBERT RAY—You can imagine my surprise when we lodged all the paperwork and then discovered the change. I was not aware either. Also take on notice, if there was a change, an explanation as to why we were not informed. It is a matter of a potential nuisance to you to get two sets of paperwork, one being the application and the second the proof of identity.

Ms Mason—We need to check, but it is conceivable that the form you referred to is not one produced by the department. But let us check.

Senator ROBERT RAY—Hold on, it is! It is the application form for staffing. I read it myself, and it clearly is. Let me not be too definitive. What I might do is get the form walked around here. They are probably not watching in my office but, if they are, they will run it off, bring it around and we will have a discussion later.

Ms Mason—We are happy to assist. We are not aware of any recent changes but we will check.

Senator FAULKNER—It is called the ‘ongoing contract form’. I do not have a copy of it, but I think that is what it is called.

Senator ROBERT RAY—You have a computer. You could look it up right now.

Senator FAULKNER—If I knew how to. It is a good thing that Senator Campbell is not here, as you mentioned that. He thinks I am an expert!

Ms Mason—We will check.

Senator ROBERT RAY—Has the department struggled a bit to cope administratively in the last few weeks when you are simultaneously trying to deal with ESA applications and distributions and 226 new staff positions coming at the same time—like the ‘perfect storm’?

Ms Mason—I would not say we have struggled, but it is certainly true that there have been additional workload pressures on various people within Ministerial and Parliamentary Services over an extended period of time. The collective agreement increases were one example of that. That happened in a narrow window of time prior to Christmas, when we worked particularly hard to make sure that the pay increases were delivered to staff on 28 December. After that time there were a number of changes resulting from the ministerial reshuffle, and now we are receiving the ESA allocations. We need to process those as well. So, yes, there have been a number of different peaks in workload.

Senator ROBERT RAY—But you are confident you are on top of it?

Ms Mason—There may be glitches from time to time, but the staff in the HR services area and also the staff on the help desk in Mr Miles’s branch seem to be coping well.

Senator ROBERT RAY—That is good.

Senator FAULKNER—Senator Ray raised the issue of office accommodation, and Mr Miles has indicated the impact and the issue of computers. Has consideration been given to the number of telephone lines going into parliamentarians’ offices and the number of fixed handsets? There is a limitation, isn’t there?

Mr Miles—There are four lines into electorate office. I am not aware of any consideration being given to an extension of that.

Senator FAULKNER—Can you explain to the committee why there are four lines? It is for the member or senator and the three existing members of staff. Is that right?

Mr Miles—Quite possibly, but I am not sure.

Senator FAULKNER—I do not know that it is ‘quite possibly’; that is the rationale for it. What do we do with a fifth? If there is a fifth person—a fourth member of staff—will they be phoneless, will they?

Ms Mason—I think there may be a technicality in the difference between the number of lines going into an electorate office and the number of handsets. Although there have been four lines, I think there have been a number of cases where additional handsets have been provided—bearing in mind that it will probably be relatively rare that all four people will be speaking on the phone at the same time.

Senator FAULKNER—I do not think that is necessarily the case, from personal experience in a busy office. I often have a situation in my electorate office—which, by no means, would be the busiest in the Commonwealth—where four lines are being used. I have raised the issues of, firstly, lines and, secondly, handsets. I appreciate that they are different matters. Now that there is the distinct possibility—beyond that, the likelihood—that, in most

cases, in an ordinary member's or senator's office, when the member or senator plus four members of staff are present there will be insufficient telephone lines for them all to be able to use the telephone, has any consideration been given to that? So no-one really cares?

Mr Miles—Not that I am aware of. There will also be two mobile phones in most electorate offices.

Senator FAULKNER—But those mobile phone numbers are not generally available to the public. So this is not a matter that you have taken any account of?

Ms Mason—Not so far.

Senator FAULKNER—Has it been raised?

Mr Miles—I think there may have been one or two offices who have asked, when our state managers have been out there putting in power points and handsets, whether they are getting another phone line, and I think the answer at this stage has been: 'Not that we are aware of.'

Senator FAULKNER—So MAPS itself has not raised this issue; it has only been raised with you by some of the clients?

Mr Miles—Over the past few days we have talked amongst ourselves. As these issues emerge—when they are brought to the attention of our state managers—we discuss the emerging issues.

Senator FAULKNER—So you have talked amongst yourselves, which means that there is an awareness of it. Has it gone beyond talking amongst yourselves?

Mr Miles—Not at this stage.

Senator ROBERT RAY—We always ask for the staffing level figure, and you always have them ready. Do you want to send those over and any other information you might have on personal classification or relevant information?

Ms Mason—Mr Miles and Ms Clarke can help you with both of those things.

Senator ROBERT RAY—Thank you. Did you do multiple copies?

Mr Miles—Yes; there are about seven copies of each.

Ms Clarke—We also have several copies of the personal classification details.

Senator ROBERT RAY—We will have a chat about those later, I think. On the question of paper work, what steps has MAPS taken to reduce the requirement for the paper work. There are three that I know of. Firstly, you will not have to process overtime forms. Is that correct?

Ms Mason—Yes.

Senator ROBERT RAY—That is an elimination of work.

Ms Mason—It certainly should relieve some of the pressure on our HR services area. You were asking about the pressure of the workload earlier. So that should help, but that will be counterbalanced, of course, by the need to process the ESA nominations.

Senator ROBERT RAY—But that is a one shot.

Ms Mason—There will be periodic reviews—annual reviews—and there are other circumstances that can trigger changes. But you are right in saying that it will be less frequent than the processing of overtime claims.

Senator ROBERT RAY—Secondly, you no longer require the signing off of travel declarations where travel allowance is not claimed.

Ms Mason—Correct.

Senator ROBERT RAY—I think I can guess at the rationale for getting rid of that—it has just been useless as a tool, hasn't it?

Ms Hughes—Yes, compliance was only about 50 per cent. It was a departmental process, not something the tribunal required, and had really been superseded by the certification that goes in the monthly management report.

Senator ROBERT RAY—Only a 50 per cent compliance?

Ms Hughes—Yes.

Senator ROBERT RAY—How were you able to establish that? By looking at the bills for airfares and looking at the declarations?

Ms Hughes—Yes, there was a gap. It was really the fact that we have a certification which covers all entitlements in the monthly management—

Senator ROBERT RAY—And it was not working. So, if it does not work, get rid of it. That is logic!

Ms Mason—As a general statement I would observe, and I have mentioned this at previous hearings, that we have a continuous improvement approach to the administration of parliamentary entitlements. Where we can find opportunities to streamline the paperwork for our clients and improve our processes internally, we seek to put those improvements in place.

Senator ROBERT RAY—You are only breaking even though, because for every form you axe you seem to create a new one. But still.

Ms Mason—We do our best.

Senator ROBERT RAY—I am going to ask you if there are any more, but the third area is for officeholders and overseas delegations. You do not have to acquit your meal allowance any more unless you spend in excess of it. Is that right?

Ms Hughes—It is slightly different for ministers. If you are referring to delegations, that is correct. You do not need to acquit that. If you spend more, you are not reimbursed. It is a flat rate.

Senator ROBERT RAY—One case came up the other day when we were looking at this, and I followed it through afterwards. I found that, no, it was not the spending of the allowance but the spending in excess of it, which gave us the reason why the receipts were needed.

Ms Hughes—I think you might have been referring to the President of the Senate.

Senator ROBERT RAY—Yes—so we have sorted that out.

Ms Hughes—He travels under a different entitlement as a senior officer. It is the same as a minister.

Senator ROBERT RAY—But, anyway, that got sorted out.

Ms Hughes—Yes.

Senator ROBERT RAY—That is good. I have identified three. What other forms have you been able to scrap to make all our lives easier?

Ms Mason—I think we would need to take that one on notice to be able to give a comprehensive answer, but we are constantly looking for potential improvements and putting them in place. Some of those will be transparent to our clients, because they affect clients; others will be internal processes that are streamlined within Ministerial and Parliamentary Services.

Senator ROBERT RAY—I see. Just going back to form 109, ongoing employment, section 16 of the form says:

The following documents and forms are to be provided and, where indicated, completed and signed by the employee and employer where applicable: (a) proof of identity and birth date.

When you look up somewhere else on the website, you find out the definition of ‘proof of identity’. We all knew all along that you had to put in superannuation options, tax file declaration form and employee’s personal particulars, but this proof of identity and birth date was new to me.

Ms Clarke—Yes, you are quite right. It is new and it has been included as part of the new form for the new collective agreement. I am advised that we have asked for it to meet various legislative requirements, particularly regarding superannuation and the age of the applicant.

Senator ROBERT RAY—I am not critical of you for asking for it; I am really asking why you did not tell us. You have been pretty proficient in telling us this, that and the other in recent months.

Ms Clarke—I suspect that was an oversight.

Senator FAULKNER—The form also says:

Please note that this employment agreement will not be processed until the information at paragraph 16(a) and (b), Personal Particulars Form, is provided to MAPS.

Senator ROBERT RAY—So how many have you processed in breach of that requirement?

Ms Clarke—I am unaware. We will have to take on notice how many we have processed.

Senator ROBERT RAY—I bet you have, though, seeing you did not know about it.

Ms Clarke—I would not be doing the processing—

Senator ROBERT RAY—I would hope not.

Ms Clarke—but I am sure the people who are doing it are aware of those requirements.

Senator ROBERT RAY—I think you should at least address your minister on the fact that these forms should not be invalidated until all members, senators and ministers—everyone—

have been written to and informed of the requirement; otherwise, you are going to get a terrible backlog and people are not going to be paid and it will just get worse and worse. I think you should suspend that one until you actually write to members and senators, pointing out the requirement.

Ms Mason—I think, if we found that we were missing documents, we would be contacting the people concerned and saying, ‘You haven’t sent your accompanying documents; could we please have them?’

Senator ROBERT RAY—I understand that, but my point is—as Senator Faulkner has pointed out—that they will not be processed until those are there.

Senator FAULKNER—I know of at least one case where that has not been the situation.

Senator ROBERT RAY—It would be better to continue the processing thing, have them paid and then make sure that the proof of identity comes in. Seeing that we have not been alerted to it, it is just common sense. We are just trying to assist here.

Ms Mason—I think you have made a valid point and we have taken it on board.

Senator FAULKNER—Is it a rule or is it just in there for a bit of a laugh? That is the issue.

Senator ROBERT RAY—I think it is a common Public Service rule. That is why it is incorporated here.

Ms Mason—I think it is reasonable for us to ask employees to give us some proof of identity. I think that is a fairly basic requirement.

Senator ROBERT RAY—Yes—and you are quite happy if the senator or member concerned signs it off, because they are an authorised person under this. The strange thing is that members and senators who are authorised people under your thing have already signed it off in 10 other places. Having to sign it another time to say that they recognise the identity of the person is something I find strange. Maybe members and senators employ people they do not know.

Senator FORSHAW—I am not necessarily disagreeing with the issue, but currently you have to provide a tax file declaration with a tax file number and bank account details for the employee. What sort of proof of identity are we looking at here? You may have already discussed this with Senator Ray—I do not know. Is it a photocopy of a drivers licence or something?

Ms Mason—We would have to take that on notice. I said earlier when you were not in the room that the officers at the table were only made aware of this requirement at this hearing. So we will need to brief ourselves on the background to it.

Senator FORSHAW—We all know that these sorts of things can happen in the workforce—bogey employees—but if there is a series of pieces of personal information that have to be given, it would seem to me that it would be hard to get away with it for too long if there was some fraud being committed.

Ms Mason—We will look into it, Senator.

Senator FORSHAW—I want to go back to the issue that Senator Faulkner was raising about the extra telephone line or the lack of an extra telephone line. I understand that, with the fourth electorate officer, there is provision to provide an additional computer in this entitlement. That is correct, is it not?

Ms Clarke—That is correct.

Senator FORSHAW—I am about as technically literate as Senator Faulkner. What does that entail? Does that mean that you have to actually put in some sort of extra telephone line anyway for internet access?

Ms Clarke—I will call upon my colleague, Mr Quester, to answer that.

Senator FORSHAW—I do not want a long, technical explanation. If you have already been through this, do not delay the committee. I suppose I am leading to whether or not, as part of having an extra computer installed, you could—

Mr Quester—The additional PC is connected into our IT network, which is separate from the phone lines. It actually goes down a dedicated data line back to Parliament House.

Senator MURRAY—I have a question arising from the earlier discourse in relation to an issue that was hot some years ago but is no longer hot—that is, the issue of certification. I think the new system is very good. I must say that the management reports are very good. I just want to know whether you have any recalcitrants still on the issue of certification, or is certification progressing and proceeding as it should? By ‘recalcitrants’ I do not mean people who are behind by a couple of months; I am talking about people who do not do it at all.

Ms Hughes—Are you referring to tabling or monthly management reports?

Senator MURRAY—Monthly management reports.

Ms Hughes—I have some figures here for the last period. For July, 74 per cent certified; August, the same figure; September, 72 per cent; October, 62 per cent; November, 53 per cent; and, December, 28 per cent.

Senator MURRAY—So there are people going all the way back to July who have not certified yet?

Ms Hughes—There are.

Senator MURRAY—Have you found out the reason for that? You can delegate that certification.

Ms Hughes—A part of it. Part A needs to be certified by the entitlee but, for the majority, you can delegate that.

Senator MURRAY—Do you ask why, when it is that far back?

Ms Hughes—We used to write out with a list to people who had not certified. We have replaced that with a table in the monthly management report, which shows the months for the year where you have not returned it.

Senator MURRAY—But you are not actually asking people why they have not certified?

Ms Hughes—No, we are not. I think the certification rate, particularly on the end of the financial year, has dropped back as the years have gone by.

Senator MURRAY—Let us ignore this financial year for the purposes of this discourse. Are there outstanding certifications from the 2005-06 financial year?

Ms Hughes—There are. Only 59 per cent certified those reports.

Senator MURRAY—Could you, on notice, indicate whether you intend to take any follow-up action with respect to those who have not certified at the end of last financial year? It is a basic integrity issue; if they are not signed off, they have not been certified as valid from the perspective of both the department and the member or senator.

Ms Hughes—As you are aware, though, there is no power to enforce that.

Senator MURRAY—I know you have no power to enforce it, which is why the next stage will be the naming and shaming. I would like, firstly, to hear about whether people have valid reasons and whether you are going to have any follow-up action. There is no point of a certification system if people are not certifying; they are just defying accountability.

Ms Hughes—It does become an issue of resources. That is why we streamlined the process of letting people know in one of the monthly reports that they had not certified.

Senator MURRAY—Just bear in mind what my question on notice notice is: it is merely that you come back to me with a view as to whether you intend to take any follow-up action, and what that will be.

Ms Mason—We will take that question on notice and consider it.

CHAIR—Are there any further questions?

Senator ROBERT RAY—I am going to come back to these staff numbers in a minute but firstly I want to go to personal classifications, page 3. You classified it here as ‘five non-government staff’. I do not think you have done this before but, if you have, you are naughty. It should be ‘opposition and minor parties’. You should not combine the two together.

Ms Clarke—Could you say that again?

Senator ROBERT RAY—On page 3, under personal classifications, I assume where you list the people with personal classifications that the senator for Queensland and the senator for Victoria are not opposition members. Is that correct?

Ms Clarke—I confirmed that at the last estimates, yes.

Senator ROBERT RAY—They should be cut out of that table. We want to compare like with like. We do not want to hide the opposition’s personal classifications. The government’s is there. You should have an opposition one and then you should have other parties, frankly.

Ms Clarke—I see. You are saying, ‘Don’t call them non-government; separate them out.’

Senator ROBERT RAY—The minor parties love to be called opposition parties because it puffs them up, but they are not. They are minor parties in our system. And whilst occasionally we like to exchange preferences with them, we do not actually want to be lumped in with them here. It is not a big criticism, but just asking whether, in future, you could do that.

Ms Clarke—We can certainly do that. I thought non-government was the generic term.

Senator ROBERT RAY—I know there was no malice intended here, but if you could. Usually when I ask for these figures, I am given the first of the month. Now I am given 1 January and there has been a major reshuffle since then. Where are the 1 February figures?

Mr Miles—Perhaps I can explain. We do believe it is important that the figures we provide are soundly sourced and referenced, and that is why they are always drawn from our staffing establishment records which are prepared, as you know, as at the first of every month. The information for those records comes through in paper format. So, depending on the timing of the estimates hearing, if it is within the first couple of weeks of the month, we are generally not able to finalise our staff establishment records. I am able to tell you though, without giving you all the detail, that, in terms of government staffing, the 1 February figure will reflect an increase of two on what you have there.

Senator ROBERT RAY—No, that is very helpful. So it will go from a world-record figure for Australia.

Mr Miles—It will go from 459.1 to 461.1.

Senator ROBERT RAY—So that makes it 169 higher than when the Howard government was first formed. Now, you might be able to help me just a little with this. I appreciate that you probably do not have all the figures and have them in categories for every member of the government frontbench, but let us just go to parliamentary secretaries. Do you know how many staff Mr Cobb, who has been demoted from a minister to an assistant minister/parliamentary secretary, has?

Mr Miles—No, I do not have that information with me.

Senator ROBERT RAY—When do you think this information will be available?

Mr Miles—In the normal course of events, we would be finalising our staff establishment records towards the end of this week—about two weeks into the month.

Senator ROBERT RAY—So there would be no problem with providing those updated figures to us in a week's time, Dr Watt?

Dr Watt—Provided the minister is comfortable.

Senator ROBERT RAY—I cannot understand any discomfort. It is just a question of timing.

Dr Watt—We will see what we can do.

Senator ROBERT RAY—Are you hostile to this? If we had been meeting a week later, we would have got the 1 February figures. We are not pressing the point now. We are not asking any further questions about the parliamentary secretary. Do you not think it is a fair thing to supply it like it normally is?

Dr Watt—I am happy to have a chat to the minister for you.

Senator ROBERT RAY—Given the fact that we have had a reshuffle and a whole range of people have moved, these figures are basically meaningless to us now. How many new ministers have you had come in? Two, three or four? About four? You have had a reshuffle, so we cannot really draw much analysis from these figures. It would save me FOI-ing it and save

you a lot of problems. In terms of the collective agreement, is it true that the new provider of travel, HRG, at this stage have no capacity for online bookings?

Ms Mason—We are just checking. The officer who would normally deal with that question unfortunately had to go home sick this afternoon. We are trying to get the information for you. It is certainly part of HRG's contract with the Commonwealth to provide bookings online. If there is a temporary issue with that, then I am sure that it is being dealt with. I think there is a proportion of bookings being taken electronically at the moment. I seem to recall having seen some figures on usage fairly recently.

Senator ROBERT RAY—I am making no allegation; I am just asking a factual question as to whether they have a capacity to take online bookings, because of the knock-on consequence. In your enterprise bargaining and the collective agreement you have put in a requirement for savings to be made. You also had a let-out clause there, by the way. But that is why I am asking.

Ms Mason—I understand the question, and I understand the linkage with the collective agreement. We will just check that for you.

Senator ROBERT RAY—That one is not urgent, so just take it on notice if you like.

Ms Clarke—Just to clarify: you are right; it has a let-out clause which says that, if any factors are due, outside the control of employees, a salary increase will not be withheld. That is 8.4 of the agreement.

Senator ROBERT RAY—Okay. Access to visiting members' suites—who handles that, Mr Miles?

Mr Miles—That is me.

Senator ROBERT RAY—We had a recent incident where we were told that 8 am was the earliest they could be accessed. Is that departmental policy or just an individual quirk in an individual state?

Mr Miles—In fact, it does vary slightly from state to state, but that is because of flexibilities that we have introduced ourselves. While our CPOs operate during normal office hours, arrangements differ slightly from state to state, depending on the size of state and depending on whether there are arrangements which also involve the Protective Security Coordination Centre and the police. Where possible, and when we have the staff to do it, we try and stagger hours so that offices are open and available through as broad a span as possible. But, generally, it is difficult to guarantee access before eight or 8.30 in the morning.

Senator ROBERT RAY—For instance, for the Leader of the Opposition—which I think is a slightly different case to others—are they able to apply to you for special relief on occasion?

Mr Miles—Certainly there are times when we have considered a request and we have made special arrangements to facilitate access. If someone wants access to a CPO outside normal office hours, we generally prefer and it is generally simpler for all concerned if they can do it through one of the people who are actually residents within the CPO, who have an understanding of the security arrangements and concerns and those sorts of things.

Senator ROBERT RAY—I see. Okay. Can I ask about questions on notice this time. This is just within the MAPS division, for the moment. How many were answered within the required time, and how many were not?

Dr Watt—We are getting the head of corporate, Senator.

Senator ROBERT RAY—Did you hear the question?

Mr Hutson—If you could repeat it, I would be grateful.

Senator ROBERT RAY—I just asked how many questions taken on notice by the MAPS section were answered within the required time lines and how many were not.

Mr Hutson—I could work out that information, but I do not have it readily to hand as to which ones. I have it for the department, but not split according to group.

Senator ROBERT RAY—All right, we will do the department while we are at it.

Mr Hutson—We could work it out.

Dr Watt—We can work it out.

Senator ROBERT RAY—Let us do the department, then. I will return to general questions for a moment while you work it out.

Dr Watt—I am not sure we can, Senator. We have gone beyond general questions.

Mr Hutson—In fact, I am advised that the department did not answer—

Senator ROBERT RAY—You wandered into this swamp; you swim your way out of it now! Let's get the answer.

Mr Hutson—The department did not answer any questions within the allotted time frames.

Senator ROBERT RAY—You didn't break your duck?

Mr Hutson—No.

Senator ROBERT RAY—That is not going to go well for your performance pay, Dr Watt!

Dr Watt—No, Senator.

Senator ROBERT RAY—When were they answered, generally—bearing in mind that it was partly over the Christmas period, so we will be slightly generous?

Mr Hutson—Of the questions which have been answered, the department answered 12 questions on 16 January, 38 questions on 29 January, one on 7 February and seven on 9 February.

Senator ROBERT RAY—That was helpful—the 9 February ones. And how many have you not answered?

Mr Hutson—At this stage, the questions that have not been answered are questions F81 to F86.

Senator ROBERT RAY—That block.

Mr Hutson—That block. Which are six questions regarding legal services expenditure. There is another block which is F75 to F80, which are six questions concerning question time briefs. Then there are three other questions, F24, F35 and F64, and all three of those questions

are related to MAPS issues. I am sorry, the last one is a progress report on party deregistration. I suppose it is not strictly speaking MAPS.

Senator ROBERT RAY—Just indicate to me the three MAPS ones.

Mr Hutson—There are two MAPS ones: F24, the MOPS employee performance review and salary bands; and F35, the MOPS collective agreement.

Senator ROBERT RAY—They are the two we do not have an answer to. Are they expected soon or are they just not going to be answered?

Mr Hutson—Both of those are with the minister, for clearance.

Senator ROBERT RAY—So the department has shot them off already?

Mr Hutson—Yes.

Ms Mason—I will return, if I may, to your question in relation to the capacity of HRG to take online travel bookings. At the moment, I am advised there are some technical matters that are being resolved and that the resolution of those technical barriers is close.

Senator ROBERT RAY—So, to translate, my allegation was right but you are dealing with it.

Ms Mason—Yes.

Senator ROBERT RAY—In fact, there were slacker requirements in the first year of the collective agreement, weren't there, than the second? Do we have time on this? In other words, I do not think there was a condition that salary increases did not occur, or is there? Is this 12 months critical with regard to that?

Ms Mason—The first increase did not link to the productivity improvement; the second one does. So the increase that is due later this year does link to use of the new system. You are correct in saying that the bar does rise over the course of the agreement, so the percentage of use that is required in the third year is higher than the second.

Ms Clarke—We expect an increase to nine per cent in use of the online travel booking system for the second salary increase under the agreement and then increasing to 15 per cent use of the online booking system for the third increase.

Senator ROBERT RAY—If the technical problems persist will you take that into account when you make your decision as to usage?

Ms Clarke—That is correct. Under 8.4 anything outside the control of employees will not result in the salary increase being withheld.

Senator ROBERT RAY—I mentioned last time about training. Have you given that any more thought? Have you had trained staff to book these tickets online?

Ms Clarke—Yes, we have, and we will be doing extra training.

Senator ROBERT RAY—About when?

Ms Clarke—I do not have the details of when that will commence but that will occur.

Senator ROBERT RAY—Would you like to take that part of the question on notice and let us know what the training program is. In the last estimates committee, I asked about

notification to members of parliament on outgoing delegations about their entitlements. I pointed out a couple of examples, and that led to a bit of a spat between the PRO and your department. I do not want to go over old history. What I really want to know is whether the issue has been resolved to the satisfaction of everyone and we will not have the problem repeat itself.

Ms Mason—I would not describe it as a spat.

Senator ROBERT RAY—I think Mr Harris's letter was admonishing, at least. I do not want to go over all that ground, so you should not interrupt there; otherwise we will.

Ms Mason—There were differences of perspective, and some changes have been made to address the issues of concern.

Senator ROBERT RAY—What I am interested in are the changes and how you have addressed them.

Mr Hughes—You referred to a delegation to South Africa, of which you were a member. At that stage, we were waiting for confirmation for travel of all three delegates. If you recall, one had changed and we had to get the approval of the Presiding Officers. We have now decided—and we have implemented it—to process individual travellers' details as they come through. If there are changes, then we will have to cancel warrants or issue supplementary warrants, and if people are going away for a shorter period we will have to recover any overpayment of allowances in the reconciliation process.

Senator ROBERT RAY—I do not know how many times this has occurred. A couple of other people have mentioned their dissatisfaction to me and, again, it might be for the same reason—if one member out of six or seven could possibly have a different itinerary.

Ms Mason—In summary, the difficulties experienced resulted from frequent changes in itineraries and sometimes for only one member of a delegation, which affected the issuing of warrants for the whole delegation. As Ms Hughes has described, we are now looking at the delegation members as individuals and that may lead to some need to cancel warrants and reissue. That will become more complex for the department, but it should lead to a speedier service for clients.

Senator ROBERT RAY—That is good. We can put this one to bed.

Ms Hughes—Indeed.

Senator ROBERT RAY—I notice that, in answer to question on notice F34, Minister Nairn had to grant nine extensions to the rule that limits TA claims to the first 60 days. As a follow-up question, has the minister ever refused an extension?

Ms Mason—Yes.

Senator ROBERT RAY—So it is not just a pro forma that anyone who puts one in gets a tick?

Senator Colbeck—My advice is that he has done it quite often.

Senator ROBERT RAY—Therefore, I have to ask how many times. I am not going to ask who, because that would be embarrassing. Anyway, I do not know whether it is Labor or Liberal. It would be a shot in the dark.

Senator Colbeck—I can say that I have had personal experience of being knocked back, so you can put my name on the list.

Senator ROBERT RAY—There is no need to out yourself.

Senator Colbeck—I am happy to.

Senator ROBERT RAY—The taxpayers of Australia thank you for the donation. How many times in this current financial year has the minister knocked back an application for an extension of time to put the claims in?

Ms Mason—We will need to take that question on notice.

Senator ROBERT RAY—Of course you will. Again I stress that I want the numbers, not the names of individuals. There was a decision made that chairs of parliamentary committees can have their electorate staff travel with them on committee business. I presume that is to Canberra and elsewhere. Was that a decision of the Remuneration Tribunal or a direction of the minister?

Ms Clarke—It was a decision of the minister.

Senator ROBERT RAY—You might assist the chair here. That does not come out of the budget—does it?—because he is chair of this committee.

Ms Clarke—No, it does not come out of the budget.

Senator ROBERT RAY—Do you know the approximate breakdown between government and opposition chairs after the rapacious activities in the Senate?

Ms Clarke—I can read that out to you. There are 17 Senate committees, 13 of which are chaired by members of the Liberal Party and there are four chairs from the Labor Party. There are 18 House standing committees, of which 15 are chaired by members of the Liberal Party and three are from The Nationals. There are nine joint standing committees, all of which are chaired by Liberal Party members.

Senator ROBERT RAY—What are the four chaired by Labor Party members? I know three; I have missed one. There are scrutiny, privileges and members' interests. We are missing one. Can anyone help me?

Senator FORSHAW—Isn't there a joint chair of the library committee? There are two chairs.

Senator ROBERT RAY—Who are not entitled to travel.

Senator FAULKNER—The library committee is not a Senate committee. It is not selection of bills or something like that, is it?

Ms Mason—We do not have the list of the particular committees.

Senator ROBERT RAY—So the minister has basically decided that about 35 Liberals can take their staff with them and he has picked the three Labor committees that never travel. That is good. That is a nice little lurk on that one. Apart from the unfairness and disparity, it does have some commonsense, Parliamentary Secretary, I have to say. If you are on the road travelling on important committee work, it is nice to have assistance. Don't get me wrong there. I think that, the Senate chairmanships having been ripped off, it has a sudden air of

unfairness about it. However, what comes around goes around. I know Senator Faulkner is going to follow up the fate of the assistant minister in New South Wales, but can I ask whether the new assistant minister in South Australia has asked for a ministerial office or has an office?

Mr Miles—He has spoken with us about our knowledge of the entitlement.

Senator ROBERT RAY—About?

Mr Miles—He has spoken with us about our knowledge of the entitlement. I am not aware of any approach being made formally yet, though.

Senator ROBERT RAY—We tried to establish in PM&C what extra entitlements accrue to assistant ministers as for parliamentary secretaries. Can anyone here help me on that?

Ms Mason—There are no additional entitlements attaching to the title of assistant minister that we are aware of.

Senator ROBERT RAY—Is psychic salary taxable or not? Don't answer that.

Dr Watt—Not yet.

CHAIR—You're working on it.

Senator ROBERT RAY—What is the status of the ministerial office for now Assistant Minister Cobb? He was entitled to a ministerial office. I think he was spending \$150,000 in fit-out of it. Now he has been relocated—I am trying to be kind here—in the food chain, does he still have an entitlement to a ministerial office?

Mr Miles—The Special Minister of State agreed that parliamentary secretaries could have a larger office than the standard backbench entitlement office to accommodate the additional staff that they might have based in the electorate. We understand that the minister will give approval to finalise the accommodation arrangements. We are close to finalisation for Mr Cobb.

Senator FAULKNER—When was that decision made in relation to accommodation for parliamentary secretaries? It is longstanding, isn't it?

Mr Miles—I could not tell you. I will have to take that on notice. It may have been about May or June last year.

Senator FAULKNER—How many parliamentary secretaries have accessed that entitlement?

Mr Miles—It is an entitlement that we only activate at a time when a member or senator's electorate office lease is up for renewal. We would not go and generally increase space which was going to incur an additional cost to the Commonwealth. I would have to take on notice the number of parliamentary secretaries who have accessed it, but I can say that it would only be in circumstances where their existing lease arrangements were coming to an end.

Senator FAULKNER—But the entitlement has not been around for that long, has it?

Mr Miles—That is correct.

Senator FAULKNER—So it is not as if we are delving here into the deep, dark recesses of the archives of the department. It is something that, if it has been accessed, has been accessed in the last 8 or 9 months. That is why I think it is a reasonable question.

Mr Miles—It is.

Senator FAULKNER—Well, it is a reasonable question anyway, but it is a particularly reasonable question given that the entitlement has only existed—

Mr Miles—I am sure we can get you the answer fairly quickly.

Senator FAULKNER—The issue is whether I get the answer in a timely enough fashion for me to follow up with questions here. This is the problem. I want to actually follow through this issue if I can.

Ms Mason—We will get you the answer as quickly as we can. I am not sure how long that is going to take, but it will be provided to us as soon as our people back in the department can get the answer.

Senator FAULKNER—Look, the entitlement for increased office space has applied for parliamentary secretaries since May or June of last year. We know that. Is that correct, Mr Miles?

Mr Miles—Yes.

Senator FAULKNER—You will get the precise date for us. You cannot say at this point how many parliamentary secretaries have accessed the entitlement, but you can say that it only occurs when an electorate office lease is up for renewal.

Mr Miles—That is correct.

Senator FAULKNER—What is the situation specifically in relation to Mr Cobb?

Mr Miles—The situation is that he had an approval from the minister, in his capacity as minister, for additional space, which was acquired next to his existing electorate office. We were at a stage of arranging that accommodation where the fit-out was about to commence. We have acquired the property and it is ready for the fit-out to be finalised. We now believe that the minister will agree to that being finalised so that he gets additional space over and above the standard backbench entitlement.

Senator FAULKNER—How long has Mr Cobb been a parliamentary secretary?

Mr Miles—I am not sure.

Senator FAULKNER—It is not long; it is a matter of days or weeks. Can you help us there, Senator Colbeck?

Senator Colbeck—Since the reshuffle.

Senator FAULKNER—Yes, that is right. So he has not been a parliamentary secretary for very long. We have this extraordinary situation where Mr Cobb's electorate office lease has come up for renewal in the last month, and you are telling me that that is the principle that applies.

Mr Miles—Not in this case.

Senator FAULKNER—No, this is a special deal.

Mr Miles—The circumstances are that the Commonwealth had already expended some money establishing a ministerial office for Mr Cobb. In the circumstances, and given that his existing electorate office was closer to the standard size—and we are really not doing anything that affects the lease on his existing office—we are working on the lease that had been acquired for an adjoining property and finalising those arrangements.

Senator FAULKNER—So he is, in effect, getting precisely the same accommodation that he would have got had he remained as a minister. Is that what you are saying?

Mr Miles—Certainly in terms of size, that is correct.

Senator FAULKNER—What has changed? What about the fit-out?

Mr Miles—Presumably that is the same as well, but the facilities—

Senator FAULKNER—Let's not presume anything. Let's be really clear about this.

Mr Miles—The arrangements for some of the items in the ministerial office are a matter for the home department, as they will be for Mr Cobb's new home department.

Senator FAULKNER—Mr Cobb was such a hopeless minister, he got the boot at the last reshuffle a month ago—

CHAIR—Senator Faulkner, I don't think we need this, do we?

Senator FAULKNER—and now we hear—

CHAIR—Don't reflect on other members of parliament.

Senator FAULKNER—I am sure you would agree—if not publicly, certainly privately—in this case.

CHAIR—I never reflect on other members of parliament.

Senator FAULKNER—You would be quite exceptional if you did not note that the minister was so hopeless he had been given the boot, but anyway—

CHAIR—Please ask your question.

Senator ROBERT RAY—I think I said 'relocated further down the food chain', which is a better way of expressing it.

Senator FAULKNER—But you have always been known for your diplomatic skills, Senator Ray! Moving right along, do you think we need to insert in *Hansard* that those comments were ironic in relation to Senator Ray's subtlety?

CHAIR—It might help, Senator Faulkner.

Senator FAULKNER—Mr Cobb has lost his ministerial appointment but keeps the office. That is what you are saying.

Mr Miles—That is my understanding.

Senator FAULKNER—So when did the Special Minister of State make that decision? It was very recent, wasn't it? It must have been.

Mr Miles—Yes, we are proceeding on the basis that, when we put a formal request to the Special Minister of State, he will agree.

Senator FAULKNER—So it has not happened yet? It is a nod and a wink.

Mr Miles—We needed to make some decisions because a fair bit of money had been spent on this property. We needed to decide whether we were going to throw that away or continue on the basis of the additional entitlement of a parliamentary secretary.

Senator FAULKNER—You can always sublease it. What do you mean ‘throw it away’? Have you checked what other options are available?

Mr Miles—The first option was to see whether the minister would agree—

Senator FAULKNER—Yes, but let’s not use terminology like ‘throw it away’. These things can be subtle and the like. It happens all the time. Surely MAPS still has the capacity for clever footwork to do that sort of thing. It happens everywhere else around the Commonwealth. I do not think what you are saying to us is accurate in that regard. Of course there are other options.

Mr Miles—The first option was to see whether the project would proceed to finalisation.

Senator FAULKNER—Why was that the department’s first option?

Mr Miles—It would have been at the request of Mr Cobb himself, and it would also be—

Senator FAULKNER—Yes, Mr Cobb’s first option.

Mr Miles—the option with the least cost implications.

Senator FAULKNER—So who did Mr Cobb makes the request of—the department or the minister?

Mr Miles—I am not saying that Mr Cobb did make the request, because I am not aware that he did—

Senator FAULKNER—I am going to get to the bottom of the process in relation to Mr Cobb’s office. Somebody tell me what happened.

Ms Mason—In general terms, when people wish to have additional accommodation they approach either their entitlements manager or the relevant state manager and make a request. They would normally then be advised to write to the Special Minister of State or the department would provide briefing to the minister giving relevant information about the size of the current office, any pressures that may exist in relation to the space in the current office and comparisons with the entitlements of other people in similar positions. In the case of Mr Cobb, at the time his accommodation was being considered and the market was being reviewed he was a minister, so his accommodation entitlements were being viewed as though he were a minister. We made commitments in terms of leasing additional space, and Mr Miles has referred to that. We are now at the stage of approving a fit-out of the space that we have already committed to lease, and it would seem sensible to continue with that. When we formally brief the minister we will provide the minister with information about the relevant facts and the minister will make a decision.

Senator FAULKNER—Did a request come from Mr Cobb to anyone? The first thing is that this is not an entitlement, certainly not an automatic entitlement, of Mr Cobb as a parliamentary secretary, even though he has been given the sop of the title of assistant minister. Earlier in this hearing and in the Department of the Prime Minister and Cabinet we established that that means absolutely nothing; it is just a sop for a sacked minister in the case of Mr Cobb and it never was in the case of Mr Pyne. We know that.

CHAIR—Senator Faulkner, let us talk about the office accommodation.

Senator FAULKNER—So I want to know what formal request was made by Mr Cobb and to whom in relation to the—

Ms Mason—Senator, we would need to take that on notice. I think what Mr Miles has been telling you is that it is essentially a timing issue that work by the department was fairly advanced at the stage of changes in the ministry, and we are now at a point where we need to take stock and work out a sensible course of action, bearing in mind the cost to the Commonwealth, inconvenience to the client and entitlements of other parliamentary secretaries and the like.

Senator ROBERT RAY—In the past when there has been a change of status—someone might have gone from a combined ministerial electorate office back to just a frontbencher in opposition—we have come down like a house of bricks on those people about giving up their space. That is why it is relevant here. Mr Miles has given us an indication, however, that there is an area of expansion for parliamentary secretaries that has come in of late. Does this office in Dubbo meet that requirement or is it well in excess of it?

Mr Miles—From memory, it will be in excess of the guideline generally agreed by the Special Minister of State for parliamentary secretaries. But I would point out that in those circumstances where, for some reason or another, a member finds himself in an office which is, for legacy reasons, over entitlement, any requests, any consideration of downsizing takes place at the expiration of the lease on the current office.

CHAIR—Do you have that for backbenchers as well? You have guidelines, but the office can be larger than the guidelines. You said that earlier.

Mr Miles—It is impossible to have a fixed allocation of space.

CHAIR—That is my point.

Mr Miles—For a range of reasons: having to do with location—some smaller locations have very limited stock available—the nature of the building itself, whether it is an old bank building with pillars through it, a lot of—

CHAIR—It is a whole floor or whatever.

Mr Miles—There are many reasons why there is a great variation in the size of electorate offices across Australia.

Senator Colbeck—To clarify the timing of the approval of the additional office space of parliamentary secretaries, Minister Abetz, when he was Special Minister of State, approved additional electorate office space for parliamentary secretaries on 16 August 2005. Since then, four have been approved.

Senator ROBERT RAY—Does 25 per cent extra space ring a bell or am I making that up?

Senator Colbeck—I cannot recall. As a parliamentary secretary, I had no recollection of the entitlement, to be honest.

Senator FAULKNER—Well, now that we have the date, we should be able to find them pretty quickly.

Senator Colbeck—Four have been approved since then, plus this current situation which is being discussed now.

Senator FAULKNER—Which are the four?

Senator Colbeck—Robb, Kelly, Baldwin, Pearce and now this current circumstance we are discussing at the moment.

Senator FAULKNER—Right. So what were the dates of the ministerial approvals in each of these five cases?

Senator Colbeck—I do not have that information.

Senator ROBERT RAY—You actually put that answer down on a question on notice to me recently about those four. It has been on the public record for a while.

Senator FAULKNER—Given that we have the date, can't someone just provide us with the information as to what the entitlement is?

Senator Colbeck—It is an entitlement of up to 225 square metres.

Senator FAULKNER—Thank you. And what is the current entitlement for a member or senator?

Senator Colbeck—I think it is about 150 square metres. It is in the vicinity of 150 square metres as an indicative space.

Senator FAULKNER—I think we know it is 150, but it tends to push up a bit.

Mr Miles—The average at the moment is about 170.

Senator FAULKNER—Yes, but what is the actual entitlement?

Mr Miles—It is still 150. I mean, the closest thing we have to a definition is 150.

Senator FAULKNER—I appreciate the point that is made. It is 150, but it tends to inch up because you have to try and find suitable accommodation.

Mr Miles—I think the handbook says that the standard electorate office is typically 150 square metres. I think that is the extent of the specification.

Senator FAULKNER—Averaging at the moment at about 170. So, if you go by the handbook, this is a 50 per cent increase, isn't it?

Mr Miles—Yes.

Senator FAULKNER—Well, precisely, isn't it—from 150 to 225?

Senator Colbeck—Would you like the dates of the approval of those four?

Senator FAULKNER—Yes, thank you.

Senator Colbeck—They are 16 February 2006 for De-Anne Kelly, 14 March 2006 for Pearce, 30 April 2006 for Baldwin and 28 November 2006 for Robb.

Senator FAULKNER—Does that mean there has been no ministerial approval for Mr Cobb?

Senator Colbeck—That is based on the information that I have.

Senator FAULKNER—Let us just confirm that then from the department who are paying the bill: is there a ministerial approval for an expansion of Mr Cobb's electorate office?

Ms Mason—I think we said earlier that the planned expansion of Mr Cobb's office was on the basis of his then status as a minister rather than as a parliamentary secretary.

Senator FAULKNER—Is there a ministerial approval for the expansion of Mr Cobb's electorate office as parliamentary secretary, which is his status?

Mr Miles—We do not have a formal approval at this stage.

Senator FAULKNER—So the answer to that is that there is no approval.

Senator ROBERT RAY—But there will have to be approval before he occupies the office, is that right?

Mr Miles—That is correct.

Senator FAULKNER—There is no approval, but it is absolutely full steam ahead. That is what you are telling us, isn't it?

Mr Miles—It may not be at this stage.

Senator FAULKNER—Work is going on, isn't it?

Mr Miles—It may be today or tomorrow. The whole thing is a remarkable coincidence, if you like.

Senator FAULKNER—If work is going on today or tomorrow, it is going on.

Mr Miles—We have been advised by the minister that, once we provide a formal brief, he is prepared to approve the continuation of the works that were underway.

Senator FAULKNER—So, what has happened on this is that the minister has given a nod and a wink. That is what you are saying. He has advised you that he is going to tick it off once he gets the brief. So here we have decision-making under the Howard government—

CHAIR—I do not think that is a fair summary, Senator Faulkner.

Senator ROBERT RAY—Put it in the report and let us get on with it.

Senator FAULKNER—What we have just heard, Mr Chairman, is that the Special Minister of State has told the department that he will tick off this office for Mr Cobb, the parliamentary secretary, as soon as he gets a brief. If that is not a nod and a wink, what is it?

Ms Mason—I think we—

Senator FAULKNER—What is it? I am sorry, I am not asking you a question. I was interrupted by the Chair.

CHAIR—I don't think that is a nod and a wink, Senator Faulkner.

Senator FAULKNER—I think it is a nod and a wink.

CHAIR—I am sure the minister will assess the brief.

Senator FAULKNER—We will try to get to the bottom of what sounds like a very shonky process.

CHAIR—Let us just see, Senator Faulkner. Ms Mason, did you have something to add to Mr Miles—

Ms Mason—Yes, I was just going to summarise and say that the decisions and the work that has been commenced on the office was in relation to the former status as a minister. The fact that that work is in train meant that our officers needed to quickly take some guidance about whether it should be brought to a halt or continued.

Senator FAULKNER—When did you get the nod and the wink from the minister and how was this indication communicated? When was this indication provided to the department in the terms that—Mr Miles, do not turn around to the man behind you from the minister's office.

Ms Mason—We will need to take on notice the timing of that. It was informal advice, but we do meet regularly with the minister and staff in his office to discuss various projects.

Senator FAULKNER—It was informal advice? Okay, I accept that.

Ms Mason—It was informal in the sense that it was not attached to a particular written briefing.

Senator FAULKNER—I am convinced it was informal, Ms Mason. It is absolutely obvious that it was informal. How was the informal advice communicated—by telephone call, a bit of a conversation or out the side of the mouth? How was it done?

Ms Mason—It was in a structured meeting.

Senator FAULKNER—Was it minuted?

Ms Mason—We do not tend to take minutes of such meetings.

Senator FAULKNER—You do not take minutes in structured meetings?

Ms Mason—‘Structured’ in the sense that there is an agenda which contains a number of items which we discuss with the minister and on which we take guidance.

Senator FAULKNER—When did the meeting take place?

Ms Mason—It was on 9 February.

Senator FAULKNER—A couple of days ago; last Friday.

CHAIR—Do you know how much work had been completed on the office prior to the reshuffle?

Mr Miles—I do not have those details.

CHAIR—That would be a fairly important question, wouldn't it, Senator Faulkner?

Senator FAULKNER—I am surprised that people's memories are not better, when the meeting only took place last Friday, but we will get to the bottom of it.

CHAIR—Perhaps Mr Miles or Ms Mason could find out how much work in terms of the ministerial specifications had been completed prior to the reshuffle.

Mr Miles—There will have been a lease entered into.

CHAIR—Okay.

Senator FAULKNER—How would you sum up the informal advice?

Ms Mason—I think the informal advice was that we should proceed rather than halt.

Senator FAULKNER—We have just heard from Mr Miles that it was: ‘You put up a brief and I’ll tick it off.’ Isn’t that what was said?

Ms Mason—I do not remember it that way, Senator.

Senator Colbeck—It appeared to me that what was given was some informal or verbal advice from the department in relation to the circumstances of some contracts that had been entered into for some work for a fit-out, and the question was whether the Commonwealth would attempt to buy its way out of those leases and/or that fit-out. The department has given verbal advice to the minister on the circumstances and he has given an indication of which way he might go.

Senator FAULKNER—We have just heard from Mr Miles what was said. The minister said, ‘You give me a formal brief and I’ll tick it off.’ That is what I call ‘putting in the fix’.

Senator Colbeck—I would put it in the context of getting a verbal brief from the department—

Senator FAULKNER—Well, you would!

Senator Colbeck—and giving an indication of what your response might be, based on the facts put in front of you. I would not say that at all.

Senator FAULKNER—So we have this former minister, who has been removed from the Howard ministry, made a parliamentary secretary, but as a sop has been allowed to maintain many of the perquisites of the job—in other words, a really big office, fully fitted out and the like. God knows what it will be used for. I suppose mounting his campaign in the next federal election. It sounds to me like it has been done to be used as a campaign office.

CHAIR—Senator Faulkner, are you leading up to a question?

Senator FAULKNER—I am just summarising the situation that we found—

CHAIR—Your perceptions of the evidence.

Senator FAULKNER—in relation to this scandal. What has this fix cost the taxpayer?

Senator Colbeck—Senator, you might like to make your own vindictive commentary on it, but I think—

Senator FAULKNER—I am not being vindictive; the facts speak for themselves.

Senator ROBERT RAY—John Howard is the vindictive one!

Senator FAULKNER—We do not know what it has cost the taxpayer?

Senator ROBERT RAY—It would be \$149,000 at a minimum according to our question on notice.

Senator Colbeck—We can take that on notice.

Senator FAULKNER—What costs do we know?

Senator ROBERT RAY—What costs are included in the answer that you gave late to this committee on the cost of Mr Cobb's fit-out? You can at least tell us that much, as it was then estimated.

CHAIR—The cost of the fit-out prior to the reshuffle?

Senator ROBERT RAY—No, they did not give us that.

CHAIR—That is critical—

Senator ROBERT RAY—They gave us the estimated cost of the total refit.

CHAIR—Sure, that is a fairly critical question.

Senator ROBERT RAY—That is a separate question.

Senator FORSHAW—Just imagine you're back on Public Works committees, Senator Colbeck—you wouldn't have copped any of this.

Senator Colbeck—I was just thinking about being a contractor on the other end of a potentially cancelled contract and claiming costs against the Commonwealth.

Senator FORSHAW—We would not let this go through without any—

Senator Colbeck—As I would have considered as a contractor in my contracting days.

Senator FAULKNER—The National Party would be delighted to hear that bit of sensitivity from you.

Ms Mason—The answer that has been lodged with the committee in relation to question F46 was an annual rental of \$22,400. There are also estimated costs in the answer, with a maximum of 'not to exceed \$143,900'.

Senator ROBERT RAY—I wasn't far out, was I!

Senator FAULKNER—What was that for?

Senator ROBERT RAY—Fit-out.

Ms Mason—Fit-out and related costs.

Senator FAULKNER—Will there be other fit-out expenditures borne by the home department, in accordance with Mr Miles's evidence?

Ms Mason—No, that maximum cost would be split between Ministerial and Parliamentary Services and the home department.

Senator ROBERT RAY—But I am right in saying that the office equipment will be supplied by the home department, not by you? The massive folding machine that will go in there will not be supplied by you?

Mr Miles—That is correct.

Senator FAULKNER—So \$143,900 on fit-out and \$22,400 as an annual rental fee. How long is the lease for this extra office?

Mr Miles—I do not have those details, but our leases are typically for three years. Where we can, we go for three years.

Senator FAULKNER—Three years? This is Mr Cobb, who did not last three years as a minister. He is going south. I describe this as an absolute scandal. This is real fix that has been put in here. I am going to keep a very, very close eye on trying to ensure that this office is not used for campaign purposes from an underemployed parliamentary secretary who has just got the boot from the Howard ministry.

CHAIR—Any further questions?

Senator FAULKNER—Yes, but not on that matter.

Senator ROBERT RAY—I have just one very brief one. I will return to these figures you have given us, Mr Miles. You were not able to give us a breakdown as of 1 February, but you very helpfully were able to tell us the total numbers. When in a month are you in that position? I know this is an exceptional month to do the February figures because of the reshuffle and the reallocation but when, normally, in a month can you tell us the total government staffing?

Mr Miles—It would generally be around this time; about halfway through the month.

Senator ROBERT RAY—So in March, which is critical for opposition staffing ratio, it will be when?

Mr Miles—About the middle of the month. In other words, we make sure that we have all the information in because, as you would be aware, the first of March has a particular meaning for you, Senator. To try to close it off too close to the start of the month might mean that we do not take into account increases that have been approved and where the paperwork has not flowed through.

Senator ROBERT RAY—Thank you for that.

Senator CHRIS EVANS—I asked the Prime Minister's department yesterday about the issues surrounding the Prime Minister's holiday in Broome on his return from the Philippines and they unfortunately were not very well informed about anything but, since Minister Nairn commented on these issues when they were hot in January, I just wanted to ask you about this. The Prime Minister indicated that he would be paying for the cost of the trip to Broome. Does the department raise the bill, as it were?

Ms Hughes—For some years now the department of finance has transferred the funding for the special purpose aircraft to the Department of Defence, so the recovery from passengers is done by Defence, not by us. The exception to that is if family members or staff travel on the SPA and that department notifies us. We then take it off the capped entitlement.

Senator CHRIS EVANS—That is what I thought. That is why I thought you might be helpful in this matter. Does that mean you would have done that for Mrs Howard but not Mr Howard?

Ms Hughes—We are not notified of ministers' spouses' movements because they do not have a capped entitlement.

Senator CHRIS EVANS—So, in terms of Mr Howard reimbursing the Commonwealth for costs incurred by his diversion for holiday purposes, you have no knowledge of those matters at all?

Ms Hughes—No, we do not.

Senator CHRIS EVANS—Why was the minister out there talking about it? Are you saying that the minister has no responsibility for these issues?

Senator Colbeck—No, he does not.

Senator CHRIS EVANS—He has no responsibilities? So he just happened to be out there, chatting about it?

Senator Colbeck—That is correct.

Senator ROBERT RAY—Through the short straw?

Senator Colbeck—That is your interpretation, not mine, Senator.

Senator CHRIS EVANS—Was the department at all involved in the decision-making regarding the payment of costs?

Ms Mason—No, Senator.

Senator CHRIS EVANS—So as far as you are aware the department has had no official engagement at all with these issues?

Ms Mason—That is a different question.

Senator CHRIS EVANS—Tell me what your engagement has been.

Ms Mason—We had a conversation with a person in the Department of the Prime Minister and Cabinet.

Senator CHRIS EVANS—When did you have a conversation with someone in PM&C?

Ms Mason—I am sorry, Senator, I do not recall.

Senator CHRIS EVANS—You recall a conversation, so you would have a rough idea of when that occurred. When you use the royal 'we', Ms Mason, who is that? I do not mean the name of the officer, but is it you?

Ms Mason—I was involved.

Senator CHRIS EVANS—The royal 'we' is appropriate on occasions, but do you have personal knowledge of this?

Ms Mason—Yes.

Senator CHRIS EVANS—So you had a conversation with PM&C about whether or not the Prime Minister was obliged to repay the cost of this?

Ms Mason—It was a general inquiry about travel by prime ministers.

Senator CHRIS EVANS—I am a little confused now. First of all you tell me you have no responsibilities in the area—that the minister was just batting the breeze when he was out

there talking about it—but now you are clear that you have been officially consulted about it. Why did they consult you?

Dr Watt—I am not sure ‘officially consulted’ is the correct phrase, Senator. I think we had an inquiry for information. People often wrongly suspect that MAPS has responsibility for special purpose aircraft. We do not.

Ms Mason—Indeed, we used to have more responsibility in that area than we now have.

Senator ROBERT RAY—So it is basically ignorance on the part of the inquirer, not a fault by you.

Senator CHRIS EVANS—Is it fair to describe this as an inquiry from PM&C to you?

Ms Mason—It was an inquiry, yes.

Senator CHRIS EVANS—They were asking you about the cost of reimbursing the Commonwealth for private travel?

Ms Mason—They just asked generally about the entitlement in relation to travel and the basis on which reimbursement might be made.

Senator CHRIS EVANS—What was your advice about the basis on which reimbursement might be made?

Ms Mason—It has normally, in the past, been the equivalent of a commercial airfare for that sector.

Senator CHRIS EVANS—At what class of travel?

Ms Mason—It would be the highest class available, so normally business class domestically.

Senator CHRIS EVANS—In proffering that advice, given that you do not have responsibility for that area, what were you saying—that that was your recollection of what you used to do?

Ms Mason—My advice was general: that the Department of Defence now looks after special purpose aircraft and that our involvement in it is limited in the way Ms Hughes mentioned earlier.

Senator CHRIS EVANS—I see. You obviously have a policy in relation to spouses of members of parliament—not minister but spouses—and what you do in that regard, and that policy is that you charge the equivalent?

Ms Mason—If there is a trip undertaken on a special purpose aircraft by a spouse other than the spouse of a minister, then we would debit it from the capped entitlement, as Ms Hughes said earlier.

Senator CHRIS EVANS—So, what does the—

Ms Hughes—That is electorate staff, not personal staff.

Senator CHRIS EVANS—What is the basis of your advice? If you provided the advice that it should be the equivalent of a commercial airfare at the highest class of travel, what—

Ms Mason—No, Senator, I do not think I said ‘it should be’; I said that, in the past, ‘it has been’.

Senator CHRIS EVANS—In the past, when you used to have responsibility for this matter?

Ms Mason—That is my understanding.

Senator CHRIS EVANS—You gave the advice, so if you do not understand it no-one else in the department is going to be able to help, are they?

Ms Mason—Rather than the actual cost of a special purpose aircraft, when there have been charges applied to other passengers on a special purpose aircraft the normal charge applied, to the best of my understanding, has been the equivalent of a commercial airfare for that sector.

Senator CHRIS EVANS—Is that generally in the situation where the aircraft is already travelling and a person joins the flight?

Ms Mason—That would be the normal situation, yes.

Senator CHRIS EVANS—So when a minister, for instance, commissions a plane to take him from Canberra to—what is the favourite National Party route—

Senator ROBERT RAY—It used to be east Gippsland.

Senator CHRIS EVANS—When a minister orders a VIP special purpose aircraft and it is proven appropriate under the guidelines and is properly commissioned, what charging regime takes place then?

Dr Watt—I think the difficulty Ms Mason is having is that we are no longer involved in setting these charging regimes. We have not been for a long time. She had a call from the Department of the Prime Minister and Cabinet seeking some general advice. She gave it and passed them on to the Department of Defence. This really is a better question for the Department of Defence.

Senator CHRIS EVANS—It is clear that you gave some advice and I am trying to pursue it.

Dr Watt—It was pretty general advice. I think you have pursued the advice and Ms Mason has told you what she said. I think it is then quite another thing to go on and talk about what might be a hypothetical charging regime. It is a question for Defence.

Senator CHRIS EVANS—Ms Mason has been giving me evidence about a hypothetical regime which she gave to the Prime Minister’s office.

Dr Watt—I think you have now gone beyond what she gave to the Department of the Prime Minister and Cabinet, not the Prime Minister’s office.

Ms Mason—It was hypothetical and historical. I said that, if charges have been applied, they have generally been at the commercial airfare equivalent.

Senator ROBERT RAY—That is what the press pay when they travel on SPA, isn’t it? That is what I recall.

Ms Mason—Yes.

Mr Miles—That is what I understand for charter flights generally. When a person is not entitled, we will recover the cost of the flight.

Senator CHRIS EVANS—But, for instance, when press travel during an election campaign, do you or Defence bill for that?

Dr Watt—Defence does that.

Senator CHRIS EVANS—I just want to be clear about your responsibilities.

Dr Watt—Our responsibilities are such that we are almost completely out of it.

Senator CHRIS EVANS—Except in relation to spouses—

Senator ROBERT RAY—And now we are trying to drag you back in!

Senator CHRIS EVANS—I am just following PM&C's lead here, Dr Watt. If it is good enough for PM&C to be in error, it is good enough for me. The only responsibility you have in this area is for the spouses and children of members who are not ministers, is that right?

Ms Hughes—And electorate staff—all travellers who are travelling under a capped entitlement.

Senator CHRIS EVANS—Ms Mason, can you get me the date of the conversation?

Ms Mason—I am sorry, Senator, but I cannot. It was a telephone conversation and I do not recall the date.

Senator CHRIS EVANS—You are not able to check your records? Perhaps you can take it on notice to see if you have it. If you have not got it, you have not got it.

Ms Mason—I can check.

Senator ROBERT RAY—If you want a hint, it was after the press exposure but before the decision to make a payment, so that should narrow it down.

CHAIR—Thanks, Senator Ray. Ms Mason will take it on notice.

Senator CHRIS EVANS—There was a window of opportunity of about three days.

CHAIR—Do you have any further questions, Senator Evans?

Senator CHRIS EVANS—No, I will follow that up with Defence.

CHAIR—The committee will break until 10 past seven and then commence its examination of the Australian Electoral Commission.

Proceedings suspended from 6.06 pm to 7.12 pm

Australian Electoral Commission

CHAIR—I call the committee to order. The committee will continue its examination of the Finance and Administration portfolio. Welcome to Mr Campbell and Mr Dacey. Mr Campbell, do you have an opening statement?

Mr Campbell—No.

CHAIR—I suspected that would be the case. In that case, we will go to questions.

Senator FAULKNER—Commissioner, can I take you to an answer to a question on notice in the last round, question F65, in relation to enrolment activity. The answer begins:

The AEC is preparing a comprehensive communications strategy, with some initiatives rolling out from early 2007.

I wonder whether you could give us a very brief update on what those initiatives are and what stage they are up to.

Mr Campbell—Certainly. I will ask Mr Pickering to give it to you.

Mr Pickering—The update that I will provide you with will just outline the different areas that the strategy encompasses. I will give you a status report from that question on notice. As far as the advertising goes, our television advertisements are now in pre-production, so they should be ready in April this year. Our on-air advertising is dependent on several factors but we are expecting completion in May 2007. We are also planning to do a second wave of enrolment advertising closer to the election. That is on the advertising front.

Senator FAULKNER—Do you have a dollar figure on those three initiatives?

Mr Pickering—I do not have one here. I can take that on notice.

Senator FAULKNER—Thank you.

Mr Pickering—The reason I cannot give you those costing figures right now is that we are still talking with our media buyers on the placement of the ads. The timing and dates that we propose for the advertisements affect the costs and overall spend on that particular area.

Senator FAULKNER—I asked you to take that on notice, but I appreciate, in relation to that question, that there will be a time delay in response.

Mr Pickering—That is correct. Thank you. Just moving through some of the other initiatives—

Senator FAULKNER—Are these all national initiatives, by the way?

Mr Pickering—They are—likewise with these other ones that I am talking about. Youth is one particular target area that we have advised you about before as well. We have already commenced some of the promotions associated with that. Our Rock Enrol promotion through the Big Day Out ran in January and February. O-week, orientation week, at universities has commenced this week and will run for approximately three weeks. We are moving to have an enrol to vote week, planned for the end of May and early June. And, of course, we are introducing the birthday cards for 17- and 18-year-olds, which are being rolled out nationally—a process that has been underway for a while in Victoria and has been very successful.

With our culturally and linguistically diverse audiences, we are still doing the market research associated with that. Our advertising for the CALD components will be in all phases of the advertising. Likewise, with new citizens, we had a significant presence at the Australia Day ceremonies around Australia, and we got good media coverage associated with that. So that is it in a nutshell.

Senator FAULKNER—Thanks for that. I will follow through on a couple of those. How long has the Rock Enrol website now been in operation for? You have indicated that there is an increase in downloads of enrolment forms. That is correct, isn't it?

Mr Pickering—Yes, we did. It commenced in December 2006.

Senator FAULKNER—Can you be more definitive about the downloads? How much have they increased by and over what period?

Mr Pickering—I cannot. I can give you an update in relation to the—

Senator FAULKNER—Could you take that on notice for me.

Mr Pickering—I can.

Senator FAULKNER—I would just be interested in the download figure and over what period.

Mr Pickering—Right. Since the period when the site came up, I can tell you that we have had 15,675 hits, and more than 7,700 enrolment forms have been downloaded from that site. Are there any other figures you would like?

Senator FAULKNER—That is useful. I appreciate that. How do you know whether that actually leads to an increase in enrolment? It sounds good, and it sounds as if it is positive. Are you able to draw a definitive link on this between the downloads of the enrolment forms and actual enrolment itself?

Mr Pickering—We are. We have received, in our hands, 843 enrolment forms which have been directly generated from the Rock Enrol website.

Senator FAULKNER—You can identify them?

Mr Pickering—Yes, we can.

Senator FAULKNER—I see. So that is the figure as of what date?

Mr Pickering—As of late last week.

Senator FAULKNER—There was some competition associated with the Rock Enrol website, conducted by the AEC, wasn't there?

Mr Pickering—Yes, there was.

Senator FAULKNER—How many entries did that get?

Mr Pickering—I will take that on notice. I am not sure of the answer.

Senator FAULKNER—This was associated with the Big Day Out, wasn't it?

Mr Pickering—That is correct.

Mr Campbell—Yes, there were free tickets for a number of the concerts if they were enrolled. So we will take that on notice. I am sure we have it; we just do not have it ready to hand here.

Senator FAULKNER—I will be interested in making an assessment of whether it was successful. If I can provide that I will appreciate it. Also in your answer to me you said the AEC was developing a comprehensive electoral education resource to be distributed to all

schools in early 2007. I do not recall your mentioning that in your status report, so I just wondered where that was up to.

Mr Pickering—We have two resources in relation to that. We have a teachers resource, which might be the one you are alluding to.

Senator FAULKNER—I am just using your terminology, so it is really a question of what you were alluding to.

Mr Campbell—The one that Mr Pickering is talking about is the one that you were referring to in the answer to F65.

Mr Pickering—The status with that is that it will contain a teachers manual, interactive games and activities and it will be distributed to all schools in late April.

Senator FAULKNER—So that is not finished yet?

Mr Pickering—Not yet, but it is nearing completion.

Senator FAULKNER—What is the other educational resource?

Mr Pickering—For our school and community visits, we are trying to get a more standard presentation for our staff. We have developed a standard presentation kit for them to do presentations to schools and communities.

Senator FAULKNER—Is that completed yet?

Mr Pickering—Yes, it is.

Senator FAULKNER—Is that in some sort of form that could be provided to the committee? We would be interested in seeing that.

Mr Campbell—I have no problems with that. I think it is in final draft form. I do not think it has had the final polish. Certainly when it is completed—which should not be too long—we will provide a copy.

Senator FAULKNER—I appreciate that, but I would like both if it is possible. That would be useful. You mentioned the Australia Day citizenship ceremonies a little earlier. Are you able to say what presence the AEC had at the most recent Australia Day citizenship ceremonies?

Mr Pickering—The number of ceremonies that were attended around Australia was 219.

Senator FAULKNER—Do you know out of how many ceremonies that was, in total? I realise it is not your portfolio core business, but I wondered—

Mr Campbell—In the main, the ones that we would not have got to would have been those that were very small and not where we have an office or close to where we have an office.

Mr Pickering—There were 360, and we did not attend 119. We attended 219, at which there were 10,779 participants for the ceremony. We took 8,845 cards on the day.

Senator FAULKNER—That sounds to me like a good return for this sort of thing. Does it compare well with other years? Are you able to say that?

Mr Campbell—Yes, it is very comparable with other years. In some states it was the same as last year, and in a couple it was better than last year.

Senator FAULKNER—Have you got some comparable figures I might be able to ask for on notice?

Mr Campbell—We can certainly give you those on notice.

Senator FAULKNER—That would be good. How do you go about the collection of forms? Is there a standard protocol for the AEC at the ceremonies?

Mr Pickering—We have staff attending the ceremonies. We have pre-printed enrolment forms that are distributed to the participants who are eligible, of the correct age. After citizenship has been bestowed on them, they complete the enrolment form—more often than not as part of the process—and then our staff collect them at the end of the ceremony.

Senator FAULKNER—What about those from whom you do not get an enrolment form? Is there any follow-up for, say, the couple of thousand in the citizenship ceremonies that you do not have a form for and also those who become Australian citizens at the other ceremonies where the AEC is not present?

Mr Campbell—I will ask Mr Moyes to come to the table for this one.

Mr Moyes—What we do with the participants who do not lodge a form at the time is that our divisional people follow up with the councils—it is usually the councils that are bestowing citizenship. Our people are in contact with the councils and obtain information about those who have had citizenship bestowed on them and we follow up directly with those people.

Senator FAULKNER—How many people does that cover off?

Mr Moyes—I cannot give you a figure on that at the moment. I will see if we can obtain that information. We do collect information on the source of enrolment applications and we should be able to pick up most of that difference.

Senator FAULKNER—On the other question on notice I referred to earlier that you covered, in answer to me you said that national activity will be complemented by ongoing promotion of enrolment at local events by the AEC's extensive national network of state and divisional staff. Could you give us an example of that, or give us a feel for how that particular element of the process works?

Mr Moyes—At the local level, we ask our divisional people to enter into the community and make the local contacts. There are national and peak bodies for a number of communities, but it is very effective if they get into the local communities—the new citizens, the school communities and others. They also have contacts at the local level through the councils; they are able to make contact through those. So it is a local grassroots type of activity that these people undertake—the shopping centre promotions, shows and so forth.

Senator FAULKNER—But are DROs reporting in on this sort of activity in local electorates so that you keep a bit of a weather eye, at the central level of the commission, on what is happening?

Mr Moyes—We have asked for reporting back on the sorts of activities that they undertake so we can get a feel for what is happening. Again, through the source codes, purely on an

enrolment basis, we obtain information. Our enrolment applications have a source code on them and so we are able to determine how effective the local promotions are as well.

Senator FAULKNER—So what has that monitoring indicated to you?

Mr Moyes—I cannot give you an answer on that directly now.

Mr Campbell—It is probably a bit early yet, because of the December-January period, to have any real impact. I would add to Mr Moyes's answer that one thing we are going to be doing between now and the beginning of the next financial year is increasing the amount of field work we do.

As you know, we have a combination of a CRU—a continuous roll update—process and targeted field work. We are going to, at the local level, but being driven nationally, increase quite substantially the amount of field work we do between now and the end of the financial year. It will vary in timing between states. Some states will start almost immediately but, in a state like New South Wales, it will not occur until, probably, May because of the state election at the end of March. As you may know, we are doing a lot of work for the New South Wales commission on their election. So, as I said, I suppose I would add to Mr Moyes's answer by saying that we are going to increase substantially the amount of field work we do.

Senator FAULKNER—We might have a look at that in the budget estimates round. I flag, Chair, that we might come back to that. Very briefly, in relation to the enrolment issue, you will recall concerns I raised at the last round about what I think had been for the first time in eight years a reduction in enrolment. I think you, yourself, Commissioner, shared some of the concerns about that reduction in enrolment.

I understand there has been some limited recovery amongst the east coast states. I wanted you to confirm whether or not that is the case. I thought it might be election related but can you give us a brief status report on where that is up to. The last figures that we had before us at this committee were those figures for the end of the last financial year.

Mr Campbell—Certainly. Mr Moyes will do that. There was some slight recovery, as you have picked up, towards the end of the year but that was particularly driven by Victoria and Queensland because of the two elections.

Senator FAULKNER—Of course. That is what I meant by 'eastern states'.

Mr Campbell—I know, and we have New South Wales at the end of next month. To be quite frank, my view on the level of enrolment has not changed from the last estimates hearing we had at the end of October, and that is why I mention very briefly the strategy we are undertaking now with all of our states is to increase our activity both in field work and in tracking people down at their new addresses. However, I will ask Mr Moyes to give you an outline of the figures first.

Senator FAULKNER—Just so we are clear: is the national enrolment figure about the same as it was at the end of the last financial year?

Mr Moyes—Since 30 June 2006 the roll has increased by just under 120,000 nationally. That shows an increase in most states, behind the elections in Queensland and Victoria in particular.

Senator FAULKNER—Queensland and Victoria have increased, yes.

Mr Moyes—Also in New South Wales and the Australian Capital Territory. There has been a slight decline in each of the other states and territories.

Senator FAULKNER—So enrolments have declined in Tasmania, Western Australia, South Australia and the Northern Territory.

Mr Moyes—As at the end of December.

Senator FAULKNER—So increases in Queensland, Victoria, New South Wales and the Australian Capital Territory and decreases in Tasmania, Western Australia, South Australia and the Northern Territory?

Mr Moyes—That is correct. Sorry, it is not at the end of December; it is at the end of January.

Senator FAULKNER—The end of January 2007?

Mr Moyes—Yes.

Senator FAULKNER—The overall increase, the national increase, is in the order of 120,000?

Mr Moyes—That is correct—119,222.

Mr Campbell—The new figure is 13,199,000.

Senator FAULKNER—I must say I am a bit disappointed in those figures given the fact that two state elections were held in the period.

Mr Campbell—And, as indicated in my comment a minute ago, I am not resting on those laurels. I think there is still a lot of work to be done.

Senator FAULKNER—Where are we up to with the Continual Roll Update review?

Mr Campbell—I smile, Senator, because I received it this morning. I have not had a chance to read it.

Senator FAULKNER—So it is now in your hands?

Mr Campbell—It is now in my hands.

Senator FAULKNER—What are the next steps?

Mr Campbell—The next steps are for me and my senior colleagues to read it, to discuss it with the state commissioners—because they have a very substantial interest in that, as you would appreciate—and then to find a way forward from the many recommendations that are in it.

Senator FAULKNER—So you are not able to share those recommendations or conclusions with us at this stage?

Mr Campbell—I have not even opened it. I got it mid-afternoon.

Senator FAULKNER—When will that review be available to members of this committee?

Mr Campbell—The outcomes of that review would obviously be available to the committee. Whether or not the full review would be made public is something I would need to

consider when I read it, but I certainly would make the outcomes available at some appropriate time in the future. I am not trying to be clever here; it is just that I have not read it. I am sure that by the time we are together again in May I will know my way through and have things to give to the committee.

Senator FAULKNER—I will be here in May; I reckon I will be here in June, from memory. Is the next estimates hearing in May or June?

Mr Campbell—It is in late May, isn't it? I am referring to the next estimates hearing.

Senator FAULKNER—Let me flag for May—the next round—my close interest in it, if it has not been made public beforehand. I want to move on to another matter in a moment, but we had evidence in the last estimates round about the massive number of people trying to enrol on the day of the Queensland election. I think it was 46,000—

Mr Campbell—Forty-six thousand cards were handed in at polling places on that day, yes.

Senator FAULKNER—Are you able to say how many of those were new enrollees and how many were changes to enrolments?

Mr Dacey—On polling day, 2,725 were new enrolments; 15,474, re-enrolments—small numbers—1,117, interstate; 11,247 intrastate; intradivision 9,200, where people lodged a form but did not need to, obviously; and 2,500, no movement and about 20 others. That is about 42,000.

Senator FAULKNER—Do you have similar stats for Victoria?

Mr Dacey—Yes, we do.

Senator FAULKNER—Would you run through them quickly?

Mr Dacey—Rounded, they are: 2,800 new—

Senator FAULKNER—These are election day stats? We just want to know what the stats are that you are giving us.

Mr Moyes—These are statistics based on the source code on the enrolment application. These have a code of E on them, which relates to enrolment applications received at the election.

Senator FAULKNER—Could 'received at the election' be before election day?

Mr Moyes—On polling day.

Mr Campbell—At a poll.

Mr Dacey—They are, in round figures: 2,800 new enrolments for Victoria; 12,500 re-enrolments; 600 enrolments interstate; 10,000 intrastate; 7,500 intradivision; and 3,100 no movement and 65 other enrolments.

Senator FAULKNER—I will flag again that I will be interested in receiving those for the New South Wales election—polling day in New South Wales, obviously—after it is held; I do not expect you to give that information tonight. I want to move on to some other issues but perhaps I could just ask you, Mr Campbell, in your capacity as Electoral Commissioner what assurance you can give the committee about the status of the roll and enrolment and attempts to ensure that as many eligible Australians as possible are on the roll. We speak now

effectively at the commencement of a calendar year—a calendar year in which we are going to have a federal election, obviously; we all appreciate that. What assurance in the broad, if any, are you able to provide the committee? What level of confidence do you have in this area at this stage?

Mr Campbell—First of all, you asked another question: what is my level of confidence in the roll at the moment?

Senator FAULKNER—Yes.

Mr Campbell—I think there are a number of people who should be on the roll who are not—and I think we have been through that at the last estimates hearing as well. On my level of confidence as to how good the roll will be on election day some time in the second half of this year, to answer your question I have to say: the commission will do everything we can, including through advertising, through public awareness and through changing our own ways of doing things, if you like—as I mentioned earlier, we are going to do far more fieldwork this year than we have done in most recent years—with a view to trying to bring it to the notice of people who should be on the roll and know they are not on the roll to get on the roll, or those who should be on the roll and do not know they have been objected off, which is an issue for us, to make them check up so that they can enrol. I can give the committee no more undertaking than that we will do everything we can. We will cajole; we will knock on doors; we will ring; we will write. But how effective we are in getting the electorate to respond is something that I—

Senator FAULKNER—Of course, Mr Campbell, you are aware of the committee's interest in this. This is something that I wanted to flag with you. I will certainly be pursuing it, and I am sure other committee members will, at the budget round, when we will have more opportunity and more time to do so. Of course, there will be a capacity for us also, with the cooperation of the AEC, to make some sort of assessment about some of these mechanisms and initiatives that we have been speaking of and to make some sort of assessment of their success. Could I now ask, please, Commissioner, if we could have our usual status report from the compliance area.

Mr Campbell—From a member of the FAD: Kevin Bodel.

Senator FAULKNER—Yes. What do we officially call the branch now?

Mr Campbell—It is a section. It is the Funding and Disclosure Section.

Senator FAULKNER—I said 'compliance'. That is a very bad word to use, is it?

Mr Campbell—Parts of its activity are compliance, but it is not all compliance, no.

Senator FAULKNER—Mr Bodel's report.

Mr Bodel—Currently we have four special matters in progress. We have the Kelvin Thomson section 311A departmental annual reports matter still underway. I anticipated that that would be complete by now, but its finalisation has eluded me at this stage. But it is close to completion.

Senator FAULKNER—So why has finalisation eluded you on that? Because I think you did flag that it was likely to finish.

Mr Bodel—Yes. I was not satisfied with the depth of analysis that had been undertaken with the report that was given to me by my staff, so I have asked for a bit more work on that.

Senator FAULKNER—Fair enough. What is the expected time now for that to be finalised?

Mr Bodel—I would say that it would be finalised by the next estimates hearing, and probably a lot sooner than that.

Senator FAULKNER—We know that is May, so—

Mr Bodel—Yes. On the Wielangta Fighting Fund: this is a matter referred by Senator Abetz to the Australian Electoral Commission about the Wielangta Fighting Fund being a potential associated entity of the Australian Greens. That matter is still under consideration and is nearing completion.

The next one I have is Russell Galt. Media articles in the *Australian* on 31 August 2006 alleged that the Liberal Party federal secretariat paid for the legal fees of Russell Galt. We are having a look at whether there are any disclosure obligations in relation to that. That was raised by Senator Ray at the last estimates.

Senator FAULKNER—Yes, I was going to say it wasn't the actual press article. The press article probably prompted Senator Ray's question, but it was a question from this estimates committee, I recall, that alerted you to it.

Mr Bodel—That is correct.

Senator FAULKNER—Yes. So we've got to give Senator Ray credit for that.

Mr Bodel—Absolutely.

Senator ROBERT RAY—It's unnecessary. I'm retiring!

CHAIR—Thank you, Senator Ray. Mr Bodel, carry on.

Mr Bodel—That matter is still under consideration. The next matter is one that has come up in the last few days in the media, and that is the Friends of Indi. There are media reports that the Friends of Indi failed to lodge a return. The reports contain statements from a representative of the Friends of Indi that they are an associated entity and that the failure to lodge was an oversight. The AEC has now received returns for the 2004-05 financial year and the 2005-06 financial year from the Friends of Indi. The AEC will continue to examine whether there are any other disclosure obligations in relation to Friends of Indi.

Senator ROBERT RAY—Can you tell us what the amounts were for 2004-05 and 2005-06, now that they have filed returns?

Mr Bodel—Yes. Sorry, they only came in yesterday and today, so I am just digging out the information. For the 2005-06 financial year, total receipts were \$57,500. The detailed receipts were two amounts received as 'other receipts' from British American Tobacco, each sum \$7,500. Total expenses for the financial year were \$655.92, and total debts were nil.

Senator ROBERT RAY—No debts?

Mr Bodel—No debts.

Senator ROBERT RAY—So that's for 2005-06.

Mr Bodel—That is for 2005-06.

Senator ROBERT RAY—Okay. Let's have a look at 2004-05.

Senator FAULKNER—Did you say \$57,500?

Senator ROBERT RAY—Yes.

Senator FAULKNER—And that was the figure for what?

Mr Bodel—That was for total receipts.

Senator FAULKNER—Total receipts. And I should know this, but I am not clear: it does or it doesn't include the two amounts of \$7,500?

Mr Bodel—It does include them.

Senator FAULKNER—It does include them?

Mr Bodel—Yes, that is correct. So, as a component of total receipts, there are some detailed receipts, and those are the two amounts of \$7,500.

Senator ROBERT RAY—Are they recorded there because at that stage they were both over the limit?

Mr Bodel—In fact, in this return they were not recorded at the time when they were over the limit; they were recorded for the second half of the year, so in theory it is an overdisclosure. They did not need to be disclosed, according to the—

Senator ROBERT RAY—I don't follow that, because combined they are \$15,000.

Mr Bodel—Yes. Associated entities and political parties only have to record details of receipts where each individual receipt is over the threshold. Donors—

Senator ROBERT RAY—What is the threshold?

Mr Bodel—The threshold for the second half of the year was more than \$10,000.

Mr Campbell—But the donor has to make it cumulative and give you the total.

Mr Bodel—Yes, it's the donor who has the disclosure responsibility.

Senator ROBERT RAY—But not the receiver?

Mr Bodel—Not the receiver; that is correct.

Senator ROBERT RAY—Now, let's go back to the figures for 2004-05.

Mr Bodel—Total receipts for 2004-05 were \$34,106. As for the detailed receipts—that is, receipts for \$1,500 and more—there is a donation from a Mark Preecy of \$5,000, there are donations from Bruck Textiles of \$10,000 and there is a donation from the Strategic Issues Management Group of \$2,500.

Senator ROBERT RAY—And the amount paid out?

Mr Bodel—Total payments for that financial year are \$33,686.75.

Senator ROBERT RAY—And debts—none?

Mr Bodel—No debts. These returns should be available from the AEC's website in the next couple of days.

Senator FAULKNER—Yes, I was going to ask you when you were planning on posting them. But it will be pretty much forthwith? Because that is the normal—

Mr Bodel—Pretty well forthwith—as quickly as we can get them up, given the attention.

Senator ROBERT RAY—Do you have to track where the money goes? The \$33,000?

Mr Bodel—We will be doing that.

Senator ROBERT RAY—Sorry, a better question: do they disclose to you where the money has gone?

Mr Bodel—No, they are not required to disclose where their expenditure goes.

Senator ROBERT RAY—We know it did not go to the local Liberal Party, because the Treasurer is still looking for it, according to the press release.

Mr Bodel—I have not seen the press release.

Senator ROBERT RAY—He is cheery about it, but he just wants to see the money.

Senator FAULKNER—Just so I am clear on this: where then does the \$15,000 donation from British American Tobacco appear? I think they have lodged their own form, haven't they?

Mr Bodel—British American Tobacco lodged a donor returned that contained some \$15,000.

Senator FAULKNER—That is why this issue has become a public issue.

Mr Bodel—That is correct.

Senator FAULKNER—But is there any need for that to appear in that disclosure return?

Mr Bodel—The two sums that are listed in here—

Senator FAULKNER—I wondered whether, because \$7,500 plus \$7,500 equals \$15,000, that is the \$15,000 BAT donation.

Mr Bodel—It would be assumption—we have not checked it out yet—but that would seem to be the logical conclusion.

Senator FAULKNER—It was an assumption I just made, but I wanted to be—

Mr Bodel—It is an assumption I have made as well.

Senator FAULKNER—It can only have the status of assumption.

Mr Bodel—That is correct.

Senator FAULKNER—Is there not a requirement for the actual donor to be identified in those disclosure returns?

Mr Bodel—Yes, there is a requirement for donors to be identified. It is whether the sums involved are the same sums that were disclosed by British American Tobacco. There can be discrepancies between the two.

Senator FAULKNER—Yes, but can you say to the committee that the two \$7,500 sums in that form, which is about to be posted on your website, are identified as donations from BAT?

Mr Bodel—They are, yes.

Senator FAULKNER—They are so identified. Thank you.

Senator ROBERT RAY—Have you established how the Friends of Indi is established? Is it a registered company?

Mr Bodel—We have not got there yet, no.

Senator ROBERT RAY—So you do not know any of the principles involved?

Mr Bodel—Not at this stage.

Senator ROBERT RAY—And there has been no explanation as to the inadvertence of failing to declare for this \$3,000 and \$57,000?

Mr Bodel—Not at this stage.

Senator ROBERT RAY—You have not got to that stage yet?

Mr Bodel—No. We will be making sure that all the disclosure obligations in relation to these returns have been met.

Senator ROBERT RAY—There was information in one of the press reports that cheques had gone to the member for Indi's electorate office. Do you have any knowledge of that?

Mr Bodel—No. That would not be something that we would have from the information we have at the moment.

Senator FAULKNER—The form that you have in front of you does identify amounts, as you have said, and it certainly identifies the donor. Does it also identify the date on which the donations have been made?

Mr Bodel—It does not.

Senator FAULKNER—Can I ask specifically whether it identifies the date the two BAT donations of \$7,5000 were made?

Mr Bodel—No, it does not. However, I can narrow it down to about six months, because of the particular part of the form it was filled in on.

Senator FAULKNER—You can explain that six-month period. It has got to be one of two.

Mr Bodel—Yes. It is in the second half of the year. It was sometime between 8 December 2005 and 30 June 2006.

Senator ROBERT RAY—When is the reporting date for 2006-07, by your requirements, for this associated entity to report next time?

Mr Bodel—I could not tell you the date off the top of my head, but it is about the end of October.

Senator ROBERT RAY—I see.

Senator FAULKNER—But you can actually confirm—and I appreciate that this is now going to a different form but the matter is very much central to this—that the BAT return that was lodged with you was dated 10 April 2006. Is that right?

Mr Bodel—I would need to check that.

Senator FAULKNER—You don't have that available?

Mr Bodel—I don't have it on me at the moment, no. However, if such a discrepancy existed, we would certainly look into why the discrepancy existed.

Senator ROBERT RAY—It is also about your methodology. There is a requirement for donors to inform you when they donate over the limit, or collectively over the limit. Have you cross-referenced who they have donated to with their disclosure? How do you do that?

Mr Bodel—Usually it is the other way round. Usually we would work from party returns and our compliance reviews of parties to identify donors who have contributed sufficient funds to require them to lodge a return. So we do not usually work from the donor's side of things. We usually work from the party or associated entity side of things to identify where a donor is required to make a return.

Senator ROBERT RAY—But you only do that when the associated entity is identified.

Mr Bodel—That is correct, yes. We go through a process of attempting to identify associated entities when we are doing compliance reviews of political parties.

Senator ROBERT RAY—Can I just press this issue of the date on the donor's return? This is how this matter came to light. Isn't there someone there who can confirm to me what the date of the BAT return is?

Mr Bodel—I don't have it with me and there is no-one here who would have that return.

Senator ROBERT RAY—Are these listed on a website somewhere?

Mr Bodel—They are. The BAT return would be on the AEC's website at present.

Senator FAULKNER—My recollection is that it is 10 April. At this stage, have you checked whether other donors whom you have named tonight have also submitted a donors' return? We know that BAT have.

Mr Bodel—Yes, that is correct. We haven't had time to cross-reference the 2004-05 return. It literally was hot off the fax before we came up here. So I have not had time to check those particular donors.

Senator FAULKNER—An early check does not seem to indicate they have, but that is a first step in the sort of work you do, isn't it, Mr Bodel?

Mr Bodel—It would be, yes—certainly.

Senator FAULKNER—You have made the point that this material has only just come before you, and I am sure the committee accepts that. But the only thing that I do hope we will be able to establish at least is the date of the BAT return. In the inquiry that you are conducting, is it standard operating procedure for you to seek information from the beneficiary of these funds—non-disclosed until now funds? That is Ms Mirabella, the member for Indi.

Senator ROBERT RAY—Former member of the Electoral Matters Committee and familiar with the Electoral Act.

Senator FAULKNER—Is that right, Senator Ray?

Senator ROBERT RAY—For two years—a former member who served with me on the same committee.

CHAIR—Are you still a member of the committee, Senator Ray?

Senator ROBERT RAY—Of course I am.

Senator FAULKNER—Senator Ray and I are both former members of the committee.

Senator ROBERT RAY—A former chair, in my case.

CHAIR—Particularly distinguished members.

Mr Bodel—The disclosure obligation would fall on the party to which the associated entity was related, not necessarily the member of parliament. So we would seek information about the transfer of funds between the associated entity and the party from the party.

Senator ROBERT RAY—Yes, but this is an assumption. On the very vague evidence we have, the treasurer of the Indi federal Liberal Party has never heard of this. So is this an associated entity associated with a candidate? Can you have one associated with a candidate, or is it associated with a party? You have not established that yet, have you?

Mr Bodel—By definition, an associated entity would be associated with a party. You cannot have an associated entity associated to a candidate.

Senator ROBERT RAY—But you can have a separate agent for a candidate.

Mr Bodel—That is correct. This is a highly unusual situation, but if this organisation raised funds specifically for the candidate then it would be a donation to the candidate. The organisation would be a donor to the candidate.

Senator ROBERT RAY—If that happened then the candidate would have had to have disclosed or the candidate's agent would have to have disclosed.

Mr Bodel—That is correct.

Senator FAULKNER—Depending on the size of the donation.

Mr Bodel—The candidate's disclosure obligation has not arisen yet; it would not arise until after the next election.

Senator FAULKNER—I refer this to you because I know you are always interested in press coverage of these disclosure matters. On Friday, 9 February 2007, at 2.43 pm, AAP reported:

Ms Mirabella said she was familiar with the group and believed it was registered with the Electoral Commission as an "associated entity".

Well, she is wrong about part of this. Anyway, she is familiar with the group so there is a very good pointer for you. I will not send you a bill for that assistance.

Mr Bodel—Certainly if we believed someone could advise us about the activities of the group—

Senator FAULKNER—There you are—Ms Mirabella, former member of the Joint Standing Committee on Electoral Matters, is familiar with it.

Senator ROBERT RAY—She might be able to assist you with your inquiries.

Senator FAULKNER—She may very be, because she is familiar with the group. On Friday, 9 February 2007—the date that appears to be appearing pretty regularly—AAP reported ‘Smoke screen over Lib Party funds’.

CHAIR—These are press reports that you are referring to, Senator Faulkner.

Senator FAULKNER—It is an AAP report. I have indicated quite clearly what it is.

Senator ROBERT RAY—And this department has snuck all of our questions on notice in under the cover of this news story, you might also note.

CHAIR—Why Senator Faulkner has to dwell on news stories I am not sure, but anyway.

Senator FAULKNER—Have we got the date of the BAT return yet?

Senator ROBERT RAY—Deputy Secretary, how are you going?

Senator FAULKNER—You mean the former deputy secretary.

CHAIR—There are many returns to check.

Senator FIFIELD—Mr Bodel, I have a question in terms of dates of returns. Does the 2005-06 associated entities return usually have provision for the date of donation on it?

Mr Bodel—It does not, no. There is not a requirement for a date to be included in the receipt.

Senator FAULKNER—It is disappointing that you do not have the BAT return, but isn't it true that the Friends of Indi address on the BAT return is the same address as Ms Mirabella's office?

Mr Bodel—I could not say.

Senator FAULKNER—Could you say what the address is?

Mr Bodel—On the BAT return?

Senator FAULKNER—Yes.

Mr Bodel—I do not have the BAT.

Senator FAULKNER—It is 117 Murphy Street, Wangaratta, isn't it?

Mr Bodel—I do not have the BAT return in front of me, so I could not confirm that.

Senator FAULKNER—It is disappointing that you do not have the return, because these are a number of the issues that I was keen to follow through here.

Mr Bodel—I accept that.

Senator FAULKNER—I suggest you check the address, given that I have been of assistance to you on another matter. I suggest you check the address on the form and check the records of the parliament, and you might find it is actually Ms Mirabella's office address.

CHAIR—Senator Faulkner, have you finished on that issue?

Senator FAULKNER—And, of course, I look forward to the status report at the budget estimates round in May.

Mr Bodel—That is not quite the complete report yet.

Senator FAULKNER—I am terribly sorry; you said there were four matters and I thought you had given us—

Mr Bodel—No; four matters ongoing. At the previous estimates, I think it was Senator Ray who requested that we deal with matters that had been finalised, as well, between this estimates and the previous one.

Senator FAULKNER—He did too. And that would be good. Thank you for that. So let us hear it.

Mr Bodel—The first one is a request by Senator Bob Brown to investigate whether seven advertisements and pamphlets had been disclosed at the 2004 federal election. The AEC has determined that the seven advertisements and pamphlets in question were disclosed by an organisation called Willmac Enterprises. Expenditure on those advertisements was disclosed by an organisation called Willmac Enterprises at the 2004 federal election.

Senator FAULKNER—And that has been posted as it normally—

CHAIR—I am sorry to interrupt. I am sorry to do this, but Senator Fierravanti-Wells has some questions relating to the Indi issue which I think may best follow. I will come back to you after we have finished. Does that suit you?

Senator FAULKNER—It does, but I think—

CHAIR—It is just that I think it is fairer.

Senator FAULKNER—This will only take one second if you wanted to get an answer to that. But I do not mind; go to Indi. That is fine.

CHAIR—If you are going to finish that off, that is fine.

Senator FAULKNER—I will finish it off and then we can go to Indi. Mr Bodel, that has been posted on the website?

Mr Bodel—It has, yes.

Senator FAULKNER—The conclusion—that was all I was going to say; I was in mid-sentence.

CHAIR—I am sorry.

Senator MILNE—I wish to ask some questions in relation to that particular matter.

CHAIR—We will go to you, Senator Milne, and then we will go to Senator Murray. Were they questions on the Indi matter? Senator Milne, do you have a question on the Indi matter?

Senator MILNE—No.

CHAIR—In that case, we will go to Senator Fierravanti-Wells.

Senator FIERRAVANTI-WELLS—Mr Bodel, do you think that this issue is an example of where the disclosure system requiring disclosure by donors and parties has actually worked, in the sense that the cross-checking has worked—and that is what the object of the exercise is, particularly where there have been inadvertence and oversights?

Mr Bodel—I think I will throw to my superiors on this one.

Mr Campbell—While the details of this are coming out—and what I am about to say shows that we had one administrative failing—our understanding is that we knew about the Friends of Indi donation, the donation from BAT, in 2004-05—

Mr Bodel—No, we knew about the Friends—

Mr Campbell—the Friends of Indi existing at the year 2004-05, of which we only received the return this afternoon. The fact is we wrote to them in November 2005 asking for further details and—this is where we are a little embarrassed—we did not get a response and, for some reason or other, our administrative system fell through. The reason I point that out, in direct response to your observation, is: the system in the end works because we follow it through and we check. The fact remains that that organisation knew in November 2005 that we were asking questions and we did not have a response, and yet today we were told—or I think yesterday—we were getting 2005-06. We discovered yesterday that we had this problem with 2004-05, and we received their 2004-05 return this afternoon. I just put that on the table for the committee's information. We are embarrassed because we did not follow through the fact that we did not get a response to our November 2005 letter, and that is an administrative problem for us and hopefully that will never occur again. But the fact remains that the system was already pursuing that as long as 15 months ago.

Senator ROBERT RAY—Do you know the address to which you wrote to them in November 2005?

Mr Campbell—I will take that on notice and see what I can do.

Senator FIERRAVANTI-WELLS—Is the submission of late disclosures—as a general observation of these late disclosure forms—something that is limited to just one political party or entities associated with one political party, or are there examples similar to this one across other political parties?

Mr Bodel—In general it is a fairly routine matter. We get late returns quite regularly from across the spectrum.

Senator FIERRAVANTI-WELLS—So could you please investigate—and certainly with the same degree of vigour that Senator Faulkner urged you to take in relation to the Indi matter—the following donations, which have been disclosed by the Australian Labor Party but which do not appear to have been disclosed by the donors in the list available on the AEC website: \$100,000 donation to the ALP which was not disclosed by the CFMEU Mining and Energy Division; a \$26,000 donation to the ALP not disclosed by the CFMEU Forestry, Mining and Energy Division; a \$20,000 donation to the ALP not disclosed by the CFMEU Construction and General Division; a \$5,000 donation to the ALP not disclosed by the AMWU; and a further \$4,000 donation to the ALP not disclosed by the AMWU. And since Senator Faulkner was so—

Mr Bodel—Can you be specific about which registered party that was?

Senator FIERRAVANTI-WELLS—It is the Australian Labor Party.

Mr Bodel—Yes, but which branch?

Senator FIERRAVANTI-WELLS—I am going on your returns. On the 'Summary of donations reported by donors', they are obviously not there. But on the list annotated

‘Donations reported by ALP’—and I am happy to give you a copy from where I got the information—it simply says ‘Australian Labor Party: Source of receipt; donation: Value of receipts; all: State; all’.

Mr Bodel—I will chase that up.

Senator WATSON—What does it add up to?

Senator FIERRAVANTI-WELLS—Senator Watson asks me what it adds up to. It adds up to a considerable amount of money; it adds up to almost \$160,000. Mr Bodel, Senator Faulkner was pressing the point about the dates. Perhaps we might investigate the dates in relation to each of those donations. Senator Faulkner was pushing you on the question of dates. Presumably you do not have the dates in relation to these donations either.

Mr Bodel—I would have to check the returns. They are not required to be listed but they may be. I will have to check the returns.

Senator FIERRAVANTI-WELLS—Can I just ask—there is obviously the issue of Indi, which my Labor colleagues have asked you to pursue, but what about this failure to disclose? Have these come on your radar?

Mr Bodel—Failure to disclose—if they are failures to disclose; it is not determined yet—those sorts of matters would be investigated routinely as a result of our compliance review processes throughout the year. Largely, it will depend on which particular branch those sums of money relate to. That would normally determine when we sorted out whether or not the disclosure obligations had been met. But if you have asked us to look at them specifically—

Senator FIERRAVANTI-WELLS—For example—

Mr Bodel—We would, as a matter of course, be looking at those.

Senator FIERRAVANTI-WELLS—For example, there is a donation from the AMWU, which is disclosed from 28 Station Street, Moonah, Tasmania, 7009, to the value \$5,000. That does not have a date here, but you are able to go back and have a look and provide us with the date of when that occurred.

Mr Bodel—They are not actually required to disclose the date, but we can ask and see whether they are prepared to disclose the date.

Senator FIERRAVANTI-WELLS—So the requirement for the disclosure is on the part of—you were saying, in the previous instance—the Friends of Indi, as opposed, in this instance, to the union that gave the money.

Mr Bodel—No. I would need to check the legislation, but my assumption is that British American Tobacco have in fact disclosed more than they need to; they do not need to disclose the date of their donation. In the instance we were referring to before, while they have disclosed the date, they did not actually need to disclose that date.

Senator FIERRAVANTI-WELLS—In other words, Senator Faulkner pressing for the date is not something that necessarily will be there—is that what you are saying?

Mr Bodel—It would not necessarily be—

Senator FAULKNER—Not necessarily but it is.

Senator FIERRAVANTI-WELLS—Senator Faulkner, I listened to you; I am now pursuing it.

Senator FAULKNER—Fine. Have a look at the—

Senator FIERRAVANTI-WELLS—You obviously do not like the fact that I am pursuing questions about donations. It is all very well, Senator Faulker—

Senator FAULKNER—You are quite wrong. I think it is hilarious; keep going.

CHAIR—Order! Senator Fierravanti-Wells, you have the call.

Senator FIERRAVANTI-WELLS—All I wish to say is that it is all very well when the shoe is one foot, but when your union affiliates fail to disclose their donations to the ALP it is another issue.

Senator ROBERT RAY—But they are disclosed.

Senator FIERRAVANTI-WELLS—No.

CHAIR—Order!

Senator FIERRAVANTI-WELLS—Mr Bodel, I have your assurance that all these matters will be investigated—you will take them on notice and come back to us on this.

Mr Bodel—Yes.

Senator FIERRAVANTI-WELLS—I am happy to table a copy of the two documents I have.

Mr Bodel—I might just go back—I now have a copy of the British American Tobacco return in front of me.

Senator FAULKNER—Before you do, Mr Bodel, this has been provided, and I thank the committee secretariat for their efficiency in providing it. I just think we should perhaps formally table it.

CHAIR—Senator Faulkner, could you just tell the committee what it is first.

Senator FAULKNER—The identifier is ‘The donor annual return of British American Tobacco Australia’, dated 17 November 2006—even though ‘2006’ is not recorded—and received by the Australian Electoral Commission on 17 November 2006.

CHAIR—Okay, thank you.

Senator FAULKNER—I just think we should formally—

CHAIR—Yes, that is all right.

Senator FAULKNER—Because I have been referring to it without having a copy of it.

Senator ROBERT RAY—I would also note, Chair, that we do have here, at the bottom of page 2, a record of ‘the Liberal Party of Australia (Vic. Division, Indi FEC)’ and then, opposite that, for the address, ‘Friends of Indi, 117 Murphy Street, Wangaratta, Victoria 3677’.

Senator FAULKNER—And if you would care to go to <http://www.aph.gov.au/house/members/member> et cetera, you will find that that is Mrs Sophie

Mirabella's electorate office address—the point that I was asking Mr Bodel to note. No doubt he will inquire into it. But the other point, of course, is, as Senator Ray has pointed out, that on the final column of page—

CHAIR—We have got that already, Senator Faulkner.

Senator FAULKNER—You do not know what I am going to say yet.

CHAIR—I am guessing.

Senator FAULKNER—You might be guessing, but a lot of your guesses are wrong.

CHAIR—Not all of them.

Senator FAULKNER—I want to go to the issue of the date, 10 April 2006, which was the date I recalled, but now it is on the return. I think you can confirm that, Mr Bodel.

Mr Bodel—That is correct, yes.

Senator FAULKNER—Can you just—

Mr Bodel—That is within the time that it is indicated in the Friends of Indi return.

Senator FAULKNER—So let us go to the Friends of Indi return. What is their window?

Mr Bodel—Their window is 8 December 2005 and 30 June 2006.

Senator FAULKNER—Thanks for that. When contact is made by you with this associated entity—or it is not actually an associated entity yet, is it? Friends of Indi. How should I—it has not been determined.

Mr Bodel—It is an organisation. We will call it Friends of Indi for the moment. We have not determined that it is an associated entity.

Senator FAULKNER—Let us call it Friends of Indi. Because that is the date on the donor annual return, would you be actually making contact with that organisation at 117 Murphy Street, Wangaratta? Is that how you make contact with them?

Mr Bodel—No, the most likely address we would use for contact is the address on their associated entity return.

Senator FAULKNER—What is that? Have they switched addresses?

Mr Bodel—The address is 33 Bennelong Road, Cremorne, New South Wales.

Senator FAULKNER—33 Bennelong Road, Cremorne, New South Wales. That means that, some time between 10 April 2006 and today, the Friends of Indi have changed their address from Mrs Mirabella's office in Wangaratta, Victoria, to a street address in Cremorne, New South Wales.

Senator ROBERT RAY—But is that British tobacco—

Mr Bodel—The address that is in the British American Tobacco return is the address of the person they donated the money to.

Senator FAULKNER—Yes.

Mr Bodel—The address on the associated entity return is the address of the financial controller of the associated entity. It is not necessarily the same person.

Senator FAULKNER—Of course they may not necessarily be the same person, but the Friends of Indi mailing address, as per the BAT return of 17 November 2006—you can confirm—is ‘Friends of Indi, 117 Murphy Street, Wangaratta, Victoria 3677’. You can confirm that for us, can’t you?

Mr Bodel—Yes.

Senator FAULKNER—I can confirm, as can anyone, that that is Mrs Sophie Mirabella’s electorate office.

Senator Colbeck—That is of course assuming that they have sent it to the correct address.

Senator ROBERT RAY—Ante up: I’ll give you twenties!

Senator Colbeck—You are making an assumption, because you do not know.

Senator ROBERT RAY—It is my electorate, so I have a rough idea.

Senator FAULKNER—I am saying that somebody has had cause to change the address of Friends of Indi from Ms Mirabella’s electorate office, which it was on 17 November 2006. It has now mysteriously changed a couple of months later to be an address in Cremorne, New South Wales.

CHAIR—What is your question? You are imputing motive without asking a question, Senator Faulkner.

Senator FAULKNER—I am not imputing a motive at all.

CHAIR—I think you might be.

Senator FAULKNER—I understand what the motives are. I am pointing out to the Australian Electoral Commission that the information I provided to them without the benefit of the document earlier turns out to be very accurate. I am sure that, as the chair of the committee, you are delighted to hear that.

CHAIR—I was delighted with your assistance, Senator Faulkner. You know that.

Senator ROBERT RAY—I would like to follow-up one other thing.

CHAIR—Is this on the same issue?

Senator ROBERT RAY—Yes, it is on the same issue. In the press reports on AAP a spokesman for the group the Friends of Indi, named after Ms Mirabella’s electorate, admitted that it was a terrible oversight not to reveal its finances to the AEC. But in fact what you are saying to us, Mr Campbell, is that you wrote to them in November 2005. So it cannot be much of an oversight—or didn’t they get the letter? Did you send it by registered mail?

Mr Bodel—It was not sent by registered mail.

Senator ROBERT RAY—Do you know where you sent the letter to?

Mr Bodel—I do know where the letter was sent to.

Senator FAULKNER—What is the address? It is Ms Mirabella’s electorate office, I suppose.

Mr Bodel—I cannot say.

Senator FAULKNER—Why not?

Mr Bodel—I do not have the letter with me.

Mr Campbell—We have already foreshadowed that we are going to provide the address on notice. We do not have that with us now.

Senator ROBERT RAY—That is fair enough, you cannot remember the address that you sent it to. I am just closing off the possibility that they may not have received it.

Mr Campbell—There is always a possibility.

Senator ROBERT RAY—We do not know whether they received it or not. Their claim that it was an oversight would read a lot better if all of this was discovered in the first few days of February. It seems to me that they were written to 15 months ago. They were given fair warning.

Mr Campbell—That is why I made the observation, even though it is embarrassing to us, that we then slipped up on our follow-through.

Senator ROBERT RAY—It is a very Maoist thing to do, to admit a bit of guilt.

Senator FAULKNER—Just to be clear on the letter, has only one letter been written at any stage to the Friends of Indi requesting they submit a return or has more than one letter been written?

Mr Bodel—No, one letter.

Senator FAULKNER—That was the November 2005 letter?

Mr Bodel—Yes.

Senator FAULKNER—You have taken on notice a request for that to be tabled.

Mr Bodel—We took on notice to give you the address.

Senator FAULKNER—You did.

Mr Bodel—Would you prefer the letter?

Senator FAULKNER—I thought in answering my request for the address you indicated that you were willing to table the letter.

Mr Bodel—Yes, no problem. I just wanted to clarify.

Senator FAULKNER—So there are two separate questions. I obviously do what the address—I suspect I know what it is—and I would request a copy of the letter to be tabled. Thank you.

Senator FIFIELD—Just on this point, Mr Bodel. Take a member of parliament, for instance. They have absolutely no control over the address or details that someone making a donation to a particular entity puts on their disclosure form. It is quite possible, and I am sure it happens very often, that someone making a donation to an entity has in mind a local MP and thinks: ‘I like that person. I might support them.’ Even though the cheque is intended for and even made out to a particular organisation, they may send that to an MP’s office. That is totally beyond the control of an MP. If they thought that the particular entity was based at the MP’s office, even if it was not, that is beyond the control of the MP. Lots of people in the

corporate world do not actually have a great understanding of the way that political parties operate. Many of them do not really understand the distinction between a political party organisation, an associated entity or an MP's office.

Senator FAULKNER—You cannot be serious.

Senator FIFIELD—For them it is all just the Liberal Party or an MP. So it is totally beyond the control of an MP.

Mr Bodel—The return is completed by the donor, so the donor nominates the address.

Senator ROBERT RAY—Which raises the worst problem. Who cashed the cheque, in that case?

Senator FIFIELD—Mr Bodel, please tell the committee: is it your experience that people—organisations—who make donations often do get the address wrong for—

Senator FAULKNER—Do you even know what the address is?

Senator FIFIELD—No—I have no idea what the address is.

Mr Bodel—I really do not have sufficient evidence here to be able to be clear about that.

Senator FAULKNER—That is a relief!

Senator FIERRAVANTI-WELLS—I would like to table two documents. One is a document that demonstrates donations: from AMWU of 28 Station Street, Moonah, Tasmania, to the amount of \$5,000; again AMWU, PO Box 160, Granville, New South Wales 2142, for the amount of \$4,000; CFMEU, Construction and General Division, 33A Newtown Road, Newtown, Tasmania, for \$20,000; CFMEU, Forestry, Mining and Energy Division, 237 Wellington Street, Launceston, Tasmania, for \$26,000; and CFMEU, Mining and Energy Division, PO Box Q1641, Queen Victoria Building Post Office, Sydney, for a donation of \$100,000. I also table another document: summary of donations reported by donors which do not disclose the said donations.

Mr Bodel—As requested, we will look into those, but I should point out that we would have looked into those as a matter of course anyway.

Senator FIERRAVANTI-WELLS—Thank you.

Mr Bodel—We would look at the discrepancies between the—

Senator FIERRAVANTI-WELLS—In that case, then, take them as questions on notice and report accordingly.

Mr Bodel—Okay.

Senator FIERRAVANTI-WELLS—You said that you have already looked into them—have you?

Mr Bodel—No. What I am saying is that we would, as a matter of course, look into those during our standard compliance review process. It is not an unusual kind of arrangement. We look into it all the time.

Senator FIERRAVANTI-WELLS—Which has not yet taken place?

Mr Bodel—That is correct.

Senator FIERRAVANTI-WELLS—Thank you.

Senator ROBERT RAY—Do we have an actual figure for the total amount of money donated by British American Tobacco Australia? It is beyond \$200,000, isn't it, in one year? I notice that the National Party are recipients of two, and the Liberal Party—

Mr Bodel—The printout I have does not have the total receipts on it.

Senator ROBERT RAY—Twenty times for the Liberal Party, although you are entitled to take off Friends of Indi because the Liberal Party has not seen any of it, according to its treasurer. You have not done a total?

Mr Bodel—The return that I have in front of me does not have the total receipts on it.

Senator MILNE—I would like to return to Willmac Enterprises. We interrupted your report to the committee, so could you just go back and tell us about the Willmac Enterprises' investigation at this point?

Mr Bodel—The Willmac Enterprises' investigation was an investigation into whether seven advertisements and pamphlets produced during the 2004 federal election had been appropriately disclosed. The AEC found that the expenditure on the seven advertisements and pamphlets had been appropriately disclosed by Willmac Enterprises at the time of the 2004 federal election.

Senator MILNE—I just want to ask some questions about that. Did Willmac Enterprises make that disclosure before or after being approached by the Electoral Commission?

Mr Bodel—They made the disclosure before being approached by the Electoral Commission. They made it at the appropriate time of the 2004 federal election.

Senator MILNE—Who is the principal of Willmac Enterprises?

Mr Bodel—Mr William Mackenzie.

Senator MILNE—Is he the person who authorised the pamphlets?

Mr Bodel—I believe the pamphlets and advertisements were authorised by a range of people. Some of them I believe were authorised by William Mackenzie.

Senator MILNE—Did he give his address at that time as 11 Baden-Powell Place?

Mr Bodel—The authorisations are not something that is within my purview. I am only responsible for the disclosure side of things.

Senator MILNE—I will come to the addresses in a minute but, on the disclosure side of Willmac Enterprises, you say in your conclusion that Mr William Mackenzie donated the whole amount. Is that correct?

Mr Bodel—No. The conclusion is that Willmac Enterprises paid for all of the pamphlets and advertisements.

Senator MILNE—So Willmac Enterprises paid for all of the materials. Is there any way of knowing who contributed to Willmac Enterprises? Did you investigate who contributed to Willmac Enterprises?

Mr Bodel—That was beyond the scope of the inquiry that we were conducting; however, there have been materials that came to light during the inquiry that have resulted in our continuing to look at other disclosure matters in relation to Willmac Enterprises.

Senator MILNE—This is a particularly important point because, if you can set up a company for the purposes of making a donation or paying for something at a federal election, only the company has to disclose how much it pays, which potentially protects a whole lot of third-party people who wish to donate to that company. Is that correct?

Mr Bodel—There is a disclosure obligation on anyone who makes a third party return to disclose any donations made to them.

Senator MILNE—If they do not, do you have any way of knowing about it?

Mr Bodel—It would depend on the particular circumstances.

Senator MILNE—So, to come back to this set of circumstances, does this investigation that you are now conducting go to who donated to Willmac Enterprises in order that they could pay the bills?

Mr Bodel—We are making further inquiries; it is not an investigation. We cannot really comment at this stage about what those inquiries involve.

Senator MILNE—For the benefit of the committee, can you indicate how much William Mackenzie paid or declared?

Mr Bodel—Yes. It is in the vicinity of \$300,000.

Senator MILNE—I think it is a bit more than that, but it is in excess of \$300,000. Is Mr Mackenzie on the electoral roll?

Mr Bodel—That is beyond my purview; I would not be able to answer that question.

Senator MILNE—Can I put it on notice and ask a general question: who can be exempted from the electoral roll? What is the basis on which an exemption would be granted?

Mr Dacey—All Australian citizens over 18 years of age are required to enrol.

Senator MILNE—On what basis can you be exempted?

Mr Dacey—There is no exemption. You can be objected from the roll if you are of ‘unsound mind’ on the basis of a doctor’s certificate. You cannot exempt yourself from being on the roll just because you want to exempt yourself.

Senator MILNE—So are those members of a church group, such as the Exclusive Brethren, who say they do not vote, in breach of their obligations under the Electoral Act? Are they fined if they do not vote?

Mr Dacey—No, religious belief is a valid and sufficient reason for not voting.

Senator MILNE—So how do you get an exemption on the basis of religion?

Mr Dacey—You cannot get an exemption from being on the electoral roll.

Senator MILNE—How are you excused from voting, then, on the basis of religion? Do you personally apply? What is the procedure?

Mr Dacey—What we would do after the election if someone failed to vote is to send them a notice asking them to explain why they had failed to vote and, if they gave religious beliefs as their reason, that is acceptable under the Electoral Act as a reason for not voting.

Senator FAULKNER—Fail to vote or fail to attend a polling booth?

Mr Dacey—Fail to attend the polling booth.

Senator FAULKNER—Which is different. I know we use this as shorthand, but it is not quite right—is it? In other words, you have to attend a polling booth and get your name crossed off. What you do with the ballot paper is up to you.

Senator MILNE—So if somebody exercises their right to say that they wish not to attend the polling booth because of religious belief but they then spend in excess of \$300,000 involving themselves in the election, do you think that forfeits their former privilege, if you like, not to vote?

Mr Dacey—There is no relationship under the law between those two situations. There is no restriction on who may make donations. You do not have to vote and you do not have to be enrolled to make a donation.

Senator MURRAY—Can you step me through the logic of that? If someone declares that their religious belief is that they do not want to engage in the political process, you are reminding us that the law does not permit them to refuse to be on the roll, so they should be on the roll, but the law does permit them to refuse to attend the polling booth because of religious belief. However, isn't it a false declaration of a religious belief if the basis of that belief is that you said you do not want to engage in politics, but you are actively engaged in another field, such as donations? Isn't there a provision in your law that someone should not make a false declaration for religious belief if that does not actually apply?

Mr Dacey—No, there is no provision in relation to that. It is not a declaration as such; it is someone stating to us that their religious belief prevents them from attending to vote on polling day. It does not necessarily say that they cannot participate in other aspects of the political process. That is the law as it stands.

Senator MURRAY—Take the Exclusive Brethren example. Let us talk about Mr X. He did not turn up to vote because he was drunk, but he could write back to you that it was his religious belief. You would accept that?

Mr Dacey—In general, yes.

Senator MURRAY—Even though it was a false statement?

Mr Dacey—If we have nothing to indicate that it is a false statement, we have no reason not to accept it.

Senator MURRAY—But in this case you do have the indication of a false statement, potentially.

Mr Dacey—I cannot see the relationship between a religious belief preventing someone from not being able to exercise the right to vote on polling day—and that sometimes depends on what religion it is, doing some sort of activity like that on a Saturday—to being involved in a wider political context. There is certainly nothing in the law that would suggest that there is

any interrelationship there or anything that we should be looking at in terms of what you might consider to be a conflict. There is certainly nothing that prevents anyone of any persuasion to participate in what they might see as an electoral process by a donation to a political party or a third party.

Senator FIERRAVANTI-WELLS—What happens is if you do not vote on a particular day, the Australian Electoral Commission will send you a notice that says, ‘You failed to vote.’ It attaches a form or it enables you to then go back and say, ‘I didn’t vote’. I will give you an example. I recently had an example of a constituent who had gone to the polling booth, had presented at the polling booth but they had crossed the wrong person off. I had seen the person walk into the polling booth, and this person was able to prove to the Electoral Commission that yes, she had gone in. They are the sorts of circumstances that do arise. You can give reasons why people do not turn up.

Mr Dacey—There are all different sorts of circumstances.

Senator FIERRAVANTI-WELLS—That is right.

CHAIR—Mr Dacey, did you have anything to add to that?

Mr Dacey—No, just that there are many different circumstances why people fail to vote, and it is a decision that each returning officer has to make whether or not that reason is a valid and sufficient reason for not voting.

Senator ROBERT RAY—Can you point out in the electoral act to me—

CHAIR—Is this on this particular point?

Senator ROBERT RAY—yes—where it says that you have to vote? It does not, does it? You have to attend a polling booth.

CHAIR—We have touched on this.

Senator ROBERT RAY—But they were back at it. They are recidivists; they get back to it.

CHAIR—Thanks; fair point.

Senator BOB BROWN—Mr Bodel, you have said in response to Senator Milne that Willmac Enterprises made a disclosure before being approached by the electoral office.

Mr Bodel—That is correct.

Senator BOB BROWN—What was the date of the last election? Can you just remind the committee.

Mr Bodel—The date of the return was—

Senator BOB BROWN—The date of the election.

Mr Bodel—The date of the 2004 election?

Senator BOB BROWN—Yes.

Mr Bodel—9 October.

Senator BOB BROWN—I wrote to you on 11 January 2005—right?

Mr Bodel—Yes, that is correct.

Senator BOB BROWN—And Willmac Enterprises furnished a return on 21 January 2005, 10 days later.

Mr Bodel—Yes, that is correct.

Senator BOB BROWN—Had the electoral office made no approach or notification or given no indication to anybody in that period that you required information as a result of my inquiry to you or your earlier letter to me?

Mr Bodel—I do not believe we had commenced talking to Willmac Enterprises at that point.

Senator BOB BROWN—No, anybody at all. You had been furnished with a list of more than seven electoral pamphlets and so on from me on 11 January, but Mr Pickering had asked me, picking up on a Senate submission, the previous year, in 2004, about electoral material. Are you able to say categorically to the committee that nobody had been approached as a result of any of that information before 21 January last year?

Mr Bodel—I would need to take that on notice and just make sure.

Senator BOB BROWN—Would you?

Mr Bodel—Yes.

Senator BOB BROWN—Thank you. What was the closing date for the furnishing of declarations of spending on the October 2004 election campaign?

Mr Bodel—I would need to get back to you with the specific date.

Mr Dacey—I think it is 20 weeks post polling day, so we could work that out.

Senator BOB BROWN—So this came within that 20 week period?

Mr Dacey—Yes.

Senator BOB BROWN—How did the electoral office go about following up the seven pieces of electoral spending that Willmac Enterprises declared on 21 January? And why was the electoral office not able to tell me about Willmac Enterprises until December of last year?

Mr Bodel—I will deal with the first part of the question. It is our policy not to go into a great deal of depth about how we conduct our investigations, in order to not alert people about how we go about doing things. But I can say that we verified from sources other than Willmac Enterprises where the expenditure came from. That is about as far as I can go in relation to that.

On the second part of the question: the reason it has taken us so long to get to the bottom of it is that it is about the nature of third party disclosures. Third party disclosures are only required to disclose the total of expenditure on particular types of activity, such as advertisements, pamphlets, et cetera. So it is not possible to tell from a third party disclosure which advertisements or pamphlets, or any other type of advertising, were paid for by the money that is disclosed in that disclosure. What that means is that it is necessary for us, in this particular case, to work back from the seven items in question to where the money came from

and then figure out whether they had been appropriately disclosed. That is why it took so long.

Senator BOB BROWN—Why did you have to do that, when on 21 January last year Willmac Enterprises admitted to funding all of them?

Mr Bodel—No, they had not. All Willmac Enterprises had done was complete a third party return. The only detail contained in a third party return is a total of expenditure on particular types of electoral activity. So you cannot tell from the Willmac Enterprises' third party return, or any other third party return, which particular advertisements or pamphlets relate to that particular return.

Senator BOB BROWN—On what date did you realise that Willmac Enterprises had been funding any or all of the seven particular items?

Mr Bodel—We determined the first couple of items around about May last year.

Senator BOB BROWN—How did you determine that, Mr Bodel?

Mr Bodel—Like I said, we do not really want to go into too much detail about how we determined that, but I can say that we obtained the information from a source other than Willmac Enterprises.

Senator BOB BROWN—Well, I would like the committee to know how you determined that. The matter has been declared. The people involved have made declarations; it is fair enough that this committee hear—

Mr Campbell—Senator, Mr Bodel will take you through what happened.

Senator BOB BROWN—Thank you.

Mr Bodel—What happened in this particular case is we initially wrote to everybody who authorised the advertisements or pamphlets to see if they admitted to any disclosure obligation. Then we went to the newspapers where the advertisements were published and the printing shops where the pamphlets were published and asked them to provide us with copies of receipts for who had paid for those advertisements and pamphlets. We then traced those receipts back to a bank account. We asked for details about that bank account, and that bank account belonged to Willmac Enterprises. That is how we did it.

Mr Campbell—Senator, the reason it took so long, which is part of your question, is that that complete process for the seventh item—and I will not say which organisation, but there were seven items there—took until very late last year to actually determine the process right through the agencies involved. That is why it took so long to answer your query.

Mr Bodel—For the final item that we determined we did not have the evidence to complete the inquiry until well into December last year.

Senator MILNE—Can I just take you up there for one minute and ask who placed the advertisements? You have said Willmac; you can prove from the receipts who paid for them. Did you ask who placed them?

Mr Bodel—No, because that is not a disclosure obligation. There is no obligation to disclose who placed the advertisements; the obligation is on whoever paid for the advertisements.

Senator BOB BROWN—So you were able to exactly ascertain that the seven items added up to the \$300,000-plus that Willmac Enterprises had declared back on 21 January?

Mr Bodel—No, that is not correct. The seven items add up to less than the sum disclosed in the Willmac Enterprises—

Senator BOB BROWN—So what made the difference?

Mr Bodel—I do not know, and nor is it a requirement for Willmac to disclose what else it used the money for. So that was not within the scope of the inquiry.

Senator BOB BROWN—What was the amount of money? What was the gap between the total for the seven items and the amount declared by Willmac?

Mr Bodel—It added up to about half of the sum.

Senator BOB BROWN—Can you give me the figures?

Mr Bodel—I will take it on notice and provide that to you.

Senator BOB BROWN—Okay, so Willmac Enterprises, obviously, according to this evidence, had twice the amount of input to the election as indicated by the seven items that you are actually able to identify.

Mr Bodel—That is correct.

Senator BOB BROWN—And there is no way of finding what the other spending went to, no requirement for you to do that and no requirement for them to disclose that.

Mr Bodel—That is correct.

Senator CHRIS EVANS—I do not quite understand that. You did not get a return from donors; the finding of your report is that the company Willmac Enterprises funded all of these things, even though they were not the authorising body.

Mr Bodel—That is correct.

Senator CHRIS EVANS—How is it that you then established that there had been \$370,000 worth of expenditure?

Mr Bodel—Willmac Enterprises lodged a third-party return for the 2004 federal election detailing the total of sums spent by Willmac Enterprises on political materials. I cannot remember the precise terms.

Senator CHRIS EVANS—When you interviewed them, didn't they detail for you what they spent the money on?

Mr Bodel—They were not required to do so. It is not a disclosure obligation for them to detail—

Senator BOB BROWN—Maybe I could go back and then you could follow on, Senator Evans.

Senator CHRIS EVANS—I am just trying to be clear about what he told you, Senator Brown.

Senator BOB BROWN—Who is Willmac Enterprises?

Mr Bodel—Willmac Enterprises was a registered company, as far as I understand it.

Senator BOB BROWN—Is it true that that company was established in the month before the 2004 election and then closed down in the wake of your investigations at the end of last year?

Mr Bodel—That was not something that was within the scope of the inquiry that we undertook. The scope of the inquiry was whether expenditure on those seven advertisements had been appropriately disclosed, and it had been.

Senator BOB BROWN—Did you discover that Willmac Enterprises was set up on 14 September 2004, registered and then was deregistered voluntarily on 25 September 2006 and in the intervening period had moved from North Rocks in Sydney to Lake Cargelligo?

Mr Bodel—I understand that is the case, yes.

Senator BOB BROWN—Is it true that the capitalisation of this company was \$100?

Mr Bodel—That is not something that we would look at in this particular type of inquiry. It is not an inquiry about the sort of organisation or how it is established. It is an inquiry as to whether particular items had been disclosed.

Senator BOB BROWN—But isn't it a matter of the Electoral Act that it is illegal to publish, print, distribute and so on any matter or thing that is likely to mislead or deceive an electorate in relation to the casting of a vote?

Mr Bodel—I understand that that is part of the Electoral Act, yes.

Senator BOB BROWN—If there were seven items—and a number of others that we do not know about—authorised by persons who in fact were not Willmac Enterprises and were not disclosing that Willmac Enterprises was actually funding the matter, is that not deceptive of the voters?

Mr Bodel—No, that is within the scope of the legislation. The person or organisation that has a disclosure obligation does not need to be the same person or organisation that authorises an advertisement. They can be two entirely separate people or organisations.

Senator BOB BROWN—You have established that this organisation was established a month before the election campaign and then closed down subsequently; that it spent over \$300,000 in the election campaign in a way in which can only be described as unknown to the electorate at the time; that it spent on seven different items in at least three different states, New South Wales, South Australia and Tasmania—and that it only discloses half of the activities of this organisation; and that one person, Mr Mackenzie, is the proprietor of that company. Did you question that man?

Mr Bodel—Yes, we wrote to Mr Mackenzie.

Senator BOB BROWN—Did you question Mr Mackenzie?

Mr Bodel—We did not question him face to face.

Senator BOB BROWN—Why not?

Mr Bodel—Because we determined from third-party sources that the disclosure obligations had been met there was no need to talk to him directly.

Senator BOB BROWN—What about his address?

Mr Bodel—His address is not relevant to his disclosure obligations.

Senator BOB BROWN—Even when he authorised material?

Mr Bodel—Authorisation is not something that I took into consideration as part of the disclosure inquiry. It is not something I particularly deal with.

Mr Dacey—In terms of authorisation for an address, the only requirement of the Commonwealth Electoral Act is that the address be a street address and that it be an address where the person authorising the material can be contacted during normal working hours. It does not have to be a residential address at all.

Senator BOB BROWN—Did you establish—because I indicated this to you—that the address at North Rocks was not one that was occupied and was not one where any person could be contacted at the time of the federal election?

Mr Dacey—It does not have to be, as I said, a residential address. At the time we had a conversation, the election was well and truly over and the person may well have been able to be contacted at that address at that time. You would appreciate that, with the number of advertisements floating around at election time, we cannot look at every address to determine whether or not the person authorising the advertisement can in fact be contacted at that address during normal working hours.

Senator BOB BROWN—I specifically requested you to ascertain whether that was a contactable address at North Rocks at the time of the election campaign when the advertisements—authorised giving that address—were indicating that that was where the authorising person, Mr Mackenzie, could be contacted.

Mr Dacey—When we had that discussion, as I said, that was well and truly post the election period, so it would be almost impossible to establish whether or not the person could have been contacted there some significant time beforehand.

Senator BOB BROWN—Why is that the case? Of course, that is not true.

Mr Dacey—Senator, what would be the value in that anyway?

Senator BOB BROWN—The value in that is ensuring that the requirements of the law were upheld—that the person could be contacted at that address in the election campaign, when that was the indicated address in the authorisation by that person.

Mr Dacey—As I said, it was well and truly post that period—post the election time and post the campaign.

Senator BOB BROWN—You have said that the AEC found no evidence that Willmac Enterprises received gifts or donations to be used in the electoral expenditure—that is the \$300,000 to \$400,000. What evidence did you seek? And in what way was that evidence sought?

Mr Campbell—I will go back a few moments to the exchange between Mr Bodel and Senator Milne. Your request, quite rightly, related to seven advertisements and the funding of those seven advertisements. It took—as Mr Bodel and I indicated a few moments ago—nearly

12 months for us to go through those seven advertisements. And, as I indicated, the seventh one was—

Senator BOB BROWN—If I may intervene there, my request was that it appeared that the Exclusive Brethren had, in a concerted way, taken part in the election campaign without revealing their identity. I specifically drew your attention to seven items, but I did not restrict it, nor did I ever request that that be the limitation on your reply.

Mr Campbell—Senator, I am coming to that. Even though you obviously had other issues, as you have just indicated, the first main point in terms of funding and disclosure was: who had paid for those seven ads and had that expenditure disclosed to us in an appropriate way? It took us nearly 12 months to do that, as I indicated. And, as I indicated, the reason for the delay was that one of them was particularly hard—not because of our records but because of the records of the entity that ran the ad—to track them down. We then wrote to you and said, ‘In response to those seven issues, we now know who paid for them, and they were appropriately disclosed in a third party return.’ But, as Mr Bodel said in the exchange with Senator Milne probably 10 or 15 minutes ago, during the last 12 months, a number of other issues have come to our attention and we are now pursuing those lines of inquiry. We do not yet want to go any further into what we are doing. We will be back at estimates, as you know, but the point that remains is that we have answered the specific questions you asked—I understand that you have other issues behind that—but we are now pursuing other lines of inquiry that have come to light while we were answering your queries through our investigation. I would like to leave it there because I cannot go into more detail about what we are doing.

Senator BOB BROWN—You said in your letter to me that your office had found no evidence that Willmac Enterprises received gifts or donations to be used in this electoral expenditure.

Mr Campbell—We wrote that letter because we wanted to answer your very specific question. We wrote that letter and gave you the information we had at the time. I am saying to you that we are continuing—this almost sounds, I know, like a TV show—various lines of inquiry.

Senator BOB BROWN—I am asking you: does that sentence still stand true?

Mr Campbell—I would rather allow some time for our inquiry to proceed before I answer any further.

Senator BOB BROWN—I would like an answer to that question, Mr Campbell.

Mr Campbell—We are investigating a number of issues to do with this broader matter. One of them is looking at issues of where funding came from.

Senator BOB BROWN—I take it from that that the AEC would no longer write to me saying that there has been no evidence that Willmac Enterprises received gifts et cetera.

Mr Campbell—We have no evidence. Part of this came about because you wanted an answer—quite rightly, because you had asked the question many months before. We were giving an answer to the very specific issue that you raised that we could answer. We then said

that we had no other evidence, but we did not say that we were not pursuing other lines of inquiry.

Senator BOB BROWN—You did not say that you were.

Mr Campbell—As I indicated, we usually do not do that. I am only doing this now because I am before a Senate committee and I am being asked the question quite explicitly. Your inquiry to us—your letter to us and the several discussions you had with Mr Dacey during 2006—did not lead me in terms of having to tell you everything that we are doing until we know the outcome.

Senator CHRIS EVANS—Mr Campbell, I would like to understand the terms of your powers. You say that you have dealt with it. I have read the conclusions of the investigation relating to the matters that Senator Brown raised with you. How would you describe what you are now doing and under what power?

Mr Campbell—It is under the powers of the act—several sections of the act. If I go into those, that might foreshadow what we are doing. In effect I am pursuing certain lines of inquiry in regard to this matter.

Senator CHRIS EVANS—But this is under your own initiative? I am just trying to be clear on this. You are saying to us that Senator Brown's queries in the specific have been dealt with?

Mr Campbell—Yes.

Senator CHRIS EVANS—And you are now using your powers under the act to conduct other investigations?

Mr Campbell—Other lines of inquiry, yes.

Senator BOB BROWN—The point that has to be brought up here, Commissioner, is that it is almost 2½ years since the last election—in fact we are much closer to the next election—and this matter appears to be far from fully investigated. I asked your officers when they met me in the middle of last year, and then by writing to you later in the year, ought not the Australian Federal Police be brought into investigate the matter. Has that reasonable option been canvassed by the commission, and, if not, why not?

Mr Campbell—There is no reason at this stage to go anywhere near referring anything to the Australian Federal Police.

Senator BOB BROWN—It has taken 2½ years, Commissioner. Following the trail on all misdemeanours or crimes, if there are crimes, becomes much more difficult with the efflux of time. Frankly, I think it has taken far too long for the commission to investigate and to conclude on this matter. When do you expect that the matter will be concluded?

Mr Campbell—I do not know.

Senator BOB BROWN—That is unsatisfactory.

Mr Campbell—I do not accept your assertion, by the way. We are dependent on getting information from other people. It has taken one newspaper quite a period of time to find the invoice for who actually paid the money in respect of one ad; we are dependent upon getting information from other sources. I do not accept the fact—and I think this is the inference of

your question—that we are going slow on this or we are being slow. We are doing it, but we are doing it according to appropriate powers.

Senator BOB BROWN—In the letter, you say—

CHAIR—How long do you think you will be, Senator Brown?

Senator BOB BROWN—A little while longer.

CHAIR—We had an agreement which was agreed to by the parties that we would start the Human Services portfolio at 9 pm. I am not going to cut you off, but please be as quick as you can.

Senator BOB BROWN—I will take that on board. You say on the last page of your letter of 19 December:

... the AEC corresponded with: Senator Brown; the people who authorised the advertisements and pamphlets; the newspapers in which the advertisements appeared; and people identified with the Exclusive Brethren.

Who were the people identified with the Exclusive Brethren?

Mr Bodel—We basically communicated with everybody who was identified in correspondence provided by you, who authorised the advertisements and who had been identified in the media. We basically covered as many bases as we could.

Senator BOB BROWN—Have you got information indicating that Mr Mackenzie simply does not have the wherewithal to be spending \$300,000 to \$400,000 on election advertising?

Mr Bodel—We have no information about Mr Mackenzie's wherewithal at all.

Senator BOB BROWN—Ought you not have?

Mr Bodel—No. The question is whether expenditure on the advertisements and pamphlets had been appropriately disclosed, and it had been.

Senator BOB BROWN—Senator Milne asked about whether he was on the electoral roll. Could you also take on notice the question as to whether he voted at the election campaign and whether he sought an exception from voting in the election campaign?

Mr Dacey—That would divulge personal information; it is not appropriate that we provide that information.

Senator BOB BROWN—Is there any provision that the electoral office has for a class exemption for a religion rather than for individuals?

Mr Dacey—No, there is not. It is an individual responding to a request by the AEC for information as to why that person appeared to have failed to vote.

Senator BOB BROWN—How many people had requested and were given exemption from voting in the 2004 election?

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

Mr Campbell—On particular grounds or just generally?

Senator BOB BROWN—On the grounds of religious belief, and, in particular, on the grounds of being a member of the Exclusive Brethren.

Mr Campbell—We would not collect information on the particular religious belief that someone expressed that they had. We would not collect information on certain denominations or so-called religious sects.

Senator BOB BROWN—The matter must be recorded in writing.

Mr Dacey—It is not an exemption as such. An elector does not apply for an exemption before the election. The elector would be responding to a please explain sent by our office and there would be a written response from that elector.

Senator BOB BROWN—Can you let the committee know how many such written responses indicated that the exemption was requested because of religious adherence, and, of those, how many claimed to be Exclusive Brethren?

Mr Campbell—That is an enormous task. In the 2004 election, we sent out over 600,000 requests for reasons why people were not voting. To now try to go back and find 600,000-plus responses and categorise them into particular reasons like that is something I do not think I have the resources to do.

Senator BOB BROWN—I have two final questions. Firstly, the matter I drew your attention to was a ‘no Greens’ sticker in Tasmania without authorisation. That is not mentioned in your response to me. Has the electoral office been able to discover who distributed that particular vehicular sticker during the election period and why it was not authorised?

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

Senator BOB BROWN—Why there has been no success in tracking down the lack of authorisation?

Mr Dacey—Yes.

Senator BOB BROWN—I did notify you about that in January 2006. The other matter is the enrolment activity for the last year in Tasmania. The population of Tasmania has increased, but the number of people on the electoral roll has dropped by 2,270. Why is that?

Mr Campbell—I am not being smart here but, in the first hour of estimates, Senator Faulkner and I had quite an exchange on this. Overall enrolment across the country at the end of December was higher than it had been at the end of June. But we are concerned—and I have indicated this publicly—about the number of people on the roll or, more importantly, the number of people who we think are eligible to be on the roll but are not. We went through with the committee before you arrived, Senator Brown, a number of issues that we have in train to try to reverse that trend.

There is no simple answer as to why the roll is lower than we might think or might desire, but let me put a couple on the table. The cycle is that, after federal elections, the growth in the roll goes slow—and in this case we actually had a decrease. State elections tend to give you an increase, because of the close of roll thing—as a federal election does. Until the end of June last year, we had had state elections in the preceding 12 months in both Tasmania and South Australia in March last year and we then had an election in Queensland in September and one in Victoria in late November—and, of course, we have New South Wales at the end of March.

Senator BOB BROWN—My question is about Tasmania.

Mr Campbell—I am trying to answer it nationally, because the national issue is a state issue as well. We are finding that, when you are moving away from elections, people are moving and they are not notifying us and the objection process that is set out in the Commonwealth Electoral Act means that they get objected off the roll. When you get closer to events—be they state events or a national event—people come back in and they enrol. Therefore, it would not be unusual to our minds that Tasmania's roll did fall away for a period of time after the last state election. From memory, the last state election was 17 March last year. The Tasmanian issue is no different to what we are facing in every other state and the two territories. There is nothing unique about Tasmania in this circumstance.

Senator MURRAY—Mr Campbell, I wrote to you in July last year suggesting that best practice guidelines be developed and adopted by the commission to improve the scope, quality and usability of financial disclosure returns—of course, I recognise that you cannot force people to do that because the law is explicit, but you could certainly indicate what would be better practice. You wrote back, favourably, that the AEC would consider developing best practice guidelines and publish them on your website. In my own mind, of course, we were setting this up in time for this year's disclosure returns. I really want a progress report if you have one.

Mr Bodel—I have a number of draft guidance notes in my in-tray at the moment for me to check, clear and forward up the line in preparation for putting on the website.

Senator MURRAY—Do you have a project time line for the expectation that the commissioner would tick them off?

Mr Campbell—I am a hard ticker.

Mr Bodel—Part of that is out of my hands.

Senator MURRAY—That is why I am asking the question in his hearing. Maybe the commissioner will answer.

Mr Bodel—My expectation is that we would have a range of those guidance notes on the website in time for the disclosure obligations that fall due at the end of this financial year.

Senator MURRAY—That is what I would be after. That is satisfactory, thank you. Commissioner, another matter I wrote to you about concerned the legibility of disclosure returns. You informed me in your response in September last year that you have in place procedures for dealing with this issue and there is also the ability to do returns online and have attachments lodged by email. Would you indicate whether, in fact, electronic lodgement has picked up and whether it is significantly more and whether the quality and legibility of disclosure returns have improved?

Mr Bodel—The number of electronic lodgements has picked up from zero, which it was previously. There were not as many electronic lodgements as I had hoped and we will certainly be looking to improve the number of electronic lodgements in future. What we have found, though, is that people used the online forms to complete the returns, then printed them out and posted them to us. So we have had a significant increase in typed returns.

Mr Campbell—We are halfway there.

Mr Bodel—We are halfway there, basically. For this round, I do not believe that there was a return that we were not able to read, because we read each return in order to enter it on the website.

Senator MURRAY—The ones I have seen I have been able to read, but I have not been able to go through them all. The other receipts portion of returns is probably the one which causes the most confusion of all of them. Will your guidance notes be dealing with the other receipts area?

Mr Bodel—Yes, they will.

Senator MURRAY—By the way, I have looked across the parties, so when I refer to particular political parties I recognise that problems are endemic to all parties, including, I might add, my own, which is always a cause for regret. Within the AEC's 2005-06 political party annual returns, the WA Liberal Party itemised 13 branches for which it failed to submit information on donations received for the period in question. I am aware that Liberal Party branches all run targeted fundraising and so on, so that would seem unusual to me. Do you automatically investigate those sorts of situations and anomalies?

Mr Bodel—Yes, we do, and we are pursuing that matter.

Senator MURRAY—Thank you. The change in the disclosure threshold, as you know, came into practice during the last disclosure period. Remind me of the date that that actually began.

Mr Bodel—It was 8 December 2005.

Senator MURRAY—Have you noticed any significant changes in the quantum value of donations disclosed? Have you done any formal analysis of the difference between electoral returns now as opposed to previously?

Mr Bodel—Yes. The number of detailed receipts in political party returns has declined and, consequently, the number of donor returns has declined.

Mr Campbell—We made that point in our press release—

Senator MURRAY—Yes, I saw that.

Mr Campbell—when we announced that it was all up on the website.

Senator MURRAY—Do you have a more detailed analysis?

Mr Bodel—We are attempting to do something a little more detailed than that, but it is quite difficult to determine for this particular financial year what percentage of total receipts were disclosed. I assume that is the sort of figure that you are interested in.

Senator MURRAY—Yes. I will give you an example. I will, for the record, note that they actually opposed the change in the law—there is no manipulation of morality here, I do not think—but the WA branch of the Australian Labor Party disclosed five receipts—just five—totalling \$100,050 for the period 8 December 2005 onwards, which is the new period, and that was equivalent to 56 per cent of their donations for the year. In contrast, for the previous period, which was under the old system, there were 62 receipts and that totalled 44 per cent of the year.

Mr Campbell—Do you mean the previous financial year?

Senator MURRAY—No—the first half was under the old system and the second half was under the new system. What I am essentially trying to indicate is that there has been a reduction from 62 receipts to five receipts, and yet the five covered off the period when much more was raised. I think that indicates the real problem with the new system from the perspective of a person like me. That would be common to the analysis across the board, wouldn't it?

Mr Bodel—Yes.

Senator FIERRAVANTI-WELLS—I would like to ask a couple of questions about other receipts within the electoral framework and how this differs from donations. Could you tell me about that?

Mr Bodel—The legislative requirement is for parties to provide details about all receipts that exceed the threshold. There is no obligation on parties or associated entities to detail whether those receipts are donations or other receipts. As part of the disclosure process we ask parties to differentiate between donations and other receipts. They do not actually have to do so, but they can do so if they wish, and the vast majority of them do.

Senator FIERRAVANTI-WELLS—I do not know if you are aware of an article that appeared on Crikey on 7 February which suggests that the ALP is using the 'other receipts' category to avoid disclosing donations received. I would like to quote a number of matters from that. It states:

NSW Labor is now rorting this definitional confusion in a huge way and claiming most contributions it receives are "other receipts". The party declared 384 contributions totally \$12.26 million in 2005-06 but only 20 of these, worth \$350,000, were actually classified as "donations."

The item goes on to list some donations published in the press, and then it makes this assertion:

Now, compare that with the following complete list of all contributions above \$20,000 that NSW Labor pocketed in 2005-06 when you include "other receipts."

It then sets a whole list of amounts: \$221,000, \$188,000; United Services Union, \$111,000—and it just goes on, with unions, companies et cetera. My question to you is: have you seen this article, or are you aware of it?

Mr Bodel—Yes.

Senator FIERRAVANTI-WELLS—Will you be investigating the issues that are raised in the article?

Mr Bodel—We would do it as part of the standard compliance review process. When the article came out we did a little bit of analysis, and we can make some assumptions about it. I am prepared to talk a bit about that, if you would like.

Senator FIERRAVANTI-WELLS—Certainly, if you would not mind. Do you have the ability to now go to the Australian Labor Party and say, 'What distinguishes what you have disclosed from the United Services Union as opposed to, maybe, a donation?'

Mr Bodel—We would, as a matter of course, examine those matters when we do a standard compliance review of the Australian Labor Party in New South Wales.

Senator FIERRAVANTI-WELLS—How will you know? What tools are available to you to, in effect, move these receipts or reclassify these receipts as donations?

Mr Bodel—There is no obligation on them to do so. However, historically, most parties have been prepared to amend their returns if there is a discrepancy. I should say that the process involves us going into a political party, checking their receipts and ascertaining what the payments related to.

Senator FIERRAVANTI-WELLS—So you actually have the ability to do the detailed investigation and just go to the Labor Party headquarters and say, ‘Please produce all your receipts.’ Is that what you do?

Mr Bodel—That is precisely what we do.

Senator FIERRAVANTI-WELLS—So that means that, in relation to these hundreds of thousands of dollars worth of ‘other receipts’, that may well be what you will be doing?

Mr Bodel—We will be doing that. As I say, we have done a little bit of analysis on this, and while we cannot be definite we can make some assumptions about it that we believe, based on previous evidence, are correct. A large number of them are payments of similar sums of money: there will be a series of payments from different people that are exactly the same. That is usually an indication that it is attendance at a function. That is appropriately disclosed as an ‘other receipt’. When we did an analysis of the items identified by Crikey, 74 per cent of the total of receipts came out looking like they were for attendance at functions. A further 15 per cent of them came out looking like the maturation of term deposits and that sort of thing. We are making some assumptions there, but based on previous evidence of how these sorts of payments are disclosed it almost certainly looks like that is the case.

Senator FIERRAVANTI-WELLS—You mentioned maturation of deposits. The article says the \$1.07 million ‘other receipt’ from Adelaide Bank declared by the New South Wales ALP in 2004-05 was not a donation but simply interest earned from funds on deposits.

Mr Bodel—That is not a donation.

Senator FIERRAVANTI-WELLS—We look forward to your investigations, Mr Bodel. So you will just take these and answer them on notice as part of the process? When do you expect those investigations to be completed?

Mr Bodel—Some time during the next 12 months. I believe New South Wales is in the first half of the year; so before the end of June.

Senator FIERRAVANTI-WELLS—Before the end of June. Thank you very much.

Mr Dacey—May I make a point of clarification, please? Earlier, Senator Milne asked in relation to returns from persons incurring electoral expenditure. The answer is that they are due 15 weeks, not 20 weeks, after polling day.

Senator LUNDY—Are Crosby Textor doing any work for the AEC as a consultant?

Mr Campbell—No, Senator.

Senator LUNDY—Have they in the past?

Mr Dacey—Not to my knowledge, and I have been around a long time.

CHAIR—Thank you, Mr Campbell, and officers, very much for your assistance tonight.

Proceedings suspended from 9.28 pm to 9.36 pm

HUMAN SERVICES PORTFOLIO**In Attendance**

Senator Ian Campbell, Minister for Human Services

Department of Human Services**Output 1: Core department**

Ms Patricia Scott, Secretary
Mr Jeff Popple, Acting Deputy Secretary
Ms Kerri Hartland, Deputy Secretary, Office of Access Card
Mr Chris Dainer, First Assistant Secretary, Financial Analysis and Corporate
Mr Alex Dolan, First Assistant Secretary, Service Delivery Operations
Ms Jenny Thomson, Acting First Assistant Secretary, Policy and Strategy
Ms Marie Johnson, First Assistant Secretary, Office of Access Card (Chief Technology Architect)
Ms Barbara Flett, First Assistant Secretary, Office of Access Card (Communication and Stakeholder Engagement)
Mr Nico Padovan, Acting First Assistant Secretary, Office of Access Card (Product Delivery)
Mr Greg Divall, First Assistant Secretary, Office of Access Card (Program Management)
Mr David Walsh, First Assistant Secretary, Office of Access Card (Registration Taskforce)
Ms Barbara Grundy, Assistant Secretary, Office of Access Card (Communications)
Mr Michael Welfare, Assistant Secretary, Office of Access Card (Procurement)
Ms Alison Frame, Assistant Secretary, Job Capacity Assessment Branch
Mr Tony Weber, Assistant Secretary, Delivery Analysis Branch
Mr Phil Lindenmayer, Acting Assistant Secretary, Delivery Strategy Branch
Ms Kathryn Johnson, General Counsel
Mr Noel Dobbie, Chief Financial Officer
Ms Judith Kendrick, Assistant Secretary, Corporate

Output 2: Child Support Agency

Mr Matt Miller, General Manager
Mr Michael Belcher, Deputy General Manager, National Finance Management Group
Ms Dawn Casey, Deputy General Manager, Service Quality and Support Group
Ms Jennifer Cooke, Deputy General Manager, Service Delivery Group
Mr Peter Grace, Acting Deputy General Manager, Corporate Services Group
Mr Patrick Hadley, Deputy General Manager (CIO), Information and Communication Technology Group
Ms Samantha Palmer, Deputy General Manager, External Relations Group
Mr Trevor Sutton, Deputy General Manager, Change Program
Ms Angela Tillmanns, Branch Head, Compliance Improvement – Change Program
Mr Bill Volkers, State Manager, South Australia and Northern Territory

Output 3: CRS Australia

Ms Margaret Carmody, General Manager
Mr Carl Princehorn, Deputy General Manager, Service Delivery

Outcome 1: Centrelink

Mr Jeff Whalan, Chief Executive Officer
Ms Carolyn Hogg, Deputy Chief Executive Officer, Customer Service Group
Ms Natalie Howson, General Manager, Customer Service Strategy
Mr Grant Tidswell, General Manager, Customer Service Delivery
Mr Norman Walker, Acting General Manager, Customer Service Design and Implementation
Ms Aurora Andruska, Deputy Chief Executive Officer, Stakeholder Relationships
Mr Paul Conn, General Manager, Employment, Disability and Education
Mr Gary Dunn, General Manager, Families, Seniors, Rural and Community
Dr Margaret Browne, General Manager, Business Integrity and Information
Mr John Wadeson, Chief Information Officer
Mr Tuan Dao, General Manager, Core Business IT Systems
Ms Eija Seittenranta, General Manager, Corporate IT Systems
Mr Brendan Sargeant, General Manager, Project Coordination and IT Planning
Ms Mandy Ritchie, Chief Financial Officer, Financial Management and Business Support
Mr Brendan Jacomb, National Manager, Legal Services
Mr Trevor Jones, National Manager, Contracts and Procurement
Ms Sheryl Lewin, General Manager, People and Planning
Mr Peter Cotterill, National Manager, Workplace Relations and Employment Policy
Mr Hank Jongen, General Manager, Communication
Mr Bob McDonald, General Manager, Centrelink Audit

Outcome 1: Medicare Australia

Ms Catherine Argall, Chief Executive Officer
Ms Joanna Davidson, Deputy Chief Executive Officer
Ms Philippa Godwin, Deputy Chief Executive Officer
Ms Linda Holub, General Manager, Program Management Division
Ms Rona Mellor, Deputy Chief Executive Officer
Ms Ellen Dunne, General Manager, Customer Services
Mr David Trabinger, General Manager, eBusiness and Development
Mr Colin Bridge, General Manager, Program Review
Mr Nick Vandenberg - Information Technology Services
Ms Lynne O'Brien, Chief Finance Officer
Mr Carl Murphy, Manager, Human Resources

Centrelink

CHAIR—I call the committee to order. We will commence our examination of the Human Services Portfolio. I welcome the minister, Minister Campbell; Ms Scott and officers of the department and portfolio. The committee will commence its examination tonight with Centrelink. Does anyone have an opening statement, Minister Campbell or Ms Scott?

Senator Ian Campbell—No.

Ms Scott—No.

Senator FORSHAW—Senator Moore is going to start off the questions in a moment. I just want to raise one matter. I noticed that we had a TV in here a moment ago. It has now

been wheeled out. I understand, Minister, there was a proposition for the committee to have a look at a short DVD on the access card proposal—which I am sure will come up in questions at some stage; it is a matter of great interest. I understand that we cannot watch that. I was wondering if that could be formally provided to the committee so that members of the committee can have a look at it. It may short-circuit some questions—hopefully it would not extend them—and provide some illumination to us when we get to that issue.

Senator Ian Campbell—When the access card comes up—I think it will be, according to our schedule, on Friday now—I proposed that we allow the committee to see a six-minute DVD which brings all of the very interesting and challenging aspects of bringing the smart card into existence together in what I am told is a very punchy presentation. I thought it was a tremendous idea which the department came forward with. But I do believe that it is problematic from the point of view of the Senate standing orders. Apparently the standing orders say that you on that side of the table can ask the minister questions, and I am allowed to answer them. I did suggest to Senator Forshaw that perhaps if he asks me if we have a DVD then I would say yes and show the DVD. I would still like to do that.

Senator FORSHAW—That is cunning, Minister.

Senator Ian Campbell—I think it is a bit sad that the Senate estimates committee cannot be provided with the most effective means of communication available. That is not to say that the DVD is. Perhaps the Senate, in its wisdom, can look at those standing orders as a consequence of this. I think the estimates committee process is one of the outstanding aspects of accountability within the Australian system. We should be about making sure that information is provided as effectively as possible. We use massive annual reports and estimates documentation to provide information, generally in a turgid and often unreadable and indigestible format. I think it would be useful for the Senate to revisit that standing order if it does indeed preclude us from watching a DVD. However I think the deputy chairman's suggestion of us providing the DVD to members of the committee and then allowing questions around that DVD, if members of the committee have time to review that between now and Friday, would be a perfect way forward—while we address the standing orders when the Senate resumes.

CHAIR—The secretariat have thought about this. There would be nothing stopping the committee from watching the DVD before we convene. We could watch it out of session, in effect, and then we can ask questions on it.

Senator Ian Campbell—Let us work on that off-line.

Senator FORSHAW—All I am looking for is a way in which the committee can have a look at this before Friday; otherwise we would be asking for it on Friday.

Senator Ian Campbell—We will make available the opportunity to committee members to watch the DVD in their own time, or we will schedule a screening of it 10 minutes before the allotted start time on Friday so anyone who does not watch it in their own time can watch it here, or we could do something else that suits the committee.

CHAIR—We will work something out. Thanks, Minister.

Senator Ian Campbell—Thank you for your understanding and thank you to the secretariat for seeking to facilitate the DVD screening.

Senator LUNDY—I would like to refer you to the portfolio additional estimates statements. I want to get an explanation of the ‘Summary of agency savings’ as outlined on page 72 but then referred to in the notes on page 71. Savings of \$44.64 million are identified, and there has also been a funding transfer from both departmental outputs and the equity injections. Can you explain how all of that works in the context of these additional estimates appropriations and where those transfers are going?

Mr Whalan—I will ask Ms Ritchie to take us through that.

Ms Ritchie—Just to clarify your question: is your query in relation to the ‘Estimates reductions’ item, which is in table 1.8?

Senator LUNDY—Yes.

Ms Ritchie—It relates to a build-up of some changes that we have in terms of our overall estimates that were presented in the 2006-07 portfolio budget statements. The \$44.64 million comprises a combination of revenue and some capital funding that has been identified as a reduction to Centrelink—

Senator LUNDY—So not spent?

Ms Ritchie—and a transfer to the Department of Human Services for part of that. I draw your attention to the footnote against table 1.5. You will notice on the right hand side of that table a heading that says ‘Reduced estimates’ which has under it the figure of \$18,761,000. That comprises two impacts which are itemised below that in the footnote. One is the regulation reform agenda: \$0.27 million which is coming to Centrelink as an allocation—which produces the \$18,761,000—and is offset by the transfer of funding to the Department of Human Services in relation to the Health and Social Services Access Card. In addition to that, the table below, table 1.6, has a similar couple of adjustments that relate to the \$25,877,000 reduction on that table. That comprises an allocation of \$5.43 million in relation to the Child Care Management System, offset by a return or transfer to the Department of Human Services in relation to the Health and Social Services Access Card.

Senator LUNDY—In relation to both of those reductions, or funding transfers—but what we are talking about here is a funding reduction to Centrelink—how is Centrelink paying for that? Is there a reduction in the number of people employed or services delivered? How is it affecting Centrelink?

Ms Ritchie—Centrelink was originally appropriated an amount of \$86.6 million in relation to the Health and Social Services Access Card in the 2006-07 budget process. The project arrangements were yet to be finalised, as you would appreciate, in terms of that initiative, and so we were part of a number of agencies that were involved in a funding allocation that was yet to be finalised. As the project has developed, the project arrangements have changed, and the Office of Access Card is now taking greater carriage of all of the procurement activities. The funding related to that is the transfers that we are speaking of.

Mr Whalan—I confirm that it does not have any impact on the staffing within Centrelink.

Senator LUNDY—How much of the \$86 million that was allocated for the 2006-07 financial year has Centrelink expended to date?

Ms Ritchie—I do not have a figure to date, but I can give you a sense of the overall year impact. We anticipate that we will incur \$7.6 million in expenses for this year and also expend \$7 million in capital funding in relation to the budget estimate that was provided.

Senator LUNDY—Obviously there is some left over, because 14 plus 44 does not equal 86. What happens to the remainder?

Ms Ritchie—In relation to the expenses, if you look at table 3.1 on page 81, you might note that Centrelink at the moment is forecasting an underspend. So we are looking at a revised budget for 2006-7—that is the shaded column in that table. There is a \$60 million operating result surplus that has been identified, and that really represents an anticipated underspend in relation to the health and social services access card.

Senator LUNDY—But that does not add up either.

Ms Ritchie—That is in relation to revenue. The \$60 million relates to the adjustment for revenue. I refer back to the table that you were speaking about before which is at page 71. Revenue has been adjusted by \$19.03 million from the \$86.6 million we have been appropriated directly. We have a \$60 million underspend, and I have indicated that we also had a figure of \$7.6 million, approximately, as an anticipated spend for 2006-07. In relation to capital, there was a separate allocation—a total amount of \$57 million in relation to the inequity injection that was associated with the card. As I mentioned before—and you have identified this in table 1.6—we have transferred \$31.3 million to the Department of Human Services for the work that they are doing in the procurement space. We have plans to spend a total of \$7 million, and there will be a remaining unspent amount of \$19 million at the end of the year for capital.

Senator LUNDY—With the funding transfers to the Department of Human Services—I need to ask the department this to get to the whole picture—what is the total amount of transfers from agencies within Human Services to make up whatever the total amount is for the human services access card project? I think you understand what I am asking.

Ms Scott—I will ask Chris Dainer to join me at the table. Effectively, money is being transferred from Centrelink and Medicare into the department to be spent on some large procurement activity that is now underway through a tendering process. I will ask Mr Dainer to go through the numbers for you. He should be able to refer you to the exact tables in the PAES document.

Mr Dainer—If I can take you to page 14 of the PAES document, you will see under ‘Variations to departmental expense appropriations’, under ‘Health and Social Services Access Card’, that there are two transfers: \$19.035 million from Centrelink and \$17.692 million from Medicare. If you go down to the middle of the page you will see that ‘Variations to departmental capital appropriations’ include a \$31.307 million transfer from Centrelink and a \$3.094 million transfer from Medicare Australia. In total, that is \$70.9 million.

Senator LUNDY—That is obviously not the total amount that will be spent on the access card project but a contribution to it.

Mr Dainer—No, that is a transfer into DHS. DHS had a core funding amount, which was \$13.578 million on expense and \$0.525 million on capital. With the transfers in, that will take it to \$50.305 million on expense and \$34.926 million on capital—for a total of \$85.231 million.

Senator LUNDY—And again, \$85.231 million. What proportion of that represents Human Services' direct expenditure on that project, not including contracts anticipated to be required for the access card?

Mr Dainer—That is the total cost of the access card program—

Senator LUNDY—To the department?

Mr Dainer—in the department.

Senator LUNDY—Thank you for that. I am sure my colleagues will want to revisit those holistic issues of cost when we get to the access card in detail.

I want to turn now to the background with regard to the management of IT in Centrelink and how that work relates to the access card work. Can you provide the committee with a general update on the IT Refresh program?

Mr Wadeson—IT Refresh is just over 3½ years into the five-year program. The first year was mainly about fixing up a whole lot of things in the background systems, in what we call ISIS—the big database that we use. In the second and third years we moved very much into new technology for the online services. We have been progressively building and strengthening in that area over the last few years with the IT Refresh project. Just recently we have been moving into another phase, which is about significant changes to the way we do management information, and we have just made a major capital outlay for a data warehouse. That will go on over the coming year and into the last year of the program. We have another phase of Refresh and we have a number of applications which are written in Forte, which is a language which is no longer in use, and we need to bring those systems into our new, modern internet based methods for building systems.

Senator LUNDY—How has the IT Refresh program intersected with Centrelink's involvement in the access card project?

Mr Wadeson—Basically, IT Refresh has played a major role in letting us use our big back-end system, if you like, and being able to present that information and give access to the information and the ability to update that information other than through conventional, 3270 type technology. So, really, it is a project that enables us to direct connect people into that system. It actually started way back with a system called Customer Confirmation. When people got concessions, the providers had to check with us whether the pensioner was entitled to the concession. That all used to be done through tape exchanges at the data centres. Last year I think we did 19 million online confirmations. We have now built a very robust system at the back end that, for the future, will mean that we will be able to recognise people with an access card and find them in the system and interchange information with them.

Senator LUNDY—I just have a very general question. When the Department of Human Services was created and Centrelink became a part of that, what impact did that change in

departmental arrangements have on facilitating Centrelink's level of communication, particularly at the technological level, with the other agencies within Human Services?

Mr Whalan—I might start on that one, because I was the CEO of Medicare—what is known as Medicare Australia or the Health Insurance Commission—at the time before coming over to be the CEO of Centrelink. We did not have a lot of interaction between those agencies—or certainly not as much cooperation between those agencies—before the creation of Human Services. I think the remarkable thing about the last two years has been the amount of work done across the agencies to try and make sure that individual customers can deal with us in a more integrated way. A practical example is the delivery of family service payments through Medicare offices and the ability to go into a range of agencies and get information across them.

Senator LUNDY—How has that impacted on the back end? Obviously you talked about Centrelink's database. Does that mean that Medicare's central database is now more linked to Centrelink's database? How is that back end worked?

Mr Whalan—We made sure that we kept the separation in the databases, but one thing we have done is to try and get a greater ease of transfer of information where that is requested. Another example is Centrelink providing more IT support and services to the Child Support Agency than it did previously. That would not have happened under the previous arrangements.

Senator LUNDY—What mechanism do you use to facilitate the communication between all of the CIOs within the agencies in Human Services?

Mr Whalan—There are regular meetings between the CIOs of the agencies. There are a number of forums about trying to make sure that we use what one organisation has developed or built and try to leverage off it.

Ms Scott—For example, if I can help, work is well advanced on a portal that would enable customers, if they wish, to access information about their Centrelink payments or their recent information relating to the Child Support Agency or Medicare. While the databases have not been joined up into some sort of megadatabase, we are trying to ensure that customer interface is more convenient for people.

Senator LUNDY—So that interface is able to reach into the different databases?

Ms Scott—While keeping them all completely separate. It is an arrangement that is voluntary—it does not require an individual to go into that arrangement if they are not interested.

Mr Wadeson—For example, a Medicare staff member who is asked by a customer about family service information actually goes through the Medicare system and into the Centrelink database. The databases are not linked.

Senator LUNDY—Sure.

Mr Wadeson—They are just switched into the Centrelink database and they operate as if they were a Centrelink staff member while they are there.

Senator LUNDY—So people can opt to be able to access that information from each of those databases through a single portal now?

Ms Scott—We hope to have the portal launched in the first half of this year.

Senator LUNDY—So it is not available.

Ms Scott—Not yet, but we are in testing mode now. We are building on some of the capability that was created out of the IT Refresh program. So, to go back to your initial questions, one of the dividends for consumers out of IT Refresh is that Centrelink has substantially expanded its online capacity—for example, the level of business that can be done online if you are a student has increased out of sight compared with face-to-face transactions or correspondence through the mail.

Senator LUNDY—It is all good if you have a connection, I suppose.

Ms Scott—It relates to capability and sharing that capability and learning across the agencies.

Mr Whalan—It is one choice. We give people a number of channels, and this is another channel.

Senator LUNDY—Just going back to IT Refresh in Centrelink, you outlined where you were up to with the projects. Have there been any delays or problems with the program that have thrown your timetabling out?

Mr Whalan—Mr Wadson can add to this answer. The programs are on track, but what we have learned over the last three years is that what we were expected to have done at the beginning of the program is not now what we have done, because the world has changed under our feet and we have changed the program accordingly as we have gone along.

Senator LUNDY—Has that resulted in the necessity for variations to tenders?

Mr Whalan—No. Looking back across the three years, we were a bit slow off the blocks because we needed to do more planning than we had expected. I was not here at the time, but I am trying to look back on it.

Senator LUNDY—So it was not your fault?

Mr Whalan—I do not think I would have done any better. As a result, what we were able to do was to change some of the decisions which might have been valid at the time but which you would change if you took them later. An example of that is that we have probably done more online services than we would have originally planned, and I think that has paid a great dividend.

Senator LUNDY—Can you give me examples of the things that changed? There are more online services, I guess. What else? Are there any other major things you can point to that changed from your original plans?

Mr Wadson—Certainly once DHS came in the requirement to build a consolidated interface for all the agencies to use became a priority. Fortunately, it has not distracted the program from its original aims. The original aims of the Refresh project included a bigger whole-of-government presence in this sort of area. We had a real focus on it. As the secretary

has outlined, across this year we will be bringing out a very consolidated view of the agencies for people using the online space to keep their various accounts together.

Senator LUNDY—Can you point to the specific contracts that have been let to achieve the outcome of the portal, including the cost, who the company is et cetera?

Mr Wadeson—The major contract is with IBM. IBM WebSphere is the underpinning technology.

Senator LUNDY—What is that one worth?

Mr Wadeson—I could not tell you off the top of my head.

Senator LUNDY—Is it \$100 million or \$50 million.

Mr Wadeson—No, nothing like that.

Senator LUNDY—Or \$10 million?

Mr Wadeson—Yes, it is more like that.

Senator LUNDY—I remember it cost DCITA \$4 million to build a website once. What is yours worth?

Mr Wadeson—It is not a website, it is a portal. We have built a staff portal and a customer portal. The DHS portal is becoming a sort of agency base portal. We are yet to deliver a business portal. Now a lot of organisations deal with Centrelink electronically, and we need to support that process better as well.

Mr Whalan—So this is one of a range of portals.

Senator LUNDY—Has IBM WebSphere got the contract for all of them or just with Centrelink?

Mr Wadeson—These ones that we are building are IBM WebSphere.

Mr Whalan—IBM has provided a product, WebSphere, to enable us to build a range of portals.

Senator LUNDY—So you are paying licence fees to IBM.

Mr Whalan—Correct.

Senator LUNDY—What are the terms of the licence? Do you have to pay every time you roll it out?

Mr Whalan—I do not have that detail.

Senator LUNDY—Could you take that on notice?

Mr Wadeson—We have one big agreement with IBM that is negotiated about every two to three years. It has got an acronym. We have one big agreement with IBM and we basically do all this work through that one agreement with them.

Senator MOORE—Is that Centrelink or Human Services?

Mr Wadeson—It is an agreement with Centrelink, but the agreements these days always allow other DHS agencies to use them—which has been another real benefit of the new arrangement, because other agencies have then come in and been able to buy things at what,

we like to think, are better prices. They might have different views at times. It does enable that sharing.

Ms Scott—We have moved to joint contracts effectively across the agencies for all the common pieces of hardware, paper and so on.

Senator LUNDY—Right across Human Services?

Ms Scott—Yes.

Senator LUNDY—Is what is happening with IBM WebSphere that the other agencies and Human Services itself are tapping into that capability? So it is not going to tender—it is a direct sourcing arrangement now they are in place?

Ms Scott—We generally go to tender, Senator, but part of the tender arrangement is that there will be a lead agency managing the tender. Other agencies have already expressed interest in being involved. They indicate the volume, they indicate their particular requirements and then the lead agency acts on behalf of all the agencies. So sometimes it is a matter of all going in at one start date—and other times it is going to be agencies knowing they have got two years to run on an existing contract and then they can convert to the shared contract. In that way, we save the taxpayers money and expand our economies for utilising the taxpayers' money.

Senator LUNDY—You said the agreement with IBM WebSphere is renewed every two to three years. Does that mean it goes out to tender every two to three years?

Mr Whalan—No, the overarching agreement with IBM is reviewed, and there are many parts to it. The WebSphere contract would be embedded within it. So it would be part of the bundle that was renegotiated.

Senator LUNDY—Many years ago, there were a lot of issues with the quality of the service delivered by our IT outsourcing companies. Does your contract with IBM and other IT outsourcing companies make provision for sanctions if the contract is breached or the service level agreements are not achieved?

Mr Wadeson—Our agreement with IBM is really not about outsourcing. We are buying, if you like, prepackaged software from them. We may contract with them at times to provide services, but that would probably be done differently. Our main contract covers the provision of software.

Mr Whalan—We have tended to build our own.

Senator LUNDY—That is good. So with WebSphere you purchased the licence to use the software and you use your own people to administer and modify that software?

Mr Wadeson—We use our own people and we use contractors. Generally, we will get expertise wherever we can—and it usually requires multisourcing these days to get the expertise. This is very complex technology.

Senator LUNDY—Is it open source? Obviously, you are paying a few for it, but is the product itself an open source product?

Mr Wadeson—I will call on one of my technical people to answer that. IBM would argue that they have Linux and Linux is open source. That is IBM and therefore they would argue that.

Senator LUNDY—I presume this all runs on Linux?

Mr Wadeson—It is proprietary.

Senator LUNDY—I think I asked you before what you were paying IBM for WebSphere and you took that on notice.

Mr Wadeson—We pay a single contract amount to IBM that covers all their services. What is negotiated each time we do it is what software they provide for us. It also includes, of course, the provision for their mainframes. So we do not really—

Senator LUNDY—Sure; it is not just WebSphere.

Mr Whalan—It would not be an itemised amount. WebSphere would be within it.

Mr Wadeson—It is not an itemised amount. We negotiate on the package.

Senator LUNDY—How do you know that you are getting value for money?

Mr Whalan—We do a huge amount of benchmarking and get independent advice from a number of external organisations.

Senator LUNDY—Which you know are completely independent?

Mr Whalan—Yes. Organisations such as Gartner come and give us external advice.

Senator LUNDY—You do a lot of work with IBM, I am sure.

Mr Whalan—And I think we are pretty good at it.

Senator LUNDY—So you are unable to separate costs for WebSphere from the bucket of money that you pay IBM for a whole range of services?

Mr Wadeson—That is right.

Senator LUNDY—What do you pay IBM for the whole range of services?

Mr Wadeson—From memory, the last agreement sits at about \$180 million over three years.

Senator LUNDY—I think last financial year it was about \$198 million.

Mr Wadeson—That is for a three-year term, I think.

Senator LUNDY—Over three years?

Mr Wadeson—Yes. That covers all our mainframes and all the support they provide. Clearly the vast bulk of the expenditure is in the basic core mainframe system and core operating systems. These things essentially sit on the periphery of the agreement.

Senator LUNDY—Can you take it on notice to ask IBM what dollar figure they would put on their WebSphere licensing arrangement with Centrelink? I think it would be an interesting question to ask.

Mr Whalan—We can, but I think it would be difficult to answer, because they will charge different customers a different price.

Senator LUNDY—Why would they—because they can?

Mr Whalan—They do.

Senator LUNDY—You obviously know a bit more than Mr Wadeson about what they are charging?

Mr Wadeson—No, I just know the way the pricing arrangements work. It depends on the size of customer you are as to what the price should be.

Senator LUNDY—Yes, of course, if you are licensing for so many users—which is the normal way software licences work—you are quite right: it will differentiate between different users.

Mr Whalan—There is an issue beyond that. If you buy a large range of products from one organisation, they will actually cut the price across the bundle as well as the normal charging policy, which means that they reduce the license fee depending on the number of users and the size of the organisation.

Senator LUNDY—So it is a combination?

Mr Whalan—Correct.

Senator LUNDY—So you get a discount for economies of scale and a discount depending on the magnitude of the number of users?

Mr Whalan—And the number of things you are buying. So this is beyond WebSphere.

Senator LUNDY—You could summarise that as really capturing your customer, couldn't you?

Mr Whalan—I would summarise that as a competitive market.

Senator LUNDY—How does anyone compete to provide your portal service? They can't, can they, because you have this big deal with IBM?

Mr Whalan—We always consider other options.

Senator LUNDY—You do not even know how much it is worth; how can you consider other options? How can another company tender if you do not even know what it is worth?

Mr Whalan—One of the issues we always have is that we have to try and buy something that fits with the suite of products we are already using.

Senator LUNDY—Sure, which is the other way they capture their clients. Going back to the non-WebSphere aspect of the contract with IBM, is there a specific contract that Centrelink administer with IBM or is that now managed by Human Services?

Mr Whalan—We manage the contract.

Senator LUNDY—I know IBM has always had a presence with Medicare and HIC. You would be familiar with that.

Mr Whalan—Yes.

Senator LUNDY—How did the arrangement with the Centrelink contract go from being an IBM contract in Medicare, HIC and Centrelink that transferred back into Human Services?

Mr Whalan—To use those examples, Medicare still have a contract with IBM, which is separate from the Centrelink contract with IBM. We are increasingly including a clause in every contract we enter into that allows other organisations, particularly those within the Human Services portfolio, to access those contracts.

Senator LUNDY—But that means there is even less competitive tendering.

Mr Whalan—I would argue it differently. I would say that you get better value for money.

Senator LUNDY—I understand that you are getting cost efficiencies, but there is a point at which, with the magnitude of this, Human Services becomes locked down with IBM and everyone can get a better price with IBM. So it completely removes the concept of competitive tendering with the different agencies that are involved. Let other people judge what is right and wrong here, but I am trying to get an understanding of just how locked down Human Services is with IBM, particularly on mainframe.

Ms Scott—Because we already have some contracts that are longstanding, it is not that we have been able to move instantly to joint contracting. It would have been good if Medicare were able to come to the table—I am sorry, they do not have their IT people with them—because they would have been able to explain what their IBM contractual arrangements were before the creation of Human Services. There is an interesting issue in relation to—

Senator LUNDY—Are Child Support IBM as well?

Ms Scott—No. Not everyone has moved to the one platform. We have certainly moved to common paper, I am pleased to say. We also have CRS, I think, utilising some common contracts with Centrelink on personal computers. We also have common arrangements in relation to some logistical services—record keeping and so on. But not every organisation has moved lock, stock and barrel to the one contractor. We do hope over time that the agencies will be able to utilise economies of scale. What you might see as greater concentration, we see as improved value for money.

Senator LUNDY—What do you benchmark that improvement in value for money against?

Ms Scott—Previous costs.

Senator LUNDY—So the contracts that existed before Human Services?

Ms Scott—That is right. The agencies have responsibilities under their existing financial management accountability responsibilities to ensure value for money. So it is not like there is a compulsory arrangement where they have to enter into a joint tendering arrangements—if it is not, for example, an improvement in their current arrangements. But we do expect improved purchasing power, for example, for CRS, Australian Hearing, Health Services Australia—the smaller organisations—when they are able to join with Medicare or with Centrelink. In fact, for an organisation like CRS—I think it saved \$3.5 million over four years in relation to personal computers.

Senator MOORE—As reluctant as I am to speak on technology, I want to speak on the system. Senator Lundy knows much more about the mechanics. This committee had a briefing just after Refresh was started. That was through a process of seeing that it was a major economic dedication. We had a briefing and, since then, we have not had a chance to revisit it, because of the structure of Senate estimates. It would now be useful to look at it 3½ years into

the five-year process. Ms Scott, we have talked before about Human Services being the coordinating body and about an expectation—not just anything else—that Human Services would actually bring together the agencies with the intent of having economies of scale. That was one of the threshold issues that was supposed to be there. We talked about that.

Ms Scott—That is a small part of the rationale of the organisation. The main benefit is to improve service delivery and policy design by having early engagement—

Senator MOORE—I would have thought those three things kind of work together.

Ms Scott—They can and they do. We would put greater flavour on the work we have done to improve service delivery. For example, people can apply for their LPG rebate at Medicare—65 per cent of people do—or they can go to Centrelink, and they can do their family assistance business at Medicare or Centrelink. People have greater choice and improved services in terms of reduced queue wait times or wait times on the telephone. We try to work with each of the agencies to see the area that would make the greatest difference in terms of consumer benefit.

Senator MOORE—Given that is the job, in terms of how it works, there are IT processes, particularly with larger agencies like Centrelink, which has an extremely well established IT area. One of my questions will be: how many people work in the systems area of Centrelink now—how many permanents, how many contractors and all those things. Mr Wadson has already indicated that there is a wide range of people working there, which is not new; it has always been the same way.

Ms Scott—That is right.

Senator MOORE—Centrelink is established; child support is established; and, at the last round of estimates, we had information that they were embarking upon a major IT upgrade to link with the policy changes. We want to know the same information from them. You have already indicated that you have the much smaller agencies within your area. How do the IT units, if that is the right to term, get together and work together to share their knowledge and maintain the knowledge base and economies of scale which you have mentioned? Is there a formal arrangement for Human Services focusing on IT?

Ms Scott—There is a working group.

Senator MOORE—Fabulous. Who is on it, how often do they meet and what is their function?

Ms Scott—If I commit to try to give you some answers tonight—

Senator MOORE—Do you want to put that on notice?

Ms Scott—or on Friday, I think that will be fine.

Senator LUNDY—On Friday would be terrific.

Senator Ian Campbell—We could probably put a couple of pages together and put it on the record. That might save time.

Senator MOORE—That would be really useful in terms of how this process really operates within the department.

Ms Scott—You inquired also about the progress of IT Refresh. There is a level of interest in that. One of the things, besides improved capability and stability in Centrelink's systems, is an interest in achieving savings. Clearly, there will be savings achieved in online activity as that increases, but there have also been savings in both departmental and administrative expenses through greater use of information available about real estate assets. So that is an area where IT Refresh has made a difference. In terms of management going forward—and Mr Whalan will help me out any second now—we are building, effectively, a warehouse system which will provide improved management information for each of the policy departments. This is something that policy departments are keenly interested in.

Senator LUNDY—I was going to go there next and ask about the warehouse component of Centrelink Refresh.

Mr Whalan—One of the last big deliverables is the data warehouse. We have let the tender for the data warehouse. It will provide better information to each of the policy departments and us.

Senator LUNDY—Who has got the contract?

Mr Wadeson—The contract is with NCR, but essentially we are buying a Teradata machine. Teradata have just announced that they are actually going to split in company terms from NCR and go out on their own.

Senator LUNDY—What does that mean for you?

Mr Wadeson—Nothing. They are saying nothing. Our contract will still be the same because it was for the purchase of Teradata capacity.

Senator LUNDY—What about the ongoing servicing and maintenance of that machine? Are there any implications of the change in ownership of the company?

Mr Wadeson—No, they have always been an entirely separate part. We do not expect that there will be any consequences.

Senator LUNDY—Does the data warehouse have any relationship with the access card proposal?

Mr Wadeson—No, the data warehouse was on the agenda for IT Refresh long before. It has been in there virtually from the start.

Mr Whalan—We have had a problem ever since the creation of Centrelink—to be frank, it was there before the creation of Centrelink—in being able to get decent information quickly. Demand always exceeds supply. We are always struggling. This will help us a lot.

Senator LUNDY—So what is the concept with the data warehouse? I understand that currently you have a lot of mainframes which are quite old. You mentioned earlier that some sitting there are still in Forte. I presume Refresh is a program of gradually resolving that and bringing them up to date and using a server environment. How much of that process is linked to the data warehouse and actually transferring some of those very old-fashioned databases onto the Teradata server?

Mr Wadeson—There are some flowthroughs in what you have described, but the main issue we have, and the main reason we have gone for separate data warehousing, is that the

model 204 database, which runs the big income support system—it is a high-speed transaction database which has proved admirably to be suitable for now over 20 years—is nowhere near as good as it needs to be at producing management information. So essentially the task is to take information from our big database, the model 204 one, load it into the data warehouse and then do our extractions of that management information we need from the data warehouse.

Senator LUNDY—Why don't you ditch the model 204 databases and just use the data warehouse? I do not understand. Can you explain that to me?

Mr Whalan—Whoever made the decision 20 years ago to buy model 204 was a genius. They bought a system which most countries in the world are absolutely jealous of. It is as good as any system in terms of high-volume, high-speed data processing. In terms of a payment engine, this is as good as it gets.

Senator LUNDY—So you are sticking with the M204?

Mr Whalan—As far as I can see into the future, yes.

Mr Wadeson—We get a lot of questions: are you worried about 204? The answer is: what would we use instead? Of course the answer is that we would come back to DB2 and IBM, which is pretty well alone in the marketplace. That would add to the problem you have previously described. Secondly, the best advice we continue to get is, 'There would not be anything that would do the job of what you need in terms of getting those payments out every night better than your current system.' People think the system is 20 years old, but what they need to understand is that it has grown with us and it is a much different product today.

Senator LUNDY—It seems quite extraordinary.

Mr Wadeson—It is an extraordinary story, yes.

Ms Scott—When I first came to the job, I thought, 'Why are these guys labouring under a 20-year-old system?' But it is, in fact, a remarkable system. It handles outlays of \$64 billion or \$1,220 million per week. That is an extraordinary amount of money. While obviously there are glitches from time to time, it has shown itself to be remarkably robust. IT Refresh is effectively to refresh a lot of the capacity around the system.

Mr Wadeson—Essentially ISIS was built as a system—if you go back to the eighties and nineties—that the staff drove. Everything went in through the keying of the staff. Refresh is allowing us to connect to other parties, and of course will allow people to access directly their own information. There is a lot of infrastructure, and a lot of different projects have worked towards that, but IT Refresh has played a major role.

Senator LUNDY—There have been a number of stories and issues raised about phone calls not being answered, people being breached and mistakes by Centrelink. Are you confident that all of that is about the inputs to this system and that those issues are not attributable in any way to the M204 database system? It is quite a naïve question, but it is a genuine one.

Mr Whalan—The driver of the problems is twofold. It is not model 204. One is the complexity of the system, which is our greatest strength and our greatest weakness. The other thing is, if you look internationally, people will point to the Australian system and say that it

has always been well ahead of its time, because it basically provides an integrated record about an individual. In every other country in the world you get stovepipe records around a pension payment, a disability payment, a labour market payment et cetera whereas in the Australian social security system you get an integrated record. If I am dealing with you about your family payment, I will also know that you might be unemployed or you might be entitled to another payment. It is a huge strength, but it has also been a weakness. The weakness is that it has enabled us to target the system and tailor the system and make it far more complex than any another system in the world. The biggest driver of the things that happen in relation to individuals and their experience is the extent to which the Australian social security system is so complex. That is one driver. The other driver is human error.

Senator LUNDY—Or under-resourcing at the input end.

Mr Whalan—Human error in two parts. One part is that, partly because of the complexity of the system, sometimes people unknowingly, or sometimes deliberately, do not tell you all the information they need to give you. Then there is some data entry error as well.

Senator LUNDY—Going back to the issue of the access card, is the M204 database the database that the access card will access?

Ms Scott—No.

Mr Whalan—No.

Senator LUNDY—What is?

Ms Scott—The access card will see the development and building of a separate database that will hold the information that is contained in the register, and a system to drive the card management system. So it is not going to be part of the existing databases. It is separate and secure—and while it will interface with the agencies and the Department of Veterans' Affairs that interface is to provide change of address details—

Senator LUNDY—I am sure my colleagues will go into greater detail on that on Friday.

Ms Scott—But it is not going to be a component of Centrelink's megadatabase.

Senator LUNDY—What relationship, if any, does it have with the new Teradata data warehouse?

Ms Scott—Almost none. I think I can say none.

Senator LUNDY—You can see where I am going. I am just trying to work out where Centrelink fits in the scheme of things.

Ms Scott—If we had a customer who told us that they had a new child, and that meant that they were going to have a change of payment, and the Department of Families, Community Services and Indigenous Affairs wanted to have new management information about the number of new children getting maternity payment or whatever, there would be an extraordinary loose connection. It would be de-identified, but it is not as though this fits into the data warehouse either.

Mr Whalan—These are separate.

Senator LUNDY—Okay. I will leave that to my colleagues to explore. Could I go back to the data warehouse. What is the data warehouse contract worth? I think I asked that.

Mr Wadeson—The contract, from memory, is around \$16 million over three years. The main part of it is a purchase; the rest is for services over—

Mr Whalan—It is \$17.9 million across four years.

Senator LUNDY—When does that start? Presumably, it started this financial year? Or was it last financial year?

Mr Wadeson—We take delivery in, I think, late February. It is sometime soon.

Senator MOORE—So that is \$17.9 million over four years from 2006-07?

Mr Wadeson—Yes.

Senator LUNDY—Can you tell me again what that will be used for?

Mr Wadeson—Primarily, we are buying a very large database engine which, if we get it right, will become the sole source of statistics and information that is extracted from our income support database.

Senator LUNDY—The M204?

Mr Wadeson—That is right. It takes the data out of 204 and puts it in a new data—

Senator LUNDY—So that will make answering estimates questions really easy, won't it?

Mr Whalan—They will be more straightforward; that is right.

Senator LUNDY—That is a good outcome.

Ms Scott—It will also make analysis of social trends and directions in benefit entitlements for the policy department easier. So the policy departments are very anxiously awaiting this delivery.

Senator LUNDY—I know the ABS has this wonderful charter of publishing trends and statistics. Will there be such a charter associated with this particular data warehouse that allows you to publish information publicly, or will it be for the sole use of government policy development and curious senators at Senate estimates?

Mr Whalan—I would expect that that will be an issue for each policy department. I can talk about FaCSIA. FaCSIA publish a range of different statistics. It would provide them with a greater capability to do that.

Senator LUNDY—In terms of the rollout of the mid-range sphere of computer networks for Centrelink, have there been any delays in the deployment of whatever new thing you are doing in that mid-range area under IT Refresh?

Mr Wadeson—I think it is fair to say that we, like everyone else, have had a lot of growth in server capacity as various projects have come in, and you are then left with an IT management problem. IT Refresh is addressing that. We would have liked to have made more progress in that than we have.

Senator LUNDY—How much progress have you made?

Mr Wadeson—I think we have made substantial progress about a conceptual solution, but we have a way to go to actually implement it. It is very complex work.

Senator LUNDY—Has anything been rolled out?

Mr Wadeson—We have made a lot of changes and we have better control of the management, but I would say that we have a fair way to go with that.

Senator LUNDY—So has anything been rolled out yet?

Mr Wadeson—We have done certain things, but I could not itemise them. If you asking us what we have not done, I would say that we have not made as much progress as we probably envisaged. Another thing about IT Refresh as a whole—and part of the reason for the slow start—is that the data warehousing decision was quite big. It took us a while to get there and it is further down the program. That meant that we got off to a slightly slower start, but we have well and truly caught up now. In fact, we should really hit the expenditure targets pretty readily at the end of the period.

Mr Whalan—And deliver the outcome.

Senator MOORE—Is the warehouse cost of \$17.9 million part of the \$300-and-something million?

Mr Wadeson—That is right.

Senator MOORE—So there is nothing on top?

Mr Wadeson—A fair bit of that is in capital.

Senator MOORE—So is the total expected expenditure for this particular program still the \$300-and-something million?

Mr Wadeson—Yes.

Mr Whalan—We are on project, on target, on time.

Senator MOORE—On project, on target and on time?

Mr Whalan—Yes; and on the money.

Senator LUNDY—What about fault identification and rectification processes as part of IT Refresh? Do you have systems in place to be able to better monitor problems in the network?

Mr Wadeson—Yes. In fact, we are well into the implementation. We have partnered with HP to do ITSM and we have just introduced their new problem recording system. Everyone in Centrelink, no matter who they are, knows what a Quantum problem is. We are finally moving off that system. A year or so ago we introduced what is known as the Centrelink Network Operations Centre, and we have just moved that to 24/7 operation in the last 12 months. A lot of work has gone on in that area to reduce what we call our 'batch windows' at night when we have to turn off our system. We are doing other work with both model 204 and other systems. Of course, because of the way we do quarterly releases, we have to turn off our system for two days every quarter. It has been a full two days. We are working to get that down, because, in the online service world, people want to be able to do it on weekends, so we have a lot of work to do all that as well. IT Refresh appears in many different projects and

in many different guises to contribute to this overall change that we have from a five days, nine-to-five operation to what is required for this new world.

Senator LUNDY—What about metadata standards, interoperability—particularly with the old databases—and rationalisation of non-M204 databases?

Mr Wadeson—Metadata is the area I find most difficult to talk about. I am assured that we have done everything we need to do—though not everything we could do—in the metadata area. Many people say that the single source of failure of data warehouses is problems with the metadata.

Senator LUNDY—Do you know what standards are you using?

Mr Wadeson—No, I could not tell you off the top of my head.

Senator LUNDY—I would not know what it was anyway. I am just curious to see if you know.

Mr Wadeson—We have actually published quite a volume of what our metadata standards are.

Senator LUNDY—Right.

Mr Wadeson—We have done a lot of work in the space, but I would be the last to say I am an expert on that.

Senator LUNDY—I might just put on notice to get some more information about that—if they are open source standards and compliant with the requirements of the Australian Archives' electronic data standards and that sort of thing.

Mr Wadeson—We will take that on notice.

Senator LUNDY—Just wrapping all of this up, what is the overall annual expenditure of Centrelink on everything to do with IT, including the operation of the mainframe, midrange and desktop services and the contractors you engage?

Mr Wadeson—First of all, there are many definitions of IT, but I will tell you about the IT group, which basically is all the IT. In Centrelink, for example, our call centre and telecommunications costs are not part of IT. Some other organisations include that as part of IT.

Senator LUNDY—Yes.

Mr Wadeson—With those sorts of differences in mind, if I look at 2005-06, it was around \$320 million. In that year we also spent close to \$70 million on capital. This year we will probably be a bit higher on both of those.

Senator LUNDY—Why—because of the data warehouse?

Mr Wadeson—We have had a lot of activity on capital.

Mr Whalan—And a lot of activity in the lead-up to and implementation of Welfare to Work.

Senator LUNDY—Could you take on notice to provide the previous five years total expenditure and any appropriate breakdown of expenditure on IT and also your forward estimates?

Mr Wadson—There is one issue with that. I noticed when I was looking at some data that there was a discontinuity when the shape of the IT group was changed. It actually shows a sudden drop-off in our expenditure, which I expect is when the call centre people took their bit of it and said, ‘We are really about telephony; we are not about IT.’ So there is that discontinuity. It goes up and down a bit with major projects, but it has not varied all that much over the time.

Senator LUNDY—Could I ask the Department of Human Services the same question and for each of its agencies? Centrelink have got their patch covered, but could you take that on notice for everybody.

Ms Scott—We have not been around for five years, so we will go back for the 27 months that we have been around and do what we can.

Senator LUNDY—Fair enough.

Ms Scott—I said earlier that CRS had achieved savings of \$3.5 million over three years related to desktop, going in with a contractual arrangement with Centrelink; I should have said IT facilities management.

Senator LUNDY—As opposed to desktop?

Ms Scott—Yes.

Senator LUNDY—That brings me nicely to my next point, which is in the context of that overall expenditure—and I think for the purposes of human services, 27 months, and for Centrelink, going back five years. What are you able to identify as savings as the result of the economies of scale you claim have been extracted from these arrangements with IBM? Can Centrelink point to any, say, in the last financial year?

Ms Scott—We tend to find that the larger organisations, because of their already substantial buying power, are unlikely to achieve anything other than quite negligible savings. It is really the smaller players that, by and large, have benefited. Because it is one joint contract at a time as they come up, it is not such a quantum that will knock your socks off.

Senator LUNDY—This government have a bit of a history in trying to claim savings through economies of scale. They never delivered in the previous outsourcing arrangements either, so I think it is quite a reasonable observation that, even though you apply economies of scale strategies to these, it does not necessarily result in some massive return.

Mr Whalan—There are some substantial savings to smaller organisations.

Senator LUNDY—Sure.

Ms Scott—There are savings, but I do not think they are significant. An interesting point of comparison is where Centrelink acts as the lead agency for negotiations of travel contracts. I think Mr Whalan’s organisation has up to 32 different departments and agencies, some very small, that join together to work out travel arrangements that are to the benefit of the taxpayer. If you look at the total expenditure for each of the agencies it may not look spectacular, but

for some of the smaller agencies the travel savings or CRS's savings mean a lot to them and do mean a lot in terms of what they can do in service provision in key areas.

Senator LUNDY—I am just going back to your portal—where we started. It was reported last week that students will now be able to lodge their Youth Allowance and Austudy claims online. Is that right?

Mr Whalan—Yes.

Senator LUNDY—When was that announced? There were articles published on 6 February and on 2 February.

Mr Whalan—I would say, yes, with a caveat. The caveat is that once we have proved who the person is and established their entitlement then we can process the claims.

Ms Scott—Online will be the preferred form of communication with those students.

Mr Whalan—We are encouraging students to go online.

Senator LUNDY—But the point is that you cannot apply for it online—that you still have to go and apply for it but once you are in the system you can fill out your forms online on an ongoing basis.

Mr Wadeson—No, you can apply online, but at some point it will say, 'Now you have to come into Centrelink and we need three documents.' We do allow students in remote areas to send in their documents. So you can send in documents if you want to prove your identity that way. But the application itself is online and the only process that we require is proof of identity.

Senator LUNDY—Is that the only one you can do online so far?

Mr Wadeson—No. You can apply for all the family payments online, and I think across this year we will bring out aged pension. We will have all the major claims up there. There are so many other issues to do with the disability pension, so I do not know whether you would ever put that online. But certainly the main paper based ones are online.

With the Newstart group, because there is a lot of Job Network stuff around, you no longer need a paper claim. That is done through a different process that involves a telephone conversation. You can apply over the phone if you have been on Newstart previously. So there is a range of different things. But, for the more general benefits, yes, you can apply online for pretty well everything.

Mr Whalan—There is a list of about 50 services that you can access online. For some you need to be registered for an online service and for some you do not have to. It is a huge number. We have been ramping it up from last year.

Senator LUNDY—So with this new one, with youth allowance and Austudy, that is another in a long list of things you can do online?

Mr Whalan—It is. I would just make the point that it has actually been there since last year. You have seen a lot more about it in recent months because we have been ramping up the publicity for the start of the student year.

Senator LUNDY—That is what alerted me: media reports of it. So it is not linked to the portal. The portal will sit on top of all these things, won't it?

Mr Whalan—That is right. All of this is happening anyway. The portal sweeps it into one spot.

Mr Wadeson—It is built in J2EE, and that is the technology that is essentially Refresh. That is the architectural change that came with Refresh. It is a Refresh style system that we have built.

Mr Whalan—Almost everything that we talk about that is new is only possible because of the capability provided by Refresh.

Senator LUNDY—I think I got that message earlier. In anticipation of Friday, I have some questions about customer average waiting time and so forth. I thought I would just go through them and ask that you bring the responses to these questions on Friday.

Mr Whalan—I can give you an answer now, if you would like.

Senator LUNDY—Okay. Well, let me go through them. What is the average waiting time for customers in Centrelink customer service centres as at 1 February 2007?

Mr Whalan—I have a November 2006 figure.

Senator LUNDY—I think we got all of those on notice, didn't we? I think I am aware of those figures, not least because my colleague Kelvin Thomson drew attention to them.

Mr Whalan—I do not recall a question on notice on that. I just note that in November 2006 the queue wait time was 2.6 minutes on average, which was an improvement from 3.7 minutes on average in November 2005.

Senator LUNDY—What was the average time spent by a Centrelink customer service officer with each customer? We are dealing with November 2006.

Mr Whalan—We do not keep that information.

Senator LUNDY—So there is no point in taking it on notice. Is that what you are telling me?

Mr Whalan—No—we will not be able to give you that information.

Senator LUNDY—What is the average on-hold time for customers calling Centrelink?

Mr Whalan—For the period June to December 2006, the average speed of answer was 97 seconds, which is down 29 per cent from the same period in 2005 when it was 137 seconds.

Senator LUNDY—That is through your call centres?

Mr Whalan—Correct.

Senator LUNDY—I think this is the question I asked before, but it might be in a different way. What is the average call time for customers calling Centrelink? It is a slightly different way of asking the average time spent with each customer, but I know you cannot answer that.

Mr Whalan—Between June and December 2006, what we call the average handle time was 473 seconds.

Senator LUNDY—Is that up or down on the 2005 figure?

Mr Whalan—It is down two per cent from the 2005 figure, which was 483 seconds for the equivalent period.

Senator LUNDY—How many calls went unanswered in that period—I think June to December 2006?

Mr Whalan—In the period June to December 2006, in round figures, 486,000. That is a reduction of over 55 per cent from the same period in 2005 when the figure was, in round figures, 1,090,000.

Senator LUNDY—In terms of those calls unanswered, what was done differently to have that reduction over the 12 month period—or within six months, if you like, to push that down 55 per cent?

Mr Whalan—There is a large number of things that were done. This includes the provision of some additional staff in terms of handling the work; that two per cent reduction in the handle time per call; some changes which happened at the front of the customer service centres—

Senator LUNDY—Did you employ more customer service operators?

Mr Whalan—Yes, that was my first point.

Senator LUNDY—That would help.

Mr Whalan—Yes, but that is not the whole answer. There was a significant change in the front of the customer service centres—where we have increasingly integrated the record around a customer. So when a customer comes in to the front of a Centrelink office we will now talk to them about a number of things that are outstanding whereas before often we would talk to them about the issue they came in about. Once again, this is another thing off the back of Refresh. We are able to increasingly bring together what in some ways is more consolidated customer information, which I think has reduced the number of times that people call and revisit.

Senator MOORE—So customer service enhancements in the face-to-face centre flowed over?

Mr Whalan—Yes.

Senator MOORE—Has that been traced? It makes sense, but is that evidence based?

Mr Whalan—I am confident that has occurred.

Senator MOORE—Sure, it does make sense; but how you would actually prove that interests me.

Mr Whalan—There are so many factors that it is very hard to split it out. I am completely confident that what happens when a customer comes in now is that the officer says, ‘Are you aware that the next appointment with a Job Network member is on this date? You have an appointment with the social worker on that date. We have just sent you a letter. The letter is about this.’ So they go through all the outstanding actions. People ring up less to ask, ‘What did that letter mean?’ They ring up less to say, ‘Oops, I’ve forgotten when the appointment is’ et cetera.

Senator MOORE—Did that reduction in the number of calls left unanswered link with a reduction in the number of calls received?

Ms Scott—I think demand was about the same.

Senator MOORE—That is the other piece of evidence to link in. Senator Lundy asked particularly about the unanswered calls because we have had evidence about people giving up in disgust because their call has not been answered. It must be about the input as well. If your argument, Mr Whalan—and I am not saying that it is not true; but I am trying to work it through in terms of service delivery—as to why there were less calls dropping out is that because of the other ways of getting the information they did not need to make the calls, wouldn't that link across to fewer calls?

Mr Whalan—Yes, but there are many more factors.

Senator MOORE—Have you got these written down? Have you done a review of this?

Mr Whalan—No. Customer numbers are decreasing across almost all areas. That is another reason. But on the other hand there are a number of new initiatives. The government is doing more.

Senator MOORE—This is a complex question.

Mr Whalan—Welfare to work has driven a lot more activity in the existing population. There are also LPG grants and what have you. So there is an increasing amount of activity. This is a complex field.

Senator MOORE—Yes, the complexity of the issues. I have one more question on that data. I do not want to define the call centres, but I am interested in the average wait and whether that is available by area as opposed to just a general standard.

Mr Whalan—No. We run a national operation. That is a national figure. It is the same figure that you would get in Broome or—

Senator MOORE—I am talking about the face to face. The first question related to—

Senator LUNDY—That related to call centres, but Senator Moore is now asking about the face-to-face contact.

Senator MOORE—I know with call centres that, depending on your demand, you can switch all over the place—which is good—but I am talking about going to the office at, say, Strathpine and then I going to an office somewhere else. Do you have an area average?

Mr Whalan—We do.

Senator MOORE—Is that public?

Mr Whalan—We have not provided it as yet.

Senator MOORE—Can we get it?

Mr Whalan—We will take it on notice, if you like.

Senator MOORE—That would be lovely. This is in terms of customer service.

Mr Whalan—Correct; CSA's face to face.

Senator MOORE—I will not ask you by location, but by area or office would be useful.

Senator LUNDY—I have a couple of additional questions on this and then the rest will have to wait until Friday.

Mr Whalan—I thought you were going to wrap and say that that was the end of Centrelink. I will go faster.

Senator LUNDY—I am so sorry; that is not the case. How many customer claims were granted in the period from the end of June 2006 to December 2006? I think that is the period you are able to work with.

Mr Whalan—We will not have that figure.

Senator LUNDY—Could you take that on notice?

Mr Whalan—We can take that on notice.

Senator LUNDY—Would you be able to get it for Friday?

Mr Whalan—I do not know.

Senator LUNDY—How many customer claims were rejected in that period and what are the figures for rejections and grants of claims in the whole 2006-06 financial year?

Mr Whalan—I will have to take those on notice.

Senator LUNDY—If you could, thank you. There will be more questions for Centrelink.

CHAIR—I am sure there will be. Minister, Ms Scott, Mr Whalan and officers, many thanks for your assistance. We will adjourn now and reconvene on Friday.

Committee adjourned at 11.02 pm