



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

FINANCE AND PUBLIC ADMINISTRATION  
LEGISLATION COMMITTEE

**Estimates**

TUESDAY, 18 OCTOBER 2011

CANBERRA

BY AUTHORITY OF THE SENATE

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**SENATE**  
**FINANCE AND PUBLIC ADMINISTRATION LEGISLATION COMMITTEE**

**Tuesday, 18 October 2011**

**Senators in attendance:** Abetz, Bernardi, Cormann, Di Natale, Edwards, Faulkner, Humphries, Joyce, Kroger, Macdonald, Marshall, McKenzie, Moore, Polley, Rhiannon, Ronaldson, Ryan and Thistlethwaite



**FINANCE AND DEREGULATION PORTFOLIO****In Attendance**

Senator Wong, Minister for Finance and Deregulation

**Department of Finance and Deregulation****Executive**

Mr David Tune, Secretary

**Outcome 1**

Mr David Martine, Deputy Secretary, Budget Group

Ms Amanda Lee, Acting First Assistant Secretary, Budget Policy and Coordination Division

Mr Peter Saunders, First Assistant Secretary, Strategic Policy Division

Dr Lesley Seebeck, Acting First Assistant Secretary, Government and Defence Division

Mr David Hallinan, Assistant Secretary, Immigration and Foreign Affairs Branch

Mr Phil Richardson, Assistant Secretary, Attorney General's Branch

Ms Lisa Foreman, Acting First Assistant Secretary, Social Policy Division

Mr David Weiss, First Assistant Secretary, Industry, Education and Infrastructure Division

Mr Stein Helgeby, Deputy Secretary, Financial Management Group

Mr Tim Youngberry, First Assistant Secretary, Financial Reporting and Cash Management Division

Mr Alan Greenslade, First Assistant Secretary, Funds & Superannuation Division

Ms Sharon Ong, Assistant Secretary, Superannuation Branch

Dr Greg Feeney, Assistant Secretary, Funds Branch

Mr George Sotiropoulos, Assistant Secretary, Commonwealth Financial Accountability Review Branch

Mr Marc Mowbray-d'Arbela, Assistant Secretary, Legislative Review Branch

Mr Lembit Suur, First Assistant Secretary, Financial Framework Division

Mr Gareth Hall, Assistant Secretary, Budget Framework Branch

Ms Susan Page, Deputy Secretary, Deregulation Group

Mr Peter McCray, First Assistant Secretary, Deregulation Policy Division

Mr Jason McNamara, Executive Director, Office of Best Practice Regulation

**Outcome 2**

Ms Jan Mason, Deputy Secretary, Asset Management and Parliamentary Services

Mr Rick Scott-Murphy, First Assistant Secretary, Property and Construction Division

Mr Andrew Smith, Assistant Secretary, Property Branch

Ms Stacie Hall, Acting First Assistant Secretary, Government Business, Special Claims and Land Policy

Mr John Yanitsas, Acting Assistant Secretary, Government Businesses Advice Branch

Dr Guy Verney, Assistant Secretary, Special Claims and Land Policy

Mr Phil Smith, Assistant Secretary, NBN Policy and Shareholder Branch

Ms Bronwyn Asaris, Acting, Assistant Secretary, Insurance and Risk Management Branch

Mr John Grant, First Assistant Secretary, Procurement Division

Ms Laurie Van Veen, Assistant Secretary, Communications Advice Branch

Ms Ann Steward, Deputy Secretary, Australian Government Information Management Office

Mr John Sheridan, First Assistant Secretary, Agency Services Division, Australian Government Information Management Office

Mr Glenn Archer, First Assistant Secretary, Policy and Planning Division, Australian Government Information Management Office

**Outcome 3**

Ms Kim Clarke, First Assistant Secretary, Ministerial and Parliamentary Services

Mr Tony Nairn, Acting Assistant Secretary, Entitlements Policy

Mr Greg Miles, Assistant Secretary, Entitlements Management

Mrs Kim Baker, Assistant Secretary, Client Services

Ms Yvette Sims, Assistant Secretary, Accountability and Reporting

Ms Maree Faulkner, National Manager, Comcar

**General**

Ms Jenet Connell, Deputy Secretary, Chief Operating Officer

Mr Michael Burton, First Assistant Secretary, Chief Financial Officer

Mr Carl Murphy, First Assistant Secretary, Corporate Services

Mr Paul Stokoe, Acting First Assistant Secretary, Chief Information Officer Division

Mr Stephen Taylor, Assistant Secretary, Legal Services Branch

**Australian Electoral Commission**

Mr Ed Killesteyn, Electoral Commissioner

Mr Paul Dacey, Deputy Electoral Commissioner

Mr Kevin Kitson, First Assistant Commissioner

Mr Pablo Carpay, First Assistant Commissioner

Mr Paul Pirani, Chief Legal Officer

Ms Rachel Harris, Chief Finance Officer

Ms Marie Neilson, Assistant Commissioner, Elections Branch

Mr Andrew Gately, Assistant Commissioner, Roll Management Branch

Dr Cheryl McRae, Assistant Commissioner, Strategic Capability Branch

Ms Kathy Mitchell, Assistant Commissioner, Education and Communications Branch

Mr Neal Mason, Assistant Commissioner, People Services Branch

**Future Fund Management Agency**

Mr Mark Burgess, General Manager

Mr David Neal, Chief Investment Officer

**ComSuper**

Mr Peter Cormack, Chief Executive Officer/Commissioner for Superannuation

Ms Danni Woods, Executive Manager, Communications

Mr James Peterswald, Chief Operation Officer, APS Schemes

Mr Richard Bridge, Chief Governance Officer

Ms Christine Svarcas, Chief Operation Officer, Military Schemes & Pensions

Mr Darren Hooper, Acting Chief Financial Officer

Mr Herb May, Director, Schemes Accounting

**Commonwealth Superannuation Corporation**

Mr Peter Carrigy-Ryan, Chief Executive Officer

**Medibank Private Ltd**

Mr George Savvides, Managing Director

Ms Catherine McGovern, General Manager, Government and Public Affairs

**Committee met at 09:01**

**CHAIR (Senator Polley):** Welcome. I declare open this meeting of the Senate Finance and Public Administration Legislation Committee. The Senate has referred to the committee the particulars of proposed expenditure for 2011-12 for the parliamentary departments and the portfolios of the Prime Minister and Cabinet and Finance and Deregulation. The committee may also examine the annual reports of the departments and agencies appearing before it. The committee has fixed Friday, 2 December 2011 as the date by which answers to questions on notice are to be returned. The committee proceedings today will begin with an examination of the Finance and Deregulation Portfolio followed by the Department of Regional Australia, Regional Development and Local Government.

Under standing order 26 the committee must take all evidence in public session. This includes answers to questions on notice. Officers and senators are familiar with the rules of the Senate governing estimates hearings. If you need assistance the secretariat has copies of the rules. I particularly draw the attention of witnesses to the order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised and which I now incorporate in *Hansard*.

*The extract read as follows—*

**Public interest immunity claims**

That the Senate—

(a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;

(b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;

(c) orders that the following operate as an order of continuing effect:

(1) If:

(a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and

(b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.

(2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.

(3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.

(4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.

(5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.

(6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.

(7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).

(8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

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

Officers called upon for the first time to answer a question should state their name and position for the Hansard record and witnesses should speak clearly into the microphone. Please ensure all mobile phones are switched off. I would also request that senators who wish to table any documents should provide additional copies beforehand to help with the proceedings. This will help to ensure that we can provide copies to committee members as soon as possible.

#### **Medibank Private Ltd**

I welcome the Minister for Finance and Deregulation, Senator the Hon. Penny Wong, and the Managing Director of Medibank Private and officers. I would like to take this opportunity to raise an issue that I also raised last night with witnesses from the Department of the Prime Minister and Cabinet. The print on their name plates was not large enough, so I commend this department for the larger print on their name plates. If I cause a bit of competition for who has the larger print, I will accept that. Would anyone like to make an opening statement?

[09.03]

**Senator Wong:** No thank you, Chair. I do not know whether Mr Savvides would like to make an opening statement.

**CHAIR:** Mr Savvides, you now have the opportunity to put on the record your opening comments.

**Mr Savvides:** Thank you, Chair. We have just released our annual report for the 2011 financial year. I thought I would give a quick overview of the organisation for five or 10 minutes and then open it up for questions. We had a very strong year of performance. The membership fund grew one per cent in terms of membership. The market share of the combined health funds of Medibank Private and Australian Health Management, AHM, now comprise a 31 per cent share of the Australian marketplace in private health. Our revenues grew to \$5 billion. The profit result of \$428 million was up 13 per cent on the prior year. The profit result comprises investment returns, which were very strong—\$161 million in the year—and underwriting performance of the two health funds. It is also pleasing to report that the recently acquired Australian Health Management fund, which was at break-even point when we acquired it, is now at above average profitability and performing well under our



stewardship. This was the fourth consecutive year that our rate changes passed into the market at below industry average, which is averaging at \$1.38 a week for an average policy holder.

I think the most exciting thing about the year, however, was that for the first time we have begun to integrate the health services part of the business into the health insurance experience for our four million customers. This new hospital plan has gone live in Queensland and WA and will be progressively rolled out across Australia. At no cost to the hospital plan member, our customers in those states, and eventually all of Australia, will receive a 24-hour-a-day, every-day-of-the-year nurse advice service on the phone by quoting their membership number to assist them in navigating our health system, answering their requirements in terms of health and wellbeing and those of their families.

They will also have access to an online services hub. Many of our customers have given us feedback that searching the internet for health information is complex and time consuming. We have assembled a health panel and produced our own health hub of accredited health information, navigation, videos and other services to help customers of Medibank understand more about their own health. That is a free online member service. We have also released a series of new phone applications—iPhones and Android phones. Members can now actually claim remotely. They can look at their balances for benefits and also get navigation access to the latest local members choice service providers.

The last component of what we call My Health, a new experience in health insurance, is that members will be able to access a health nurse service call prior to admission to hospital, be visited by our own hospital liaison officers during their hospital visit and also receive a call post discharge to ensure that their rehabilitation and post-operative care is in place and supportive.

So we are quickly moving to integrate our health services into health insurance, responding to the need that customers have articulated. They want more out of health insurance than just payment; they also want assurance about health itself. That has driven the integration of the business. It has been very well received. Often we are dealing with a series of feedback from customers, often complaints. At the moment the My Health launch in Queensland and WA has produced a very strong flow of complimentary feedback from customers as they are enjoying these new services. I will stop at that point and respond to questions.

**CHAIR:** Thank you very much for that. Senator Cormann.

**Senator CORMANN:** Thank you for that update. We missed you last time, Mr Savvides. The fall of \$29 million in profit is before tax and dividends of course.

**Mr Savvides:** That is correct.

**Senator CORMANN:** You mentioned \$161 million from investment returns. I could not quite hear what you said about your operating profit.

**Mr Savvides:** The balance of the operating profit, which is \$291 million before other adjustments, is the core underwriting profit of the business.

**Senator CORMANN:** In the 2010-11 financial year, according to your annual report, you have now also paid the special dividend of \$300 million to the government.

**Mr Savvides:** That is correct.

**Senator CORMANN:** And you have paid an interim ordinary dividend of \$85 million.

**Mr Savvides:** That is right.

**Senator CORMANN:** And about \$129 million in income tax.

**Mr Savvides:** That is right. We pay a 30 per cent corporate tax rate.

**Senator CORMANN:** What is your expected final dividend? Have you got any indication as to whether it is going to be in line with what your final dividend was towards the end of last year?

**Mr Savvides:** The published dividend in the annual report that was just released has a final dividend of \$85.5 million. So the total dividend for the financial year 2011 was \$150 million.

**Senator CORMANN:** That is \$150 million plus the \$300 million—that is \$450 million—plus \$130 million. That is \$580 million. That means that the government has taken more money out of Medibank this last financial year than was generated in profits.

**Mr Savvides:** That is over two financial years.

**Senator CORMANN:** Explain that to me. Why am I putting two financial years together?

**Mr Savvides:** Because the financial year 2009-10 dividend was \$81.6 million, the financial year 2010-11 dividend was \$150 million and the special dividend of \$300 million fell within the financial year 2010-11 year.

**Senator CORMANN:** When did you pay the special dividend?

**Mr Savvides:** In the financial year 2010-11. I will just check that. I think it is correct.

**Senator CORMANN:** You paid it on 15 June, as I understand it, did you not?

**Mr Savvides:** We paid it on 15 June 2011.

**Senator CORMANN:** Yes, so that is the financial year 2010-11. You paid \$300 million in special dividend.

**Mr Savvides:** Correct.

**Senator CORMANN:** What else did you pay—\$129 million in tax for 2010-11?

**Senator Wong:** You are counting the corporate tax.

**Senator CORMANN:** No, I am just adding the cost—

**Senator Wong:** This is the tax rate which you want to stay higher—because you are opposing the MRRT.

**Senator CORMANN:** Minister, if I have some questions for you, I will get to you.

**Senator Wong:** I am also entitled to intervene.

**Senator CORMANN:** The Medibank Private organisation, as you well know, Minister, used to be a not-for-profit fund which did not pay income tax. It now pays income tax which has to be paid for by its members. Let me pursue my line of questioning, please, Minister. Can you just clarify for me—what dividends other than this \$300 million special dividend were paid in or for the 2010-11 financial year?

**Mr Savvides:** There were two dividends paid—

**Senator CORMANN:** The interim and the final one.

**Mr Savvides:** They were \$64 million and \$85 million—so there was \$150 million paid.

**Senator CORMANN:** So \$150 million was paid in dividends for one financial year, the 2010-11 financial year. That is right, is it not?

**Mr Savvides:** That is correct.

**Senator CORMANN:** That means you have paid \$580 million to the government for the 2010-11 financial year against \$429 million worth of profits. That is a lot of money. Is it your expectation that you will continue to have to pay the government more than you generate in profits before tax and dividends?

**Mr Savvides:** The shareholder talks to the board every year and between the board and the shareholder we determine an appropriate dividend which ought to be paid. The board makes the approval and the shareholder then accepts the recommendation and the payment is made.

**Senator CORMANN:** As CEO of Medibank Private, are you now putting profits ahead of patients?

**Mr Savvides:** The most significant component of our profit generation in the last couple of years—there has been a continuing improvement and it is now in a very strong position—has been through cost management. We paid out \$4 billion worth of claims last year. If you apply to that \$4 billion the sort of leverage in our procurement that we produced maybe seven or eight years ago—we now have a much more sophisticated procurement strategy and a leaner overhead—there have probably been \$200 million or \$300 million in improved efficiencies. We fly more efficiently than our competition in that space—partly for scale reasons, but we also have a very strong electronic commerce capability. We are much leaner on our overhead than many of the other funds.

**Senator CORMANN:** Sure, but if you did not have to pay \$580 million to the government, that money could have gone into your reserves, where you could have deployed it in future income-producing assets. Ultimately, it could have led to lower premium increases in future.

**Senator THISTLETHWAITE:** I still do not understand how you get \$580 million, Senator Cormann.

**Senator CORMANN:** I am sorry, Senator Thistlethwaite. I do not have the time to answer questions.

**CHAIR:** Senators, the process for everyone is that we do not ask each other questions. We put the questions to the witnesses.

**Senator Wong:** We do not understand the \$580 million either. So you might want to explain that to us.

**Senator CORMANN:** I can explain it to you on the basis that Mr Savvides has confirmed that \$300 million was paid in special dividends, \$129 million was paid in income tax and a further \$150 million has already been or will be paid for the 2010-11 financial year in ordinary dividends.

**Senator Wong:** If I can respond to that—first, it is a somewhat bizarre position for a senator from a party that wants to sell Medibank to be critical of Medibank paying company tax. The second point I would make in terms of dividend—

**Senator CORMANN:** I was not being critical I was—

**CHAIR:** The minister is responding.

**Senator Wong:** Actually, Senator, you were because you were making some suggestion that paying all that money to the government was somehow bad for the organisation when you want to sell it, in which case it will no doubt still pay company tax. The second point I would make, Senator, is that I am pleased you are asking about dividends, because you might recall that one of the things in your \$11 billion black hole is that you costed the sale of this asset but continued to assume the receipt of dividend income. So you said, 'We'll sell it, but in our budget bottom line we'll continue to assume we receive income via dividend from an entity we've sold.' It is one of the more amateurish messes in that particular costings mess.

**Senator CORMANN:** Are you finished?

**Senator Wong:** I am just making the point, Senator.

**Senator CORMANN:** Are you finished?

**Senator Wong:** I would have hoped you would understand—I have forgotten your shadow portfolio—that if you sell something you cannot get dividends from it.

**Senator CORMANN:** Indeed, so now that I hope we have established that Medibank in 2010-11 has actually paid to the government \$580 million when it made \$428 million in tax and dividends. So, presumably, the rest of it came out of your reserves, Mr Savvides?

**Mr Savvides:** The special dividend adjusted our reserve position, absolutely.

**Senator CORMANN:** When you say 'adjusted' your reserve position you are saying it 'reduced' your reserve position.

**Mr Savvides:** In terms of the capital efficiency review, and it is an ongoing process for any board to look at its capital structure and its efficiency—

**Senator CORMANN:** And Minister Wong was shaking her head before so I ask you again: are you putting profits ahead of patients now?

**Senator Wong:** I am shaking my head because it is bizarre that you would put that when your policy is to sell it to be a privatised, profit-making organisation. How can you possibly come in here and be critical of Medibank or the government about the fact that they pay company tax and dividend to shareholders who are the public?

**Senator CORMANN:** Minister, that sort of confected outrage is all very interesting—

**Senator Wong:** It is not confected outrage; it is that I think your position is illogical.

**Senator CORMANN:** I am very pleased that you say that it is an illogical position because it is a direct quote from health minister, Nicola Roxon—

**Senator Wong:** I am saying it is not logical to put—

**Senator CORMANN:** who launched a fierce attack on health funds, accusing them of putting profits ahead of patients and who said, 'Were battling big corporate interests which, much like the Liberal Party, are putting their short-term gains ahead of what is right and necessary for patients and families into the future.' That is, presumably, a health fund like yours, Mr Savvides, because before Medibank became a for-profit organisation most health funds were not for profit, were they? Most Australians were insured by health funds that were not for profit until such time as the status of Medibank changed.

**Mr Savvides:** I am not sure whether we were the tipping point, but 70 per cent of customers in health funds in Australia today are serviced by for-profit organisations.

**Senator CORMANN:** What is your share of the market again? You said 31 per cent?

**Mr Savvides:** That is correct.

**Senator CORMANN:** Would a 31 per cent market-shareholding organisation be the tipping point now that there is about 70 per cent?

**Mr Savvides:** There were some acquisitions as well—for instance, MBF was a very large fund that was acquired by HBA or—

**Senator CORMANN:** Yes, and MBF was not for profit.

**Mr Savvides:** That is right, and now it is for profit.

**Senator CORMANN:** It stands to reason that, if 70 per cent is now for profit and you have 31 per cent, it means that, before you became for profit, the majority of Australians were insured by not-for-profit funds. So if the health minister is now attacking big corporate health funds, it stands to reason that you would have to be part of that.

**Senator Wong:** He does not have to answer that. You cannot put a political proposition like that—

**Senator CORMANN:** I just note that you are very upset about Minister Roxon's—

**Senator Wong:** I have not finished my response, Senator.

**Senator CORMANN:** I have not asked you a question on this.

**Senator Wong:** No, and I was responding to your first question, if I could. It is not for the officer to respond to a political proposition that you are making as a result of what a minister in another portfolio said.

**Senator CORMANN:** Have there been any further conversations between you and the government about either a full or a partial sale of Medibank since we last met?

**Mr Savvides:** No, there has not been.

**Senator CORMANN:** So you would have noted the article in the *Australian Financial Review* on 19 August that the government was commissioning a review of Medibank Private in the context of the member for Lyne, Robert Oakeshott, pressing for the sale of Medibank Private? You are not aware of that article?

**Mr Savvides:** Not aware of that, no.

**Senator Wong:** Senator, if you have questions about the review Ms Mason can help.

**Senator CORMANN:** Sorry?

**Senator Wong:** You asked about the review and Ms Mason can assist.

**Senator CORMANN:** I would be very interested but I am surprised that Mr Savvides has not seen the article on 19 August 2011 on page 11. So you might want to review it because I would have thought it was in your interests.

**Senator Wong:** Maybe he is not as obsessed about media as some politicians.

**Senator CORMANN:** 'Scalpel turns to Medibank!' I would have thought that an article in the *Australian Financial Review* with the headline 'Scalpel turns to Medibank' would attract the attention of the managing director, but never mind. Ms Mason, what can you share with us?

**Ms Mason:** The AFR article of 19 August was incorrect. It is true that the Department of Finance and Deregulation has commissioned Deloitte Touche Tohmatsu to provide the government with advice on Medibank's corporate plans, business strategies, performance and governance arrangements but it is certainly not true that we are doing any work on a potential sale of Medibank. It is not government policy and we are not doing any work on it.

**Senator CORMANN:** I find it very hard to hear you, I am sorry. Can you speak up a bit, please?

**Ms Mason:** Certainly. What I said was the AFR article was incorrect. Whilst it is true that the Department of Finance and Deregulation has commissioned Deloitte Touche Tohmatsu to provide the government with advice on Medibank's corporate plans, business strategies, performance and governance arrangements—this is a fairly usual thing that we might do in relation to government business enterprises—it is not true that this department is doing any work to prepare for the sale of Medibank because it is not government policy to do so.

**CHAIR:** If I may interrupt, I will ask you to turn the microphone straight on to you. That might assist, because we are all having difficulty hearing you.

**Ms Mason:** My apologies, Chair.

**CHAIR:** No, that is fine and thank you.

**Senator CORMANN:** So what was the previous such review conducted by the finance department of Medibank Private? You say it is business as usual. When was the last time that you conducted such a review?

**Ms Mason:** I said it is business as usual because we do from time to time commission consultants to assist us in examining the corporate plans of government business enterprises where we have a need to advise a shareholder minister, where the Minister for Finance and Deregulation is either the shareholder minister or the joint shareholder minister in relation to a GBE. I will check with my colleague when we may have done the last piece of work in relation to Medibank.

**Ms Hall:** The government has not recently done such a detailed review of Medibank. The last such review would have been done in the context of the previous government's work with respect to the former cancelled sale process.

**Senator CORMANN:** So the last such review was done in the context of the sale. But now that you are doing such a comprehensive thing it has got nothing to do with any future sale? That just sounds a bit strange.

**Ms Hall:** As Ms Mason indicated, part of the ordinary business-as-usual work of the shareholder oversight area of the department is from time to time to undertake more detailed reviews of the various GBEs' business strategies, their corporate plans, their governance arrangements. As you would be aware, in the context of the work that has been done on the NBN, the government commissioned Greenhill Caliburn to do an assessment—

**Senator CORMANN:** But I am not asking whether—

**Senator Wong:** Hang on, let her finish.

**Senator CORMANN:** Sorry, but I am not asking about the NBN.

**Senator Wong:** No, Senator. She is entitled to finish her answer.

**Senator CORMANN:** I am not asking what the NBN are going.

**Senator Wong:** She is entitled to finish her answer. You may not like the answer. She is giving an answer.

**CHAIR:** Senator and minister, can I just—

**Senator CORMANN:** We have got limited time.

**CHAIR:** Senator Cormann, can I just take the opportunity to remind committee members again today that the process is that you have the opportunity to put a question to the witness and the witness is entitled to respond. I, as chair, cannot direct the witness on how to answer and respond but we have to pay them the courtesy of allowing them to finish.

**Senator CORMANN:** On a point of order, Madam Chair: I asked a question very specifically in relation to Medibank Private. That question was answered. The witness is now going on in relation to other, unrelated matters which only serves to waste time. We have a limited amount of time for this particular part of the portfolio and so I do not want to have a conversation about NBN when I am talking about Medibank Private.

**Senator Wong:** On the point of order, the witness is entitled to answer the question as she sees fit. The witness was also responding to a proposition from the senator that suggested that somehow this review of Medibank Private was something different, and she was going on to explain the reviews in relation to NBN as an example of the proposition that this is business as usual. Senator Cormann has now succeeded in wasting more time than would have been the case had the question been answered. He is not entitled to dictate to officers how they should answer a question.

**CHAIR:** Senator Cormann, there is no point of order. As I outlined before, I cannot direct witnesses on how to respond. You put your questions and they are entitled to be heard and to answer the questions the way that they deem appropriate. Ms Mason, have you anything further to add?

**Ms Mason:** My colleague Stacie Hall will have additional examples that illustrate the point that the review currently being undertaken in relation to Medibank is business as usual for the government business enterprise area of the department.

**Ms Hall:** Very briefly, a number of other reviews have been commissioned by government including the Greenhill Caliburn work on the NBN corporate plan and other work done over the last few years with respect to both Defence Housing Australia and the Australian Rail Track Corporation that looked at corporate plans, governance documents and so forth.

**Senator CORMANN:** So in relation to Medibank Private, the last time that a comprehensive review like the one that you are currently undertaking was conducted was in the context of the intended sale of Medibank Private by the former government. That is the bottom line?

**Ms Hall:** That is correct.

**Senator CORMANN:** Minister, have you had any conversations with the member for Lyne, Mr Oakeshott, in relation to a possible sale of Medibank Private?

**Senator Wong:** I do talk to members of parliament, including you, about all sorts of matters. I would be very reluctant in an estimates hearing to be going into details of that. I can

be absolutely clear with you that in no discussion with any member of parliament have I indicated any shift in the government's position relating to public ownership of Medibank Private.

**Senator CORMANN:** So the government's position still is committed to the retention 100 per cent of Medibank Private in government hands?

**Senator Wong:** In public hands, yes. I think they have said that now at three estimates.

**Senator CORMANN:** Every estimates I will come in and ask you just because the sands keep shifting. I can see that the government is doing a little bit of work now to prepare the ground for future sale, if a future government wants to do it.

**Senator Wong:** I refute that.

**Senator CORMANN:** It might not be your government—a future government.

**Senator Wong:** It is very interesting to come into Senate estimates and have opposition senators so cocky about being in government.

**Senator CORMANN:** It is not being cocky at all.

**Senator Wong:** You are amongst a number of opposition senators who speak like that. There is such a thing as an election.

**Senator CORMANN:** Indeed, as there should be—and we should have one soon. Last time, Mr Savvides, the we spoke about the work that was done by a Medibank Private internally in terms of modelling the impact of any changes in the private health insurance rebate on Medibank Private. That had not been entirely finalised last time we spoke. Has that worked now been finalised?

**Mr Savvides:** We have our own internal view about the impact of a means-tested rebate. That informs our planning and risk management.

**Senator CORMANN:** So what is your own internal view about the impact of the changes to the private health insurance rebate as proposed by the government?

**Mr Savvides:** We think the materiality in terms of impact is more about execution than it is about the actual impact itself in terms of the test. Let me just play that out. We talked to the department of health about it as well. Execution is key here. If I receive a letter tomorrow that says that my rebate will change as a result of my income and that means that my premiums might go up say 20 or 25 per cent, as a substantial part of the rebate falls away, that is a material enough impact for somebody near the threshold to maybe consider leaving the sector by cancelling their product or downgrading it. But it is actually not the real picture. Twelve months later when I see my tax adviser and I am doing my tax return, and if I have left the sector and no longer have health insurance, my Medicare levy surcharge will change. It will not be an increase of 30 per cent; the net increase might be 10 or 15 per cent because the MLS is another cost if I do not continue to take up private health insurance.

To have that understanding at the very beginning is part of what I call execution. We have had a good response from those we have spoken to in the department of health. If it was to proceed and the measure was put in place, we would be encouraging a method of communication and delivery that would make it possible for the individual who receives the notification of the change of rebate to also understand the MLS consequences at the very



same time and then make a more objective assessment about staying in the product or downgrading the product in regard to the cost.

**Senator CORMANN:** You are saying that you want people to understand the increased stick at the same time as they understand that reduction in incentive?

**Mr Savvides:** Yes, to bring those two events together in the mind of the decision maker.

**Senator CORMANN:** What is your bottom-line assessment of the impact of the private health insurance rebate changes proposed by the government in terms of reduced membership, downgraded cover and so on?

**Mr Savvides:** We are similar to the Treasury estimates. We estimate about a one per cent hit—15,000 memberships—but more significant would be publicly with a 2½ per cent downgrading to a lower-cost product. People would avoid the extra cost or minimise that cost.

**Senator CORMANN:** What would be the bottom-line effect of that on Medibank Private?

**Mr Savvides:** I do not have the profit impact of that and we would not release that because of the competitive nature of our industry and the competition issues.

**Senator CORMANN:** Do you have any further activities on the drawing board regarding further mergers and acquisitions?

**Mr Savvides:** No, we do not.

**Senator CORMANN:** How is your pet insurance business going?

**Mr Savvides:** It is going very well. It continues to grow. It is a small market in Australia. Only two per cent of Australians insure their pets; in Europe it is 40 per cent. It is the beginning of a small but, we hope, fruitful market.

**Senator CORMANN:** It is a profitable business?

**Mr Savvides:** Yes, it is.

**Senator MOORE:** I had some briefings on the My Health program. Because the trial is being rolled out in Queensland as well as Western Australia, I am particularly interested in it. You mentioned in your opening statement that it is a new initiative. Can you give us some idea of the way it is going to help Medibank with its costs as well as the general costing of health in the community?

**Mr Savvides:** There are two sides to this investment in the way that it helps the health fund. It certainly will reduce lapse rates from the membership pool. We believe it is a value-added proposition. It goes into the hospital plan at no cost to the member. For many years now members have been saying to us: 'We see these new promotions on television to bring new customers in, but what about existing customers? What do we get?' That is often a consistent category of complaint when we get mail. There is a series of member benefits in My Health that go to all current hospital plan members. People are saying, 'It is great that we are getting more value in our hospital product.' The benefits are two-sided. By reducing lapse rates, the membership pool will be more profitable and higher in quality. We believe that the My Health value proposition does differentiate us from the rest of the market. No-one else is putting this package together, but we expect others will follow—that is just the way it goes.

Two major studies have been done in the last 10 years—the Rand study and the Commonwealth study. They were very robust, major studies in the Northern Hemisphere.

They spoke to the fact that one-third of health dollars are wasted because of several components: the coordination of care, access at the right time and right care—that is, best practice care at that point of decision-making by a clinician. The coordination service of My Health, where you can ring a nurse 24/7 and talk to them about where you should go—it could be 3 am with somebody at home not well; it could be an older parent who is struggling with medication; whatever those variables are—the right care access at that time is provided in My Health. Also we think we have the most robust directory of services available anywhere in Australia. So the nurse can also point out to the member that they can attend a certain surgery that is 24 hours, or a pharmacy or another service provider, give them directions and also call ahead and inform that provider that a customer is coming and what their needs are. There is that sort of concierge assistance and care coordination.

Then there is the pre-, during- and post-hospital care service. A lot of readmission occurs because post-operative care is not done well. By attending to that, making the call, following up the customer who has gone through a procedure—we paid for one million procedures last year—we avoid unnecessary readmissions because we are attending to the concerns that people do get the right post-operative care and rehab as required.

We have over a thousand nurses now in the business and 1,500 clinicians all up. We are deploying that capability now to attend to the customer base of four million people we have in private health. They also do other services and contracts beyond private health, but we are now using that capability. Our tag line in the marketing message is 'Changing health insurance forever'. This is something that customers have been asking for for many years. They want more than just payment. They want assistance. My Health is about creating a health assurance product rather than just a health insurance product.

**Senator MOORE:** So your business plan has now got it in Queensland and Western Australia.

**Mr Savvides:** It is costed to roll out for the balance of this year as well. We are load testing. We are putting demand on phone call traffic into the nurse call centres. We are also load testing the health hub in terms of our internet service capability and online member services. That kind of load testing is a very significant technology investment by the company. We do not want outages and service quality degradation, so we are putting on the four million customers on a progressive basis over the 12 months rather than putting them all on at the same time.

**Senator MOORE:** Does your annual report actually spell that out?

**Mr Savvides:** Absolutely. The narrative is there. The investment for My Health was actually undertaken in financial year 11—the building of the services, the products and the technology. Obviously from the rollout there is a usage benefit, which is part of the claims, but the construction benefit is in the FY11 plan.

**Senator MOORE:** Some of the delivery is based on some of the acquisitions you have made over the last few years.

**Mr Savvides:** It would have been impossible to do this delivery without those acquisitions. The call centre capability in health and telehealth, which will be video enabled in about nine months time, will also flow into the member experience.

**Senator MOORE:** By this series of estimates next year you are hoping to have that rolled out?

**Mr Savvides:** It should be completed by that time.

**Senator MOORE:** You started by saying that this is part of a retention strategy as much as for new members. It is to keep your solid base.

**Mr Savvides:** Correct. Most health funds are lapsing at around five to six per cent a year in their membership base. If we could drop that by a third through a stronger value proposition—and obviously we will be testing that in the rollout—that will have a substantial impact on the surpluses that we generate and also the ability to produce lower than average premium increases against the rest of the marketplace.

**Senator MOORE:** Which a balance against Senator Cormann's questions in terms of the strategy you are putting in place.

**Mr Savvides:** I am not sure I should enter into that.

**Senator MOORE:** I mean in terms of the whole picture of what the business is doing around the place. The other thing is the feedback that you get. One of the things you have to do is monitor how effectively this is maintaining your base. Is there a process within this area for customers to actually tell you what they want?

**Mr Savvides:** Yes. We are crawling all over the feedback because this is a very substantial investment. This is not an incremental change; this is a step change.

**Senator MOORE:** It is a new business.

**Mr Savvides:** It is a different way of doing health insurance. It is a very different relationship with the customer. Most health insurers know their customers after the event, well after procedures and surgery. They know us through payments. This is a very different paradigm. This is about navigating relationships through the health system. We are there in advance and during. This is a very substantial shift, but we think that emotional investment in the relationship, by bringing it forward and making it more significant, will play out in retention and also, we hope, switch and attraction as well. We desire to win market share through this investment.

**Senator THISTLETHWAITE:** I just want to clear up this point regarding the dividends paid to the government over the course of the last two years. Senator Cormann tried to characterise it as \$580 million. That is incorrect, is it not? The inclusion of tax receipts in that amount would be misleading or possibly even an accounting error—am I right in saying that?

**Mr Savvides:** The straight dividends paid in two years—\$81.6 million and \$150 million—were the normal dividends. In addition to that, there is a \$300 million special dividend. That is \$530 million on my calculation.

**Senator THISTLETHWAITE:** So \$530 million is the correct amount—not \$580 million as was put by Senator Cormann.

**Mr Savvides:** And that is not tax; that is just dividends.

**Senator THISTLETHWAITE:** Minister, I was not a senator before the last election, but am I right in stating that the coalition's policy in the lead-up to the last election was to sell Medibank Private, yet in their accounting they continued to include the dividend stream in government revenue? Is that correct?

**Senator Wong:** That is right. It is part of the \$10.6 billion set of errors in the opposition's costings found by Treasury and Finance in the period during which there were discussions about which party would form government. One of the costing errors was that the coalition sold Medibank Private but continued to assume the dividend stream, which obviously added to the bottom line. This is akin to continuing to receive the rent from a property which you have sold.

**Senator BERNARDI:** Mr Savvides, I want to ask you a few questions about that innocuous term 'benefit leakage'. We raised it some time ago. Basically, it is fraud upon private health insurance funds. At the time, if I recall correctly, there was some suggestion that benefit leakage was costing the private health insurance industry up to \$800 million per year. What steps have you taken to redress or reduce the incidence of fraud on Medibank Private?

**Mr Savvides:** I think our calculations are sitting between one per cent and two per cent. It is still a significant amount of money. I am not sure if the Senate is aware, but we actually employ over 20 private investigators. The issue of leakage is important. We do have quite a lot of people invested in tracking and analysing the claims data. Sadly, we do find providers who do the wrong thing. When we do, the police are informed and the appropriate activities occur post that. More and more, systems are used for detection. Some of the leakage you could characterise as overservicing. When we find that, we tighten up contracts and service arrangements or we make sure that our members' choice providers follow a very strong program of right care rather than creative care, if you like. That is something we constantly monitor. Leakage in this area costs all of the membership more premiums and we are trying to minimise that.

**Senator BERNARDI:** You are estimating the figure at one or two per cent. What is the dollar value of that to your policyholders?

**Mr Savvides:** It is \$40 million or \$50 million a year, going up to \$80 million or \$90 million depending on where you are in the range of one to two per cent. You can never know precisely what people are doing. It is bizarre to say this but it happens in other places so I will share it with you. For example, when we do audits we write a letter to, say, 2,000 or 3,000 dental providers in a region, informing them that we are just doing audits of our contractual compliance. It is funny that, in the three-month period of audit, the claims drop a few percentage points, because we are watching and analysing. It does not drop from everyone; it drops from the two or three providers that are doing the wrong thing.

We have been doing this now for 10 years and we have a very strong team which has a very good skill set. We share our methodologies with the industry—not the content but the methodology. We try to encourage the rest of the industry to be sharp in this area as well because, if one health fund is weak in this area, it opens the back door for infiltration to the provider network.

**Senator BERNARDI:** Have you seen a reduction over those 10 years?

**Mr Savvides:** Yes.

**Senator BERNARDI:** Can you quantify that?

**Mr Savvides:** Yes. We get probably two to three times the money back into the health fund for the cost of the investigations that we undertake and the manpower within that.

**Senator BERNARDI:** Are you in a position to tell me what the results of a successful investigation are in respect of not only the repayment of funds but also whether there is disciplinary action against the provider?

**Mr Savvides:** Yes. If it is a breach of the law the provider is deregistered by their professional association, they are reported through and the police take action as well. So that is a very successful outcome. Others might be just that people are not aware that they are not reading the compliance requirements of the contract correctly and claiming things in a careless manner that end up costing the fund more than they should. It is unintended and we have to invest in education to make sure that people do the right thing, or we put systems in place. For example, the upgrading of the technology of the HICAPS system that operates in dental, physio and optical providers tends to lock out inappropriate claiming over time, and that is something that we continue to invest in. We talk to the provider of that service and say, 'Look, we need to make this software product much more sophisticated to avoid fraudulent claiming.'

**Senator BERNARDI:** I think we have to accept that mistakes do happen and that quite often they may be innocent mistakes. But, where there has been a demonstration of wilful fraud or deception and your organisation recommends or makes a formal complaint to the police and to the disciplinary board or the professional association, how many successful prosecutions have there been at a criminal level or how many providers have actually been substantively disciplined, and by that I mean a struck off or deregistered, as a result of your investigations?

**Mr Savvides:** I am not right up to date but two or three a year would be the high end.

**Senator BERNARDI:** Is not many, then.

**Mr Savvides:** Sadly, we also have staff fraud, and that happens with other health funds as well. I was just reading about a competitor fund the other day on this. It is rare, but it happens. People will join the company not because they want to be employees but because they want to infiltrate the claiming process and then send cheques to their mailbox address. But, again, our systems are very sophisticated and we pick that up very quickly. There are strong audit and internal assurance processes within the company, and the ANAO obviously overlooks that on behalf of the shareholders.

**Senator BERNARDI:** So, in terms of benefit leakage, are you saying internal fraud is just as big a threat?

**Mr Savvides:** No, it is not as big. It is certainly smaller but it does pop up from time to time. When we onboard our staff we give them education about the things they must be attentive to. Most of the staff fraud is internally notified by colleagues who see the wrong thing being done.

**Senator BERNARDI:** When I raised this issue a couple of years ago I was approached by some individuals who suggested that it was mostly 'ancillary healthcare providers', which was the term they used, that were responsible for benefit leakage. Is that an accurate assessment?

**Mr Savvides:** That is correct. It tends not to be the hospital groups; it tends to be ancillary. Again, when you have a national system of providers on contract—over 10,000 dentists et cetera—we can benchmark claiming by dental chair ratios and traffic ratios. If you can see a blip you say, 'Why is it that an individual has so much more claiming coming out of

that practice chair than the one next door?' So you go in and do an investigation, and then they find it hard to substantiate the claims versus the patients through the chair and the evidence then leads to an outcome, which is that they end up being dropped and the police get notified.

**Senator BERNARDI:** You will have to take this next question on notice, clearly. Are you able to provide me with the disciplinary action? Do you note the disciplinary action that is taken against healthcare providers by the professional associations or by the police? Do you keep an overall catalogue of that in the industry?

**Mr Savvides:** Yes, when we are directly involved in the follow-through because we want to see the outcome—

**Senator BERNARDI:** Not just for you; do you do it industry-wide and make assessments? Surely that would be the case if there has been a complaint elsewhere.

**Mr Savvides:** Yes, I think our team talks to other groups in the sector who are investigators as well. We do have a shared resource. I can take that on notice. If you are interested in how vigorous we are in following that through and what actually occurs, we can certainly provide a summary of that.

**Senator BERNARDI:** I would be interested in the ultimate result—say, if 15 dentists have been disciplined, what happens? I just want the broad numbers and the industry sectors in which they are operating.

**Mr Savvides:** I am happy to take that on notice.

**Senator RYAN:** I have some questions I will put on notice, given the time constraints.

**CHAIR:** There are no further questions. Mr Savvides, thank you very much for appearing before us. We will see you at the next estimates.

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

[09:51]

**CHAIR:** I welcome Mr David Tune, secretary, and officers of the department. Please be aware that the committee may examine Comsuper and the Commonwealth Superannuation Corporation concurrently with the program 1.2, public sector superannuation. Officers and senators are familiar with the rules of the Senate governing estimates hearings. If you need assistance, the secretary has copies of the rules. I particularly draw the attention of witnesses to an order of the Senate of 13 May 2009, specifying the process by which a claim of public interest immunity should be raised. The committee has set Friday, 2 December 2011, as the date by which answers to questions on notice are to be returned. Do you wish to make an opening statement?

**Mr Tune:** No, I do not.

**CHAIR:** Senator Cormann.

**Senator CORMANN:** Obviously, we will have some discussion with the Future Fund later. However, in providing advice to the government, could you talk us through the accounting treatment of the sale of Future Fund assets in the Commonwealth budget?

**Mr Tune:** Yes. When the Future Fund sells assets, which it has been doing in transferring assets from one category to another, that does have an impact on the budget bottom line, both the fiscal balance and the underlying Cash balance.

**Senator CORMANN:** When the Future Fund sold Telstra shares, they did not have an impact on the budget bottom line, did it?

**Mr Greenslade:** No, the sale of Telstra shares and other equities does not have that impact.

**Senator CORMANN:** Mr Tune, your answer is not sufficiently expansive, is it? I asked you a generic question about talking us through the accounting treatment of the sale of Future Fund assets and the impact on the Commonwealth budget. You say it has an impact. I now have one asset class which, if sold by the Future Fund, does not have an impact. Can you have another go at talking us through the accounting treatment of the sale of Future Fund assets and how it impacts on the Commonwealth budget?

**Mr Tune:** I had in mind the recent sale of non-financial assets that was undertaken by the Future Fund. I will get Mr Youngberry to take you through the accounting and some of the detail.

**Senator CORMANN:** Sure. We will get to the non-financial assets, but I asked explicitly and on purpose to make sure it is clear to everybody about the accounting treatment of the sale of Future Fund assets—all asset classes.

**Senator Wong:** Mr Youngberry can give you quite a detailed explanation of the accounting treatment.

**Mr Youngberry:** The Future Fund is a general government sector entity. As a general government sector entity, when it trades in financial assets the trading in financial assets does not impact on the underlying cash balance, although it will impact on the headline cash balance for the general government sector. Because we apply consolidation rules for all entities within the general government sector, we look to whether there is control when the Future Fund purchases particular investments. If the Future Fund does control any of the entities in which it invests, we treat those assets according to the nature of those assets. For example, if it acquires a controlling interest in an entity that has non-financial assets rather than just treated as an investment in the shares in that entity, we will record the assets according to their nature. So we would record them as financial assets. That does not mean the Future Fund needs to own 100 per cent of the entity in which it invests; it just needs to be able to exercise control over the entity in which it invests.

**Senator CORMANN:** If the Future Fund owned 51 per cent of Telstra shares—and I know this is a hypothetical question—what would be the accounting treatment of that?

**Senator Wong:** If it was sold.

**Senator CORMANN:** No. What would be the accounting treatment of the Future Fund holding 51 per cent of Telstra shares?

**Mr Youngberry:** Prima facie, 51 per cent does indicate control of an entity. When there is control we do what we call line-by-line consolidation, which looks to the specific assets and liabilities of the controlled entity. Whatever non-financial assets might be owned by the controlled entity are recorded as non-financial assets in the consolidated accounts for the general government sector. Any liabilities are recorded according to the nature of those liabilities.

**Senator CORMANN:** Once the Future Fund has sold a non-financial asset in which it has a controlling interest it becomes cash and the cash is no longer a non-financial asset. When does it come off the Commonwealth budget bottom line and exclusively end up inside the Future Fund balance sheet?

**Mr Youngberry:** Any sale will always be retained within the Future Fund. The Future Fund is a separate entity. Consolidation is an aggregation of all the entities within a particular sector. There are roughly 150 or 160 entities in the general government sector. All of those entities have their own assets and liabilities, and the consolidation of them is simply the aggregation of all of those entities.

**Senator CORMANN:** Sure. But, as I understand it, there is now \$250 million in 2011-12 that comes from the expected sale of a non-financial asset by the Future Fund—or maybe two assets, I am led to believe. Once sold it is no longer a non-financial asset. What happens to the cash in terms of the accounting treatment and its reflection in the Commonwealth budget?

**Mr Youngberry:** The cash will be recorded as a cash balance in the Future Fund's account—

**Senator CORMANN:** For the Commonwealth?

**Mr Youngberry:** and for the Commonwealth in the general government sector, yes.

**Senator CORMANN:** Why 'and for the Commonwealth'? It is no longer a non-financial asset in which the Future Fund holds a controlling interest.

**Mr Youngberry:** No, but the cash balance will be held within the Future Fund and it is recorded as a cash asset within the general government sector consolidation.

**Senator CORMANN:** Are all cash assets of the Future Fund reflected in the Commonwealth budget bottom line?

**Mr Youngberry:** Yes.

**Senator CORMANN:** All cash assets?

**Mr Youngberry:** All assets of the Future Fund are consolidated into the general government sector.

**Senator CORMANN:** At all times?

**Mr Youngberry:** Yes.

**Senator CORMANN:** What prompted the government to count in its own budget, then, the proceeds of \$250 million from the expected sale of Future Fund assets before that sale had actually happened?

**Mr Youngberry:** In terms of the actual flow of cash from the purchasing entity to the Future Fund, that is recorded as a cash inflow for the general government sector for the Commonwealth. However, in calculating the budget aggregate, the underlying cash balance, Future Fund earnings are deducted from the underlying cash balance to arrive at what is the publicly stated surplus or deficit.

**Senator CORMANN:** That is a different thing altogether. These are earnings from the investments. They are not part of the Commonwealth's cash position, but the cash from the sale of the asset is. That is what I am saying.



**Mr Youngberry:** The cash from the sale will be included in the calculation of the underlying cash balance then the earnings of the Future Fund are deducted. It will depend on whether there is a profit or loss on the sale of the particular assets as to what the further impact would be. I would have to check to be 100 per cent certain as to how we treat the profit or loss on the sale of the asset in terms of how we calculate earnings of the Future Fund to deduct.

**Senator CORMANN:** Has there ever before been cash from the sale of a non-financial asset by the Future Fund that has hit the cash balance of the budget?

**Mr Youngberry:** I do not know specifically. I would have to check.

**Senator CORMANN:** What do you mean you do not know the specifics?

**Mr Youngberry:** I think your question is: has there in the past ever been a transaction that the Future Fund has entered into—

**Senator CORMANN:** Has there been a sale of a non-financial asset by the Future Fund in the past that has hit the Commonwealth budget bottom line?

**Mr Helgeby:** In terms of the Future Fund itself, we are not aware that there have been any earlier sales of non-financial assets. The assets that you are referring to were purchased in 2009 I think. We believe they were the first purchases and this is the first sale of a non-financial asset. That is in terms of the Future Fund itself. However, the government routinely conducts sales of non-financial assets and they are accounted for in the underlying cash balance.

**Senator CORMANN:** Has the government in any way, shape or form caused the Future Fund to sell those non-financial assets?

**Mr Helgeby:** I think there has been a subject of interpretation over the last year or so about what is a non-financial asset held by the Future Fund. Given that the Future Fund is not able to hold non-financial assets in its legislation, the question has been (a) whether or not these assets were correctly accounted for and (b) if they were correctly accounted for whether they then should divest it. The view that has been formed by the Future Fund is that in fact these assets should be divested to remain consistent with its charter.

**Senator CORMANN:** When you say the view has been formed by the Future Fund, that is after communications from the government?

**Mr Helgeby:** We routinely discuss with the Future Fund its financial position and we discuss a range of issues with them, including accounting issues. These non-financial assets were relatively complex, as I understand it, and there was a need for some effort to be put into understanding exactly how to classify them. Once they are classified and that is a resolved matter, then the path has been to divest them.

**Senator CORMANN:** So the answer to the question, 'Has the government caused the Future Fund in any way, shape or form to divest themselves of those non-financial assets?' is yes.

**Mr Helgeby:** The government sets an investment mandate and there is legislation. The legislation in place is what the Future Fund can do. It is not the government that decides that; it is the legislation and it is the investment mandate.

**Senator CORMANN:** Has there been a change in the interpretation of the investment mandate?

**Senator Wong:** This is not about the investment mandate. The issue that Mr Helgeby is referring to is in the legislation, which is the legislation that had bipartisan support. It indicates that the Future Fund ought not hold any non-financial assets. What Mr Helgeby is talking about is the fact that there was a discussion between Finance and the Future Fund about the holding of certain assets by some subsidiaries of the fund and whether or not that was consistent with the intention of the parliament.

You have already asked in your question that it is the 2011-12 year, not the surplus year, that this affects. So there is certainly no suggestion that there is any involvement by government in terms of timing of sale et cetera. This is a decision of the board reflecting the parameters that the government and the parliament have laid down for the functioning of the fund. As I have previously made clear, despite your public statements—

**Senator CORMANN:** And the statements of your spokesperson, Minister.

**Senator Wong:** at no point does the government take the money, which was, I think, one of the suggestions publicly—

**Senator CORMANN:** By your spokesperson.

**Senator Wong:** That is not true.

**CHAIR:** Senator Cormann, can you allow the minister to conclude the answer.

**Senator Wong:** As I have said in the parliament on a number of occasions, the Future Fund retains the cash from the sale of the assets. It will deal with that cash asset as it sees fit and invest it as it sees fit. At no time do the sale proceeds leave the fund.

**Senator CORMANN:** Let us go back to where we were. In 2009 the Future Fund purchases non-financial assets. Somewhere between—

**Mr Greenslade:** Senator, can I just interrupt and make a slight correction there. Purchase was actually June 2010.

**Senator CORMANN:** So in June 2010—you mentioned 2009 earlier—the Future Fund purchases a non-financial asset, which is now expected to be sold in 2011-12. You are telling me that there has not been any change at all in the interpretation of the investment mandate that has been caused by the government.

**Mr Helgeby:** The investment mandate is unchanged over that period.

**Senator CORMANN:** The investment mandate is the same but there must have been a change of interpretation somewhere along the way, or are you saying that the Future Fund purchased those assets in breach—

**Mr Tune:** It is an issue of interpretation of the legislation, not the mandate. It is an interpretation of the legislation. As the minister said, the act says no investment in non-financial assets. Ex post we realised the Future Fund had done that, and I am sure they had another look at it themselves. So, when we knew about it, we had to reflect that purchase in the final budget outcome—they did it in June 2010—for 2009-10. In this year, 2011-12, the sale is occurring.

**Senator CORMANN:** Did the government bring this purchase of the non-financial asset to the Future Fund's attention and encourage the Future Fund to reflect—I saw some nodding there.

**Mr Tune:** The department did.

**Senator CORMANN:** So the department brought to the Future Fund's attention the fact that they had purchased two non-financial assets which were not consistent with—

**Mr Tune:** We queried it initially. We said, 'Could you please explain.' We went through a series of discussions with them and a conclusion was drawn, and then the board makes its own independent decision about what to do with that.

**Senator CORMANN:** After you have brought it to the Future Fund's attention, the board of the Future Fund made a decision?

**Mr Helgeby:** Can I expand on that. I think we became aware of it through the Future Fund's annual report. So the process of compiling the annual report for the Future Fund forces consideration of proper accounting treatments. When those accounting treatments are resolved and appropriately audited, we pick them up in the consolidated financial statements and other documents. So it was that process that brought this to our attention; and, having seen it, we started discussions with the Future Fund about what these assets were and whether in fact the treatment was appropriate.

**Senator CORMANN:** Has there been any correspondence between the government and the Future Fund board or agency discussing the sale of those assets?

**Mr Greenslade:** My recollection is that there has been correspondence between Finance, the Future Fund management agency and the Future Fund board.

**Senator CORMANN:** At a departmental level there was no letter from the minister to the chairman of the board or anything of that nature?

**Mr Tune:** We will need to check that.

**Senator Wong:** We will take that on notice and check. I do not recall it being something I wrote to the chair about, but we will check that.

**Senator CORMANN:** So the Future Fund buys two non-financial assets. As soon as they buy those non-financial assets, what does that do to the budget bottom line? Does it do anything?

**Senator Wong:** It reduces it.

**Senator CORMANN:** It reduces the budget bottom line. It increases—

**Mr Tune:** It reduces the underlying cash balance.

**Senator CORMANN:** It reduces the underlying cash balance and it could increase the underlying deficit, effectively.

**Mr Tune:** Yes.

**Senator CORMANN:** So the purchase of non-financial assets by the Future Fund caused a reduction in the underlying cash deficit.

**Mr Tune:** Yes. It is an increase in the deficit.

**Senator CORMANN:** It increases the deficit so it reduces the cash balance.

**Mr Tune:** Yes.

**Senator CORMANN:** And the sale of the asset now—

**Mr Tune:** has the opposite effect.

**Senator CORMANN:** It reduces the deficit and increases the cash balance.

**Mr Tune:** Yes.

**Senator CORMANN:** And it is right to say the Future Fund has made a decision to divest after strong encouragement from the department to reflect on the requirements in the legislation around investment in non-financial assets.

**Mr Helgeby:** Certainly after discussions, or as part of the process of discussions with the department, about the normal conduct of its investing activities.

**Senator CORMANN:** Once the Future Fund has sold the asset and there is no non-financial asset any more—there is just cash—what is the impact of that cash being held by the Future Fund, as the Minister says, on the underlying cash balance of the Commonwealth.

**Senator Wong:** It increases it. It benefits. It is a positive to the budget bottom line.

**Senator CORMANN:** Okay. If the Future Fund were to sell—

**Senator Wong:** Remember we are talking about the cash balance. Obviously it is not going to reflect ownership of non-financial assets.

**Senator CORMANN:** But if the same happened with Telstra shares—if the Future Fund sold Telstra shares and held cash—that would not be reflected in your cash balance.

**Mr Helgeby:** That is right.

**Mr Youngberry:** It would not be reflected against the underlying cash balance except to the extent that the earnings they would have accrued are deducted to arrive at the underlying cash balance. One of the important things in this is that, when the underlying cash balance is calculated, the earnings of the Future Fund are excluded or deducted from that aggregate.

**Senator CORMANN:** Sure, but now the Future Fund uses the cash from the sale of non-financial assets to reinvest in shares. What happens in terms of the budget?

**Mr Youngberry:** There is no impact on the underlying cash balance except to the extent that any earnings from that investment will be included in earnings of the Future Fund to be deducted off the—

**Senator CORMANN:** How can there be no impact? I do not understand this; maybe I am dumb.

**Mr Youngberry:** It is trading in financial assets. It is trading from a cash asset to a financial asset, being shares or equities.

**Senator CORMANN:** Yes, but it came from the non-financial—

**Senator Wong:** I am trying to be helpful here. Perhaps if we first explain what the UCB actually measures, that might be helpful. Then you will understand why the value of the non-financial asset is not reflected in the UCB.

**Mr Youngberry:** The underlying cash balance takes cash from operations for all general government sector entities. To that we add cash from investment in non-financial assets to arrive at a cash balance. From that we then deduct any earnings of the Future Fund and we

also add back any finance leases that general government sector entities may have entered into—finance leases are treated as a special case.

**Senator CORMANN:** But at some point in time the cash that came from the sale of the non-financial asset—the accounting treatment of it has to change as far as the Commonwealth is concerned.

**Mr Youngberry:** It comes in as cash, so we would record it as a cash balance. The cashflow in as recorded as a sale of a non-financial asset. That would improve the underlying cash balance. I need to check how we treat the profit or loss on the sale of that asset before I can say how the earnings are affected to arrive at the underlying cash balance. But once it is recorded as a cash asset in the balance sheet, if the Future Fund then invests in shares, for example, that is just swapping from a cash asset to another type of financial asset, so there is no impact on the underlying cash balance, which is more of about operations and investment in non-financial assets.

**Senator Wong:** Senator, do you have the final budget outcome with you?

**Senator CORMANN:** No.

**Senator Wong:** If you look in the financial statements there—because we talk in political terms around the underlying cash balance—you will see the way in which assets are recorded, including non-financial assets, and you will see in the cash flow statements the treatment leading to the underlying cash balance and the headline cash balance. The difficulty is we are talking about one measure, one aspect, of the Australian government financial statements, which is why it is confusing for you in asking the questions. I think you are asking the not unreasonable question: where is the value of the non-financial asset recorded if it is never recorded in the UCB?

**Mr Tune:** The value is in the balance sheet. It is the value as distinct from the proceeds of the sale.

**Senator CORMANN:** I think it was worth going through this, given the public discussion that has been on it. But, clearly, it in 2010-11, at some point, Finance had concerns about the legality of particular investments that had been made by the Future Fund.

**Senator Wong:** I think the word 'legality' is probably a bit strong.

**Senator CORMANN:** The department effectively told us this morning that, in its interpretation, the investment by the Future Fund in non-financial assets in June 2010 was inconsistent with the law as it stood. To me that means there were queries around the legality of that investment.

**Mr Tune:** It is not so much about the legality; it is about the interpretation of the law. When we saw it in the annual report, it raised questions in our mind and we were duty-bound to talk to the Future Fund Management Agency about that and that led to the discussion we were talking about.

**Senator CORMANN:** Which caused the Future Fund to reflect on its investment and move to divest itself of those two assets.

**Mr Tune:** Indeed.

**Senator CORMANN:** Is Finance now completely satisfied that all of the investments by the Future Fund are consistent with the requirements in the legislation or are there any other outstanding issues?

**Mr Greenslade:** The Future Fund guardians decided not to undertake any similar investments in the future such as those that led to the 250 million non-financial assets.

**Senator CORMANN:** Was the problem that it was a non-financial asset or was the problem that it had a controlling stake in that non-financial asset?

**Mr Youngberry:** The starting point is a controlling stake in the asset and then we do a line-by-line consolidation, which then looks at the substance of the assets or liabilities of the particular entity.

**Senator CORMANN:** If the Future Fund had held a 30 per cent share in a non-financial asset, that would have been okay?

**Mr Youngberry:** It depends on circumstances. Control is not simply a majority interest. It depends on being able to influence the strategic and operational policies of the entity that they have invested in. So 30 per cent could be a controlling interest, but it will depend on the specific circumstances.

**Senator CORMANN:** In these circumstances, the Future Fund actually had purchased 100 per cent of these two assets.

**Mr Youngberry:** Yes.

**Senator CORMANN:** Are you able to share with us what those assets were?

**Mr Greenslade:** I believe one of them was a timberland asset in the United States and the other a property asset in Melbourne.

**Senator CORMANN:** A shopping centre in Melbourne?

**Mr Greenslade:** I believe it is.

**Senator CORMANN:** Is Finance now completely satisfied that all of the investments held by the Future Fund are consistent with the requirements under the legislation or are there other outstanding issues?

**Mr Greenslade:** There are no other outstanding issues with respect to assets held.

**Senator CORMANN:** Are there any other outstanding issues by the Future Fund where you have concerns in relation to activities of any sort?

**Mr Greenslade:** No.

**Senator CORMANN:** You qualified it, so I thought I would just ask. This came out of the significant spike in the revenue forecast from the sale of non-financial assets in 2012-13. There was about a \$3½ billion spike in that financial year compared to the previous financial year. Last time we had a discussion around what might have caused the spike and you told me that most of it was caused by the sale of digital spectrum. Now since then there has also been some speculation in the media and some suggestions by stakeholders that the spectrum sale was being rushed, that it was coming too quickly after the convergence review and that it was driven by a fiscal timetable rather than by what was good government management, for want of a better word. Would you care to give us your perspective to the extent that you can on that?

**Mr Tune:** I think it is really a matter for the broadband department, around the timing and so forth. But the statement I have got here is 4 March 2011 from Senator Conroy, the Minister for Broadband, Communications and the Digital Economy, which talks about the licenses being due to expire in the period between 2013 and 2017. So in that context I would not have thought that the timing was inappropriate.

**Senator CORMANN:** Is that something that the finance department, before you make a decision to include revenue of this sort of type into the revenue estimates, probe as to the assumptions behind it?

**Mr Tune:** Yes, we would talk to the broadband department about the likely amount, which as you know we are not disclosing.

**Senator CORMANN:** And I am not asking you.

**Mr Tune:** Not just the amount but the timing and so forth, because we have to fit it into the appropriate financial year.

**Senator CORMANN:** And Finance is completely satisfied that the timing is driven by proper process and proper management of this particular process and not just by a fiscal requirement to boost revenue from the sale of non-financial assets?

**Mr Tune:** No, we do not.

**Senator CORMANN:** Sorry, you don't what?

**Mr Tune:** We do not have any concerns.

**Senator CORMANN:** Have there been any other occasions when the government has sought to intervene in other areas of the Future Fund investment decision making process?

**Senator Wong:** I do not know that we would accept the construction that you have put into your question. So perhaps you could phrase it differently. You are suggesting there was intervention. That was not the evidence at the table. There was a discussion about the interpretation of the legislation in light of an annual report and then the board made a decision. That is not intervention. So if you rephrase the question, Senator, in a way that is perhaps slightly less laden we might be able to help you.

**Senator CORMANN:** I was not even being political, minister. The finance department clearly drew to the Future Fund's attention some concerns it had about certain investments which then caused the Future Fund to plan to sell two assets in 2011-2012, assets which it had only bought in June 2010. But as to whether that is intervention or not I will leave that to others to judge. But has there been any other area where the government has had interaction with the Future Fund which has caused the Future Fund to make changes to its investment decision making processes?

**Mr Helgeby:** We have continual interaction with the Future Fund but we do not interact with them in such a way that would cause them to alter their investment practices.

**Senator CORMANN:** Has there been any discussion or correspondence between the government and the Future Fund which seeks to limit the scope of the Future Fund's investments?

**Senator Wong:** This is the ESG—environmental social and governance—issue, is it?

**Senator CORMANN:** So for example.

**Senator Wong:** Yes. There has been public discussion. You would recall on a number of occasions I have been asked to comment on particular investments the Future Fund has and I think you would have noted, insofar as you might listen to anything I have to say—

**Senator CORMANN:** I listen very carefully, minister—always. You should know.

**Senator Wong:** So you would have noted my consistent position that the investment decisions are a matter for the fund and if there are issues there it is for the fund to consider how it wishes to deal with them. That has been the approach we have taken. Obviously these are issues which are on the public agenda, and I am sure the fund will continue to consider them.

**Senator CORMANN:** So are you aware of whether any of your ministerial colleagues may have written directly to the Future Fund about investment in certain shares?

**Senator Wong:** Certainly Minister Roxon has made some public statements in her portfolio about investment decisions of the fund. But as I have said publicly, consistent with the approach taken by Mr Costello, these are matters that the fund has to manage, and I am sure that it will continue to consider these issues.

**Senator CORMANN:** So in terms of investment decisions the Future Fund would not be expected to take the lead from what government ministers say?

**Senator Wong:** I have made no direction to the fund nor have I changed in any way the investment mandate of the fund.

**Senator CORMANN:** You have made no formal directions but, as the departmental officer has just said, there are discussions, and there is this and there is that. There are public statements by Minister Roxon. I believe there is a letter from Minister Roxon to the Future Fund about investments in tobacco companies and companies in relation to, perhaps, alcohol.

**Senator Wong:** I talk reasonably regularly to Mr Murray, who is the chair, and obviously, as evidence has been given, there is dialogue at departmental level with the management of the FFMA. My discussions are consistent with the view I have expressed publicly, which is that these are matters the board needs to deal with. The board needs to consider how it wishes to deal with these issues. Clearly these issues are on the public agenda; they have been raised on a number of occasions. But I do not believe it is for government to direct the fund on these issues. I think it is a matter for the fund to determine how it wishes to deal with them, and we would encourage them in that.

**Senator CORMANN:** I want to go through some facts and figures around department of finance spending.

**Senator Wong:** We are jumping around quite a lot here so, in trying to be helpful, have we finished with the Future Fund?

**Senator CORMANN:** I have finished with the Future Fund in relation to the department.

**Senator Wong:** Until the fund arrives, are there any others? So, Senator, you are now asking questions about Finance's own spending?

**Senator CORMANN:** They are very small questions.

**Senator Wong:** Yes. They are different departments, so if we could have the officers to the table for questions about Finance's own spending?



**CHAIR:** Because of the time it takes to get officers to the table, it might be timely to take our break.

**Proceedings suspended from 10:27 to 10:43**

**CHAIR:** Welcome back. We are continuing with outcome 1.

**Senator CORMANN:** Can you tell us how much the finance department and portfolio agencies spent on travel costs last year? I am just going through a series of costs like that.

**Mr Tune:** We will have to take that on notice. We do not have it with us at the moment.

**Senator CORMANN:** Will you be able to assist with any of these sorts of costs?

**Mr Tune:** We have got some here.

**Senator CORMANN:** I assumed that these are the sorts of questions you get as a matter of course and you have it handy. So you are not going to be able to tell me how much you spent on advertising last year?

**Mr Tune:** Advertising of what nature? Recruitment advertising?

**Senator CORMANN:** Advertising of any nature. This is supplementary estimates—after we have had the full financial year outcome.

**Mr Tune:** We will be able to get that for you.

**Senator CORMANN:** I guess I will put all of these types of questions on notice. Is that the better way to go?

**Mr Tune:** If you can give them to me now I will try to get them to you by lunchtime, and I will give them to you straight after lunch, if possible.

**CHAIR:** Just go through them, Senator Cormann.

**Senator CORMANN:** I am looking for the spend on travel costs last financial year; the spend on advertising last year; the spend on external legal advice; and the spend on external consultant advice. I am also interested in information on how many boards and board members are paid for by Finance and the portfolio agencies and the full costs associated with these members—that might take a bit longer, I appreciate that; how many staff are currently employed by Finance and all portfolio agencies; what buildings and office space are used by Finance and portfolio agencies, and what is the total area of this office space. To the extent that you can, if you can assist today that is great.

**Mr Tune:** There are a couple that we do have for you immediately. One is legal costs. We will run through what he have and then we will take the others and get them to you ASAP.

**Senator CORMANN:** Thank you.

**Ms Connell:** Was there a consultancy question as well?

**Senator CORMANN:** Yes.

**Ms Connell:** The expenditure on consultancies for 2010-11 was \$25.6 million.

**Senator CORMANN:** How did that compare with the previous year?

**Ms Connell:** In 2009-10? I do not have that.

**Senator CORMANN:** You said you had the costs on legal advice.

**Ms Connell:** Expenditure on legal advice in 2010-11 was \$35,746,636.71, inclusive of GST.

**Mr Tune:** In 2009-10 it was \$31.9 million.

**Senator CORMANN:** For all of those I have listed, if could you give us the 2009-10 and 2010-11 figures that would be much appreciated. In your annual report, it says that Finance advised the government on border security policies, including advice on proposals under the Regional Cooperation Framework. Can you talk us through the extent of your department's involvement and the costs that you carried in the Finance and Deregulation Department and associated portfolio agencies in relation to this policy issue, and how that has been trending?

**Mr Tune:** We will give you a bit of an idea of how the department works; that might give you context. One of the groups inside the department is Budget Group and that is broken up into a series of divisions and then units, which we call agency advice units. One of those agency advice units deals with immigration and foreign affairs issues and, in the normal course of their business, day by day, they will be dealing with any budgetary issue that relates to those two portfolios. In relation to the original solution, we were involved in providing advice to the government, agreeing and settling costs with the Department of Immigration and Citizenship, and that fed into the budget process in the normal way. That is an ongoing function; the issue will vary from day to day. How much money was spent on that particular issue as distinct from any other immigration issue, I could not tell you, quite frankly, but in the lead-up to the budget it can become quite extensive.

**Senator CORMANN:** Has that immigration unit, as part of the Budget Group, changed in size in recent times?

**Mr Tune:** That particular unit? I am not sure, I will check.

**Mr Martine:** No, the size of the area has been largely unchanged for a number of years.

**Senator CORMANN:** Largely unchanged?

**Mr Martine:** I would have to check whether it is grown or fallen by one or two, but there has been no conscious decision to expand or contract that particular area.

**Senator CORMANN:** Have the recent developments around the government's failed offshore processing policy framework had any implications in terms of departmental spending or spending by associated portfolio agencies? I am not asking about all of government.

**Senator Wong:** No, but you used the word 'failed'.

**Senator CORMANN:** It is failed.

**Senator Wong:** I am going to make the point that you were proposing to sit with Mr Di Natale and other Greens senators to stop any offshore processing. At least their policy is quite clear on that. Yours is to support it, but you deliberately opposed amending the legislation in a way that would allow either Nauru or the Malaysia agreement to be implemented.

**Senator CORMANN:** Are you suggesting, Minister, that your border protection policy has been a success?

**Senator Wong:** I am suggesting that the failure of the coalition to be responsible in this, the fact that the coalition has sought to destroy something with which it agrees, is the reason why Australia has a legal arrangement which would not support any government implementing an offshore processing regime.

**Senator CORMANN:** There is a very long debate that we could enter into here, including about why your government dismantled the successful Pacific solution in August 2008, but I will refrain.

**Senator Wong:** Senator, I would refer you to Mr Metcalfe's evidence yesterday, an officer who—

**Senator CORMANN:** An officer for your government; I understand that.

**Senator Wong:** He is not a political operative. He is a public servant who advised your government—

**Senator CORMANN:** He is a fine public servant, but he serves your government.

**Senator Wong:** I have not finished. You put the proposition to me and I am responding. He is a very senior public servant who provided advice to your government, as he is providing advice to ours. He gave very clear evidence yesterday that the proposition that a return to the previous arrangements would be successful in deterring asylum seekers was incorrect.

**Senator CORMANN:** It is of course the only solution that has been successful over the past decade, but never mind.

**Senator Wong:** It is interesting, isn't it—

**Senator CORMANN:** I have a very specific question.

**Senator Wong:** I am happy to stop talking if you stop making comments. I am going to respond to them when you do. It is very interesting that the way the coalition approaches public policy is to dismiss the advice of experts. You have dismissed the advice of the scientists in the climate debate. You dismiss the advice of economists about how to reduce Australia's emissions at lowest cost and in this debate you dismiss the advice of people in the immigration department who would have the best handle on what might be a successful deterrent.

**Senator CORMANN:** Let's go back to the question at hand: have the developments in relation to the Prime Minister's proposed East Timor solution, the Prime Minister's proposed Malaysia solution and the Prime Minister's proposal to have a regional cooperation framework, which has not eventuated, had any implications for the department and agencies in this portfolio in terms of increased spending and, if so, what?

**Mr Tune:** No I do not think it has. As Mr Martine explained, the size of that particular AAU has remained constant. It is just the subject matter within it that varies from day to day and month to month. Put it this way: we have not devoted extra resources to that AAU in response to the things that have been happening over the course of the last 12 months or so.

**Senator CORMANN:** Could you give us an update on the government's response to what you described in the Finance red book as the 'persistent threat of a double-dip global economic downturn and the strong case for the building of a fiscal buffer in the event of a further negative shock'?

**Mr Tune:** That is an issue that is current of course with the situation overseas. It is not our primary responsibility to make macroeconomic forecasts and take account of that for its impact on the Australian economy. That is largely for Treasury to look at. But the government, both the Treasurer and Minister Wong, have made public statements on the threats that exist overseas, particularly the difficulties in Europe and what that might mean for

the world economy. The Treasurer has been in Paris at the G20 finance ministers meeting where they are trying to ensure that the G20 works in a cooperative way to address some of these issues, particularly the European members of the G20. In light of all of that, the government made clear a number of years ago, and reinforced it in the most recent budget, that it wishes to return to surplus in 2012-13. That remains the current plan as both the minister and the Treasurer have said quite a number of times over the last few months.

**Senator CORMANN:** Has the government acted on your recommendation that savings could be obtained by gaining administrative approvals, including staffing restructures and cuts?

**Senator Wong:** We made \$83.6 billion worth of savings in the previous three budgets and then another \$22 billion across the forward estimates in the recent budget, so, yes.

**Senator CORMANN:** But your staffing numbers are increasing, Minister. Your staffing numbers had not been cut, when I last looked.

**Senator Wong:** Senator, if you ask a question, I am going to respond. We can have a discussion where you simply sit there talking at me all day, which is not really the purpose of estimates. In addition you might recall that, in the most recent budget, the government increased the rate of the efficiency dividend from that which was announced in the election to 1.5 per cent in 2011-12 and 2012-13, and then back to 1.25 per cent in 2013-14 and 2014-15 before reverting to one per cent in 2015. That would yield savings of around \$1.1 billion over four years.

**Senator CORMANN:** Since December 2010, which is when this advice was given, by how much have you cut Commonwealth staffing levels, Minister?

**Senator Wong:** Staffing levels?

**Senator CORMANN:** Yes.

**Mr Tune:** We would have to take that on notice.

**Senator Wong:** We would have to take that on notice.

**Mr Tune:** The advice was given in August 2010, actually.

**Senator CORMANN:** There was an update.

**Mr Tune:** That was MYEFO; is that what you are talking about?

**Senator CORMANN:** Yes, that is right.

**Mr Tune:** Okay, we will have to take that on notice and get back to you.

**Senator CORMANN:** What progress has been made on the recommendation in the Finance red book that 'savings could be realised by instituting cost-recovery options where relevant'?

**Mr Tune:** We have been doing work on some of those things and some of them are in place. I think I have some here and I can take you to the detail of that.

**Senator Wong:** While they are looking for that, Senator, I would just make a point in relation to your question about cost-cutting. As you would recall, firstly, this government is much lower taxing than your government was, and the final budget outcome—

*Senator Ryan interjecting—*

**Senator Wong:** Actually, it is over the forward estimates, Senator Ryan.

**Senator RYAN:** Borrowings are just deferred taxation, aren't they, Mr Tune?

**Senator Wong:** I have not finished my answer, so perhaps I can do that and then you can ask the question. The final budget outcome tax receipts as a percentage of GDP were 20.2 per cent. My recollection of the final Costello budget was 23.5 per cent of GDP—I am sure someone will tell me if I have that figure wrong. Payments as a percentage of GDP, as you know, fall over the forward estimates period from 24.9 per cent to 23.5 per cent. So you are looking at a continued decline as a percentage of GDP in the size of government in the economy in terms of both taxation and payments.

**Senator CORMANN:** And \$83.6 billion in what you call cost-cutting of course includes—half of it is taxes, which of course you well know, including the mining tax and various other taxes. So it is not cost-cutting; it is taxing.

**Senator Wong:** Senator, if you take that approach, then your \$11 billion hole just got a great deal bigger. Your \$11 billion hole just got a great deal bigger.

**Senator CORMANN:** You cannot describe a tax as a cost-cutting exercise.

**Senator Wong:** Senator, you put something to me, and I am responding. If that is your proposition, if that is now the Liberal Party's policy, your budget black hole just got bigger because you included a range of tax measures in your election costings, which already had an \$11 billion black hole so—

**Senator CORMANN:** Our election costings were very transparent.

**Senator Wong:** I have not finished—

**Senator CORMANN:** Our election costings were very transparent.

**Senator Wong:** Your election costings were wrong.

**CHAIR:** Senator Cormann!

**Senator CORMANN:** I have not asked the minister about coalition election costings.

**CHAIR:** Senator Cormann, you did put a question and the minister is in the process of responding—

**Senator CORMANN:** She is not responding.

**CHAIR:** We are not achieving very much when you talk across each other, and it is not helpful to Hansard.

**Senator CORMANN:** I raise a point of order, Madam Chair. It is a persistent practice in this committee now that you never ensure that the minister is actually relevant to the questions being asked. You give the minister way too much leeway to stray into areas that are completely irrelevant to the question that is before officers of the department or the minister. It would assist the proceedings of this committee if the minister were actually relevant to the questions being asked.

**CHAIR:** Senator Cormann, there is no point of order. As you well know, you put a proposition to the witness. I cannot direct the minister or any of the officers on how to respond. The minister was in the process of responding. It is unhelpful to me as chair and to the recording of these proceedings by Hansard if you continue to try to speak over the top of any witness. Minister, would you please complete your answer.

**Senator Wong:** I was simply responding to the proposition put by Senator Cormann that a revenue measure could not be included as a savings and I was making the very sensible proposition that, if that is the coalition's policy, their budget deficit position, their black hole, which was found—

**Senator CORMANN:** Which is not true.

**Senator Wong:** You see. You just want to interrupt me.

**Senator CORMANN:** It is not true and it is not related to the question I have asked.

**CHAIR:** Senator Cormann and Minister, there is—

**Senator Wong:** I am responding to your proposition, Senator Cormann.

**Senator CORMANN:** You are not responding to the question.

**Senator Wong:** If you put a political proposition to me—

**CHAIR:** Minister, just conclude your response. Senator Cormann, I remind you: do not talk over the top of the witness.

**Senator Wong:** The \$11 billion black hole that was found by Treasury and Finance would be bigger if the position of the coalition is that you cannot include a revenue measure in your savings measures.

**Senator RYAN:** I get a little tired of hearing the constant tax to GDP comparisons without the full story being told. Is it not fair and correct to say that government borrowings effectively constitute deferred taxation because those borrowings have to be serviced and repaid through future tax receipts?

**Senator Wong:** Then I suppose you should fill your \$70 billion black hole.

**Senator RYAN:** I am happy to look at the scoreboard. You can talk about hypotheticals all you want, Senator Wong. The truth—

**CHAIR:** Senator Ryan, just complete your question.

**Senator RYAN:** I want you to note, Chair, that I did not interrupt, nor did Senator Cormann. Mr Tune, if a government is measuring its performance on tax to spending but it is spending and borrowing at a much greater rate that it constitutes a deferred taxation, is it not fairer to use a comparison, such as what it is actually spending in a year rather than what it is taxing?

**Mr Tune:** That is a complicated question.

**Senator RYAN:** Let me rephrase and make it more simple. I appreciate that was my error. Do government borrowings not simply represent deferred taxation?

**Mr Tune:** In the sense that over time if you look over the long haul you would expect government borrowings to be repaid. Generally you would have public debt interest charged year by year on borrowings which hit the budget bottom line, and they are included in the budget balances, as you know. But over time, if you continually run deficits for long periods of time, at some point those deficits have to be financed in some way and the borrowings need to be serviced—to meet the public debt interest costs, yes, over a long time. I do not think you can measure it year by year, but if you looked at it over a—

**Senator RYAN:** No, but governments borrowing—

**Mr Tune:** From a long-term perspective it is probably a fair comment.

**Senator Wong:** If I can respond to the senator's proposition that it is better to look at payments, you will see, as I outlined in one of my earlier answers, that historically in fact payments are actually falling over the forward estimates period as a percentage of GDP. For example, in the 2011-12 year they are less than a number of the years in which the coalition was in government. So payments fall to 23.5 per cent on the current forward estimates numbers. You will see, for example, in 2001 payments as a percentage of GDP were 25 per cent; in 2003-04 payments as a percentage of GDP were 24.5 per cent. My point is, Senator, that if your proposition is—

**Senator RYAN:** I am asking you a question.

**Senator Wong:** I am responding.

**Senator RYAN:** Mr Tune answered my question quite fine. I was not—

**Senator Wong:** Senator, we do not have to be like this. You put a proposition.

**Senator CORMANN:** You are being like this. That is the whole point. There is no other committee where ministers at the table waste this much time.

**CHAIR:** Can I bring people back to order. Senator Ryan put a question, Mr Tune responded and the minister is adding something to that response.

**Senator Wong:** I am responding to the proposition that Senator Ryan put that payments are a better measure. The position I am putting to him, if he judges on that basis, is that Mr Costello was actually a far more profligate Treasurer.

**Senator RYAN:** Senator, I am not going to sit here and be verbally. Mr Tune answered my question to my satisfaction.

**Senator Wong:** I have not finished.

**Senator CORMANN:** Minister Wong is here to waste time. That is what she—

**Senator RYAN:** She wants to verbal me, Chair.

**Senator CORMANN:** It is a strategy. The minister has a strategy to waste time so we cannot get through—

**Senator Wong:** I am quite happy to answer questions. If you choose to put propositions—

**Senator CORMANN:** We have not been asking you questions, Minister. You are the only minister that wastes time like this at the table during estimates.

**CHAIR:** Minister, just conclude your answer.

**Senator Wong:** What is extraordinary is we have so much argument about this. I would have finished my answer. I am simply saying: if spending is your measure, Senator, then we are doing better than Mr Costello.

**Senator RYAN:** I am not going to be verbally by you, Senator Wong. I am quite happy with Mr Tune's answer that the borrowings constitute effectively deferred taxation. I will hand back to Senator Cormann.

**Senator CORMANN:** Has the government accepted your advice, Mr Tune, in the Finance red book:

On current policy settings, there will be a long-term structural deterioration in the budget.

What is being done about it?

**Mr Tune:** I think the government has accepted that. Not only this government but the previous government, I think, accepted the advice that, as we all know, there is an ageing of the population occurring and that that is going to have an adverse impact on the budget balance over time. The three *Intergenerational reports* which have been done over the last decade or so indicate that quite clearly. They show that there is an issue there for the long term which needs to be addressed and I think successive governments have taken some steps along those lines to try to address that.

**Senator CORMANN:** Given that your department provides advice regarding the structural position of the budget, why has the government decided to stop publishing that information?

**Mr Tune:** We do not provide estimates of the structural deficit or surplus. That is a Treasury issue.

**Senator Wong:** But the long-term fiscal position of the government is obviously something we have to keep a focus on. You might recall that we did update some of the *Intergenerational reports'* assessments on the fiscal gap by mid-century as part of the tax forum documentation.

**Senator CORMANN:** Mr Secretary, you published information regarding these long-term budget pressures, including structural concerns regarding the budget, in the Finance red book and you have an area in your department titled the Long Term Budget Policy Branch. What do they do if they do not provide you with that?

**Mr Tune:** It may be that we are talking at cross-purposes due to terminology here. That group is looking at the forecasts of individual programs—doing some work on trying to break them down. The *IGR*, as you would appreciate, deals with sectors of government spending. So it will take health, perhaps, and break it down into things like hospital services, medical services, pharmaceutical benefit services and so on. What this group is doing is trying to take that to a finer level of detail—into some of the subprograms—and trying to work their way through how that impacts over the long term. It is the same sort of methodology but with a lot more detail in it. It is detailing with the nitty-gritty—the micro aspects of spending—and trying to refine the advice we can provide to government. That is a tricky exercise because it is hard to sort out what is structural and what is not structural. But that is the purpose of that particular group inside the organisation. What it does not do, and what I was referring to in my previous answer, is then say, 'Add all this up and see what that means for the overall macro structural deficit or surplus.' That is the work done by Treasury and has been done in the past—

**Senator CORMANN:** Your department feeds all that micro information into Treasury.

**Mr Tune:** Correct. And some of the work that Senator Wong referred to which was provided for the small update for the tax forum reflected some of the work done inside the department.

**Senator CORMANN:** Another thing you said in the Finance red book is that two areas which require attention are the management of the government's balance sheet and 'transparency and accountability'. What has happened to improve transparency and accountability over the last 12 months?



**Mr Tune:** I am trying to remember the context in which we said that.

**Senator CORMANN:** It was under the headline, 'Improving fiscal credibility in balance sheet management' and it is in the second paragraph covering action required. It says: 'two key areas that require attention are the management of the government's balance sheet and transparency and accountability.'

**Senator Wong:** I think the issue is that we did not realise you would go back to the red book. We do not have a copy here, so obviously—

**Senator CORMANN:** We are 12 months down the track. I thought it was a good time to check how—

**Senator Wong:** And if you had given us notice that we needed to have the red book to refer back to in full detail, I am sure we would have brought it. We will do the best we can.

**Mr Tune:** I think I can remember the gist of it now. I think what that is referring to is what is now known inside the department as the government's better government agenda, where we are trying to look at a whole range of things.

**Senator CORMANN:** Other than looking at things, what have you actually done over the last 12 months?

**Mr Tune:** I might get Dr Helgeby to run through some of the things being done, but there is an agenda of reform around better government relating to that increased transparency and accountability.

**Mr Helgeby:** The better government agenda does have some initiatives relating to transparency and balance sheet management. One of the key things we continually do around transparency is to look for improvements in the financial documentation—the full suite of financial documents from the budget documents through to the end of year documents; the final budget outcome and the consolidated financial statements. We continue to make incremental improvements in each of those documents including also in the monthly financial statements, and as opportunities are identified they get due consideration. We look very much at international and other practices and think about how those might relate to our circumstances.

**Senator CORMANN:** But since you have made that recommendation to the government, the government has decided to place another \$10 billion in spending off balance sheet. Is that transparent and accountable and part of appropriate balance sheet management?

**Mr Tune:** I am not sure what the \$10 billion is—

**Senator CORMANN:** The government describes it as the Clean Energy Finance Corporation. Does that fit with your new standards of transparency, accountability and appropriate balance sheet management?

**Mr Helgeby:** The Clean Energy Finance Corporation has yet to be established. There are some issues that we are working through which go to transparency and accountability which are really around how to classify the entity and how to classify the transactions—essentially how to account for what it does. We are working through that with the ABS, with ANAO, with Treasury and within Finance to understand the entity and understand the kinds of activities it will undertake. When it is established and when it is accounted for it will be done completely according to the standards appropriate to our financial documents.

**Senator CORMANN:** What are some of the issues that you are concerned about?

**Mr Helgeby:** One issue is essentially how to classify it between our sectors. We have a number of sectors it could go into—the general government sector or the public non-financial corporations sector. The general thinking at the moment is that it is likely to be a general government sector entity but we are not the decision makers on that; ultimately it is the Australian Bureau of Statistics who will inform our view on that.

**Senator CORMANN:** If it is a general government sector entity, will it be reflected on the budget balance sheet?

**Mr Helgeby:** Regardless of where it is classified it will be reflected in the government's financial statements. If it is in the general government sector then it will be counted in effectively the budget statements, not just the consolidated financial statements. The likelihood at this stage is it will be classified as a general government sector entity but, as I said, we are not the final—

**Senator CORMANN:** On the basis of what would it be so classified? On the expectation that it will make a profit?

**Mr Helgeby:** No, in the general government sector we are essentially dealing with things which ultimately are budget funded and which undertake purposes that are government policy purposes rather than market purposes.

**Senator CORMANN:** so it will be on budget rather than off budget as far as you are looking at it?

**Mr Helgeby:** At this stage we think it will be on budget.

**Senator CORMANN:** When do you expect to make a final decision on that?

**Mr Tune:** When the details of the corporation and the structure are sorted through.

**Senator CORMANN:** When you expect that to happen?

**Mr Tune:** Fairly soon. I think that work is being done in Treasury.

**Mr Helgeby:** I think there is a process whereby over about the next six months most of the thorny issues around governance and investment frameworks will be worked through and presented to government for final decision.

**Senator CORMANN:** What are the thorny issues you are dealing with?

**Mr Helgeby:** How you set up the entity, what does it look like—

**Senator CORMANN:** That is thorny, is it?

**Mr Helgeby:** Every time you set up an entity there is a lot of complexity to it. In the public sector there are very few straightforward entities that come straight from a box.

**Mr Martine:** The issue of whether it is on budget and which sector it comes into will not affect the current treatment on whether the investments of the corporation will impact on the budget bottom line. So the costings that were included in the clean energy package assume that the entity is in the general government sector and it is making investments and receiving returns. That is the way the treatment has been incorporated in the fiscal balance and the underlying cash. In that sense, it is on budget in that the entity sits in the general government sector balance sheet. The question is really then how it interacts with the budget bottom line.

**Senator RHIANNON:** I want to ask some questions about small grants. How does your department evaluate or review the overall effectiveness of the grants being administered by each agency? I am particularly interested in how you ensure the stated aims and goals of the agency that grants the money. From what I can gather, the process is enormously decentralised. We are actually talking about large amount of public money when you look at it overall, but it is handled on an agency-by-agency basis.

**Mr Tune:** That is correct. It is largely decentralised. We occasionally do reviews of particular grant programs, which would contain a number of discretionary grants and those reviews are often done in conjunction with the agency that is providing the grants. We feed those into government decision making. Mr Suur might be able to add a bit more to that. We do not systematically go through every grant that is provided by an agency. It just would not be possible to do that.

**Senator RHIANNON:** I appreciate that. I just want to understand the process.

**Mr Tune:** We are looking at it from a broad perspective. For example, if it is a \$100 million grant program comprising 100 grants of \$1 million, we would not go through the 100 grants; we would look at the overall \$100 million and ask, 'Is it achieving the objectives that are set down for it?' Clearly, the departments are required to report on the effectiveness of those grants in their annual reports and also in their portfolio budget statements. Some do that better than others, I would readily admit.

**Senator RHIANNON:** I appreciate that you cannot report on all of them, but we are still talking about a lot of public money. Can you explain why there is no centrally published register or source of information on grants? One just cannot get a handle on how much money is involved, how it is being handled and whether it is doing the job it is supposed to be doing.

**Mr Suur:** Reporting of grants is done on a decentralised basis. Agencies are to report on their website the details of the grant within seven days of finalising that grant. If you go to each agency's website, you will be able to get details of their granting activity. In addition, there is a reporting requirement to the Senate three times a year, I think, whereby grants that have been approved are reported to the Senate. The timing is somewhat different and the definitions are somewhat different, but there is plenty of transparency about granting activity in the sorts of grants that are made. On the question of effectiveness and how grants are judged, the Australian National Audit Office periodically looks at granting programs, as does the government in the budget context. Agencies themselves have review processes around grant programs. There is information circulating about the effectiveness of various grant programs.

**Senator RHIANNON:** I appreciate that that is what is set down. I note that you said within seven days the information should be on the website. From my own preparation for today, I found it very hard and often could not find the information. I note that a combined total of 17,017 instances of non-compliances have been reported for 2009-10. My guess is that, in the scheme of things, this may not be a large amount of money and is not a problem. But a member of the public or, indeed, a member of parliament it is hard to find out how this is all working. Can you detail the main problems with this level of non-compliance? How have we got to this level and how has it been handled?

**Mr Suur:** The 17,017 number that you refer to, Senator, is the total number of instances of non-compliance of requirements of the Financial Management and Accountability Act across all FMA agencies. Of that 17,017 number, there are 3,523 instances related to agencies not publishing details of grants within the seven-day period. In fact, we have done some research on that and found that, in over 50 per cent of those instances of non-compliance, agencies did post that information within 14 days. So it was simply a matter of them missing a deadline. We have had a talk to the ANAO about that and we believe that shifting the date by seven days would help agencies comply and would not impact on the issue of transparency. So we are looking at whether or not that date ought to be shifted.

Fundamentally, the agencies do the right thing in terms of publishing the information. If the information is not readily to be found on their websites and that is an issue of website design, I am more than happy to take back from these proceedings your observation that this information is sometimes difficult to find. In the general guidance that we issue agencies about the management of grants, we can encourage them to look at website design and make sure that information is more readily available. So, if you want to give me details about the sorts of frustrations that you have had in finding information, we can take that into account.

**Senator RHIANNON:** Thank you for explaining that. I apologise, because I meant to go to the 3,524 instances, I think it is, for non-compliance with small grants. Do I understand correctly that the majority of those are a matter of timing? If the agency had more time everything would be okay?

**Mr Suur:** Yes, that is right. I think all of us who are involved in dealing with websites and getting information published on websites are sometimes a bit more optimistic about timing than we should be. I think it is simply an administrative issue that has led agencies not to meet that seven-day requirement. They all meet the requirement eventually; it is just that it takes longer than the seven days.

**Senator RHIANNON:** Transparency is about getting the information out there. How do you rate the accountability systems in place to monitor the effectiveness of the grants? To what degree are the grants doing what was promised in the media release?

**Mr Suur:** I think that question is better directed to the Australian National Audit Office, which undertakes evaluations of program effectiveness. We have some reporting back to the government about effectiveness as well, which takes place in the budget process, but the meaning of the role of my division is not to assess the effectiveness of grant programs in terms of whether or not they are meeting their stated objectives. Our role is more at the policy level and ensuring compliance in terms of transparency and accountability.

**Senator RHIANNON:** If you are talking about compliance maybe I will ask it slightly differently. Do you ever look at making a comparison between agencies in how they are managing these small grants? You have just talked about compliance there, so I thought compliance would have covered issues of accountability and working to improve how the system works.

**Mr Suur:** I will attempt to answer that question indirectly, and then if my answer is unsatisfactory you can tell me. In the area of red tape and grants administration, for example, the government is doing work to simplify arrangements between agencies and grant recipients. In other words, we are looking at grant agreement templates and the guidance

around that and so on. The Victorian government has done some interesting work in this space, and so at the moment we are working with the Victorian government, grant recipients and agencies to see whether we can simplify the grants systems, the documentation and the red tape around grants to get a better process. In that sense we are engaged with different agencies involved in granting activity and we are comparing practice in this area with a view to strike the best possible solution. From time to time we draw together a community of practice in particular areas with a view to having agencies share how they go about things with a view to improving how things are done.

**Senator RHIANNON:** Right. I might ask you to explain how some of the guidelines that are there play out in practice. I understand that the obligations that must be complied with in all circumstances are denoted by the use of the terms 'must' or 'mandatory' and that they have to be followed, but then the use of the term 'should' denotes matters of sound practice. It sounds like when you use the term 'should' you are giving people some wriggle room. Could you just expand on those meanings. Yes, I acknowledge they have been defined, but how they work in practice I still find unclear.

**Mr Suur:** The guidance that we issue falls into two parts. Part 1 of the *Commonwealth Grant Guidelines* contains mandatory decision-making and reporting requirements that apply to ministers and officials involved in grants administration, and I think in that section of the grant guidelines you will find used the 'mandatory' wording that you referred to.

The second part of the grant guidelines is the best practice section, and that draws the attention of granting entities to better practice. We work on that quite closely with the ANAO to make sure that better practice lessons are shared within the granting community. I think you will find that the use of those words is fairly carefully split between part 1, which is the mandatory bit, and part 2, which is the best practice bit.

**Mr Tune:** I will add one last bit to that. On grant guidelines for the application of those two specific discretionary grants: departments bring those to the attention of ourselves and to Minister Wong as well and there is a process for agreeing those grant guidelines. So they do go through a process of checks before they are actually put into place and the grants are actually made.

**Senator RHIANNON:** Right. Thank you.

### ComSuper

[11:27]

**CHAIR:** We are now going to move to ComSuper, so could the appropriate officers come forward.

**Senator Wong:** Before we go to questions, Chair, I think Mr Bridge wants to inform the committee about current arrangements.

**Mr Bridge:** I am normally the Chief Governance Officer in ComSuper. Today I am representing Mr Cormack, who is the CEO. Mr Cormack is still recovering from some surgery. We were expecting him back this week but unfortunately he has had to extend his sick leave, so I will be representing ComSuper today. He sends his apologies to the committee. It is unfortunate that he could not be here but literally it is under doctor's advice.

**CHAIR:** I am sure I speak for us all in wishing him a speedy recovery and I welcome you to estimates today. I will just remind officers who are called on to answer a question for the first time to state their name and position for the *Hansard* record. Can I remind all witnesses to speak clearly into the microphones. You may have to adjust them; sometimes they get moved around. Mr Bridge, would you like to make an opening statement?

**Mr Bridge:** No, I have no opening statement.

**Senator CORMANN:** When we last met we talked about the outsourcing of the administration of the Public Sector Superannuation Accumulation Plan. You were not going to meet the deadline of 30 June but you were hopeful that you would finalise it by the end of the year. How are you progressing?

**Mr Bridge:** We are progressing well. Our target date is the weekend of 19 and 20 November. We recently sent out a significant event notice in association with Commonwealth Superannuation Corporation, the trustee, to our PSSap members, notifying them of that date. It is a process that takes a week or two to do, so we will be running down some services the previous week, and then the new administrator, Pillar Administration, will be taking up those services gradually over the week or two after that weekend.

**Senator CORMANN:** In fact, Pillar Administration was announced a few days after the last estimates hearings—

**Mr Bridge:** That is right.

**Senator CORMANN:** as the successful tenderer. What is the value of the contract and what is the term of the contract?

**Mr Greenslade:** The value of the contract is expected to be \$22.96 million over three years.

**Senator CORMANN:** Have you quantified the savings that this outsourcing provides to the Commonwealth over the forward estimates?

**Mr Helgeby:** The savings were published in the budget papers back in 2009-10.

**Senator CORMANN:** Humour me! Tell me what the anticipated savings were on 2009-10 and whether you still now expect to effect those savings.

**Mr Helgeby:** Around \$5 million was the annual savings, and we do expect those savings.

**Senator Wong:** Ongoing.

**Senator CORMANN:** That is right. So how many fewer staff will be employed by ComSuper now as a result of the outsourcing?

**Mr Bridge:** We estimate it is around 56 that we will no longer need to have staffing for after the outsourcing has been completed.

**Senator CORMANN:** And so how is it going to work in practice? Are some staff going from ComSuper to the contractor or are they going to need to be redeployed somewhere else in the public sector? What is going to happen? Are these 56 staff actually leaving the books?

**Mr Bridge:** The 56 is an average staffing level, a reduction across that. We have known about this decision and been planning and working around this decision for a long time, for a couple of years, and we have been preparing for that. So we have given an undertaking that we will be retaining all ongoing staff and in practice how that has worked is that we have

replaced leaving staff with normal attrition and turnover and we have replaced ongoing staff with some non-ongoing staff. So we have been able to manage without any redundancies or people going to other agencies et cetera. The new administrator, Pillar, has offered places to ComSuper staff who would like to continue to work in schemes administration and I understand one or two staff have been looking at that. I do not know whether they have accepted that, but that has been an offer made. So it might be the case that there might be some people who go to work in Pillar.

**Senator CORMANN:** Has the finance department got a figure in terms of anticipated redundancy payments across the anticipated redundancies?

**Mr Bridge:** As I have said, in association with PSSap there are no redundancies anticipated.

**Senator CORMANN:** So you can reduce your staff by 56 and there can be a saving of \$5 million overall and nobody is going to be made redundant?

**Mr Bridge:** That is correct. As I have said, we have planned for this.

**Senator CORMANN:** Why don't we contract out the whole of the government?

**Senator Wong:** Is that your policy, Senator?

**Senator CORMANN:** No. It just sounds like a magic pudding.

**Mr Bridge:** There is a number of dynamics there and the main thing is the private sector, the broader superannuation industry, has matured over the last decade with the superannuation guarantee levy in place. It is a very mature, effective sector now. With the accumulation program, which is PSSap, there is a quite strong competitive market out there for the administration.

**Senator CORMANN:** But right now, Mr Bridge, you have got 56 staff that you expect not to have this time next year.

**Mr Bridge:** That is correct. As a normal agency, we have a level of turnover. With the planning for this we have done a fair bit of workplace planning right down to the individual level about where a person can go after they have finished working on this scheme or working on a particular function around this scheme, such as the finance area et cetera. So we have planned that, as I have said.

**Senator CORMANN:** What is your total staffing level?

**Mr Bridge:** We are looking at our published estimate in the portfolio budget statements, which is 440.

**Senator CORMANN:** No, what is your current total staffing level?

**Mr Bridge:** About 480 FTE today.

**Senator CORMANN:** So 480 and 56 are going to go, so that is more than 10 per cent, well over 10 per cent, of your staff.

**Mr Bridge:** That is right. I should also explain that we have, as do other agencies, a level of turnover. Our level of turnover is in the range of 15 to 20 per cent. In that context—

**Senator CORMANN:** Let me hasten to add—

**Senator Wong:** Please, I have left it a couple of times but Mr Bridge should be able to finish his answer.

**Mr Bridge:** I was just expanding on the issue that we do have a level of turnover. We have had a good amount of time to prepare. So we have planned. We have brought on non-ongoings. We have got one or two contractors in that team as well.

**Senator CORMANN:** You have said that a few times. I think that efficiencies are a great thing and I think that, if savings can be made by contracting out, that is fantastic obviously. We should do it and there should be more of it. I am just trying to understand how from today to the end of the year you can reduce your staffing levels by 56, but you have planned for it and you have answered the question. I understand that. It is good to know that we can save \$5 million a year without anybody losing their job. As I said, there should be more of it.

I will ask a specific question in relation to the Commonwealth Superannuation Corporation now. Are you able to tell me how many members there are now across all of the funds that the Commonwealth Superannuation Corporation is now responsible for?

**Mr Bridge:** Probably the Commonwealth Superannuation Corporation's Peter Carrigy-Ryan can add to that, but I can give you some stats if you like.

**Mr Carrigy-Ryan:** There are various categories there. There are contributing members, preserved members, pensioners—

**Senator CORMANN:** Across all of the categories, what is the total number?

**Mr Carrigy-Ryan:** All up it is in excess of 600,000, but I will get you an exact number.

**Senator CORMANN:** Your total membership is not a top-of-mind figure?

**Mr Bridge:** It changes every day.

**Senator CORMANN:** Sure, but not by hundreds of thousands I would have thought.

**Mr Bridge:** It is about 700,000 at the moment.

**Senator CORMANN:** Of those 700,000, how many are currently still employed with the Commonwealth, its agencies and the Defence Force?

**Mr Bridge:** That would be contributors. I can give you it across the different schemes if you like.

**Senator CORMANN:** Can you give me a consolidated figure?

**Mr Bridge:** About a quarter of a million—260,000.

**Senator CORMANN:** So we have got around about 450,000 that are no longer employed with the Commonwealth.

**Mr Bridge:** The two major groups in that 450,000 are pensioners, of which there are about 200,000, and preserved members, who previously worked in the public service or served in the military and have an entitlement but are not drawing on that entitlement at this point. There are about 200,000 of them and they are called preserved members.

**Senator CORMANN:** Those retired members, for want of a better word, do not have any representation on the board of the Commonwealth Superannuation Corporation do they? That is perhaps a question for the minister.

**Senator Wong:** There are member nominated directors from the ADF, for example, so I am not sure what your—



**Senator CORMANN:** The question is: who on the board of the Commonwealth Superannuation Corporation is there to safeguard the interests of 450,000 plus members that are retired, and not just from the Defence Force?

**Mr Carrigy-Ryan:** I think the answer to that is there are 11 members on the board who have responsibilities in relation to pensioners. They have—

**Senator CORMANN:** I am not meaning to interrupt, but just to clarify: there are obviously employer representatives on the board that are nominated by the minister. Then you have got the employee representatives, which are nominated by the ACTU. They seem to have direct representation on that board, but there does not seem to be anyone with equivalent direct representation of the interests of those members that are no longer active in the public service or that are not the employer.

**Mr Carrigy-Ryan:** The answer to that would be that there are employee representatives; in addition, as you are aware, there are two members appointed by the Chief of the Defence Force. Members would include retired members, contributing members and preserved members. All of those members are members of the scheme, they are just in a different phase of their membership.

**Senator Wong:** As Mr Carrigy-Ryan has already said, the expectation of these members, as per any SI(S) regulated board or entity, is that directors are required to act in the best interests of all scheme members. It is not a particular quota for particular types of schemes, particularly when, as we have heard, you are talking about people who cross eight schemes.

**Senator CORMANN:** Is it correct that the Commonwealth Superannuation Corporation took effect on 1 July 2011, taking over the tasks and duties that ARIA previously performed?

**Mr Carrigy-Ryan:** There was a merger of ARIA, the military superannuation board and the DFRDB Authority. The legal entity that continued was ARIA and it was renamed Commonwealth Superannuation Corporation, and yes on 1 July it became responsible for all those superannuation schemes.

**Senator CORMANN:** When will you be updating your website? When I checked yesterday, it was still the ARIA website, welcoming us to ARIA and saying it is providing superannuation services and products to Australian government employees. Given that fund websites are a primary information tool for many members, should that have been ready on 1 July 2011?

**Mr Carrigy-Ryan:** You will probably recall there was a short period of time between the passage of legislation and 1 July. The intention was to ensure that the member experience from 1 July was very much the same as prior to 1 July, so the member websites have been retained at this stage. They will be updated in due course. We do have a program to change logos, letterheads, websites and member correspondence and documentation over the next six months. We have a fairly timed program for that. During that time all those changes will be made.

**Senator CORMANN:** I have some more questions but in the interests of progressing the program I will put everything else on notice.

**CHAIR:** If there are no further questions for ComSuper, I thank officers for appearing before us.

**Future Fund Management Agency**

[11:44]

**CHAIR:** I would like to welcome Mr Mark Burgess, the General Manager, and the officers of the Future Fund Management Agency. Officers called upon for the first time to answer a question should state their name and position for the *Hansard* record and I remind witnesses to please speak clearly into the microphone. Mr Burgess, do you have an opening statement?

**Mr Burgess:** Yes, I do.

**CHAIR:** Please go ahead.

**Mr Burgess:** Thank you very much. I am joined by my colleague Mr David Neal, the Chief Investment Officer. As you would be aware, David was the Acting General Manager prior to my arrival at the start of July. I would like to make a brief comment. First of all, I wish to say it is a pleasure to join the Future Fund as the General Manager. I reflect on the fact that the Future Fund globally is considered to be an extremely strong fund and is extremely well regarded across the world. In terms of my comments on the agency, I have been very impressed with the agency—a staff of over 80 who are an extremely experienced and extremely competent team and I am looking forward to working with them. I would also make the point that the asset allocation of the fund is very clear. It has a very good focus on the long-term aspects of investing, and during these volatile markets I think that is absolutely critical.

In terms of the allocation of the fund, it is divided into five broad categories: equities, which include private equity, as you would be aware; tangible investments, which is property, infrastructure and timberlands; debt; alternatives; and cash. In terms of investment performance, for the year to the end of June performance was 12.8 per cent and that followed 10.6 per cent in the previous financial year. That takes the gains on the fund to 5.2 per cent since inception. To put that another way, the fund has grown from initial contributions of \$60.5 billion to \$75 billion over that period. Of course, in the September quarter the financial markets were difficult. In fact, the Australian equity markets were down 13 per cent and the international markets were down 14 per cent. While I would be very cautious commenting on a quarterly number for such a long-term fund, it is clear that the forms of the fund are down just on three per cent and did get through that period on a relatively straightforward basis, but I wanted to at least give you that update.

Turning to broader issues, one of the areas that I think the fund has not talked widely about is its environmental, social and governance policies and I want to give you an overview of that issue. Looking at it, the board treats this as a very serious matter and is very careful in the way in which it approaches these issues. Importantly, it is vital to have a disciplined framework, and the framework hovers around the mandate, the need for diversification, the need to get returns on the fund for adequate risk, following the legal frameworks and, of course, global conventions that Australia has ratified. The board has focused its mind on this for some period and I think one of the important issues is that it does consider environmental, social and governance policies to be important in terms of their material effect on performance and their material effect on behaviours. The board is, and has been in the past, always looking to have these components of its policy inside the investment process, and that covers manager selection and the way in which the fund operates. We also have dedicated

resources in environmental, social and governance specialist skills and we work closely with peers across the world, the usual agencies, in terms of strengthening our approach to this particular area. The board has also focused over time, and certainly in my time, on international best practice. We believe that the policies that we have here are reaching those standards, having reviewed all approaches globally. We are in the process of doing further work on the ESG strategy. This is in the discussion stage at this point. It also includes further discussion about the exclusion process as it relates to behaviours of companies when it comes to environmental, social and governance policies. As I mentioned, it is the board's view that a disciplined approach to this is absolutely vital and I think further work is being done to enhance this policy. I finally say that financial markets are clearly challenging. It is a pleasure to join the fund in the sense that, at this point in time, I think it is well positioned for a volatile investment environment and I look forward to answering any questions on the fund.

**CHAIR:** Thank you very much, and welcome to your first estimates in this capacity.

**Senator DI NATALE:** Can you please update the committee on the fund's holdings in tobacco and weapons and nuclear weapons stocks specifically?

**Mr Burgess:** In relation to tobacco, our holdings at the end of December were at \$147 million. I do not have the most recent numbers with me but I do not believe that the holdings have changed significantly in that time and, certainly, our investment strategy in that area has not changed.

**Senator DI NATALE:** And in nuclear weapons stocks?

**Mr Burgess:** We received a request from ICAN on a range of companies they consider to be nuclear weapons holdings. In response to that FOI request, the value at 12 April was \$179 million. Without going into detail, we do not necessarily concur that every stock has that characteristic but that was our response in relation to the list they requested for nuclear holdings.

**Senator DI NATALE:** But you would agree that at least some of those stocks are consistent with holdings in nuclear weapons?

**Mr Burgess:** I haven't looked at that closely by holding.

**Senator DI NATALE:** Would you take that on notice and get back to me.

**Mr Burgess:** I can.

**Senator DI NATALE:** I am interested in and pleased to hear about your commitment to environmental, social and governance issues. What processes do you currently use to determine whether an investment satisfies each of those criteria?

**Mr Burgess:** We have an extensive research database that we apply across our portfolios to review our holdings in very broad terms. We apply that through our own research and by using third-party researchers.

**Senator DI NATALE:** Would it be fair to say that you are applying a very low benchmark if the fund currently has holdings both in tobacco and in nuclear weapons holdings?

**Mr Burgess:** I think the board is comfortable with its position with regard to its current holdings relative to those issues.

**Senator DI NATALE:** So you are comfortable that the fund has a strong commitment, to use your words, to environmental, social and governance issues yet it continues to have as at December last year \$147 million invested in tobacco? That, in your view, demonstrates a commitment to sound social practices as far as investment goes?

**Senator Wong:** There seems to be a bit of a cross-purpose discussion here, Senator. I am happy for Mr Burgess to answer this if I could just make this point. I think in his opening statement he did differentiate between how the Future Fund takes an approach which incorporates ESG into investment decision making and the manager selection process. I just have my own scribbled notes here but I think he also said that the board was still considering the broader issue, which is essentially the issue you raise. I cannot recall the words he used but it was essentially where they would invest. So I think Mr Burgess made clear that that was something that was still under discussion at the board level.

**Senator DI NATALE:** I would imagine if you are undergoing those discussions that you would have seen the ethical investment policies that are adopted by Norway, for example, as part of a fund which operates in a very similar way. What are your views of the system currently adopted for determining ESG criteria in Norway?

**Mr Burgess:** I would not be in a position to comment on Norway's ESG policy in and of itself. I am not an expert on Norway per se. As you would be aware, there is a wide variety of approaches across the world to ESG management. Norway has one approach, but there are many others.

**Senator DI NATALE:** Can you take that on notice and get the fund's view of what is a valuable framework for ESG investment as it relates to what is going on in Norway?

**Mr Burgess:** We would be happy to provide details on that.

**Senator Wong:** I found what Mr Burgess said. He talked about the board continuing to work on its approach. 'This will strengthen the board's approach and process and include consideration of exclusions where ownership influences proves ineffective.' That is what I was referring to.

**Senator DI NATALE:** What difference do you think it would make to the bottom line of the fund if you pulled out tobacco? Obviously, I acknowledge that having a diversified fund is critical. But what sort of impact do you think it would have on your bottom line if you pulled out of tobacco?

**Mr Burgess:** I think your question relates to exclusions generally.

**Senator DI NATALE:** No, I am talking specifically about tobacco.

**Mr Burgess:** With any exclusion you need to consider exclusions as a policy.

**Senator DI NATALE:** No, I am asking specifically about pulling out of tobacco.

**Senator Wong:** Senator, I am sorry. He is entitled to answer the question.

**Senator DI NATALE:** The question that I have asked—

**Senator Wong:** I have not finished, Senator.

**Senator DI NATALE:** Well, I have asked the question.

**Senator Wong:** I am intervening because you have interrupted him twice now. He is answering your question. He may not answer it in the way you wish. If you do not like the answer you can follow up, but he is entitled to answer it.

**Senator DI NATALE:** I will do that, thanks.

**Mr Burgess:** In relation to exclusions generally, clearly there is a wide array of views about exclusions as an issue. I think the board is very cognisant of that and, therefore, has approached this in a way that really tries to set a disciplined framework. That framework, as I have alluded to, rests on the pillars: the mandate itself; the need for diversification, as you mentioned; investment returns with adequate risk; the legal status of the investment; the activities of the company; and, of course, the conventions internationally. I mentioned the ESG policy. That is a framework around that as well, but I think it is important to note that the board has thought that through very carefully because there are a wide range of views on exclusions and, because of that, it is comfortable with its position as it can currently stands.

**Senator DI NATALE:** I am aware of the discussion and certainly that there are different parameters that one can use. I am asking specifically about the board's investment in tobacco. What I am asking is a very specific question: how do you think it would impact on the fund's bottom line if the fund chose not to invest in tobacco?

**Mr Burgess:** Its effect on the bottom line I would have to take on notice to give you some parameters around that.

**Senator DI NATALE:** Can you do that, please?

**Mr Burgess:** Sure.

**Senator DI NATALE:** Terrific. Just one other question: I understand there was a freedom of information request that meant that you were provided with advice on the question of the lawfulness of investing in nuclear weapons. What can you tell us about the advice you received from the Attorney-General's Department on that question and are you able to table that for us?

**Senator Wong:** He does not have to table the advice if there was advice sought or not, but he does not have to do that.

**Senator DI NATALE:** I am asking the question: would you be prepared to table that advice?

**Mr Greenslade:** Perhaps I could come in on that question. Since that last budget estimates hearing, Finance has sought legal advice in connection with investments in companies that may be involved in the manufacture or production of nuclear explosive devices. We sought that advice from the Office of International Law in the Attorney-General's Department and the Australian Government Solicitor. It is not appropriate for us to provide further information on this advice as it is subject to legal privilege. We remain, however, satisfied that the Future Fund is making investments consistent with Australian domestic law and its obligations under international conventions.

**Senator DI NATALE:** Thank you.

**Senator CORMANN:** Earlier we had the session with the department where they told us that the purchase of some non-financial assets that the Future Fund made in 2010 was in their view not consistent with the legislation. Can you just talk us through the interaction that you

have had with the government in the context post that purchase leading to the decision by the board to sell those assets?

**Mr Burgess:** Sure. I am going to hand to my colleague David Neal because he was involved with that particular process prior to my arrival in July.

**Mr Neal:** The short answer to that is that the board was of the view, at the time that the assets were purchased, that they would be treated as financial assets. Subsequent to the release of our annual report it became clear that that was not how they were going to be treated. The board has, as a result, decided that it will conclude a sale of those assets over a reasonable period on a commercial basis. The interaction with the department has been around the treatment of those assets—whether they would be treated as financial or non-financial assets.

**Senator CORMANN:** So driving your decision to sell is effectively the budget treatment of those assets.

**Mr Neal:** The board recognises that the intent of the fund is to invest in financial assets. It felt that it was investing in financial assets. It turns out that these assets will be treated as non-financial, so the board feels it is appropriate to sell those assets.

**Senator Wong:** Senator, you said that what is driving it is the budget treatment. What is driving it is the legislation, and the accounting treatment is an indicator of what the application of the legislation is. As I understand it, Mr Neal's evidence was that the board had a particular view about the accounting treatment. That was the issue of interpretation which Mr Helgeby or Mr Greenslade spoke about earlier.

**Senator CORMANN:** So, Mr Neal, the Future Fund thought that these were financial assets. On what basis did you think that?

**Mr Neal:** It is quite a complex, technical area but the very simple answer that I can give is that the way these assets were purchased was through a subsidiary of the board. We commonly use subsidiaries, as most large investors do, to ensure that we protect our taxation and legal status. The advice we had indicated that they would be treated as financial assets. The result—

**Senator CORMANN:** So you had a share in the subsidiary—

**Mr Neal:** Correct.

**Senator CORMANN:** the subsidiary owned the asset, but because you had a controlling share in the subsidiary that owned the asset it was consolidated back as a non-financial asset, which then had an impact on the Commonwealth financial position.

**Senator Wong:** More importantly, the act does not allow the fund to hold NFAs.

**Senator CORMANN:** Sure. So as soon as this was realised the department raised it with the fund, the Future Fund board reflected on it and decided to divest—is that the sequence of events?

**Mr Neal:** I think that the board reflected on how the asset was treated in the government accounts on the budget and that it was clear that that was not the intention of the act.

**Senator CORMANN:** If you were not a government entity, if you were operating in the private sector, would the accounting treatment have been different? Would you have appropriately characterised this as a financial asset if you operated in a private fund management environment?

**Mr Neal:** I am not an accountant. I am afraid I would have to—

**Senator CORMANN:** No, but I just assumed that was the basis on which you made the decision. We seem always to come back to this issue. The way the Commonwealth accounting processes work ends in a situation where this is treated as a non-financial asset. Would it be treated as a non-financial asset in any other entity not related to the government?

**Senator Wong:** I will ask Mr Youngberry to assist.

**Mr Youngberry:** The standards that we apply in relation to consolidation are the same standards that apply to the private sector. If the Future Fund were a private sector entity that had subsidiaries in which it had a controlling interest, it would be treated the same way as it is treated in government accounts.

**Senator CORMANN:** As a non-financial asset. So somebody somewhere along the way made a mistake, presumably, which then had a consequence for the federal budget bottom line, which needed to be corrected. Is that the most—

**Senator Wong:** No, Senator, you keep saying that.

**Senator CORMANN:** Somebody must have made a mistake. If you buy an asset in 2010 which you sell in 2011—

**Senator Wong:** The evidence has been consistent so, I am sorry, I am going to have to correct that because you keep persisting with it. The driver is not the budget treatment.

**Senator CORMANN:** No, I understand.

**Senator Wong:** The driver is the application of accounting standards which led to the classification of the asset as a non-financial asset. The Future Fund legislation says it cannot hold non-financial assets. The board considers that and makes the decision to sell.

**Senator CORMANN:** I agree with all that, Minister. That was not my point.

**Senator Wong:** Okay. I am going to keep correcting you if you keep proposing that.

**Senator CORMANN:** I was not saying that the driver was the budget treatment. What I was saying was that the decision to invest in a non-financial asset, effectively, had a budget consequence which then had to be corrected.

**Senator Wong:** I think the verb is probably 'reflected' or 'accounted' for.

**Senator CORMANN:** Given that it is inconsistent in the legislation, I would have thought that the asset should never have been purchased in that way in the first place. So somewhere along the way somebody made a decision to buy that asset, which should never have been bought. That is my question.

**Senator Wong:** I think Mr Neal has given evidence to the effect that, at the time the assets were purchased, the understanding of the fund was that they were not non-financial assets. Correct?

**Mr Burgess:** Correct.

**Senator CORMANN:** And the understanding of the fund changed following communications that the department of finance had with you or with representatives?

**Mr Neal:** Yes.

**Senator CORMANN:** So you say it is a timely sale. If you buy something in June 2010 and you have to sell it in 2011-12, are you now expecting to make a loss on that asset in the course of divesting? What is that going to cost?

**Mr Neal:** Until the asset is sold, I cannot answer that question.

**Senator CORMANN:** There is a figure in the budget attached to it, which is \$250 million.

**Mr Neal:** Exactly, so obviously we will make an estimate of when we think we will be able to sell them by and what we think we may be able to sell those assets for. Until such time as we develop a strategy and have gone through that process, which we will ensure that we do on a fully commercial basis within a reasonable time frame, I cannot give you any information as to whether there will be a profit or loss or how much.

**Senator CORMANN:** Has the Future Fund had any correspondence from any minister in the government about your investments, other than these investments here? Have you had any correspondence, for example, from the Minister for Health and Ageing in relation to investments relating to tobacco companies?

**Mr Neal:** I am sorry, in relation to specific investments?

**Senator CORMANN:** In relation to investments held by the Future Fund in, for example, tobacco companies.

**Senator Wong:** If the officers do not know they will take that on notice.

**Senator CORMANN:** Well I saw him nod, actually, so it looked to me as if—

**Senator Wong:** No. I said to Mr Burgess that this is his first estimates and that, if he was not aware, he could take the question on notice.

**Senator CORMANN:** I understood that, but before you had that interaction I actually saw Mr Burgess nod so I would like to know whether he knows.

**CHAIR:** I do not think Hansard can—

**Senator CORMANN:** Hansard cannot pick up a nod. I understand that.

**Senator Wong:** Senator, I would not want to start doing body language; I am sure you and I could both say all sorts of things.

**Senator CORMANN:** I am quite happy for Mr Burgess to say that he does not know. I am not going to verbal his nod. Are you aware of correspondence from the Minister for Health and Ageing to the Future Fund? Yes or no?

**Mr Burgess:** I would have to take it on notice. I am not aware of what you are alluding to.

**Senator CORMANN:** You are not aware of correspondence from the Minister for Health and Ageing to the Future Fund?

**Mr Burgess:** I do not think that I have seen it, no. I am just new, I am sorry, and I have seen a lot of stuff in the first three months.

**Senator CORMANN:** Okay. I guess it goes to the question of where the line in the sand is on the sorts of issues that were raised by Senator Di Natale and issues that I understand have been raised with the fund by the Minister for Health and Ageing. Where is the appropriate line in the sand between independent investment decisions by the fund and



outside influences trying to drive your investment decision making? I will leave that there because I do have a bit to go through.

Turning to the budget estimates in May 2011, I asked you a specific question around Future Fund exposure to emerging markets' currency foreign exchange positions. I asked you specifically how much the Future Fund had gained or lost on emerging currency foreign exchange positions over the past three financial years. You gave me, quite unusually, a very long answer which did not actually answer the question. You conceded that over the last three financial years your exposure to emerging market currency has generated a loss relative to an Australian dollar holding, but you did not quantify it. Can you please quantify the loss incurred by the fund over the last three years in relation to exposure to currency foreign exchange positions on emerging markets?

**Mr Neal:** I think the answer is no. I do not have that data with me.

**Senator CORMANN:** It is a question I asked last time.

**Mr Neal:** Yes. And we feel it is inappropriate to answer very specific questions about specific losses for very small parts of the portfolio for particular periods of time. We think it is counterproductive to start providing that sort of information—the reason being that we have a very large complex portfolio; it is a diversified portfolio. The very basis of a diversified portfolio is that at any one point in time some parts are going up and some are going down. We feel it is a very counterproductive and inappropriate conversation to pick small parts of the portfolio and talk about losses when other parts have gains, especially in the land of currency where often a gain is offset by a loss elsewhere.

**Senator CORMANN:** The reason you are here is to be accountable.

**Senator Wong:** The accountability is that, in addition to the annual reporting regime, there are quarterly portfolio updates which show the amount of the fund which is invested in particular asset classes and which give over the year a return. I think the last one was released on 9 August for the June quarter. Is that right?

**Mr Neal:** That is correct.

**Senator Wong:** It shows 2.9 per cent over the year and 2.7 per cent for the quarter and it gives the proportion and the number of how much money is invested in various asset classes. So there is a deal of transparency.

**Senator CORMANN:** That is all very interesting information, Minister, but it does not actually answer the question that I asked. In relation to the question that I asked, are you claiming some sort of commercial-in-confidence? For you to make the statement that you do not think it is appropriate is not what I understand an appropriate claim of public interest immunity to be.

**Senator Wong:** We will take this question on notice then. Senator, generally people in this place have not pressed Future Fund managers on these sorts of issues because of the commercial world in which they operate. If you are going to be demanding disclosure of particular returns of particular asset classes and if you are going to press the officers to outline a public interest immunity claim, we will take the question on notice and consider it. Would you like to outline the question?

**Senator CORMANN:** I asked the question last time. It is a very simple question and it has been on notice now for some time.

**Senator Wong:** And it has been answered.

**Senator CORMANN:** It has not been answered. That is the whole point.

**Senator Wong:** It has been answered as the agency sought to answer it. If you want to place a question on notice now, we will consider the issue you have raised.

**Senator CORMANN:** How much have the Future Fund lost—they have said that they have lost money—on emerging market currency foreign exchange positions over the past three financial years?

**Senator Wong:** Three financial years? We will take that question on notice and consider it.

**Senator CORMANN:** Thank you very much, Minister. That is very good. What is the Future Fund exposure to private equity as a percentage in Australian dollar terms?

**Senator Wong:** \$2.896 billion is the investment and the asset class as at 30 June 2011. That has been publicly released, Senator. If you go to the website, this is all there

**Senator CORMANN:** Sure. Say that again.

**Senator Wong:** I am reading off this.

**Mr Burgess:** That is correct.

**Senator Wong:** I think Mr Neal will have better figures.

**Mr Neal:** We have slightly updated numbers since the accounts were audited. As at 30 June we had \$2.97 billion invested in private equity, which at the time was four per cent of the fund.

**Senator CORMANN:** How many domestic versus overseas managers does the Future Fund use for its investments in private equity?

**Mr Neal:** At this particular moment in time we have one local Australian private equity firm. I do not know the exact total number of firms that we have got, I am afraid.

**Senator CORMANN:** What proportion of the private equity portfolio is invested with the one local manager?

**Mr Neal:** Very small, because it is a relatively recent fund that will not have drawn down very much of its capital.

**Senator CORMANN:** When you say you do not know the exact number of overseas managers, is that because there are so many of them, or are there two, three, five, 10?

**Mr Neal:** I would prefer to be able to give a precise answer. I think it is of the order of 15 managers.

**Senator CORMANN:** Fifteen overseas managers and one local. Why is the number of domestic private equity managers so low? Don't we have the expertise in Australia to do the sort of work required? We want to make Australia a financial services hub and become an international—

**Senator Wong:** The fund is not run according to particular—

**Senator CORMANN:** No, no, I understand.

**Senator Wong:** You put the proposition. I do not intervene unless you put something. The fund is not run to try to support a particular short-term policy. The fund is run in accordance with the legislation and the investment mandate, and decisions are made not by politicians but by the fund, the management agency, under the governance of the board.

**Senator CORMANN:** Indeed, and I am trying to understand, from a significant agency operating in this field, the reasons they made, to the best of their ability, judgments which lead us to a situation where 15 of their private equity portfolio managers are overseas and one is domestic. Is there an inherent problem? I am trying to get an understanding as to what it is in the way the market currently operates that leads us to that sort of outcome.

**Mr Neal:** There are a lot of different factors that lead into any investment decision of course, but the first thing I would point out is that one out of 15 is not an inaccurate representation of the global split. In fact, there is a substantially larger industry globally than there is in Australia. That is just a function of the size of economies.

The other thing to take into account is that we are a very large fund, so we need to invest fairly significant sums of money and so we need to have managers that are equipped to deal with large funds to take any realistic sized investment that we could make, otherwise we would end up with a very large spread of very, very small investments, which would be practically very difficult for us to invest. That is also a feature.

The other thing is that a very significant part of our strategy in private equity early on has been to invest into distressed investments that were as a result of the financial crisis. As you would know, we would all be happier if there were a lot fewer of those in Australia and there was not really that opportunity set here in Australia. But there was a very large opportunity set of that type, particularly in the US and also in Europe, so a large proportion of our private equity portfolio is warranted towards that type of strategy. I think that that is probably the key. We do not in any way seek to exclude Australia in our considerations.

**Senator CORMANN:** That was not my suggestion. I was just trying to understand what was driving that sort of outcome. Has the Future Fund discussed with government the proposed changes to the tax treatment of income in capital gains of private equity investments into Australia?

**Mr Burgess:** The Future Fund would not have those kinds of discussions with the government.

**Senator CORMANN:** Other funds would have those sorts of discussions with government. In fact, they have.

**Senator Wong:** He has answered the question, Senator.

**Senator CORMANN:** But he said it as if one would never do that. I am surprised by that.

**Mr Burgess:** I think the board's view is that it needs to be very careful about its independence.

**Senator CORMANN:** You would be aware of the proposed changes?

**Mr Burgess:** I am not a tax expert but I am aware of some changes, yes.

**Senator CORMANN:** But the proposed changes to the tax treatment of income in capital gains of private equity investments into Australia presumably will have implications for

Future Fund investment decision making when it comes to private equity managers and exposures.

**Senator Wong:** You are asking a question about policy of this officer.

**Senator CORMANN:** No, no.

**Senator Wong:** Yes you are. You are asking him to comment.

**Senator CORMANN:** I happen to support the policy. That is not where I am going at all.

**Senator Wong:** I just do not think it is fair to an agency which seeks to maintain its independence, which I absolutely support, to draw them into a discussion about particular government policies.

**Senator CORMANN:** I am trying to get a handle on it. This is a policy which is going to happen because it has bipartisan support.

**Senator Wong:** I know that. So I am not—

**Senator CORMANN:** I am trying to understand whether the Future Fund is thinking ahead about the implications and to what extent—

**Senator Wong:** Then ask that question: 'Are you thinking ahead?'—

**Senator CORMANN:** That is what I am asking.

**Senator Wong:** and 'Are you considering how you would manage this policy change?' Those are the legitimate questions.

**Senator CORMANN:** Are you considering how to manage the implications of that policy change—which will happen?

**Mr Neal:** Of course. Any change in the legislative or regulatory environment in any part of the investment world is something that gets incorporated into our thinking about expected returns. So the answer is yes.

**Senator CORMANN:** How is it impacting?

**Mr Neal:** I cannot give you a precise answer to that.

**Senator CORMANN:** Have the Future Fund board or agency staff had any contact with the government regarding Telstra and the NBN during the selldown of shares?

**Senator Wong:** Do you mean during it?

**Senator CORMANN:** It was a lengthy process, Minister.

**Senator Wong:** Again, here we go to the question—if you are asking whether, during the period over which there was a selldown of the Telstra shares, I had any contact with the fund, the answer is 'of course.' That is over how many years now?

**Senator CORMANN:** In relation to—

**Senator Wong:** Oh, in relation to it.

**Senator CORMANN:** Regarding the Telstra and the NBN selldown.

**Senator Wong:** That is a matter for the fund.

**Senator CORMANN:** I have asked them. You have had no contact?

**Mr Neal:** No.

**Senator CORMANN:** What sort of advice did the Future Fund receive regarding the sale of Telstra shares?

**Mr Neal:** Advice from?

**Senator CORMANN:** Who or which institution advised the Future Fund on the sale of its Telstra holding?

**Mr Neal:** We received advice, in terms of our strategies, from a number of different parties covering a number of—it is a complex question. But the primary—

**Senator CORMANN:** Is it secret who is providing you advice?

**Mr Neal:** No, I was just checking. We have announced that the primary adviser in terms of the sell-down strategy was Citi.

**Senator CORMANN:** And in terms of the execution of the sale?

**Mr Neal:** We had a couple of investment banks help us with the sale process. You remember that some time ago we did a block sale with UBS. We then did some on-market transactions with both Deutsche and Citi.

**Senator CORMANN:** Has that sell-down strategy now reached its final stage? Is it now concluded?

**Mr Neal:** It has now concluded.

**Senator CORMANN:** What was the total cost of planning and executing that sell-down?

**Mr Neal:** If by 'cost' you are referring to fees paid—

**Senator CORMANN:** Yes, fees paid—the administrative expenses associated with selling down the holding.

**Mr Neal:** To give you a precise answer, I would have to take that on notice. One thing I can say is that the brokerage of the on-market sell-down was free. There was no brokerage cost in that exercise. There were, obviously, fees paid to various advisers—technical advisers and the like.

**Senator CORMANN:** What sorts of interactions have there been between the government and the Future Fund around investment in domestic agricultural assets?

**Mr Neal:** None that I am aware of.

**Senator CORMANN:** Is PrimeAg currently your manager in relation to investment in domestic agricultural assets?

**Mr Neal:** That is correct.

**Senator CORMANN:** What were the criteria for that selection? Were other managers considered?

**Mr Neal:** There would have been a number of other organisations considered. I would rather not go into the detail of why we chose one over another.

**Senator CORMANN:** How much has the Future Fund now invested through PrimeAg?

**Mr Neal:** There is nothing currently invested. What we have agreed to do is to establish a vehicle with them and then over time they will draw down funds as they purchase assets.

**Senator CORMANN:** And this is the Future Fund acting independently off its own bat without any encouragement by government?

**Senator Wong:** Senator, you have asked that on many occasions. I want to make this very clear: just as was the case under Senator Minchin and Mr Costello, individual investment decisions are decisions of the fund. They are not at the direction of the government.

**Senator CORMANN:** Now how much Australian bank debts does the Future Fund own or hold?

**Mr Neal:** I do not know the precise answer to that, I am afraid. I would have to take that on notice.

**Senator CORMANN:** You can take that on notice. Can you may be tell us, because I am sure that this is something that you have had a close look at, the total Future Fund exposure to the European Union and break it down by Greece, Portugal, Spain, Italy, Germany and France?

**Mr Neal:** I can give you some data on that.

**Senator CORMANN:** I thought that you might have expected that.

**Mr Neal:** I thought that you might ask that question. Our total exposure to listed equities across Europe is \$2.8 billion of which only \$315 million is in the Greece, Ireland, Italy, Portugal and Spain camp. I can give you a further breakdown between those countries if you would like. So that is \$315 million to those five countries. We have a further \$178 million of debt instruments in those countries. In terms of exposure to specific sovereign instruments, that is very much smaller across Europe at only \$3.8 million. So it is very small in the context of our fund.

**Senator CORMANN:** Maybe on notice can you also tell us what the current Future Fund macroeconomic forecasts are for GDP growth and CPI?

**Senator Wong:** Why don't you get all the confidential data as well while you are at it?

**Senator CORMANN:** I just thought I would try.

**Mr Neal:** We do not really have such a thing because we invest for a variety of outcomes, so what we actually do is construct a number of scenarios and we think about how the fund would go under all of those, so we cannot really have a—

**Senator Wong:** We do not want to give their investment strategies to their competitors too, Senator Cormann.

**Senator CORMANN:** No worries; I will leave it at that, thank you.

**Senator DI NATALE:** Mr Burgess, I understand that in your opening statement you mentioned that the fund had actually dedicated resources to social, environmental and ethical governance. Is that right?

**Mr Burgess:** Yes.

**Senator DI NATALE:** So what is the nature of those resources? Have you actually recruited people to look at this issue?

**Mr Burgess:** That is right, and David can correct me if I am wrong. We recruited an expert from offshore who has been with the group now for two years. He is extremely well regarded in his field. He is a specialist in all aspects. He is very well connected across the industry, including globally, and he is also connected amongst the usual agencies. He is an extremely experienced and, I think, very impressive chap in the field.

**Senator DI NATALE:** And what is his task?

**Mr Burgess:** He has a variety of tasks. For example, he is certainly working with us on the ESG policy and the board's discussion around it, and his expertise is critical for that. He is involved in our governance program. He is involved in our screening. He is involved with working with peers. So it is a very broad brief but in this area of speciality.

**Senator DI NATALE:** Would it be fair to say that the fund expects to come up with a comprehensive ESG strategy which it will use as a filter for its future investments?

**Mr Burgess:** We have an ESG component in our current ownership structure, and I think it is important that it is recognised that that exists. We are working on enhancing that; there is no question about that, but I think that is the kind of enhancement that we would do across policies over time. So it is in discussion phase. It is very much at that discussion point. I would certainly look forward to updating you on further occasions.

**Proceedings suspended from 12:30 to 13:31**

**Mr Tune:** Chair, Senator Cormann asked me a series of questions about departmental expenditure in Finance. I think I have most of the information here. In 2009-10 the department spent \$13.9 million on consultancies and in 2010-11 it spent \$25.6 million. Most of that increase is accounted for by the work we are doing on a business case for the Moorebank intermodal transfer facility up in Sydney. We are doing that jointly with the department of infrastructure. Property costs, excluding Comcar and our Commonwealth parliamentary offices in the state capital cities, for 2009-10 were \$8.79 million and in 2010-11, \$9.1 million. Total floor space at March 2010 was 25,726 square metres and as at March 2011 it was 27,028 square metres. Floor space per full-time equivalent was 14.95 square metres in 2009-10, down to 14.1 square metres in 2010-11. Total expenditure on travel in 2009-10 was \$2,207,804 and in 2010-11, \$2,254,095. With staffing numbers, for Finance only—we would need to take the other parts of the question which are related to the rest of the portfolio, all the other agencies—in 2009-10 there were 1,796 FTEs and in 2010-11, 1,525 FTEs. Advertising costs in 2009-10 were \$935,883 and in 2010-11 they were \$913,409. The legal spend for external providers in 2009-10 was \$29,323,275 and in 2010-11 it was \$32,981,470.

I think that has covered virtually all of them. There is one on boards and board members that are paid for by Finance and other portfolio agencies which we will take on notice.

**CHAIR:** Thank you very much. We are now going back to outcome 1, general questions.

**Senator ABETZ:** I assume, Mr Tune, that you and the department do not deliberately misclassify annual spending as capital allocations and mix up figures from different accounting systems to confuse debate or to allow spending to overrun budget estimates.

**Mr Tune:** I certainly hope we do not.

**Senator ABETZ:** Good, it is reassuring to hear that. Have you ever known a finance minister to do that?

**Mr Tune:** No, I do not recall any such occasion.

**Senator ABETZ:** Because one former finance minister, one Mr Lindsay Tanner, in his book *Sideshow* tells us that as finance minister he deliberately misclassified annual spending

as capital allocations, mixed up figures from different accounting systems to confuse debate and allowed spending to overrun the budget estimates. Mr Tanner wrote:

I became adept at these dark arts.

Given that Mr Tanner is self-confessed in engaging in this conduct, was the department ever aware that this was going on, from media stories or transcripts of interviews of Mr Tanner?

**Mr Tune:** In the period that I have been Secretary of the department, Mr Tanner was minister for about nine or 10 months of that period, I certainly am not aware of any situation like that.

**Senator ABETZ:** Is there anybody in the department with a longer corporate memory than your own, Mr Tune?

**Mr Tune:** I am sure there are many people.

**Senator ABETZ:** One assumes that to be the case, given that you have only been Secretary for nine months.

**Senator Wong:** I thought you were going to say 'given his youth'.

**Senator ABETZ:** That as well; that is a given. Has it come to the attention of other departmental officials then that at least one former finance minister was engaged in this conduct?

**Mr Tune:** I can ask my colleagues. Do you want me to line them all up here and ask them one by one, or do you want me to take it on notice?

**Senator ABETZ:** Take it on notice but this is a very serious matter because we often have debates and discussions about matters financial, as we should, and for a federal finance minister to basically brag about the way he misconducted himself—not conducted, but misconducted—is a matter of concern. I would have thought it was something that the department would have become aware of and may have, from time to time, provided him with briefing notes to indicate that that which he had said on the public record may not necessarily reflect the fact. If you could take that on notice and ascertain for me whether or not Mr Tanner ever received such briefing notes—I do not need to know what was in the briefing notes—and whether or not he was ever advised in relation to his public commentary. Just for what it is worth, in the *Hansard* of the budget estimates of Wednesday 25 May 2011, on page 142, you and I, Minister, had a discussion about matters cash accrual and whether it was over five or four years, where there seemed to have been, if I might say, this type of behaviour being engaged in either inadvertently, and I trust it was inadvertently and I will not put it any stronger than that, but we have one former Labor finance minister who brags about having done so to cause public confusion. That is the only question I have.

**Senator Wong:** That was not a question. That last one was just a statement, Senator Abetz.

**Senator ABETZ:** It was indeed. You are quite right and I make no apologies for it. This is a disgraceful chapter in Australian ministerial responsibility and for a Labor minister to think that after retirement he can brag about it is like Graham Richardson—'whatever it takes': will do anything, say anything. It is a bit like saying, 'No carbon tax before an election'.

**Senator Wong:** Senator Abetz, when you have finished frothing at the mouth, perhaps I could respond. I am not going to respond to a range of propositions about Mr Tanner, that is a



matter for you to deal with. I am here to answer questions about Senate estimates and I will do so. In relation to the earlier part of your question, which is characterising the interchange you and I had, you will be unsurprised to know that I do not accept your characterisation but, like you, I also do not wish to retrace something which I think we spent some time traversing on the last occasion. Finally, if you are keen on budget honesty, I would ask why it is that you, as a senior member of the coalition, have not only committed your economic team to stuff up its election costings but are not requiring—

**Senator ABETZ:** That is a technical term, no doubt.

**Senator Wong:** Well they have stuffed them up. There is an \$11 billion black hole that was found by Treasury and Finance because you could not make your numbers add up and you made some very simple errors, some of which we have been discussing today. If you had cared about transparency, one would have thought you would actually support the government's Parliamentary Budget Office Bill, which you previously supported when you were trying to form government, which would have ensured that costings were made public. But you do not wish to do that. To come in here and lecture us about transparency given that backdrop demonstrates your bona fides or lack thereof.

**Senator ABETZ:** All I need to say is page 142 of *Hansard*, and you are exposed.

**Senator HUMPHRIES:** I want to return to an issue which I raised in Department of the Prime Minister and Cabinet last night about the announcement made by Minister Wong on 21 April about a new arrangement for distributing the burden of the efficiency dividend. In the media release, Minister, you said that the government had adopted the recommendation of the review of the measures of government efficiency to apply the efficiency dividend at portfolio level, which would provide portfolios with more flexibility in applying the efficiency dividend including to smaller agencies. That announcement was made on 21 April. When did the budget this year go to the printer?

**Mr Tune:** A couple of days before the budget.

**Senator HUMPHRIES:** And there would have been some sort of process before that to finalise the content of it, which presumably would have been a couple of days before that again?

**Mr Tune:** That is correct.

**Senator HUMPHRIES:** In reality the time between the announcement of this measure and the point at which the new measure could have been taken advantage of would have been less than two weeks.

**Mr Tune:** In that sense, prior to the budget, you expect very limited movement, but the opportunity is always there. The efficiency dividend was applying in a forward way over ensuing years so people could take advantage of it. After that, all that would be required would be a change in the decision and we would adjust the estimates accordingly for the additional estimates now coming out, if people had done that. It did not close off the books, put it that way.

**Senator HUMPHRIES:** Given that the release related to measures in the 2011-12 budget, it somewhat created the impression I would have thought that this was a measure that was being applied in the budget that was about to be announced, but of course it was not, was it?

**Mr Tune:** We put out an estimates memorandum, which is an internal piece of paper from us to other agencies, on 21 April saying it was possible to do so, but then said if it happened after 28 April, which was around the time we were closing up the books, they would require a letter from portfolio ministers to the Minister for Finance and Deregulation. So we had a pre-budget opportunity and a post-budget opportunity.

**Senator HUMPHRIES:** But an agency is told on 21 April that it has seven days in which to make some sort of agreement with a lead department or agency to redistribute the burden of the efficiency dividend—which it was only announced the same day, incidentally, would be increasing from 1¼ to 1½ per cent for two years—so it was unrealistic to expect that any agency could possibly have taken advantage of such a tight timeframe to ease the burden of the efficiency dividend on them.

**Mr Tune:** I appreciate that. I am not disagreeing with what you are saying; it was a tight timeframe. That is why we had a pre-budget opportunity—and I accept what you are saying; it was a limited opportunity and therefore you would not expect much action—and there was also a post-budget opportunity for people to do it as well. We were not closing it off on budget night and saying no change ever from here on.

**Senator HUMPHRIES:** I just make the point that it was misleading to put this out just before the budget and create the impression that this was going to be a change effected in the budget about to be announced.

**Senator Wong:** That is a proposition that has been asked and answered twice now. We do not accept the proposition.

**Senator HUMPHRIES:** I do not think it has, Minister but if that is what you prefer to say—

**Senator Wong:** If you are worried about these sorts of things you should have been here when your colleagues were advocating more outsourcing and more public sector job loss. I cannot believe you just allow them to roll you constantly.

**Senator HUMPHRIES:** Let us stick to the issue of the question, shall we?

**Senator Wong:** I am not surprised that you do not want to talk about it.

**Senator HUMPHRIES:** I am happy to talk about it another time but I do not want to waste the time of the committee.

**CHAIR:** Senator Humphries, you have the call. Put your question.

**Senator HUMPHRIES:** Mr Tune, you mentioned that there was a memorandum which went out. This went out the same day as the minister's press release?

**Mr Tune:** Yes.

**Mr Martine:** It was issued on 21 April.

**Senator HUMPHRIES:** Was it sent by email or by letter to the agencies concerned?

**Mr Tune:** I think they are normally emailed to all agencies in the general government sector.

**Senator HUMPHRIES:** When you say 'all agencies' do you mean all lead agencies or all agencies which would potentially be affected by this?

**Mr Martine:** It was sent to all agencies, not just to the lead agencies and portfolios.

**Senator HUMPHRIES:** So national institutions like the National Gallery, the National Library, the National Portrait Gallery and the Australian War Memorial and so on would all have received it?

**Mr Martine:** They should have received it, yes.

**Senator HUMPHRIES:** Can you explain then, why it was the case that, five weeks after the announcement was made and five weeks after the email was sent out to all these agencies, when these cultural institutions were in front of this committee in budget estimates, not one agency even knew what I was talking about when I asked whether they had made an application to take advantage of Minister Wong's announcement about redistributing the burden of the efficiency dividend?

**Mr Tune:** I cannot answer for what other agencies may or may not have known. What I can say to you is that it was sent to the other agencies. If they were not aware of it, I do not know why.

**Senator HUMPHRIES:** Does it not worry you that you have broadcast a—

**Mr Tune:** I would certainly hope they would have read it.

**Senator HUMPHRIES:** message to government agencies and, as I pointed out, none of them fronting this committee knew about it and, as at the time you answered this question on notice for me on 8 July, no requests had even been made to adjust the rate of the efficiency dividend across portfolio agencies? Does that not seem strange to you?

**Mr Tune:** The onus is on them to make the case.

**Senator HUMPHRIES:** If they know about it.

**Mr Tune:** I am saying that they should have known.

**Senator HUMPHRIES:** At this point in time, have any agencies made an application to take advantage of this redistribution of the efficiency dividend?

**Mr Tune:** No, they have not. But the requests actually come from the relevant portfolio ministers. So the agency needs to have that discussion within their portfolio and it is up to the relevant portfolio minister to make a decision whether to approach the Minister for Finance and Deregulation to seek a reallocation of the efficiency dividend. At this point in time, we have had no requests.

**Senator HUMPHRIES:** Are you aware of whether any agencies are in discussion with their ministers about taking advantage of Minister Wong's announcement.

**Mr Tune:** We are not aware of any of those discussions, but that is not surprising—we would not normally be aware of such discussions. They would be discussions within the portfolio. There may have been discussions within portfolios with respective ministers, but it is too difficult for us to comment on that.

**Senator HUMPHRIES:** Minister Wong, are there any agencies in your portfolio which could take advantage of the offer you have made to redistribute the burden?

**Senator Wong:** We have agencies within the portfolio.

**Senator HUMPHRIES:** That is not the question I asked you.

**Senator Wong:** Were you asking a hypothetical: could they? Yes, the government policy is that the ED can be reallocated across the portfolio. So, yes, they could.

**Senator HUMPHRIES:** What sort of agencies are we talking about?

**Senator Wong:** My portfolio agencies.

**Mr Tune:** In the Finance portfolio, ComSuper is an agency. We do not have that many. AEC is another one.

**Mr Martine:** The Electoral Commission and the Future Fund Management Agency.

**Senator HUMPHRIES:** You would imagine that any of them, dealing with an efficiency dividend, might be tempted to want to at least talk about these sorts of issues. Have any of those agencies raised any possibility of making an application to take advantage of this with you, Mr Tune?

**Mr Tune:** The heads of those agencies have not approached me about that.

**Senator HUMPHRIES:** Are you sure that they are all aware that this option is on the table?

**Mr Tune:** Yes.

**Senator Wong:** Senator, we are giving evidence about what we have done in terms of communicating this—my announcement and the subsequent memorandum. Obviously ministers were aware. But Mr Tune cannot give evidence about the state of mind of every head of agency in the Commonwealth.

**Senator HUMPHRIES:** He can if he has had discussions with them.

**Senator Wong:** And he has given evidence about that.

**Senator HUMPHRIES:** That is because I asked the question just now.

**Senator Wong:** And he responded.

**Senator HUMPHRIES:** You interjected when he responded, but I am entitled to ask the question to find out what that state of mind is, am I not? Is there any intention to take advantage of any further process around additional estimates to remind agencies about this opportunity?

**Mr Tune:** I do not think we have contemplated that but it is possible we could do so.

**Senator HUMPHRIES:** Given what appears to be a level of ignorance about it, may I suggest from the table that you might consider doing that.

**Mr Tune:** We will certainly take that on board.

**Senator MOORE:** I want to ask about the new guidelines for GBEs regarding the announcement the minister made last month. Is this the appropriate place?

**Mr Tune:** It is actually outcome 2 or 3. I do not mind if you want to ask it now, though.

**Senator MOORE:** Have you got an officer here?

**Mr Tune:** I think we have. Ms Mason can answer questions on that when she comes forward.

**Senator MOORE:** The minister made an announcement last month about guidelines on GBEs that included things like gender equity on board placements and also other things to do with probity. I want to ask in particular about the gender equity provision. What in fact does it mean and how will it be implemented?

**Ms Hall:** The revised GBE guidelines released by the minister last week canvas a range of issues with respect to the oversight of our GBEs. Section 2 of those guidelines deals with board and corporate governance and reflects processes that need to be followed by both the chairs and government with respect to appointments to the boards of the GBEs. I can refer you to the relevant section of the guidelines if you like. On pages 11 and 12 of the new guidelines there are sections 2.7 through to 2.18 that provide, where chairs are providing recommendations to shareholder ministers with respect to appointments to GBE boards, they will have regard to the government's policy of fostering a governance culture that embraces diversity in the composition of boards with the objective of achieving the government's target by 2015 of 40 per cent of government board members to be women and 40 per cent of board members to be men.

In section 5 of the guidelines, which is a general section referring to other governance issues, there is further reference that the GBEs need to take into consideration in relation to their workplace relations policies that are implemented within the companies. Section 5.1(d) states that in making appointments of executive management and senior staff, GBEs are expected to have regard to government policy on fostering a culture that embraces diversity, so it includes gender diversity more broadly.

**Senator MOORE:** What is the time frame? Is that all appointments from now? Is that the expectation of the guidelines?

**Ms Hall:** Yes, the guidelines come into effect immediately. GBEs in making their internal appointments and then the government and chairs in considering further appointments to boards need to take these guidelines into account.

**Senator MOORE:** What are the current numbers for boards across GBEs at the moment?

**Ms Hall:** I do not have the specific details with me but I could take that on notice.

**Senator Wong:** It is not 40 per cent.

**Ms Hall:** No, it is not 40 per cent.

**Senator MOORE:** I was just trying to draw that out.

**Ms Hall:** It averages out around the twenties or high twenties in some places.

**Senator Wong:** My recollection is 29 but I could be wrong on that. I will come back to you if I am wrong.

**Ms Mason:** The 40-40-20 target is to be achieved by 2015 and we are tracking progress against that.

**Senator MOORE:** So at this stage the move is to ensure the gender equity. Is there any discussion into the future about widening that further in terms of other forms of equity placement—Aboriginal and Torres Strait Islander members, members who identify with disabilities, members of non English-speaking backgrounds, all that kind of thing. I know that is not in these guidelines but in general discussions is that kind of thing being discussed?

**Ms Hall:** These guidelines do contemplate that to some extent. There is specific reference to the target with respect to gender equity but the statements and the requirements require the entities and the ministers to take into account policy regarding fostering governance cultures that embrace diversity more generally in its highest sense.

**Senator MOORE:** So the aim is 2015. The annual report now lists the boards but it does not actually give it by name but you can work it out. But is it proposed that in future annual reports between now and 2015 there will be something in them to show how it is going?

**Ms Hall:** As for the entities, in terms of how they report now, there is nothing that prevents that type of reporting going forward. We could certainly work with the entities to enhance that.

**Senator MOORE:** It would just be a reminder in terms of the fact that in most of those annual reports the front bit gives the names and often the pictures of the various boards. It would be useful to have a paragraph to say that this is the current status, so that kind of thing. Thank you.

**Senator RYAN:** Mr Tune, are you familiar with the term, as I understand it is referred to, of second round costings?

**Mr Tune:** Yes, certainly.

**Senator RYAN:** I will give you what I think that definition is. We are trying to consider the dynamic effect of a policy on the economy and therefore its impact to the government's bottom line. Is that a fair way to describe that?

**Mr Tune:** It is trying to look at the indirect effects, yes.

**Senator RYAN:** I am more familiar with that as to the US, where I understand they call it 'dynamics—

**Mr Tune:** I will try not to be too technical with this. We take account of the direct impact so you do a policy change when it has some impact on behaviour and that is a direct behavioural effect and then there might be a second round effect—and we say, no, we do not take account of that in our costings. That has been the case for many, many years.

**Senator RYAN:** I will give an example of this, and it is not one that I particularly plan to pursue as I just want to try to make sure that I have got my head around it. If, for example, there were a change in migration policy which led to an increase in migration, where would the potential increase in tax receipts from an increase in the workforce be considered? Would that be a first round or a second round issue?

**Mr Tune:** I will take that one on notice if I may.

**Senator RYAN:** Okay. Going back to your previous definition then, what policy areas of the government include that sort of dynamic assumption in terms of costings?

**Mr Tune:** I will think of an example. You may change the entitlements around a social security payment, for example, and that would have a direct cost attached to it. You may be tightening the eligibility criteria, so there would be some 'save' attached to that. Then the second round effect might be that, okay, that may have an impact on behaviour in terms of participation in the workforce and you would then get second round effects on that. We have no qualms about trying to estimate what those are; they are very useful things to do. But in terms of the impact on the direct cost that we would report in the budget papers, we do not take account of it.

**Senator RYAN:** Thank you, that is actually very helpful. Can you take on notice the areas of policy that do include second round costings announced—and I am not going to ask you to

go through all \$360-odd billion of government expenditure—for example since the budget in 2010? Which policy measures have included second round costings?

**Mr Tune:** Certainly.

**Senator RYAN:** Are there any criteria for when second round costings are included—dynamic effects versus those that are not included?

**Mr Martine:** The general rule we adopt is we include the immediate behavioural effects of a particular policy but, as a general rule, we do not include the flow-on behavioural effect of a particular change. We may include that in a briefing or advice to government, so it would not be unusual for us to say, 'This particular policy which will cost X may lead to all these other benefits.' It is a bit like a cost-benefit analysis. So you draw it into that type of advice to government. But in terms of then the actual costing, as a general rule we deal with just the direct impact of the policy change on the fiscal aggregates.

**Senator RYAN:** That is consistent with what Mr Tune said about using the workforce participation example. So you would consider it if there were a change in eligibility entitlements for a payment that led to a change in workforce participation behaviour, so that would be counted under the definition you have just provided.

**Mr Martine:** We would include that as part of our advice to government to say this particular change may improve workforce participation and therefore it is a good policy. But in terms of the actual cost of the particular proposal then as a general rule we would not factor in the flow-on changes as a direct result of the changes.

**Senator RYAN:** I am a touch confused. I was referring it to what Mr Tune said.

**Senator Wong:** We are at cross-purposes.

**Mr Tune:** If I could just explain: the first round effect—and take my example again—of tightening eligibility for a social security payment is a save from that tightening, and that is the amount that goes into the budget aggregates. There may even be a second round effect, or the 'indirect effect' as Mr Martine called it, of an increase in participation. We may work with agencies and others to try and forecast that impact, and governments may use that as model behaviours underlying assumption, but the numbers that go in the budget papers do not change.

**Senator RYAN:** So only the first round effects go in the budget. There is effectively no dynamic assumptions in any of the budget papers.

**Mr Tune:** That is right. I will take on notice your question about whether there are any exceptions to that.

**Mr Martine:** That is only the general rule.

**Senator RYAN:** That is what I was going to go to, Mr Martine. I appreciate it is a general rule. I would appreciate, if possible, whether there have been any exceptions, because I think this is important. Can I say that I like the idea generally, but obviously it is important where it is applied generally or always.

**Senator Wong:** You like the idea generally 'of not' or 'of applying'?

**Senator RYAN:** I like conservative budget estimates, Senator Wong.

**Senator Wong:** You see, we got immunity on that.

**Senator RYAN:** Senator Wong, if we can put that to one side. Mr Tune and Mr Martine are being exceptionally cooperative.

**Senator Wong:** What I was actually going to say—

**Senator RYAN:** I did not ask the senator a question. She asked me a question.

**Senator Wong:** We are very touchy today, aren't we? What I was going to say is the proposition of the second round—

**Senator CORMANN:** You have always got a lot to say, Minister.

**Senator Wong:** Yes, it is dreadful when people have things to say other than you, isn't it, Senator Cormann?

**Senator CORMANN:** We are here to ask officials, not you.

**Senator Wong:** I was actually trying to be constructive. It was going to be very quick.

**Senator RYAN:** I got the sense that you would not be quite as constructive.

**Senator Wong:** I was actually going to say that we are probably on a similar page. I suspect on both sides of the chamber there would be line ministers and shadow ministers who might very much like policy costings to be done on a different basis to the one that Mr Martine has just outlined.

**Senator RYAN:** Mr Tune and Mr Martine, as well as taking that on notice, if there are any established practices—for example, if there are a half a dozen exceptions or there is an exception in a particular policy area over time and welfare-to-work could be one of them—I would appreciate if you could provide, if you are able to, of course, any grounds, criteria or established practices around the use of second round costings.

**Mr Martine:** Yes.

**Mr Tune:** We will take it on notice.

**Senator RYAN:** Thank you. That is all I have for general questions.

[14:03]

**CHAIR:** Are there any further general questions in outcome 1? If not, are there any further questions in program 1.1?

**Senator RYAN:** Yes. I think that includes the Office of Best Practice Regulation.

**Mr Tune:** Before we move to that, can I confirm that the answer the minister gave on the current percentage of women on GBE boards is 29 per cent, which is what the minister said. We were going to confirm that, and so we have confirmed it.

**CHAIR:** Senator Ryan, your question was?

**Senator RYAN:** I have some questions regarding the Office of Best Practice Regulation. It is in outcome 1.1, I understand. Last time we discussed the role of OBPR in trying to establish good practice with respect to new regulation. Does OBPR have a role at all in removing regulations, cleansing them, otherwise reducing redundant ones or, to use the vernacular, reducing red tape.

**Mr McNamara:** No. We do not have a role there. Essentially our major role is in assessing regulation impact statements.



**Mr Tune:** But other parts of the deregulation group do, so I will have to ask Ms Page to talk about that aspect of it.

**Ms Page:** We have undertaken a number of activities. Are there particular ones you are interested in?

**Senator RYAN:** I would be interested in a brief summary of the red tape cutting activities you have undertaken.

**Senator Wong:** We could perhaps start with D27, 'seamless national economy'.

**Senator RYAN:** You are reading my mind, Senator. I was going to go there next.

**Senator Wong:** I thought that would be a good place to start and then we can do Commonwealth. I am just trying to structure this.

**Ms Page:** There are a couple of areas where we attack what is called 'the stock'. The way in which regulation policy generally is structured in countries comparable to ours is that they have a function that looks at the flow of regulation, which is what OBPR does—it looks at new regulation coming in to see whether it is fit for purpose. Then there is a function, which is conducted by a division within my group, that looks at the stock. That activity at the Commonwealth level has two broad arms. One is the COAG series of activities, which includes the 27 deregulation priorities which we are harmonising with the states under the seamless national economy initiative, and 14 of those 27 are now complete in terms of the activity that has to be undertaken. National frameworks are now in place for 14 of those reforms.

At the Commonwealth level there are a variety of activities. We have undertaken a stock take of redundant legislation. We have also undertaken a very large review of all subordinate legislation written before 2008. The first exercise got rid of around 200 instruments. The second exercise has identified over 4,000 redundant or potentially redundant instruments, and ministers have undertaken progressively to remove those. We also have a range of activities under the banner of Better Regulation Ministerial Partnerships, which are a series of Commonwealth microeconomic reforms that are designed to improve the operation of various areas of Commonwealth regulation.

**Senator RYAN:** Do you have benchmarks or targets for regulation that you are asked to cull from the 'stock' of regulation, as you describe it?

**Ms Page:** No, we do not.

**Senator RYAN:** Or time lines for those ministers to meet their commitments?

**Ms Page:** Yes, there are time lines in relation to the Better Regulation Ministerial Partnerships, because there are business cases which are endorsed by cabinet. In relation to the removal of regulation or redundant regulation, there is not a time line for that, but following the completion of that exercise about 12 months ago ministers wrote to relevant ministers and asked them to commit progressively to reviewing and removing that redundant regulation. In some portfolios that is quite a job because some of the instruments appear to be potentially redundant rather than redundant, so they have an exercise to go through to test them and then progressively remove them. But we think that that exercise is capable of removing possibly up to 10 per cent of the Commonwealth stock of subordinate instruments or legislative instruments, so it is quite a significant exercise.

**Senator RYAN:** How much has been removed to date?

**Ms Page:** I do not have that information.

**Senator RYAN:** Does your part of the department collect that information?

**Ms Page:** No, we have not been collecting it to date.

**Senator RYAN:** How do you measure the performance of ministers in other departments if you do not collect the information? You have made an assessment that you might be able to get rid of 10 per cent of the stock of Commonwealth regulation by considering that which is redundant. How do you keep score of how you are doing?

**Ms Page:** At this stage it is still a relatively recent exercise, and I think perhaps in 12 to 18 months time we may do another exercise to measure progress.

**Senator RYAN:** I would have thought that when you undertake a significant project like that you might put in place benchmarks at the start to measure success, progress or otherwise in the middle of what sounds like it could be a three-year project. You did not put any in place at the start? You do not have any benchmarks on the way through? It strikes me that you may wake up in 18 months and think, 'We didn't do too well,' but you might have been able to avoid that earlier.

**Ms Page:** This is not an exercise that started out by creating a particular target. We had no idea, because this has never been done before. It is a very significant cull of Commonwealth legislative instruments. We worked with agencies to examine everything they had. We had no idea of what the target would be. To be honest, we still do not, because about 2,000 were definitely redundant and the other 2,000 are potentially redundant. Ministers have undertaken to go away and examine the rest of them and to progressively remove them. As I said, in another 12 to 18 months time we may well go back and see what the progress has been.

**Senator RYAN:** Just to clarify: in the meantime, you do not keep a record of whether ministers are meeting the commitments they have given you. Is that correct?

**Ms Page:** Ministers have reported back to us, undertaking to do that.

**Senator RYAN:** But you are not keeping any records before the next 18 months, when you do another assessment, on whether they are doing so in the meantime?

**Mr Tune:** There will come a point, once people have had a chance to get into this and start making some progress, where we will go out to them and ask: 'What have you done? What have you achieved?'

**Senator RYAN:** Is there a reason why there will not be a simple tally sheet whereby you can ask them, when they commit, to report back on their progress, either as they do significant blocks of it or every six months—or even once every financial year?

**Ms Page:** There is a red-tape issue!

**Senator RYAN:** People are less worried about red tape being imposed by government on government than about red tape imposed by government on business.

**Ms Page:** Well, there are costs associated with it. Ministers have undertaken to do it, and they have written to our ministers saying that they will. It would be fairly counterproductive for us, I think, given that some of these are likely to be removed in blocks. I think a more

appropriate and cost-effective way to measure it is to go back after an interval and ask for a report, rather than have regular reports.

**Senator RYAN:** I respectfully suggest that that is not the approach the Commonwealth government applies when it is regulating businesses. It is in fact giving itself a different standard, and one that is much easier to meet, than it gives when it regulates businesses.

**Senator Wong:** That is a political proposition. Do you want to put it to me?

**Senator RYAN:** Okay, I will put it to you, Senator Wong.

**Senator Wong:** I think a lot of work is being done on this, and frankly a lot of work also on the COAG seamless national economy reforms, which will yield a significant economic benefit. The government has actually been very active on it.

**Senator RYAN:** Every time you mention COAG, forests around the country groan, knowing that the bulldozers are coming through to make all the paper that that organisation produces.

**Senator Wong:** You may seek to laugh at the 27 priorities that first ministers have agreed to deliver for a seamless national economy. I actually think this is a very important set of economic reforms. It is about recognising that firms operate in a national economy and the cost that comes from non-harmonised regulation across different markets. We have worked quite hard at that. As Ms Page has said, 14 of the 27 have been completed. We have brought forward the finalisation date of this particular set of reforms, and COAG has tasked me and Senator Sherry, as well as Ms Page and other officers, to do work on the next wave, and we are in the process of doing that.

On your monitoring process, certainly I am open to further work being done on that. I think the issue is that this was a very substantial review. We are talking about 4,000 instruments. I am not keen to set up a register of 4,000. What I am keen on doing is working with ministers to respond to the review. Certainly I am happy to take on board some of the suggestions you have made, and we will have a look at them. I would make the point that this is not the only thing the government is doing in this space.

**Senator RYAN:** I was more concerned at what appears to be a different standard. Tens of thousands of Victorian businesses now have to come up with a national evacuation plan. So Jim's Lawnmowing has to figure out how to get out of the garage because of national OH&S regulations. They are not going to be showing this level of understanding.

**Senator Wong:** They are different propositions. The proposition you are putting relates to a business having to comply with a lawful requirement which is imposed by regulation. The Commonwealth has to comply with that, as any other entity does. You are asking a different question, which is in relation to subordinate legislation: what other mechanisms and processes we put in place to try to drive ministers' agreement to remove the legislation which has been identified. They are really not the same issue.

**Senator RYAN:** What I am actually talking about is the culture of an agency that has effectively met the government regulation. You yourself have trumpeted the government's alleged record that you are not applying the standards to your own colleagues that the government applies when it is dealing with businesses. But if we get to what constitutes a regulation, when you determine what constitutes a regulation going onto the OBPR website,

who determines what constitutes a regulation for the purposes of that? Is it the agency that is developing it? Is it the department? Or is it the OBPR?

**Mr McNamara:** In terms of regulations that are subject to the RIS process it is the OBPR that determines what changes require a RIS and what don't.

**Senator RYAN:** I do not mean to sound semantic, but this is important. What about those issues that might be given a PM's exemption? I am talking, for example, about the government's response to *Australia's Future Tax System*, the Henry review, that was given a Prime Minister's exemption. I understand that was listed as a single sort of regulation and given an exemption on the OBPR website.

**Mr McNamara:** No, we have listed PM's exemptions from the Henry review by tax measure, essentially.

**Senator RYAN:** Is that counted as a regulation with multiple measures or as multiple regulations?

**Mr McNamara:** Sometimes we will group things together if it makes sense to group them together, but with regard to the Henry review there are tax measures that are quite diverse. We have counted them as separate items on our website. In the sense of a post-implementation review, which is required one to two years after implementation, we generally expect that diverse measures would have their own post-implementation review.

**Senator RYAN:** So I should not get caught up on what is a regulation and what is a measure, in that sense.

**Mr McNamara:** No. I mean, what we try to do is use a more commonsense approach. If you can group regulations together and review them, that is fine.

**Senator RYAN:** That makes perfect sense. I was a little concerned, when we do a count, and counts are important in this space, about whether or not that was counted as a single regulation with multiple measures or as multiple regulatory measures.

**Mr McNamara:** We count it generally as multiple regulatory measures.

**Senator RYAN:** I would appreciate your telling me if there any exceptions to that.

**Mr McNamara:** I can take that on notice.

**Senator RYAN:** I understand that on your website it says that since October 2010 90 new regulations have been created.

**Mr McNamara:** That sounds about right.

**Senator RYAN:** I'm not going to accuse you if it's one or two either way.

**Mr McNamara:** There would be close to 75 or so Australian government RISs and then there are about another 15 or so COAG RISs. That would be about right in terms of the number of entries.

**Senator RYAN:** I understand that 12 are listed as non-compliant with best practice regulation.

**Mr McNamara:** Yes. There are a number of regulations that are non-compliant that are listed on our website.

**Senator RYAN:** I understand that another nine are listed as non-compliant, but have a PM's exemption—so they are non-compliant with best practice regulation but are exempted from best practice regulation, for lack of a better way of putting it.

**Mr McNamara:** Yes, and we have also listed multiple PM's exemptions on our website.

**Senator RYAN:** That is roughly a quarter of the 90 listed on your website.

**Mr McNamara:** We don't consider Prime Minister's exemptions as not compliant with the system. We treat count them as being compliant with the system in the way we measure and report in our annual report each year.

**Senator RYAN:** But they are not compliant, they are just exempted from compliance. Isn't that a better way of describing it?

**Mr McNamara:** The way we describe it is to say that they are compliant with the system, because they have gone through the system.

**Senator RYAN:** I would suggest that they might be compliant with the system, but surely they cannot be compliant with best practice regulation. They may be compliant with the form that one has to fill out to say that they have met the criteria of the program, but they are exempted, otherwise it would not be called an exemption would it? It would be called the Prime Minister's tick of approval.

**Senator Wong:** That's a policy proposition. He has given you the answer about how the OBPR classifies. You are asking him to draw an inference about what the policy proposition is.

**Senator RYAN:** Do you, when you are undertaking your work, and there may be a short answer to this, make an assessment of the relative burden of that which is compliant, given the PM's extension or non-compliant? Do you undertake any work on the relative burden of those regulations?

**Mr McNamara:** In terms of the aggregate figures?

**Senator RYAN:** I am just thinking: obviously, for example, a series of regulations around compulsory superannuation changes have a significantly greater burden on the economy than a regulation that affects a significantly lesser number of people. Do you do work on that, about the relative burden of the regulatory measures, including those that are non-compliant or granted a PM's exemption? Or does the PM's exemption effectively exempt them from all oversight of your agency or the department?

**Mr McNamara:** Well, no. Essentially what we are doing is just looking at the actual quality of individual RISs and individual regulations as such; we are not doing aggregate work across our regulations.

**Senator RYAN:** So you are doing a counting measure of compliance, effectively, with a checklist about putting out RISs, and whether or not it has been exempted from compliance, rather than an examination of the actual burden of relative regulatory measures?

**Mr McNamara:** No.

**Mr Tune:** No, we are doing it on an individual basis. So you are trying to assess whether the benefits outweigh the costs of that measure. You might have benefits of many hundreds of millions of dollars and costs of \$50 million, so it passes—although it is much more complex

than that. But you do the same sort of process if the benefits are only \$2 million. So we are not sitting there saying—

**Senator RYAN:** Sure, but there presumably comes a point where you do not do it either because the cost of doing it is going to be greater than—

**Mr Tune:** Exactly.

**Mr McNamara:** Yes. If the measure is minor, you do not do a RIS.

**Senator RYAN:** So do measures given a PM's exemption get subject to any of that?

**Mr Tune:** In the post-implementation review they do.

**Senator RYAN:** A year or two later down the time line. But the PM's exemption buys them out of the first stage, and you only get to come back at the one- to two-year review?

**Mr McNamara:** That is right.

**Senator RYAN:** Is there any capacity to exempt them from the one- to two-year review?

**Mr McNamara:** No.

**Senator RYAN:** Is there any capacity for that to be changed by the processes of government as opposed to legislation? This is a question to you, Senator Wong. The one- to two-year review I understand is a requirement of government; it is not a legislative requirement?

**Senator Wong:** I do not believe there is any legislation to that effect. But there has not been, on the advice I have just been provided with, any exemption from a post-implementation review.

**Senator RYAN:** No, I understand that. I just wanted to check whether the processes could be changed. Do you have a current schedule of post-implementation reviews underway, or the clock ticking as to when they must commence?

**Mr McNamara:** Yes. As part of our annual report for this financial year just gone, 2010-11, we will actually publish the full list of post-implementation reviews and a schedule of when they are due, including the couple that have been completed.

**Senator RYAN:** So I haven't missed it—the annual report has not come out yet, has it?

**Mr McNamara:** No. It will probably be early December.

**Senator RYAN:** How long does it take for an announced program by the government, which may or may not then receive a PM's exemption, to pop up in your world and for you to put on the website? What is the time line there?

**Mr McNamara:** It can be quite quick. It can be days, in terms of a PM's exemption. It is usually a bit longer for a RIS. It sort of depends on when we actually see or hear about the announcement. We may know about the PM's exemption, but then we are not putting anything on the website until we have confirmed that there is a public announcement of the policy.

**Senator RYAN:** And when you put an announcement on your website, for example that something is non-compliant—let's say, for example, there was no regulatory impact assessment—putting the PM's exemption material to one side, do you undertake any work on those that are just deemed to be non-compliant because it is pretty clear they haven't ticked the boxes? Or do you just say they are non-compliant?

**Mr McNamara:** We just say they are non-compliant.

**Senator RYAN:** So you are effectively a scoreboard for the government's regulatory compliance rather than a sort of think tank that might assess the efforts of the various arms of regulatory compliance?

**Mr Tune:** No, I think that is not quite true. OBPR is assessing the adequacy of those RISs that are done, so they are making a judgment about whether it complies or does not comply. They come to that view independently, they let the agency know and they work with the agency. If it is looking like it might be non-compliant, we work with them to sort out the things they need to talk about and expand on to satisfy us. So we are making judgments. We are not just keeping scorecards; we are actively making judgments.

**Senator RYAN:** You are making judgments on compliance with a regulatory scorecard, for lack of a better way of describing it.

**Mr Tune:** Absolutely, yes.

**Ms Page:** It is a very active role as well. It could just mean assessment of adequacy against the criteria, but invariably it involves OBPR officers working in agencies and directly with agencies to assist them to draft a RIS which meets the requirements—in other words, a lot of interaction about the level of analysis, whether the options are adequate, whether more information is likely to be needed, whether consultation was adequate to meet the guidelines. So it is a very active role. It is not just a box-ticking role.

**Senator RYAN:** But, where the PM's exemption has been granted, none of that happens.

**Mr McNamara:** No, because there is nothing to assess.

**Senator RYAN:** So it does not matter how big the measure is. It does not matter how significant it is to the economy or to businesses. The minute a PM's exemption is granted, that pretty much knocks it off your desk, other than to say it has a PM's exemption.

**Mr Tune:** Other than the post-implementation review.

**Senator RYAN:** We get to that in a couple of years but, as of today, until that process commences you do not look at it.

**Mr Tune:** That is right.

**Senator RYAN:** Where does the trigger start for the post-implementation review? Is that in your domain, Mr Tune, Ms Page or Mr McNamara, or is it up to the line agency to comply with the two-year limit?

**Mr McNamara:** We will make a determination in consultation with the agency of what the actual date is. Is it two years since royal assent, two years from the day of the announcement? Some measures may pass the parliament but they are essentially not implemented for a period of time.

**Senator RYAN:** Is that assessment about when the clock starts on the two years? Is that assessment made on when it is implemented at some point, at the front end, or is it made at the back end? You might say that the end of 2013 is two years. Where is that assessment made, for example, for the proposed changes to superannuation?

**Mr McNamara:** We will try and release in our annual report our first go at what two years looks like, but on some measures at this stage we would be too uncertain to say. We will say it has not been implemented yet, so we do not know when the clock starts ticking.

**Senator RYAN:** I will just turn to a specific issue now, and the issue is live cattle exports. I assume it was you who issued a non-compliance notice on 28 June regarding the government's decision to ban live cattle exports to Indonesia.

**Mr McNamara:** That is right.

**Senator RYAN:** You noted there that a post-implementation review is usually required et cetera. That is the standard sort of announcement. Then on 1 August the decision to at least partially reopen live cattle exports to Indonesia received a non-compliance notice as well.

**Mr McNamara:** That is right.

**Senator RYAN:** Will you be doing a post-implementation review on either or both of those announcements, concurrently or separately?

**Mr McNamara:** Yes, we will require a post-implementation review. We have agreed with the department that they will do one post-implementation review, if you like, of both changes rather than two PIRs. We have agreed with them that they would do one.

**Senator RYAN:** There will be a single one. I appreciate certain issues have a degree of urgency. That was non-compliant for obvious reasons. It is patently obvious to everyone. At what point do you think people in an industry like that who are subject to arbitrary, rapid—whatever word one might use—action by government can have faith that this process is going to protect their interests?

**Senator Wong:** He does not have to answer that. You are asking an officer for an opinion about—

**Senator RYAN:** I can ask you.

**Senator Wong:** You can and I am happy to respond to it, but you are asking Mr McNamara for an opinion about what other people think. I think on two grounds that is a problematic question for him.

**Senator RYAN:** Senator Wong, given the arbitrary announcements by this government following the broadcast of the television program and the fact that both announcements are non-compliant, doesn't this show up some obvious flaws in the process?

**Senator Wong:** I think you yourself, in asking a question earlier, recognised why it would have been difficult to deal with all RIS processes prior to a suspension. I think you acknowledged that in a question you asked.

**Senator RYAN:** I was observing the government's behaviour, I suppose, rather than endorsing it.

**Senator Wong:** I think on the issue of the detail of live cattle and the decisions around that, I would probably feel more comfortable referring that to the relevant department, other than saying, yes, it is one of the things which is listed on our website as non-compliant in the 2010-11 year.



**Senator RYAN:** In relation to the government's announcement of the carbon tax, did the Office of Best Practice Regulation advise that a RIS was not required for the matters set out in the government's announcements on 24 February 2011?

**Mr McNamara:** No. We advised that a RIS was required for that announcement and for cabinet's consideration of that, and an adequate RIS was prepared by the department.

**Senator RYAN:** And the subsequent package of bills has been given a PM's exemption. Am I correct?

**Mr McNamara:** No. The carbon pricing mechanism measures are fully compliant with the RIS system and they have not been given a PM's exemption. There is a RIS published on our website.

**Senator RYAN:** Thanks for correcting me. I am obviously getting different measures mixed up.

**Mr McNamara:** It is in 2011-12. It is in July. It was published a few days after the announcement by the Prime Minister.

**Senator RYAN:** So, in essence, there is no requirement for a RIS before the announcement of the intention of the government, the program; they had a RIS afterwards, into the announcement—

**Mr McNamara:** No.

**Senator Wong:** That was not his evidence.

**Senator RYAN:** Sorry; I am just trying—

**Mr McNamara:** Prior to the February announcement, there was a need for what we consider to be a negotiation RIS, which is a cabinet-in-confidence RIS that examines the negotiating position that the government may be taking on regulatory matters. One was prepared and assessed as adequate by us. During the discussions of the multi-party committee, the government had a series of negotiating RISs prepared, which again were assessed as adequate by us. At the end of the process, when cabinet considered the final package, there was a decision RIS prepared, which again we assessed as adequate. That has subsequently been published after the announcement of the package.

**Senator RYAN:** That is all I have on this.

[14:33]

**CHAIR:** We will move on to program 1.2. Are there any questions? I take it there is nothing on 1.2. We will move then on to program 1.3, National building funds.

**Senator CORMANN:** Just quickly, can you provide us with an update around the current state of those three funds, in terms of uncommitted—

**Mr Tune:** Yes, we can. You mean the BAF, the EIF and the HHF?

**Senator CORMANN:** Yes.

**Mr Helgeby:** Your question was about uncommitted balances?

**Senator CORMANN:** That is right.

**Mr Helgeby:** The current state of play in relation to the BAF is that uncommitted balances are \$1.4844 billion. In relation to the EIF, they are \$2610.9 million. In relation to the Health and Hospitals Fund, they are \$516.8 million.

**Senator CORMANN:** So, in relation to the Education Investment Fund, the uncommitted funds now are more than what was uncommitted in May-June?

**Mr Greenslade:** Numbers quoted by Mr Helgeby were the uncommitted balance of the fund at 30 June.

**Senator CORMANN:** During budget estimates I was told that the Education Investment Fund—and that was also by Mr Helgeby actually—had \$2.5 billion in uncommitted balances.

**Mr Helgeby:** I think there was one stage in the questioning in those estimates where I gave you a number and later in the same hearing corrected that.

**Senator CORMANN:** Okay, my apologies. I take that. Have you got a time frame on when these funds are expected to be run down to zero?

**Mr Helgeby:** No.

**Senator CORMANN:** Are there current plans for where the government might be making contributions to any of these funds?

**Mr Tune:** The government has not made any contributions to the funds for a number of years.

**Senator CORMANN:** The government has not made any contributions. Are there any plans the government would be making—

**Mr Tune:** The government would need to make a choice when it moved back into surplus about what it did with that surplus. It could include some allocation to the funds. It could include a reduction in bonds on issue. There is a whole range of things.

**Senator CORMANN:** But essentially over the last few years there has not been any contribution and there is no likely contribution in the foreseeable future?

**Mr Tune:** There is nothing included in the forward estimates for contributions, no.

**Senator CORMANN:** Given that there has not been any movement in recent times in relation to the level of uncommitted funds, is it just going to sit there? What is the intention, as far as you are aware, in relation to those uncommitted balances in those three funds?

**Mr Tune:** The government has announced a number of rounds—take, for example, the regional round for the Health and Hospitals Fund and the regional round for the EIF, which are underway at the moment. So it has made some announcements around utilising the balances inside those two funds. There are some commitments, as you know, around BAFF. Most of those projects are reasonably long term. They do not span just one year; they span a number of years. But at some point a decision will need to be made, yes.

**Senator CORMANN:** But surely the dollar amounts we have been talking about now are uncommitted funds and so they are not—

**Mr Tune:** Not allocated to a project, no. But you understand the difference between what is happening on the balance sheet and what is happening on the spend.

**Senator CORMANN:** Yes.

**Senator Wong:** Spending will hit the bottom line.

**Senator CORMANN:** I understand that.

**Senator Wong:** Well, sorry, that is one of the mistakes you made in your election policy, so I just wanted to make sure we were clear!

[14:37]

**CHAIR:** We will now move to outcomes 2 and 3.

**Senator CORMANN:** I will start off with some issues around insurance payments for damage to detention centres. You might recall that we had a discussion about this in May. You did not have all that much information back in May. I was wondering if there was any update on any insurance claims that have been made for damage to buildings and other property across all of the detention centres that are owned by the Department of Immigration and Citizenship?

**Ms Hall:** You asked a range of questions with respect to insurance coverage for detention centres. I understand that the answers to those questions have been provided on notice since the May estimates.

**Senator CORMANN:** Can you run us through what the total value of the claims is over the last 12 months for damage to buildings and other property for the Villawood detention centre? If you have them handy, because I have to say that these come through in dribs and drabs and I have missed that. If you have it, you might have it there now.

**Senator Wong:** Can you repeat the question.

**Senator CORMANN:** What is the total value of claims for damage to buildings and other property for the Villawood detention centre?

**Ms Hall:** Comcover has been notified of five incidents at various detention centres over the past 12 months; however, Comcover has not paid any settlement amount to DIAC as a result of any claims arising from the incidents during those periods. Some of the damage at detention centres is covered by the insurance held by the detention centre operators. Those insurance policies would respond in the first instance.

**Senator CORMANN:** Some is covered by the insurance by Serco. Have you made any provision for the damage that is going to have to be carried by Comcover?

**Ms Asaris:** We have made provisions for the liability that we held by DIAC, under those policies, which is essentially the deductible amount. At the moment we have been advised that that is a maximum of \$1 million per event.

**Senator CORMANN:** An amount of \$1 million per event and there are five events, so that is about \$5 million. What proportion would that be of the total damage?

**Ms Asaris:** My understanding is that for the major event at Villawood, which I think is the one you are mostly concerned with, the estimate of the damage for that centre is approximately \$10 million.

**Senator CORMANN:** So the liability for Comcover is about 10 per cent of that.

**Ms Asaris:** That is correct.

**Senator CORMANN:** And the rest of it is covered by the insurers of the operator?

**Ms Asaris:** That is correct.

**Senator CORMANN:** What is the total damage across all five events?

**Ms Asaris:** I do not have those figures with me at the moment. Can I take that on notice and we will come back to you.

**Senator CORMANN:** I understood that all this information had previously been provided on notice.

**Senator Wong:** She has taken it on notice. She is entitled to do that.

**Ms Asaris:** Because the claims are not being managed directly through us. The negotiation is between the Department of Immigration and Citizenship and their insurers, through Serco.

**Senator CORMANN:** In relation to Villawood detention centre, you are telling us that the exposure for Comcover is \$1 million, which is about 10 per cent of the total damage. Is that an average sort of rule of thumb that would be the same for all of these sorts of incidents? How does it work? How do you determine the percentage that is going to be covered by Comcover?

**Ms Asaris:** The policy that is held by the providers, through Serco, has a deductible level of \$1 million. So any claim under \$1 million would be met through the department of immigration, through the Comcover policy. If it is over \$1 million the balance over \$1 million is paid by the insurers.

**Senator CORMANN:** So no matter what the damage, the Commonwealth pays up to \$1 million. For every event up to or over \$1 million it costs you \$1 million. Everything above that is insured privately by the provider.

**Ms Asaris:** Yes.

**Senator CORMANN:** Interesting. For the March 2011 riots at Christmas Island it was also \$1 million for the Commonwealth?

**Ms Asaris:** I am not sure whether we have a notification for that claim.

**Senator CORMANN:** Maybe you can assist us. Can you list the five incidents you are talking about?

**Ms Asaris:** No, I don't have that information with me at the moment.

**Senator CORMANN:** You know there are five, you know that it costs you a million a pop, you know that for the Villawood detention centre the total damage is \$10 million and the Commonwealth's exposure is \$1 million, but you don't have that sort of information in relation—

**Ms Asaris:** I don't have the list of individual claims with me, I'm sorry, but I can take it on notice and come back to you with that information.

**Senator CORMANN:** This is something we went through last time.

**Senator Wong:** I might have misheard your question. I understood the evidence, and I'm sure officers will correct me, was that it was up to a million, not that a million was paid in relation to each of the five. Your question seemed to assume the latter; I just want to make sure we are clear about that.

**Senator CORMANN:** I heard the officer say that provision a million dollars was made for each of the five incidents.

**Ms Mason:** Which is the maximum exposure of the Comcover fund, not necessarily the actual amount to be paid.

**Senator CORMANN:** It could be less, but the provision you've made is up to a million.

**Senator Wong:** Senator, if you would listen to Ms Mason, I will ask her to repeat what she just said.

**Ms Mason:** The provision is a million dollars for each of those notifications. That doesn't necessarily mean that a million dollars will be paid out in respect of each notification; it's the maximum exposure.

**Senator CORMANN:** It doesn't necessarily mean that, but you're not able to tell me whether or not it does, except for the Villawood detention centre, for which we know that it will.

**Ms Mason:** No, those claims aren't finalised.

**Senator Wong:** No, because those claims aren't finalised, was the evidence.

**Senator CORMANN:** Sure. There was \$10 million worth of damage at Villawood detention centre. How likely is it that the Commonwealth will be up for less than a million dollars.

**Senator Wong:** We're not doing this. I think, in relation to insurance claims—you're asking Ms Mason, essentially, to potentially prejudice the commercial position that she has to safeguard. She has given you an indication of what the maximum exposure is and she has given you an indication of the number of incidents. But I don't think it's fair to ask her to guess what the actual liability might be.

**Senator CORMANN:** I'm not asking anyone to guess anything; I was asking for information. Ms Asaris told me that the total damage for Villawood detention centre was \$10 million. In fact, I asked whether the proportion between what is to be covered by Comcover and what is to be covered by Serco's insurer is about 10 per cent for the Commonwealth, and the answer was yes. Ms Asaris is still nodding, so I assume that I've got that right.

**Mr Tune:** It is true in relation to that one; it is the other ones which are much less certain.

**Senator CORMANN:** In relation to the other ones, I haven't been given any answers at all other than that there is provision.

**Mr Tune:** We're just trying to make the point that it is a maximum of a million. We're not fully through the process yet, so we don't know if it's \$100,000, \$200,000, a million or zero.

**Senator CORMANN:** Would you provide me on notice, then, (1) the list of the incidents for which claims have been submitted; (2) what the total damage to Commonwealth property is going to be; and (3) what share of it is likely to be covered by the Commonwealth through Comcover or by private insurers to the extent that you can. I'm sure that if you're not able to you will tell me.

**Senator Wong:** As a matter of courtesy, I am letting you know that on (1) and (2) I can't at first blush see any difficulty, but obviously I will take advice on that. In relation to (3), we would not do that ahead of those matters being finalised.

**Senator CORMANN:** Can you provide us with an update on the cost of damage to Commonwealth property resulting from the Queensland floods earlier this year?

**Ms Hall:** We have received a number of claims in relation to the property and business interruption for flooding in Queensland and New South Wales and from cyclones Yasi and Carlos from Commonwealth departments and agencies. The current estimate of all losses that we have is \$50.4 million from all those incidents. The estimate will continue to vary as loss adjusters continue to assess the damage and to receive quotes for repairs.

**Senator CORMANN:** And is this now close to the end of it, or do we still expect significant changes to this?

**Ms Hall:** The estimate has been coming down as the information has been improving with respect to costs of repairs.

**Senator CORMANN:** How much of this \$50.4 million is related to the Amberley defence base? Is that something you can share with us?

**Ms Hall:** The estimate in relation to RAAF Amberley has the highest reserve, and that is \$6.2 million.

**Senator CORMANN:** Are you able to provide us with the list of Commonwealth assets that were damaged by the floods and the damage for each of these assets, or is that—

**Ms Hall:** We can take that on notice.

**Senator CORMANN:** In relation to the Comcover fund equity balance: at 30 June 2011 it was \$97.2 million, which is below the KPI target of \$125 million to \$180 million. What has caused this reduction in equity?

**Ms Hall:** The reduction in the net assets of the fund is predominantly due to the estimated losses from the Queensland floods, Cyclone Yasi and Cyclone Carlos, as I just commented, and in relation to payments made in respect of the Pan Pharmaceuticals follow-on settlements totalling \$75 million during the most recent financial year.

**Senator CORMANN:** What will you have to do to get yourself back within your KPI target range? Is there going to be an injection of funds? How does it work? Can you talk us through the process?

**Mr Tune:** There are a couple of options, actually. One, you can increase the risk based premiums which are charged to agencies. Two, you can inject equity, that is true. They really are the options.

**Senator CORMANN:** Has the government made any decisions in relation to how to address it?

**Mr Tune:** Not at this stage, no.

**Senator CORMANN:** So that is an area where decisions will have to be made?

**Mr Tune:** We need to keep it under review, yes.

**Senator CORMANN:** The \$50.6 million that you talked about before—that is the cost of all weather events, or is that just Queensland?

**Ms Hall:** That is the Queensland and New South Wales floods and Cyclone Yasi and Cyclone Carlos.

**Senator CORMANN:** You did not have any issues around the WA floods and the Victorian floods?

**Ms Hall:** No.

**Senator CORMANN:** There were no issues for the Commonwealth in terms of Commonwealth property?

**Ms Hall:** There were no claims notified.

**Senator CORMANN:** Okay. In relation to the cost of changes to the FOI arrangements: how many documents has the department published under the changes to the FOI Act that came into effect on 1 May—the so-called Information Publication Scheme?

**Mr Tune:** We may have that with us but, basically, every time we have made a decision and we have released documents we have put them on the website as required. I do not know how many there are, though. I think we might have something here.

**Ms Hall:** What was the information—

**Senator CORMANN:** I gather that these changes to the FOI Act came into effect on 1 May—the Information Publication Scheme. I guess I am trying to find out how many documents the department has published.

**Mr Tune:** Is that the number of documents per se or the number of times we put up a set of documents?

**Senator CORMANN:** What information have you got for us?

**Ms Connell:** We are just counting them up for you now.

**Senator CORMANN:** Do you have the documents individually listed?

**Mr Taylor:** We have the documents categorised as having gone up on the department's log, and there are 22 separate lots of documents. I cannot tell you how many actual documents are in that from the information I have.

**Senator CORMANN:** Is there a backlog in the department of documents to be released under FOI?

**Mr Taylor:** No, there are not. The documents are put up within 10 days of the release of the documents, and sometimes sooner than that.

**Senator CORMANN:** Have you costed this measure to date?

**Mr Taylor:** No.

**Senator CORMANN:** You just absorb it as part of your normal costs, but you do not know what it is costing you.

**Mr Taylor:** No.

**Mr Tune:** It has certainly meant that in some situations we are not doing other things we otherwise would.

**Senator CORMANN:** Such as?

**Mr Tune:** We have officers put aside to process FOI requests. If they are simple ones that is not a problem, but if they are quite complicated and some of them go back in history—requiring us to access files which would be in archives and all sorts of things like that—that can take quite a bit of time. Depending on the area of the department, it may mean that something else gets delayed for a period of time while we give that priority.

**Senator CORMANN:** Every department is running its own process in relation to this, is it?

**Mr Tune:** They are running a process which is set down in accordance with the revised FOI Act.

**Senator CORMANN:** I am led to believe that the Department of Education, Employment and Workplace Relations has spent \$500,000 to convert nine documents out of 2,500 that needed conversion into accessible formats. They are able to cost some of these things, but you do not track—

**Mr Tune:** That sounds like one specific instance where they had to do some sort of conversion. I do not quite understand the technicalities of it, but that is only one particular instance. There would be other things they have been doing. To get to the point, we do not actually track the cost of our FOI processes. We charge, of course, for the time taken to process. Often those are waived for various reasons, at the behest of the applicants, but that is the extent of the cost monitoring.

**Senator CORMANN:** Does your department take an across-government view of how this new process is impacting?

**Mr Tune:** Certainly.

**Senator CORMANN:** You are tracking the cost impact of this new measure.

**Mr Tune:** Across all departments? No, we are not doing that.

**Senator CORMANN:** You only focus on your own department.

**Mr Tune:** Yes.

**Senator CORMANN:** But you do not know how much you are spending on managing the new process.

**Mr Tune:** No. As I said, it is an opportunity cost. We do not have extra resources for it. It means that some things do not get done as quickly as they otherwise would.

**Senator Wong:** Make sure you think about it before you put in a request, Senator.

**Senator CORMANN:** I am wondering whether there is a capacity for a more streamlined or coordinated whole-of-government process. It is very hard to cost the benefits that could flow from that if individual departments are not tracking what it is costing them. I wonder how many documents have been released under this new process that have been converted to accessible formats and published on the internet. You have taken that on notice. I am hearing that individual departments are struggling in this and I assume you might have heard that too. I see Mr Taylor is nodding.

**Mr Tune:** There is no doubt there is an extra workload involved. I would not deny that for a moment. We are operating in the spirit of the law passed by parliament and we have to comply with that. There are no two ways about it.

**Senator CORMANN:** Openness and transparency are fantastic. I am just wondering whether the way the process is currently handled is as efficient and as cost effective as it can be. If every individual department is carrying the burden without—

**Mr Tune:** There is provision in there to negotiate with people who make applications. If they make a request that is extremely large, one of the first things we would often do is go back to them and say, 'Can you give us a bit of a better idea exactly what you want to save us doing a wild goose chase?' Often we can have that negotiation and discussion with them and



narrow it down to a particular period of time, and that will improve the efficiency and timeliness of the process as well.

**Mr Taylor:** There is also the option to actually provide information outside the FOI Act, and in certain instances that is taken too—

**Senator CORMANN:** I have been given the wind up so I have to move on, but essentially there is the decision making, which is one thing, and then there is practical processing of putting things on the web and so on. I guess what I am trying to find out is whether there are any efforts across government—it sounds to me as if there are not—to take a more coordinated, streamlined and efficient approach in terms of the actual processing of physically putting these documents onto the web.

**Mr Tune:** I do not think the costs involved in putting things on the web is very high for us.

**Ms Connell:** I think if I heard you correctly you are talking about accessibility on the web. Some documents need conversion to web accessibility, which is a technical process to ensure that the documents can be read online by sight-impaired users, and there is a slight cost involved.

**Senator CORMANN:** Are you aware that the Department of Education, Employment and Workplace Relations is said to have spent \$500,000 to convert nine of 2,500 documents into accessible formats?

**Ms Connell:** That is the technology requirement that anything we publish on the web must be accessible.

**Senator CORMANN:** That sounds like a huge cost though, if that is what is happening in departments across the Commonwealth, and that would be somewhat concerning, I would have thought. Surely there is a better way.

**Ms Connell:** I can only assume that DEEWR on that occasion had a number of documents that needed converting to accessible format.

**Senator CORMANN:** But does anybody monitor the cost of that and opportunities to do it?

**Mr Tune:** No—well individual agencies do. I was not aware of the view from DEEWR. I had not heard that until you mentioned it.

**Ms Connell:** They may have hired an external agency to assist with that process. It sounds like a rather large one.

**Senator CORMANN:** It does sound like a rather large one. I will leave it there but I would be very grateful for anything on notice that you could tell me on the costs, to the extent that you track them, of this new process and on any efforts to streamline and to make the process more efficient.

**Mr Tune:** We will have a think about that and respond to that question on notice.

**Senator RHIANNON:** This is about procurement. I understand the Australian Procurement and Construction Council has developed the *Australian and New Zealand government framework for sustainable procurement* that consists of the four overarching principles for sustainable procurement.

**Senator Wong:** Senator, if you could wait until we get the officers to the table, thank you.

**Senator RHIANNON:** I was asking about the *Australian and New Zealand government framework for sustainable procurement*. I cannot find any evidence that the principles have been incorporated into procurement policy and practice; is that the case? If that is the case, is there a reason for the delay in implementation of the sustainability principles into government procurement policy?

**Mr Grant:** The Commonwealth is a member of the APCC, and we worked with them in the preparation of that particular booklet. In broad terms it fits within the more general procurement guidelines we already have. It is actually quite a high-level document, as you have probably seen, so we have not seen any need to formulate it as a policy of the government. We already take those sorts of matters into account.

**Senator RHIANNON:** So you do not think that you need to do like New Zealand does where it is incorporated into the actual guide itself?

**Mr Grant:** It is an informative document, and that is how it is used. We have circulated it around to departments and agencies. I would have to check but I think that we have a reference to it on our website. It is informative; it is not a specific policy.

**Senator RHIANNON:** So it is informative but not official; is that how you would describe it?

**Mr Grant:** It is informative but not mandated.

**Senator RHIANNON:** There was a decision made that you did not want to mandate those four principles?

**Mr Grant:** I think that they reflect basically the approach that most departments and agencies would take anyway when you undertake a value for money consideration and you take into account the policies we already have in relation to, for example, the environment and other things.

**Senator RHIANNON:** Thank you. How many different departmental procurement policies do exist?

**Mr Grant:** There is one procurement policy, which is the *Commonwealth Procurement Guidelines*. Each department and agency may then have a chief executive instruction about procurement and potentially a process. The *Commonwealth procurement guidelines*, or CPGs, provide a policy document with some eight rules that departments and agencies have to follow. When it comes to processes, and that can come to delegations and other things, each department or agency may have its own.

**Senator RHIANNON:** So it is really as many departments as we have, we could have that number of variations actually.

**Mr Grant:** Variations in process, not in terms of policy.

**Senator RHIANNON:** Thank you. Would you agree that this duplication and highly decentralised way of taking procurement forward does result in inefficiencies?

**Mr Grant:** It is an area that we are working on at present. There is a project that is looking at having model chief executive instructions. In addition, we have been working with departments and agencies across a range of levels. For example, we have produced a standard contract suite and we have started with procurements below \$80,000 because they represent

about 73 per cent of contracts awarded on AusTender. We also work on improving the capability and professionalism of procuring officers. We are working on those sorts of things.

**Mr Helgeby:** I might just add to that: there are a number of specific areas of procurement where we undertake what is called coordinated procurement, which is procurement on behalf of the whole of government through a central process. They cover things like airline travel and there is a number of other areas. The key point being that there is a number of areas of specific purchases of types of goods or service where the government takes a whole of government approach.

**Senator RHIANNON:** Thank you for that, because I did want to pick up on one example of an AusTender. I understand that recently AusTender undertook a tender process for a whole of government stationery supply contract. Who has been awarded that contract?

**Mr Grant:** That has not yet been awarded. Maybe I can just explain: AusTender is the whole of government system that publishes all approaches to market, tender offers, and then it publishes all contracts above \$10,000. So it is a process mechanism and a transparency mechanism. The actual process for the stationery office supplies whole of government approach is being undertaken by the department, and that is still in progress.

**Senator RHIANNON:** If it is a multi-year contract, I was interested in whether the procurement tender and contract awarded make suppliers aware that by 2015 paper must be 100 per cent recycled?

**Mr Grant:** Yes, that is part—all government policies and timings are part of that approach to market.

**Senator RHIANNON:** Did the contract impose any intermediate targets or benchmarks in the years after 2011 in order to ensure that the 2015 target is met?

**Mr Grant:** Not that I am aware of. In essence, in terms of when the policy comes into place, we work with departments, agencies and suppliers in the lead-up. I do not think we have put an intended path; we have put a clear indication of what is required on the relevant policy dates.

**Senator RHIANNON:** It just sounds like the language is not so strong like 'required' means that it is preferable but it may not happen. Is that the interpretation?

**Mr Grant:** No, Senator, that is not right. If we put in that, by a certain date a certain policy must be met, that is required—it is a must.

**Senator RHIANNON:** That is a must?

**Mr Grant:** That is right.

**Senator RHIANNON:** Did the tender include any requirement that the paper products are manufactured in Australia?

**Mr Grant:** No, Senator.

**Senator RHIANNON:** Why was that please?

**Mr Grant:** There was no—in fact, it would be contrary to our free trade obligations to have a requirement for made in Australia in that area.

**Senator RHIANNON:** Considering that, did the tender include any requirements that suppliers of paper ascertain the legality of that paper?

**Senator Wong:** What do you mean by the 'legality'?

**Senator RHIANNON:** Well, paper sourced from wood, and there is a huge trade in illegal logging from where much of this paper is sourced.

**Mr Grant:** We would be very clear that paper must not be sourced from rainforests and things like that.

**Senator RHIANNON:** When you say 'very clear', what does that mean?

**Mr Grant:** I would have to check it and get back to you.

**Senator RHIANNON:** So you are happy to take that on notice?

**Mr Grant:** I will take that on notice.

**Senator RHIANNON:** Were there any other sustainability requirements for those tendering for this contract?

**Mr Grant:** I do not have the details. I will take that on notice as well.

**Senator RHIANNON:** In the event that the standards in the contract are not very strong, will departments that previously procured paper products with environment and sustainability requirements be able to continue to acquire those products with these criteria in place?

**Mr Grant:** When this whole of government contract comes into place and there is likely to be a panel of suppliers, not a single supplier, government policies must be complied with. So departments and agencies will not be able to step outside government policies and they will have to buy off the panel members.

**Senator RHIANNON:** I want to clarify although you have covered it to some extent: when there are whole of government contracts, are there any sustainability requirements?

**Mr Grant:** It is certainly one of the elements we take into account. It depends on the nature of the supply, but we certainly do take that into account.

**Senator RHIANNON:** That sort of language again sounds loose, could you specify what that means?

**Mr Grant:** I can do that in terms of major office machines, for example, which is a contract in place and stationery office supplies—so yes.

**Senator RHIANNON:** Do you mean you will take that on notice and supply more details?

**Mr Grant:** I will take that on notice.

**Senator RHIANNON:** I would appreciate those examples but also I would like to know how do you build sustainability into these whole of government contracts?

**Mr Grant:** First, when we have whole of government contracts we have a commitment to manage those contracts really well, so that means we work closely with departments and very closely with suppliers to ensure they are delivering the supplies as we have requested. Overlaying that in government procurement there are 24 policies that impact on procurement, which relate to a range of policies including environmental, Indigenous, business and things like that, that are built into our processes. So for any procurement process, and particularly for a whole of government one, we would make sure that we are complying with those 24 government policies.

**Senator RHIANNON:** Thank you for explaining that. I would like to move on to issues to do with VET service providers.

**CHAIR:** Can you start to wind up please.

**Senator RHIANNON:** Are there any plans to update the procurement guidelines for vocational education and training service providers?

**Mr Grant:** There are no procurement guidelines specifically for such providers. The CPGs relate to all procurements across the Commonwealth.

**Senator RHIANNON:** Did you say there are no guidelines?

**Mr Grant:** Not specifically for vocational and education suppliers, but the CPGs relate to all procurement across the Commonwealth.

**Senator RHIANNON:** Do you review the impact that the outcomes of the procurement process has on the quality of teaching and learning of private VET providers compared with TAFE?

**Mr Grant:** We would not do that. That would be up to the relevant departments. It is probably primarily the states, but I am not sure.

**Senator Wong:** That should be a question to the Department of Education, Employment and Workplace Relations.

**Senator RHIANNON:** So you are saying that, even though this is procurement based on public money, you have no role in that.

**Senator Wong:** No, we did not say that.

**Senator RHIANNON:** I am just trying to understand what the process is.

**Senator Wong:** We establish guidelines. We are responsible for some procurement. Other agencies are responsible for procurement within their own bailiwick in accordance with the guidelines.

**Mr Tune:** If a state were running, as part of the VET sector, a TAFE they would be doing their own procurement and they would be having regard to their own procurement guidelines within that particular state. So it is not us doing the direct purchasing; it is the state service.

**Senator RHIANNON:** But I have been in the situation of asking the state government and they always say to ask the federal one, so we do get that ping-pong so regularly. That is why I did want to know. But you are saying that it is not your responsibility; is that what you are saying?

**Mr Tune:** In terms of the question you asked, which was what impact procurement might have on the quality of teaching inside the VET sector, that is definitely for DEEWR at the Commonwealth level.

**Mr Grant:** Senator, perhaps I can explain. The Commonwealth's procurement framework is very devolved, so we have the procurement policy and then departments and agencies are generally responsible for their own procurement approaches. We have very little central purchasing, unlike most of the state jurisdictions. Our central purchasing is almost totally limited to coordinated procurement.

**Senator RHIANNON:** Thank you.

**CHAIR:** Minister, before questioning goes to Senator Ryan, do you want to make a comment?

**Senator Wong:** I want to go back to a question that Senator Cormann asked earlier today in relation to a letter from Minister Roxon. Senator, you would recall the Future Fund has taken that on notice from their perspective. I could not recall if you actually asked me this question but in the event that you did I am aware that Minister Roxon sent a letter to the Future Fund.

**Senator CORMANN:** Thank you.

**Senator RYAN:** What is the department of finance's role now in respect of oversight of government advertising?

**Mr Tune:** We still have a central role through the guidelines and provide a secretariat service to the ICC, the Independent Communications Committee.

**Senator RYAN:** The reason I asked that is that I lost track of it a bit because there were various changes. Does that occur only prior to the commissioning of various guidelines that exist there or is the continual oversight role ongoing during a campaign, for example?

**Mr Grant:** The ICC, the Independent Communications Committee, looks at advertising campaigns above \$250,000 in the lead-up to them going to market. After they have been to the market the ICC does often get to have a look at the performance, because often there are flow-on campaigns and things like those.

**Senator RYAN:** I understand that in another estimates committee yesterday it was revealed that advertising for the government's carbon tax plan had gone from \$12 million up to \$16 million. Does that increase of \$4 million trigger any oversight from the ICC and the department?

**Mr Grant:** It does insofar as where a department or agency comes with a plan which is changed as to the amount of money to be spent or the creative thing or something else they come back to the Independent Communications Committee because it is above \$250,000—

**Senator RYAN:** So that change, which was more than \$250,000, went through the Independent Communications Committee process?

**Mr Grant:** Yes.

**Senator RYAN:** What about grants to external organisations to fund advertising?

**Mr Grant:** No.

**Senator RYAN:** So a government granting money to a body for advocacy on a particular region, even if that includes advertising, is not subject to any of the oversight of the ICC or the department of finance?

**Mr Grant:** No. Under the guidelines the ICC looks at advertising campaigns above \$250,000 undertaken by FMA Act agencies.

**Senator RYAN:** So the Department of Climate Change has this now \$16 million advertising program plus various other costs associated—about \$4 million—in developing the campaign and several million dollars on household leaflets. Are there any applications currently under consideration to further expand that advertising program?

**Mr Grant:** No.

**Senator RYAN:** Have any other agencies covered by your work applied for or been approved or rejected for advertising with respect to the clean energy/carbon tax package?

**Mr Grant:** No.

**Senator RYAN:** And if it were any different you could provide me with that, if it happened to be?

**Mr Grant:** If I am wrong, I will clarify it very quickly.

**Senator RYAN:** That is all I had on that.

**CHAIR:** Then I clarify that we have now finished with program 2 and each of those. Thank you to those officers.

[15:20]

**CHAIR:** We will now move to outcome 3. We will just wait for the officers to come to the table.

**Senator Wong:** You could ask about Comcar entitlement!

**Senator KROGER:** Yes, why not!

**CHAIR:** While we are waiting for the officers to come to the table: last night the Ombudsman wanted to table his opening statement and he had to do some tidying up on that. It is now before us. Is it the wish of the committee to note and receive that? He had handwritten notes of it. It is so received and ordered, so we can circulate that.

**Senator Wong:** Could we have a copy of that please, just for interest?

**CHAIR:** Before we go to Senator Kroger, Senator Ryan, you have a general question in this area?

**Senator RYAN:** Yes, just a general question. I think normally at this point the department would table a list of the staff by classification for ministers' offices and opposition staff. Could we possibly have that? Thank you, Ms Mason.

**CHAIR:** Senator Kroger, are you ready?

**Senator KROGER:** I have a brief question in relation to Comcar.

**Senator Wong:** Really? I was joking!

**Senator KROGER:** I thought I would take you up on your offer, Minister.

**Senator Wong:** I was being playful!

**Senator KROGER:** That is okay; I can respond. Ms Faulkner, my question I think is probably a very simple one. Given the reduced number of permanent drivers now—and as they retire there are fewer of them—what are the arrangements for determining the hours that they drive versus the hours that the more recently employed drivers are scheduled to drive, because I gather that they are more on an hourly basis, whereas the permanent drivers are on an agreement whereby they work for a full week. Is that right?

**Ms Faulkner:** That is correct. The permanent drivers are full-time drivers. It is actually worked out on the basis of an average number of hours over a period of time rather than a strict 38-hour week, to provide for operational flexibility. Those drivers are then rostered on for a period of time. It would normally be a standard five days a week. Variation occurs to that around parliamentary return Sundays. They are allocated according, again, to the

operational needs. They are paid a flexibility allowance to cover the fact that they work a range of hours. Depending on the operational needs of the organisation, they may be rostered on for morning shifts or evening shifts or they just may work a normal sort of standard day.

**Senator KROGER:** How many permanent drivers are there now in Comcar?

**Ms Faulkner:** There are 19 permanent drivers.

**Senator KROGER:** Out of a total of what number?

**Ms Faulkner:** There are currently 283.

**Senator KROGER:** Of those 19 drivers, how many would work more than a 30-hour shift week on a regular basis? I imagine that it would be a more demanding period when parliament is sitting, but how often would that happen? Is that a regular occurrence?

**Ms Faulkner:** Do you mean when would they work us for a regular number of hours week?

**Senator KROGER:** More than 38 hours per week.

**Ms Faulkner:** As I said, it averages out. And the jobs are not all in Canberra, obviously. For example, when parliament is sitting, that is the busiest time in Canberra. They may well work longer hours in those weeks and then shorter hours when parliament is not sitting.

**Senator KROGER:** I will explain where I am coming from in a minute. Within the request for whatever is required of them in a day, to what extent is the place they are driving from—their home—factored into their day?

**Ms Faulkner:** The ongoing drivers home-garage their vehicles, so they effectively start their work from home. They are not required to come to the depot to log on. They log on when they start the vehicle, because they will be going straight to a job.

**Senator KROGER:** And what about the non-permanent drivers?

**Ms Faulkner:** Do you mean the casual drivers?

**Senator KROGER:** Yes, the casual drivers. In what way is that factored in to their daily shift? Or is it?

**Ms Faulkner:** The casual drivers—with one exception in Perth at the moment, because of special arrangements around CHOGM—do not normally home-garage vehicles. They actually log on at the depot.

**Senator KROGER:** So if they live two hours from the depot and they have a country job, the extra four hours hypothetically would not be factored into their day.

**Ms Faulkner:** That is right, because they come in, they pick up their vehicle from the depot and they commence work at the depot.

**Senator KROGER:** With your country jobs, is there a framework for hours that you try to keep drivers within? If it is a 14-hour-day job or a 12-hour-day job, at what point do you determine whether someone stays over for that job or has to come home?

**Ms Faulkner:** Firstly, the drivers are required to have a rest break after five hours of continuous work.

**Senator KROGER:** What is the break?



**Ms Faulkner:** An hour is the standard rest break. It may be reduced to half an hour at times, but the standard rest break would be an hour. The normal pattern would depend on the duration of the trip, and each case is measured individually. If a trip is five hours or less, one driver would normally go, take a break and drive back. If the trip is a particularly long trip—for example, if we are sending a driver to a country area and they are going to be driving in that area, such as the mid North Coast in New South Wales—then the driver might be sent up the night before, stay overnight, do the work the next day and, depending on the hours of work, drive back. Obviously the fatigue management issue is a very important issue for us. So it really does depend on the individual case.

**Senator KROGER:** You have actually gone straight to my concern, because I am aware of instances in my home state where there have been visiting senators or members from other states and a driver has driven them to their destination, factoring in the five-hour time frame, and they have returned home—so a four- or five-hour trip back home. And then another driver has actually had to leave at 4 am to then meet with that member again and factor in another four- or five-hour trip to get them back to the airport in Melbourne rather than actually having someone stay overnight for that early start in the country destination. It seems to be the most difficult way to do it. I understand that it would be on a cost basis, but I actually wondered whether it was the safest and most effective way of doing it in looking after the drivers. Have you had any complaints from any drivers in relation to the way in which their hours have been coordinated?

**Ms Faulkner:** No, I have not. I am not familiar with an example that fits the description you have just given, so I am sorry but I cannot explain why it would have been done in that way. Normally we would look at each particular case and assess the safest way of doing it. We would obviously also be looking at what was a reasonable cost basis, but safety and fatigue management would have been the first priority. I am sorry but I am not familiar with that particular example.

**Senator KROGER:** I am happy to go back to the individual concerned and ask them whether I can provide the details. But in this particular instance this driver had been working all day before. He was permanent, so I am probably narrowing it down. He had a particularly early start to go and meet a member when the driver who had taken the member there had actually been sent home. So they both had very long days and it just seemed a convoluted way of doing it. Certainly I do not think it was looking after the interests of the drivers, because they were absolutely knackered at the time.

**Mr Tune:** I think it is worth looking at.

**Senator KROGER:** I think so too. I am very happy to follow that up. I think it was of particular concern. Just in relation to CHOGM—

**CHAIR:** Can I just ask a question on Comcar before we move off that. I was just wondering if you could inform the committee as to whether there have been any other changes in relation to the use of Comcar?

**Ms Faulkner:** That is a very broad question. No, not that I can identify for you at this point. Can you give me—

**CHAIR:** Is there any additional paperwork that is required by drivers when driving senators and members that has been a change in recent times?

**Ms Faulkner:** No, there has not been any to date.

**CHAIR:** I just ask the committee to accept the tabled documents relating to the ministerial and opposition staff. That has been agreed to.

**Senator KROGER:** Is there a possibility that the permanent drivers, of which there are 19 out of 283, are overused—with overtime, because they have that flexibility built into their workplace agreements—because it is cheaper to use permanent drivers than to pay for casual drivers for those long trips?

**Ms Faulkner:** No, that is not a criterion at all. I can assure you of that. That certainly does not enter into any decision-making process about the allocation of work.

**Senator KROGER:** So when drivers are allocated there is no consideration given to whether they are permanent drivers or casual drivers?

**Ms Faulkner:** The consideration we give is in terms of averaging out the hours. Obviously, we would be looking to use our ongoing drivers to ensure that they are getting the work for the hours that they are paid for, but certainly not to allocate overtime to them rather than using a casual driver.

**Senator RYAN:** Regarding ministers' entitlements to use Comcars in Canberra, does that come out of the department as a cost by the minister or does the department of finance oversee that as a domestic travel cost by the minister?

**Ms Clarke:** The cost for ministers' Comcars are paid for by portfolio departments. They are then recorded and tabled in the documents that are tabled every six months in parliament, and appear on the Finance website.

**Senator RYAN:** They are tabled by you and the department of finance collates them?

**Ms Clarke:** Yes, that is correct.

**Senator RYAN:** If I asked you whether any ministers in Canberra regularly or otherwise use non-Comcar based driver services, you would be able to answer that?

**Ms Clarke:** If the portfolio department gave us that information, yes, we would know that.

**Senator RYAN:** They are required to, so they probably should.

**Ms Clarke:** We ask for driver information and for car information to be passed to us, and we publish it.

**Senator RYAN:** I was told last night that the cost of the domestic car services for the Prime Minister are borne by the department of finance—for example, when the Prime Minister gets out at Sydney or Melbourne airport and gets into a car.

**Mr Tune:** It is organised by Comcar but the costs are met by PM&C.

**Senator RYAN:** When was the last tabling?

**Ms Clarke:** The last tabling was 1 July to 31 December. I have the one here for the Prime Minister.

**Senator RYAN:** Last calendar year?

**Ms Clarke:** Yes. The next tabling document is due on 24 November, covering 1 January through to 30 June this year.

**Senator RYAN:** Do you have the costs handy for at least the first half of this financial year?

**Ms Clarke:** No, not handy.

**Senator RYAN:** Can you take on notice to provide the costs for the Prime Minister's car services up until now, effectively? If you could answer that before 24 November. I presume you will be preparing them as part of the tabling document.

**Ms Clarke:** That is correct.

**Senator RYAN:** I know the Prime Minister's VIP jet flights are provided by the Department of Defence. Do you pay for those or do you just record those?

**Ms Clarke:** We neither pay nor record those. All special purpose aircraft details, SPAD, are paid for and organised by the Department of Defence. Funding for that went over to defence in 2002-03. Ever since then all costs and recording are done by defence. I think they put out a manifest or a schedule of people who travel and it is their responsibility now since funding was handed over.

**Senator RYAN:** That is not tabled as part of your regular tabling?

**Ms Clarke:** It is not tabled by us; it is a defence document. I do not know what they do with it.

**Senator RYAN:** Do you keep records of the hotels stayed in by the Prime Minister and her staff when on domestic travel?

**Ms Clarke:** No.

**Senator RYAN:** Do you table the costs?

**Ms Clarke:** We table the costs of travel allowance provided.

**Senator Wong:** Just like your travel allowance is tabled.

**Senator RYAN:** I am checking whether there are any special arrangements for the Prime Minister. I know my own arrangements.

**CHAIR:** I have a couple of questions. I just wanted to see if you could enlighten the committee in relation to any changes to how management reports are reported now for senators and members.

**Ms Clarke:** I will call on my colleague Yvette Sims, and she can run you through some of the changes that have been made as a result of the Williams report and tell us how they are going.

**CHAIR:** You would recall from previous estimates that both Senator Moore and I have asked on a number of occasions—I think at each estimates—about the number of senators and members who actually had in the past signed off on their management reports, and there were always some that were outstanding. Perhaps you can give us an update as to the new process, which may clarify the changes.

**Ms Sims:** From July this year, with those monthly management reports we have made a number of changes. They are the first in a tranche of changes following Ms Helen Williams's review. The main changes that have happened from July are the removal of the certification as a monthly process to now be replaced by a six-monthly certification process. There is also a new budget information page. We have regrouped some of the way the entitlements are

presented so that it is more in line with the six-monthly entitlements expenditure reports that are tabled.

**CHAIR:** Have you done any liaison with senators and members to see if this is a better system, because now they are only signed for our budgets on a six-monthly basis? Have any of the offices raised concerns about the additional workload it puts on electorate offices?

**Ms Sims:** We have not had any feedback to that effect, no. We asked for feedback specifically in relation to the monthly management reports. When we sent a circular out advising what the changes would be, we asked for any suggestions to come via the MAPS intranet and the suggestion box on that site. We also asked the parliamentary consultative group that was set up in response to the Williams review for any feedback. We have not received feedback from either of those sources.

**CHAIR:** We have had evidence given to us in response to questioning that there is, as I understand it, advance notice given to senators and members when they are reaching the maximum of their budgets for entitlements for travel, stationery and consumables. Is that process still in place?

**Ms Clarke:** There are courtesy phone calls made, particularly in the case of, say, the office requisites and stationary entitlement, when large orders are made. For instance, with video cameras in particular, when people are ordering those close to the top of their budget, the state office will say: 'Have you considered the impact on the budget? It will put you over.' That is where we know that those costs have actually been incurred, so we know what the budget is. Oftentimes we will find that senators and members have actually made purchases that have not registered through the system yet and we are not in a position to be able to say. But we do say to senators and members, and their offices in particular, with the large purchases: 'Do you know what your budget is? This may put you over. Have you considered that?' That is the case.

**CHAIR:** I thought I could recall evidence at the last estimates that in fact we were advised that letters were sent out in relation to stationery and consumables, to give advance warning that the budget was going to overrun.

**Ms Clarke:** I will ask my colleague Greg Miles to answer that. We certainly do that with the electorate staff travel budget. We send out reminders when they reach a certain level. But we only consider it, as far as I know, with the office requisites when in fact we get to the large purchases.

**Mr Miles:** When we spoke about budget warnings, if you like, in relation to the office requisites and stationary entitlement at a previous estimates, I think I spoke about the fact that there will be times when people who manage it—and they are by and large in our Western Australian office—will contact an office in writing and by phone, but often in writing, to advise that a particular order that has just come through is large enough to potentially put the office over its budget. So it is a simply a system where, as Ms Clarke has said, we are not always aware of the various things that are going against the budget, because it is possible for things to be ordered by a senator or member that we are not aware of until it has come through. Where a particular order has come through, which is of a particular size, or where we know that an office has been running close to the wind and it is towards the end of the

financial year, we will generally make a phone call and follow it up with an email at least, just to make sure that the office is aware of the implications of that particular order.

**CHAIR:** I do recall the conversation because there were a number of issues raised in relation to the lag time before invoices had gone through the process from WA to the state head office, for instance, in Hobart—in our case Tasmania—and then it is back to us. I had raised those issues. Has there been any consideration given to the transformations that are happening with it being more open and transparent? The concern that I and other senator and members have is that there is not always adequate communication in being able to match up what the department says is in the budget and what we keep as our own records, which is taking more and more of our staff's time. Have you any comments? Is that under consideration at all?

**Mr Miles:** There are some of things that we are doing. Clearly, the budget is more easily managed the more of it that comes through the one source. So to the extent that it is possible we are making sure that the very great majority of things that go against that budget come through the contract and supply office so that you are only looking at one source. It is never going to be possible to totally achieve that because of some of the things that go to copier suppliers and those sorts of things, but we are trying to make sure that things do not go outside the contract. The only other thing we do is that, every chance we get, we really encourage offices to talk to us. It is very easy for an office to ring up and speak to our people, and we will be able to provide them with an up-to-the-minute budget in relation to those accounts that have gone through our system. We can provide that within minutes, basically.

**CHAIR:** We will have to take a break now but we will be coming back to this area.

**Proceedings suspended from 15.47 to 16.01**

**CHAIR:** Welcome back, everyone. We are continuing with outcome 3.

**Ms Mason:** I have to correct a response given to Senator Kroger. Ms Falkner gave a figure of 283 Comcar drivers as the total. The correct figure is 328, comprising 308 casuals, one contractor and 19 ongoing, or permanent, drivers.

**CHAIR:** Thank you, for that correction.

**Senator ABETZ:** The Caucus Communications Team, or whatever it is called: are they MOPS employees?

**Ms Clarke:** Yes, they are.

**Senator ABETZ:** Under whose authority are they employed? Under whose name?

**Ms Clarke:** The Special Minister of State.

**Senator ABETZ:** Thank you. Are you able to provide us with an up-to-date list of the various positions? I don't need to know names, just the classifications of the various officers in that area? Take that on notice, I don't need to take up time now.

**Ms Clarke:** I handed around some documents, earlier, on staffing for government, non-government and opposition. The details—the numbers and levels—of those in the Caucus Communications Team are in that.

**CHAIR:** They have already been tabled.

**Senator ABETZ:** It's just been provided to me. Are you able to direct me quickly to that?

**Ms Clarke:** Yes. It's in the section entitled 'Government personal positions as at 1 October'. If you turn to page 3, you will see at the bottom of that page a section entitled 'Other'. Under 'Other' is listed the Caucus Communications Team. It tells us that there is one senior adviser and four advisers.

**Senator ABETZ:** Yes, here we go. One adviser and five assistants?

**Ms Clarke:** Sorry, I've been reading the one below it. Above it, it reads one adviser and five assistant advisers—

**Senator ABETZ:** And one executive assistant. A total of seven.

**Ms Clarke:** A total of seven—that's correct.

**Senator ABETZ:** Thank you. And the Carbon Price Implementation Team: under whose authority does it operate?

**Ms Clarke:** I understand it operates under Mr Combet's authority.

**Senator ABETZ:** It has one senior adviser and four advisers.

**Ms Clarke:** That's correct. If you turn to the front page of that document, you will see a note that talks about there being three staff members in the various positions who are on secondment to that team but who are still working in the office of their relevant minister.

**Senator ABETZ:** All right, thank you for that.

**Senator RYAN:** I would like to explore the personal classifications in this document, Ms Clarke. Could you please clarify this for me. Am I correct in saying the personal classifications are for staff being remunerated at a level above what they are otherwise allocated at? Is that a correct way to describe it?

**Ms Clarke:** They are remunerated at a level considered commensurate with their skills and responsibilities. In this instance they are all above their nominal classification.

**Senator RYAN:** On the document headed 'Personal classifications' that you tabled, a personal classification that you have listed there is the classification that they are being remunerated at, as opposed to that that they have been notionally allocated at on the other sheet. Is that correct?

**Ms Clarke:** They are actually being paid at those levels.

**Senator RYAN:** On the other sheet that you just went through with Senator Abetz, the one that goes minister by minister, are they allocated in that table at this personal classification level or at their nominal classification level? I am trying to match the two documents.

**Ms Clarke:** I will have to ask my colleague to come forward and provide that kind of detail.

**Mrs Baker:** Senator, it is my understanding that the larger table, the establishment table, has the positions that are allocated to each of the officers and they do not reflect the personal classifications that are given to individual people.

**Senator RYAN:** So is it possible to get on notice the original classifications of these personal classifications? Can you take that on notice? For example, there are five advisers who are personally classified as advisers who might be allocated here as assistant advisers. So this larger document only actually reflects the nominal allocation, as opposed to the personal

one. Can you update this document here, either with an asterisk or bold or italics or whatever, to reflect where these personal classifications are employed?

**Mrs Baker:** We can take that on notice.

**Senator RYAN:** Can you also take on notice the original classifications of those? I would be happier with the table, but it would be to break down each of these numbers. There are only two that need to be broken down, Adviser and Senior Adviser 1 Cabinet. If you were to explain where the Assistant Adviser, Senior Adviser 1 Non-Cabinet and Chief of Staff Cabinet came, obviously there is only one of them so I would know what their original classification was. You don't have that information?

**Mrs Baker:** No.

**Senator RYAN:** In Budget Paper No. 2, on page 199, the government announced that it would spend \$7.2 million over five years on a total of 10 new government and non-government staff. Have these staff members been employed as yet?

**Ms Clarke:** We actually ran through that 10 last time with Senator Fifield.

**Senator RYAN:** Okay, and there has been no change to what was stated in the last *Hansard*?

**Ms Clarke:** I will have to take that on notice as I cannot recall, but we did run through where they were and who they had been allocated to.

**Senator RYAN:** I will quickly read through a couple of questions. If they have been answered I would be happy. I was not on the committee at that point. Also, the purpose is to assist you to update that information if you need to take it on notice: which officers have received the extra staff allocation on the government side, whether or not they were allocated to a particular unit, being the caucus training and support unit or the implementation unit that you just discussed with Senator Abetz. How many staff will be employed on the non-government side? I would appreciate that being broken down by the Independents individually and by the opposition, and if they have been allocated to the Independents when the allocation was made and when someone was employed in that capacity. I am not after their names, just when someone filled that particular vacancy.

**Ms Clarke:** Page 62 of our last estimates *Hansard* actually dealt in some detail about where the 10 were allocated because there were complications with some ons and offs for the Greens. Perhaps we can just go through those again and hand it over as a question on notice.

**Senator RYAN:** That would be appreciated. As I said, I was not a member of the committee at the last budget estimates, so my apologies. Can I turn to the issue of the supply of things to electorate offices. How much does it cost to get a plastic mat for under a chair in an electorate office to save the carpet?

**Ms Clarke:** I would have to take that on notice and have a look at OfficeMax or wherever it is that we obtain and purchase those items.

**Senator RYAN:** Are you aware of any ancillary costs that relate to obtaining a plastic mat to go under the desk of an office?

**Ms Clarke:** I am not aware of ancillary costs but, then again, I probably would not be. Mr Miles may be able to help you.

**Mr Miles:** I am not sure what you mean by ancillary costs.

**Senator RYAN:** I will take you through an example. I had a previous need to order a plastic mat to save the carpet of the office wearing out from the wheels of a chair and it cost just under \$110. In recent weeks and days we have had cause to order another one, again to save the carpet, and I have been informed that a plastic mat cannot be delivered without a full ergonomic assessment taking place for the chair, the computer and the work station. I have only been in parliament three years, so I want to know why this extra cost has been whacked on the to the taxpayer.

**Ms Clarke:** We will take the question on notice, but my response, because we have had it in our area generally, is that some of those mats with the chairs and the wheels on them can actually be dangerous. They skid from underneath you and you can actually have electoral officers or whoever is sitting in the chair doing damage to themselves and their spines. I suspect that is probably what is driving it: a concern about occupational health and safety.

**Senator RYAN:** Do you have a record of how many injuries have occurred by what we might call radical chair slippage?

**Ms Clarke:** I do not have a record of that, but we do not always rely on having the accident happen. We try to be a little bit proactive in making sure it does not happen.

**Senator RYAN:** Did you undertake a cost-benefit analysis on this? I can take you through some costs. I have been informed that the cost of the necessary 45 to 60 minute ergonomic assessment of my staff member's workstation will cost the unfortunate Australian taxpayer \$450 plus GST plus several hundred dollars in travelling time, depending on how far my office is located from the workplace of the person undertaking the assessment. You do not get too much change out \$1,000 for the total cost, depending on where you are. In this case, it will be nearly \$700. We have cancelled the order because I do not think we need to spend \$700 on a plastic mat. In the space of a few years the cost of ordering a plastic mat to save taxpayers' carpet has gone from \$110 to somewhere near \$700. You do not think this is a waste of taxpayers' money?

**Ms Mason:** I think you need to consider the occupational health and safety issues. The cost of an injury to an employee can be much more significant than that. We would obviously need to check out the points that you are raising, but I understand that with plastic mats the issue relates to brake loaded casters. If the chairs do not have brake loaded casters to prevent them slipping on the plastic mats, it can contribute to injuries and has done so on a number of occasions. If you have somebody fall from a chair, the cost of the injury can be much more significant than the cost of a workstation assessment.

**Senator RYAN:** I am not saying you are implying this at all, but I am not trying to devalue the risk of workplace injury. I am just trying to not devalue the Australian taxpayer here. This is not your department but, to give you an example of some of the money that is being spent on ergonomic assessment, the Department of Agriculture, Fisheries and Forestry in the period March 2008 to September 2008 spent \$44,000 on occupational health and safety workstation assessments at AQIS. There are several hundreds of MOPS employees. Quite a lot of them, I understand, would probably appreciate a plastic mat so as to not wear out the carpet. In fact, they are trying to do the right thing. So I ask again: what cost-benefit analysis, if any, was taken upon this decision to require an assessment that might be \$1,000 for a \$100 plastic mat?



**Senator Wong:** What would the cost-benefit analysis cost?

**Senator RYAN:** It is the department here that has put this cost on that says, 'We're going to spend \$600, \$700 or \$800,' depending on how far you are from a capital city, presumably, and this is for a \$100 plastic mat. This does not happen in workplaces everywhere else around Australia. You can go into small businesses everywhere. They will go down to Officeworks. They will buy a plastic mat.

**Ms Clarke:** Senator, we feel we have an obligation under occupational health and safety legislation. It is not something where we in MAPS think, 'Oh, it's a good idea; let's do it.' We are acting under advice from experts here. In fact, we have a duty of care to the 1,800 or so MOP(S) Act employees around the country. I feel that we need to put that on the front bench because they matter as well.

**Senator RYAN:** I am not saying that they do not. I think a lot of them also feel ridiculous about having to waste \$1,000 of taxpayers' money when all they want is a plastic mat to save the carpet. Can you take on notice what experts you took advice from. I would appreciate the names of the experts you took advice from; the names of all companies that are involved in these ergonomic assessments, because I am assuming that there would be something in place to make sure that the people making the recommendation do not have the capacity to then benefit from the recommendation directly or indirectly; and whether or not there is any legal or regulatory requirement for this, or whether this was something that your department did of its own initiative.

**Senator Wong:** And we might cost the time associated with providing that, Senator, if you are so concerned about taxpayers' funding.

**Senator RYAN:** I actually think—

**Senator Wong:** No, that is fine; we will do that. We will take it on notice, and we might cost the staff hours associated with providing all of that information.

**Senator RYAN:** Chair, I raise a point of order. I was not aware that the minister could ask questions of the officials on that side of the table.

**Senator Wong:** No, I was not. I was indicating to you—

**Senator RYAN:** Are you going to do that for every other question?

**CHAIR:** Excuse me, can I just have some order.

**Senator Wong:** I was not asking a question. I am saying this is what we will do.

**CHAIR:** The minister was contributing to the response that was given by the officer in response to your question, so I think it was—

**Senator RYAN:** That is a very charitable way to describe it, Chair.

**CHAIR:** It was. Senator Ryan, you have the next question.

**Senator ABETZ:** Could we also have the cost of obtaining that expert advice, if that was not part of the list of questions.

**Senator RYAN:** Yes, if that was not, then I would be happy to have that. I am not trying to dismiss. This is something that has appeared in the last two or three years. I have only been here for three years and three months, and it was not here in the first 12 months, because we ordered a plastic mat. So at some point there has been a decision or a regulation that has

required you to dramatically increase the cost of some pretty basic maintenance. I will move to some other issues.

**Senator THISTLETHWAITE:** Can I ask a follow-up question on that issue. The department could inform us why risk assessments are now carried out prior to those sorts of orders being undertaken.

**Ms Clarke:** We have an adviser called Konekt which does our occupational health and safety. In answer to Senator Ryan's questions, we will bring in the reasons and how they relate back to the legislation about looking after the occupational health and safety of all employees, including MOP(S) Act employees. I will be able to take that on notice.

**Senator THISTLETHWAITE:** So it is the view of that adviser that the department has a legal obligation—

**Ms Clarke:** Yes.

**Senator THISTLETHWAITE:** to carry out such a risk assessment prior to supplying any type of item?

**Ms Clarke:** Any item which may in fact endanger, injure or do something that could upset, physically speaking, a person's—

**Senator THISTLETHWAITE:** I would assume—would I not be right?—that, if the department did not carry out such a risk assessment and did supply that item of furniture and an employee or, dare I say it, even a senator was injured, there would be a legal obligation and potential damage claim against the department.

**Ms Clarke:** There would certainly be a damage claim, and in fact increased premiums would result from that. If there is an accident, it pushes them up.

**Senator THISTLETHWAITE:** So there could be exponential increases in costs associated with that for the government?

**Ms Clarke:** Indeed.

**CHAIR:** Could I just clarify, in follow-up from Senator Thistlethwaite, that there is no occupational health and safety assessment for senators and members; you are talking about staff?

**Ms Clarke:** That is correct.

**Senator RYAN:** I am happy to go and find my own mat from Officeworks. Minister, will you consider seeking any advice from the Special Minister of State as to whether this particular provision will be reviewed?

**Senator Wong:** Which particular provision?

**Senator RYAN:** The provision that we have to have a \$600 or \$700 ergonomic assessment of the office for a \$100 mat.

**Senator Wong:** I was not aware there was evidence of a provision.

**Senator RYAN:** There is a decision of the department—

**Senator Wong:** That is a different thing from a provision. You have asked the question about that and I think in the course of events that advice will be provided.

**Senator RYAN:** I am asking you to seek advice from the Special Minister of State as to whether he will review this to save Australian taxpayers potentially tens of thousands of dollars.

**Senator Wong:** You have raised the issue and I am happy to pass that on to the Special Minister of State. But again I make a point that fiscal conservatives like yourself should perhaps be less concerned about the cost of a mat and perhaps more concerned about the \$70 billion that your shadow finance minister has acknowledged—

**Senator RYAN:** That is the longest bow I have seen and drawn today. You deserve points for that, Senator Wong.

**Senator Wong:** Let me finish. Here we are with the Liberal Party, the party of the fiscal conservatives, worrying about plastic mats. You have a \$70 billion black hole, as acknowledged by Mr Robb on *Meet the Press*.

**Senator RYAN:** Chair, on a point of order: this is about as tangentially related as any answer I have heard. I asked the minister a simple question: will she seek an answer from the Special Minister of State responsible for this part of the department to end this particular egregious example of waste.

**CHAIR:** There is no point of order. As you know, I cannot direct the minister to respond in any particular way when answering questions.

**Senator Wong:** I have said I will pass it on to the Special Minister of State.

**Senator RYAN:** When did the decision within the department or otherwise kick in that had the man with the trolley come around the electorate office and test and tag every single piece of electrical equipment? I have little labels stuck on everything with a power plug in my office.

**Ms Mason:** I will get somebody to answer that question for you but, just to talk through the logic of the approach to occupational health and safety, there is legislation that imposes obligations on employers to properly care for their staff. This department has certain obligations in respect of MOP(S) Act employees, and we seek to fulfil our duty of care towards employees just as we would hope that employing senators and members do their bit to care for their employees as well. In doing that we have a provider, an expert firm, to advise us on occupational health and safety matters. They give us advice and we believe it is prudent to follow that advice. In this instance there is a risk with plastic mats if they are not coupled with the appropriate castors on chairs.

**Senator RYAN:** We have covered the plastic mats. I am now asking about the electrical tagging.

**Ms Mason:** You will get a similar answer. We can go to the timing of that if the officers have the answers. It is based on advice that electrical equipment can present a hazard to staff—

**Senator RYAN:** We all get lots of advice, Ms Mason. I am challenging the judgement; I am not trying to hide that. How much does it cost to have someone come around with a trolley and test everything in an office?

**Ms Clarke:** I will take it on notice and get back to you.

**Senator RYAN:** Can I have both the costs for the last financial year and the projected costs for this financial year. I will place my other questions on notice.

**Senator THISTLETHWAITE:** In respect of electrical tagging, is it not true that the requirement to ensure that electrical products are operating in safe manner an tagging them is a requirement under occupational health and safety legislation and regulation throughout most states and indeed the Commonwealth?

**Ms Clarke:** That is certainly our understanding of what happens. It happens in the department of finance that things are tested to make sure they are not a hazard for staff and do not cause injury or in fact, in the case of electricity, death.

**Senator THISTLETHWAITE:** That is indeed a legal requirement.

**Ms Clarke:** I am not sure of the law; I just know that it is something that is done in all Commonwealth workplaces as an occupational health and safety measure.

**CHAIR:** Can we now turn to BlackBerries? There were some questions asked yesterday, but we were told that, while the computer systems within our electorate offices come under the control of the Department of Parliamentary Services, BlackBerries—under the budget entitlement for senators and members—are still the responsibility of your department. Is that correct?

**Ms Clarke:** Yes, that is correct.

**CHAIR:** I know there were questions taken on notice yesterday, but perhaps you might be able to give us an update on what the experience has been now that Apple iPads and iPhones can be connected to the parliamentary systems to a limited degree? Can you tell us whether or not there has been a decrease in the number of people requiring BlackBerries and the associated service provided with them? Has there been a drop?

**Ms Clarke:** Not that I am aware of. We still have usage of BlackBerries and there has been no discernible drop either in use or cost. So there has been nothing that I have noticed.

**CHAIR:** There have been suggestions and questions relating to reliability—there have been some concerns about the new model, whatever it is, of the BlackBerries.

**Ms Clarke:** That is the BlackBerry Torch. That is an interesting issue which was raised yesterday by, I think, Mr Kenny, who said that he had anecdotal evidence that it was not working particularly well.

**CHAIR:** You were listening in yesterday?

**Ms Clarke:** I was, as part of my job. We thought this was very interesting because we have, I think, 47 BlackBerry Torches and we were keen to know if there had been some problems, because we had not had any feedback. Mr Miles, would you like to speak about this?

**Mr Miles:** The only problems we have been alerted to have been that I understand that Senator Ryan might have raised a couple of issues with our state manager about his new BlackBerry and mentioned some difficulties—this may just be getting used to the transition from one model to another—and we did hear that one member was having difficulty because the buttons were a little bit small. It is early days in terms of their operation—we have only been rolling them out for the last couple of months—but we have had no complaints.

**CHAIR:** So is any consideration being given, with your future rollout of this sort of technology, to offer the option of Apple iPhone?

**Ms Clarke:** The iPhones are not cleared by DSD. We have a standard policy position approved by a previous Special Minister of State that any of the equipment we put out should be okayed by DSD. That is the position at the moment. I know there is a concern—that people would like Apple iPhones in some instances—but I have also had anecdotal information saying that other people like the Samsung Androids. I think we are getting pressure all over the place for slightly different things. At the end of the day, if each person wants their own particular set-up, that has costs—because you have to have different platforms and different support arrangements. So it is not clear-cut, I think.

**CHAIR:** Can you just clarify then why Apple iPhones can now be connected to the parliamentary system—as can iPads—if there is a concern about security? If the iPhone or iPad is purchased by the individual senator or member, it can be connected—but it is not something your department will consider as part of a future rollout?

**Ms Clarke:** I think we will take that on notice, but my understanding is that there is a certain amount of data that does not in fact stay in the iPhone. I will take it on notice and refer it to someone technically competent in this area.

**Senator Wong:** There is some evidence we need to clarify, so before we go to the next line of questioning, I wonder if we could do so.

**CHAIR:** Yes, that would be helpful.

**Mr Tune:** This morning we were talking about the Clean Energy Finance Corporation and a discussion about whether or not it was in the general government sector. We confirmed that it was likely to be in the general government sector. I think there might have been a bit of confusion because we are in a very highly technical area with this particular issue and it does get a bit difficult at times. Whilst the Clean Energy Finance Corporation is in the general government sector, the key issue is the activities that it undertakes are the essential thing in determining whether those activities hit the budget bottom line or not. If you look at the Clean Energy Future program, you will note that we allocated the costs from the Clean Energy Finance Corporation to the budget bottom line. The corporation is being set up to provide loans to commercial operations. In the vast majority of cases we anticipate that will be so, so the impact on the budget bottom line does not occur. We have, however, said that in some proportion of those activities of the corporation there may be an impact on the bottom line of the budget, and we have taken that into account in the numbers that were incorporated in the release that was put out on the Clean Energy Future package.

In essence, we have some fiscal balance estimates in the numbers already. They take account of the partial write-off of non-commercial investments that may occur, also, the concessional component of any concessional loans provided by the Clean Energy Finance Corporation, departmental costs in running the Clean Energy Finance Corporation and interest and dividend revenue that may accrue to the Clean Energy Finance Corporation from returns on lending or providing finance to commercial entities.

In that sense, the cost impacts that we have got in the package are \$1.5 million in 2011-12, \$20.8 million in 2012-13, \$466.9 million in 2013-14 and \$454.7 million in 2014-15, giving a total of \$943.8 million over the forward estimates. Those numbers are already in there and we

think we have taken those into account already. We do not anticipate at this stage any further impact on the budget bottom line from implementation of the Clean Energy Finance Corporation.

*Senator Cormann interjecting—*

**Mr Tune:** No, it is not.

**Senator Wong:** No, you have misunderstood the evidence. I am going to make sure officers have the opportunity of being clear on what their evidence was. I will now turn to Mr Martine and Dr Helgeby to respond to some of the issues which have been raised.

**Mr Martine:** When we were talking this morning there was language used about whether the entity was on budget or off budget. I tried to clarify the use of that terminology because, in a sense, everything is in the budget. The Clean Energy Finance Corporation is included in the budget estimates. The real question is whether the activities of the entity have a bottom-line impact or not. You might recall discussions we have had in the committee about investments, around the broadband network, Telstra et cetera. If an entity in the general government sector is undertaking investments to achieve a return, then they do not impact on the budget bottom line, according to the accounting standards.

To the extent to which the Clean Energy Finance Corporation is undertaking investments, and that is the government's policy, then the majority of its activities will not impact on the budget bottom line. However, as announced in the policy, there are effectively two streams of its investments: one is for renewable energy and the other is for clean energy. On the renewable energy side, which is an emerging set of technologies, we have made an allowance of 15 per cent of those investments being deemed ultimately as grants, which would impact on the budget bottom line.

Effectively, 50 per cent of the activities of the entity will be in renewable energy investments, of which 15 per cent are assumed as grants because it is an emerging technology, and there may be some investments that do not achieve a particular return. That is incorporated in both the underlying cash and fiscal balance estimates that are picked up in the clean energy package costings that Mr Tune outlined.

**Mr Tune:** So the numbers I was quoting reflect that treatment.

**Senator CORMANN:** The question was worded right from the start explicitly and very clearly around the \$10 billion to be allocated to the Clean Energy Finance Corporation and the advice that Dr Helgeby gave us that there were a range of thorny issues still to be worked out, that ultimately it will come down to a judgment based on ABS information, and that at this point in time, in his judgment, this whole expenditure ought to be treated on budget, which would mean that—

**Mr Tune:** That was not said at any stage.

**Senator Wong:** Not the expenditure.

**Mr Tune:** Hitting the budget bottom line—

**Senator CORMANN:** It was never said it be treated as part of the government sector and be part of the—

**Mr Tune:** There are two issues—

**Senator CORMANN:** As Mr Martin said—we had very extensive discussions about all of this in the context of the NBN and why the NBN was treated off budget and why the ABS classifications around investment returns, and so on, were important. So I am well across the issue. I listened very carefully to what was being said this morning and my observation is that you are correcting the characterisation of what was said this morning.

**Mr Martine:** I think one of the issues is the use of the term 'off budget'. Even the NBN is not off budget. The NBN is included in the budget. The question is really the activities of the government sector interacting with the NBN and whether that impacts on the budget bottom line. The government's investments in the NBN are included in the budget. They are effectively balance sheet transactions, but they do not impact on the budget bottom line. So that is where I think the confusion is.

**Senator CORMANN:** I do not think there was any confusion. I think that Mr Helgeby well understood the differentiation between off budget and on budget and what was meant. The question is, what other thorny issues still have to be worked through? Why is it that the determinations by the ABS are still important if it is as clear as you are now trying to assert it is?

**Senator Wong:** Hang on. We are going to take this sequentially, because you have misunderstood the evidence and you are now—

**Senator CORMANN:** No, I have not.

**Senator Wong:** I listened to the question and I am now responding. We are not going to conflate different issues around governance—which are the thorny issues, I think, if you look at Mr Helgeby's evidence—and the issue of budget treatment. If you read the transcript, which your office has transcribed and put out publicly, Senator Cormann—and I will take as read that it is correct for the purposes of this discussion—I think you will see that Mr Martine's evidence very clearly outlines the difficulty that has arisen, where you have assumed that the fact that something is recognised in the budget means a particular treatment on the budget bottom line. There is nowhere in the evidence that the officers have indicated that. The treatment in relation to the budget bottom line is as Mr Tune and Mr Martine have outlined here.

**Senator CORMANN:** In the context of previous discussions in different committees about the treatment of the Clean Energy Finance Corporation, the discussion of on budget and off budget is very well understood and I have to say that I am finding it very hard to believe that there can have been any misunderstanding as to what on budget and off budget mean, in the context of past discussions, not only in relation to this but also in relation to the NBN.

**Senator Wong:** This is an absurd proposition. Are you seriously suggesting that the Department of Finance and Deregulation, which obviously has a role in all significant announcements where budget figures and budget quality figures are put out, would not be aware of the budget treatment of the Clean Energy Finance Corporation in the context of the Clean Energy Package? Your proposition is that somehow Finance did not know until today about the CEFC and how it was to be treated in terms of the budget treatment. It is an absurd proposition.

**Senator CORMANN:** No, the proposition is not. The record will show that Finance said this morning that the final decision has yet to be made based on ABS decision making around

relevant indicators. But it was likely, according to Finance, that the treatment would be on budget and as such—

**Senator Wong:** In the general government sector.

**Senator CORMANN:** In the general government sector—

**Senator Wong:** This is the problem. You are conflating and mixing up a number of different concepts here. It would be helpful if you could keep them separate, because that is how the officials go through them. The fact that something is in the general government sector is a comment about the sector of which it is part and not about how expenditure from that entity will be treated in terms of the underlying cash balance. I am happy for Mr Helgeby to explain that to you, because I think you keep putting things together to reach a particular political conclusion that does not compute. I will ask Mr Helgeby to explain.

**Mr Helgeby:** The general government sector is the sector from which the budget aggregates run.

**Senator CORMANN:** Yes, I understand that.

**Mr Helgeby:** As the minister said, classification into the general government sector is sometimes referred to as being on budget, but that is a different issue from the question about the treatment of the particular transactions that the entity undertakes. That is really the issue that is being discussed here. What Mr Martine pointed out is that, in constructing estimates for the CEFC activity, assumptions have been made that some of the transactions are essentially financing transactions. That is, they appear on the balance sheet of the general government sector—or, as we sometimes say, the balance sheet of the budget sector—not in the underlying cash balance or the fiscal balance. Some of the transactions—those that are deemed non-commercial, if you like; they are not able to achieve a positive rate of return—would be treated differently in the way they will impact on the underlying cash balance and on the fiscal balance. Mr Martine has given an estimate of what the proportions are likely to be in the operations of the CEFC between those two different types of transactions. But there is an important issue to distinguish between the entity and its classification, and the transactions and their classification.

**Senator CORMANN:** Have you made conclusive decisions in relation to the budget treatment of the transactions by the Clean Energy Finance Corporation that you are currently talking about? Or is that still subject to guidance by the ABS?

**Mr Tune:** The choice is whether it is going to be in the GGS—the general government sector—or whether it is going to be a PNFC, a public non-financial corporation. If the ABS decides it is a PNFC, none of it hits the budget bottom line. It is all outside, as long as it is a commercial operation.

**Mr Martine:** We have made assumptions in putting together the package. Similar to what we do on all government policies, we do costings. So we have made assumptions based on the government's policy on the correct accounting treatment. Ultimately, when the entity is up and running and the entity actually makes investments, the Audit Office would make a determination at the end of that financial year, on an investment-by-investment basis, of whether they considered a particular investment to be an investment earning a rate of return, which therefore does not impact on the budget bottom line. The ABS would be the same.



**Senator CORMANN:** So you have made assumptions, and you have not made conclusive decisions. That would be part of the 'thorny issues', as you described them this morning, that you are working through. At the end of the day, Minister, all you would need to do is agree to put it on budget and factor the expense into the budget bottom line and, quite frankly, the issue of transparency that we started off with this morning would actually be resolved. Ultimately this goes back to the question of appropriate transparency and appropriate accountability around government expenditure.

**Senator Wong:** On that, you might recall that the government has appointed Ms Jillian Broadbent, who is a well-known director and on the board of the RBA, to give advice about the process, the running and the implementation of the CEFC. We will certainly look forward to her advice on that. We do, clearly, wish to ensure that this is a properly run organisation that is appropriately transparent and has appropriately robust governance practices. We are very pleased that Ms Broadbent has agreed to participate in this.

**Senator CORMANN:** Minister, I put it to you that your department, as this package was put together—as the final deals were being done with the Greens—was instructed to use fiscal gymnastics to put this off budget, to keep it away from the budget bottom line, and that now you might have received advice that this actually might not be appropriate, given decisions that ABS and the Audit Office might make in relation to these things down the track. That is the context for all this.

**Mr Tune:** Our view is that this is a transparent treatment of this issue. I agree it is a very difficult issue to get your head around, and lots of people have trouble. But our view is that this is the appropriate treatment.

**Senator CORMANN:** I do not think we can take it any further.

**Senator THISTLETHWAITE:** Can I just clear this up. There are two characterisations: there is the entity and there is the transactions that the entity undertakes. Am I correct in saying that the transactions that the entity may or may not undertake will appear in the budget bottom line?

**Mr Tune:** It may. It depends on the nature of the transactions.

**Senator THISTLETHWAITE:** But that has not been determined yet?

**Mr Martine:** In doing the costing, based on the government's policy on the purposes of the entity, we make an allowance for investments that achieve a rate of return, which therefore do not impact on the budget bottom line—but they are incorporated in the budget through the balance sheet—and then an allowance for investments in emerging technologies, which may not achieve a rate of return. So we have assumed 15 per cent of the 50 per cent—which is about \$150 million a year—which would then be deemed effectively as a grant. If you are making an investment that is not getting a rate of return then effectively there is no difference between that and a government grant, and a government grant does hit the bottom line. So the 15 per cent hits the bottom line, plus a few other factors that Mr Tune outlined earlier, and the rest of it is an investment achieving a rate of return which therefore does not impact on the budget bottom line.

**Senator THISTLETHWAITE:** So it is only those investments that do not achieve a commercial rate of return that could possibly—

**Mr Martine:** To achieve a rate of return it hits the budget bottom line, we deem it as a grant and the costings assume 15 per cent of the renewable energy stream—which is about 50 per cent of its activities—will be treated as a grant.

**Senator THISTLETHWAITE:** Am I right in saying that Senator Cormann's characterisations of the total cost of the scheme—\$10 billion being on the budget bottom line—is misleading?

**Mr Martine:** Going back to my earlier comment, I think it comes back to this confusion of terminology between off budget and on budget. The way I describe is that just as the government's transactions in the NBN are on budget the Clean Energy Finance Corporation is on budget—its transactions will appear in the budget papers. The real question is the activities of the entity. That is what determines the impact on the budget bottom line. In this case, if the entity is making investments then they do not impact on the budget bottom line. To the extent that the entity is making grants then they would impact on the budget bottom line.

**Senator Wong:** That component which would impact on the budget bottom line has been included in the costings that Mr Tune read out at the start of this section of the evidence.

**CHAIR:** That has clarified that, thank you. Can we go back to MAPS for a moment, then I think we are almost finished. It relates to the transfer of IT to the Department of Parliamentary Services from MAPS. Ms Clarke, as far as your department is concerned, would you update the committee that the transfer of IT from electorate offices has now been completed and is under the jurisdiction and financial control of the Department of Parliamentary Services

**Ms Clarke:** I will ask my colleague John Sheridan, who formerly headed up EOIT, to come on board and tell you all about it.

**Mr Sheridan:** I was responsible for electorate office IT until it was transferred to the Department of Parliamentary Services. The transfer has been finalised. It essentially transferred on 1 July. There was a two-month period when we worked through the details of the financial arrangements. We are satisfied, and I understand both DPS and the department are happy with the amount that has been transferred. It is under the control of the Department of Parliamentary Services.

**CHAIR:** That means all computer systems are now the responsibility of DPS. So the only thing that you are now responsible for—which come under the budget entitlements—is the PDAs, the mobile phones?

**Mr Sheridan:** The entitlements are run by MAPS. Yes, Senator, that is correct

**CHAIR:** Has everything gone smoothly?

**Mr Sheridan:** I believe so. Mr Kenny and I have discussed a lot of it, and we are not concerned about anything. It has gone quite well.

**CHAIR:** Excellent. Are there any further questions? If not, we have now finished with that section and we invite the Australian Electoral Commission to come forward.

#### **Australian Electoral Commission**

[16:53]

**CHAIR:** I welcome Mr Killesteyn, Electoral Commissioner, and officers. Mr Killesteyn, would you like to make an opening statement?

**Mr Killesteyn:** I have no opening statement.

**Senator RYAN:** I address my questions to Mr Pirani. Mr Pirani, you were quoted—or comments were attributed to you—in an article in the *Age* on 4 October about funding disclosures with groups associated with the Victorian division. Are you familiar with your discussions with Mr Miller on that occasion?

**Mr Pirani:** Yes, I am.

**Senator RYAN:** You are attributed to have said:

The commission's chief legal officer, Paul Pirani, said the audit was likely to include visits by AEC investigators to Liberal headquarters in Exhibition Street.

The report also states:

Mr Pirani said that while the commission would have audited the party at some time, the probe had been made a priority in direct response to the revelation of previously unknown fund-raising groups.

Are those statements accurate?

**Mr Pirani:** Yes, they are.

**Senator RYAN:** You at no time have spoken to the state director of the Victorian division before that article was published, have you?

**Mr Pirani:** No, Senator.

**Senator RYAN:** Do you think it appropriate that you provided comments to a newspaper journalist about an activity of the AEC without necessarily disclosing it to an organisation that has good standing with the commission or that they should find out about those comments via the *Age*?

**Mr Pirani:** My understanding at that date was that my authorised officer in the AEC had already written to the state branch secretary of the Liberal Party and we already had a date when we were going to do the audit. We had already issued the section 13(2A) notices and the compliance review notice had already been given to the Victorian branch of the Liberal Party.

**Senator RYAN:** Did you do this in response to the various articles in the *Age*?

**Mr Pirani:** No, not just the articles in the *Age*. The article in the *Age* you may recall involved an organisation called Business First. Then we had five further returns from associated entities over a period of time which included the Chinese Liberal Association, Scoresby City Club, Berwick Rangers 500 Club, Bulleen Supporters Group and the Yarra Plenty Women's Group. They were over a number of financial years. Then we indicated we were going to bring forward the compliance review that we were going to do in the Victorian branch of the Liberal Party.

**Senator RYAN:** The Victorian division—we are a bit fussy about that terminology, Mr Pirani.

**Mr Pirani:** I am sorry.

**Senator RYAN:** The point here is that we have had numerous discussions at this committee and others about—and I know Senator Ronaldson will go into these issues later, so I do not wish to canvass them now—whether you were aware of various high-profile issues in the media. For example, you said at another committee that you were not aware of documents published by the *Sydney Morning Herald* relating to very substantial amounts of money

involved in politics but on the other side of politics. Now we find that the first comment that the Victorian division of the Liberal Party heard from you was actually in the *Age*.

**Mr Pirani:** My role in the AEC is as the branch head and the chief legal officer of the legal compliance division. I am not the authorised officer for conducting the compliance reviews. An approach came through our media unit. I was asked to reply to that approach. We held off doing any reply until after we had sent the letter to the Victorian division of the Liberal Party, so they were aware that it was coming. They were aware that this was going on. We had various returns that came in. My staff had had a number of discussions with the financial officer in the Victorian division of the Liberal Party, Mr McKenna. Therefore, it was a matter that I understood, particularly from the article that was first put in the *Age* on 26 July 2011, was likely to be a matter of public record.

**Senator RYAN:** I do not often see your name in the press. Do you respond to all requests that come through your media unit for comment?

**Mr Pirani:** I responded to this request because it was complex in relation to whether there was actually a reporting obligation on these bodies in the first place. Then when we started getting the returns, they were put up on our website and it was a matter of public record that these associated entities of the Liberal Party had not put in prior returns.

**Senator RYAN:** You stand by your comment that the probe had been made a priority in direct response to what you outlined earlier?

**Mr Pirani:** That is correct.

**Senator RYAN:** When you determine which media queries you will respond to, is it simply based on whether it is a matter of complexity? Surely some issues are of high-public interest but are in fact quite simple.

**Mr Pirani:** This particular one got referred to me from the media unit because it was complex.

**Senator RYAN:** Who in the media unit referred it to you?

**Mr Pirani:** I would have to take that on notice.

**Senator RYAN:** What other issues has the media unit referred to you of recent times for your public comment as opposed to the relevant officer for public comment?

**Mr Pirani:** My recollection is that this one was referred to me by Bernadette O'Meara, who is the deputy director in our media unit. There have been no other ones in recent times that have been referred directly to me. Sorry, I'll change that. When Mr Steve Lewis, in relation to his article that appeared in the News Ltd media, contacted the AEC for response he was referred to me.

**Senator RYAN:** That is the only other example in recent times?

**Mr Pirani:** In recent times, yes.

**Senator RYAN:** Do you get, from Ms O'Meara or from other people who might be responsible for the AEC's media, other recommendations that you do not follow up, or do you simply act on their advice to respond?

**Mr Pirani:** I normally act on their advice, but I do make a decision as to whether it is appropriate for me to make a comment, because I do have issues about the AEC's independence and impartiality. I don't want to be seen to be compromising that.

**Senator RYAN:** Do you consult with Mr Killesteyn or anyone else in the commission about whether you should comment on media articles?

**Mr Pirani:** On some occasions, yes. On this occasion, no, I didn't.

**Mr Killesteyn:** I was aware that Mr Pirani was providing the advice to this particular journalist at the time.

**Senator RYAN:** You were?

**Mr Killesteyn:** I was.

**Senator RYAN:** How did you find out, if Mr Pirani didn't consult with you?

**Mr Pirani:** There were copies of emails.

**Mr Killesteyn:** He cc'd me.

**Senator RYAN:** I might come back to this matter later.

**Senator RONALDSON:** Mr Killesteyn or Mr Pirani: on 30 August and 1 September this year there were various media reports about the lodgement by the HSU East of its associated entity disclosure forms. Are you aware of the issues surrounding this?

**Mr Killesteyn:** Yes, we are.

**Senator RONALDSON:** I will go through this. The original 2009-10 financial year return showed gross debts, I gather, of over \$17 million and payments for the whole year of \$22,225, but the receipt of no income at all for that year.

**Mr Pirani:** That's correct.

**Senator RONALDSON:** Did that disclosure raise any suspicions with the AEC, given that in the previous year the HSU had total receipts of almost \$30 million and had made payments of over \$31 million?

**Mr Pirani:** The receipt of that document, on 19 October 2010, has highlighted an issue that is of concern to the AEC: that no-one picked up the major difference between what was put in the return for the previous financial year and what was in the return that came in for that financial year. It is an issue that we are looking at, but, yes, you are correct. The first return had zero receipts and amounts of just over \$22,000 in payments.

**Senator RONALDSON:** Did you write a 'please explain' letter after that was received, before the amended disclosure letters were put in?

**Mr Pirani:** One of my staff members had contact with Mr Barry Gibson, who is the HSU East financial controller, on the Friday before the article appeared in the *Australian*. So we were aware that an amended return was going to be coming in—

**Senator RONALDSON:** But nothing had happened between the date of the original lodgement and just prior to the amended forms going in?

**Mr Pirani:** You are correct.

**Senator RONALDSON:** What processes have you put in place to ensure that doesn't happen in the future?

**Mr Pirani:** At the present time, we are looking at doing some work on our IT system, so that we can have something that has parameters that will flag a return that comes in if there is more than a certain percentage difference from the previous financial year. That will immediately raise a follow-up process.

**Senator FAULKNER:** Wouldn't that also happen in an election year?

**Mr Pirani:** This wasn't an election year, but you are right.

**Senator FAULKNER:** I understand that, but the point I'm making is: would you have to make an exception if you had a percentage increase, because this is an extremely common thing in an election year? Would you take account of that?

**Mr Pirani:** That would be one of the factors we would—

**Senator FAULKNER:** I am not saying for any particular organisation or individual or whatever, but obviously election years—maybe 'election years' is not a good way of describing it—or proximity to an election means there are significant differences, which I am sure you appreciate.

**Mr Pirani:** That is right. It is one of the factors we have to look for.

**Senator RONALDSON:** Have you actually written to HSU East seeking any explanation of what has happened?

**Mr Pirani:** Yes. We wrote to HSU East on 31 August 2011.

**Senator RONALDSON:** What happened the day after the letter was written? There was another amended return lodged, wasn't there?

**Mr Pirani:** That is correct.

**Senator RONALDSON:** My understanding is that there were three amended returns.

**Mr Pirani:** Yes.

**Senator RONALDSON:** Remarkably, just after the press broke in relation to this matter—but others will form their own view on that. The first was on 30 August, the second was on 31 August and the third amended return was on 1 September. Is that right?

**Mr Pirani:** That is correct.

**Senator RONALDSON:** Will you table a copy of the letter to HSU East for the committee?

**Mr Pirani:** Yes. I see no reason not to.

**Senator RONALDSON:** Have you had a response that letter?

**Mr Pirani:** Yes, we have.

**Senator RONALDSON:** And you will table that as well?

**Mr Pirani:** Yes. I do not have them with me, but they will be tabled.

**Senator RONALDSON:** Given what has happened, have you considered referring the matter to the DPP seeking an opinion as to whether a criminal offence has occurred here by making a false or misleading statement?

**Mr Pirani:** At this stage, the response that we have had from the financial controller on HSU East leads us to believe that it was an administrative oversight in relation to the first return, and in relation to the next two returns it was a problem with their system that they took

information out of MYOB system that had depreciation of various amounts in, and that is not what the act requires; it refers to gross amounts of revenue expenditure and liabilities. Therefore at this stage it appears to have been just a genuine oversight and mistake.

**Senator RONALDSON:** So there are three genuine oversights. Can you just go through what those amended figures were, because it is not \$20 here and \$20 there, is it?

**Mr Pirani:** The first receipts jump from \$0 to \$17,935,800, and then the receipts jump again to \$24,989,315.

**Senator RONALDSON:** That is in 24 hours, is it?

**Mr Pirani:** That is correct. Then the payments went from \$22,255 to \$16,284,546, and then up to \$24,894,014.

**Senator RONALDSON:** Once might be careless. The second time might be really careless. But surely by the time you get to the third occasion when you have had these returns lodged and you are seeing this rise exponentially, by millions of dollars at a time, at what stage does the AEC say: 'Hang on. This is no longer administrative oversight. There are some real issues there'?

**Mr Killesteyn:** I wonder if I might make a general point. I accept your point before about the comparisons between the previous year return and the large adjustments that happened. Indeed, I asked the same question that you did about what is the process for making these comparisons and ensuring that such alarming differences are acted on. As a consequence, as Mr Pirani has said, we will look at our systems. Essentially the process is that that information is keyed into our systems but the systems do not support those sorts of comparisons. Beyond that, I would make the general point that it is relatively common for returns to be amended.

**Senator RONALDSON:** Three times in 72 hours?

**Mr Killesteyn:** I can give you statistics of amended returns that have happened over the last three years. Some of these are large adjustments. They are certainly not as large as what has happened with HSU East, but they are large adjustments. So it is relatively common for amended returns to take place. If I were to take action against all of them, as you are suggesting, then I suspect the DPP might not have enough resources to actually deal with them.

**Senator RONALDSON:** I am following up Senator Ryan's comments before. There seem to be some views taken about action in some quarters but not in others. Anyway the answer is that you will not be referring these to the DPP, Mr Pirani; is that right?

**Mr Pirani:** At this stage a decision has not been made one way or the other, but our current thinking is that it will not be referred to the DPP.

**Senator RONALDSON:** And the receipt of what information would potentially change your mind in relation to that?

**Mr Pirani:** If I had some material that suggested there was a deliberate attempt to mislead and deceive the AEC and which would put it into the more serious offence in section 315(4), which has the heavier penalty, so then I would give some consideration about referring it to the DPP.

**Senator RONALDSON:** I assume you have got the power to require associated entities to substantiate the gross total payments if you believe that is appropriate. Have you?

**Mr Pirani:** There is a power in section 316(2A) for us to get information from an associated entity on the same basis that we do from a political party.

**Senator RONALDSON:** Now, this matter having been raised, will you initiate that power in relation to this particular disclosure form, given particularly that the Australian Labor Party, in its original disclosure form, quite correctly alerted to a \$79,000 in-kind donation from HSU East, which was in their disclosure form? It certainly was not in the HSU one because, as we know, the figure there was \$22,225 for the whole year. So will you now, in light of these matters, seek from HSU East information in relation to substantiating their gross payment figure for the original and the three amended returns? Indeed, in light of that will you seek that information in relation to the returns for the previous three years?

**Mr Killesteyn:** The matter will be put under consideration. I am not going to make any commitments at this stage.

**Senator RONALDSON:** Well, Mr Killesteyn, Mr Pirani said to me that he would want to see some evidence of impropriety in relation to this matter. Now I would assume that part of that would include seeing those payments and receipts and expenditure which formed the gross figure which, as you know, is just put into the form without any reference to particular figures. Would it not be appropriate to look at what do form the gross payments, to then make a view about whether indeed there had been an illegality?

**Mr Pirani:** In the letter that we received from Mr Gibson he provided an extract from their MYOB system which showed how at least one of the errors occurred and then there was an explanation as to how a second error occurred. We already do have some information that has been freely given to us by HSU East without the need for us to exercise coercive powers. If there were some further material that was being pointed to from that and that would lead me to look at other documents and other material that was in their possession, then I would consider doing that. But at this stage I do not have anything. I have had full cooperation from HSU East. Yes, they have been careless in relation to their return, but whether it is sufficient to disclose criminality is a matter that I am not yet convinced about. This is a matter that is still under consideration, as I said previously, within the AEC.

**Senator RONALDSON:** But one of those matters, Mr Pirani, which would enable you to make that decision surely would be to use your coercive power for them to provide the detailed breakdown of the gross payment figure. Would it not? That would be one potential method for you to ascertain whether it met that threshold test, would it not?

**Mr Pirani:** But, Senator, the gross—

**Senator RONALDSON:** Please just answer the question. Would that be one of those things which might lead you to form that view?

**Mr Pirani:** The gross payment issue will not disclose the gift in kind to the ALP in relation to the rent in the premises, so that is not a matter that will be able to be disclosed from us doing an exercise in—

**Senator RONALDSON:** But I was not just talking about the—

**Senator Wong:** Senator, he is entitled to answer the question.

**CHAIR:** The witness had not completed his answer. Just allow him to finish and then you will have the opportunity to put further questions.



**Mr Pirani:** If there were some documents or other information that would be in the possession of particular persons within HSU East that would be capable of disclosing criminal conduct in relation to the deliberate provision of false or misleading information then I would give some consideration to that. But as presently advised, on the material we have obtained at the moment, I do not have that. We have had a reasonable explanation as to what has occurred but, as I said, we are still under consideration of what further action we may take.

**Mr Killesteyn:** And that is my point, Senator, just to emphasise. You have put a number of questions to us about possible action. We have not yet concluded the action that we think we ought to take. I do not want to make any rash statements at this point before we have had a chance to go through all of these issues.

**Senator RONALDSON:** If you were to move to require coercive powers in relation to the 2009-10 disclosure, would you then use your coercive powers for those previous years?

**Mr Pirani:** If there were an issue that was raised in 2009-10 that led us to believe that there may be some systemic criminality in relation to disclosure then we may well give consideration. But, again, as presently advised and with the assistance we have received from HSU East, we believe that this was a one-off that was due to an oversight with the financial controller not being there at the time when the return was lodged.

**Senator RONALDSON:** Can I move on to the advice from the DPP in relation to the member for Dobell. I am sure you are aware of the angst of the committee in relation to the lodgement of an answer to a question on notice after the last Senate estimates in May. I will not go over old ground again with that, but I think you are both aware of that issue. Minister, I want to go through the variety of reasons—

**CHAIR:** Just a moment, Senator Ronaldson. The minister is not in the room. Please start that question again.

**Senator RONALDSON:** These are questions to the minister and indeed to Mr Pirani and Mr Killesteyn. I want to go through the variety of methods that have been used to ensure that the Australian community does not get to see what the advice of the DPP was in relation to whether Mr Thomson should or should not be charged. The first of course was the Fair Work investigation. That was used as an excuse. I want an acknowledgement that, as in the answer given, there is still the opportunity that, if there is evidence that the financial resources of HSU were unlawfully used by Mr Thomson, this may need to be considered by the DPP in due course. Is that correct?

**Senator Wong:** Are you talking to me?

**Senator RONALDSON:** Well, to anyone—whichever feels they can answer the question.

**Senator Wong:** If you are referring to an answer to a question on notice, I will need to have a copy of that, if the committee could provide it. I do not seem to have all answers to questions on notice in this area.

**Mr Pirani:** I might be able to assist. At this stage our understanding is that the Fair Work investigation is still on foot. The evidence that was previously given by Fair Work at the last estimates hearing was that they hoped to have the investigation concluded by the end of this year. I had contact with Fair Work Australia yesterday and was advised that the investigation is still on foot.

**Senator RONALDSON:** There will be some questions about that elsewhere. The second reason for the community not having access to the DPP's advice was the legal professional privilege. Indeed the privilege lies—

**Senator Wong:** Senator, could I stop you. Chair, I do not know what he is reading from.

**Senator RONALDSON:** Who is 'he'?

**Senator Wong:** Well I am called 'she' all the time in the Senate so I would not get too sensitive, Senator Ronaldson.

**Senator RONALDSON:** I am not being sensitive about it at all, I did not know who you were referring to.

**Senator Wong:** 'He' is you. You are reading from an answer. I do not have a copy of it. If you are reading from a question on notice answer, I would be obliged if the committee secretariat could provide me with it. I do not think Mr Killesteyn has copies of it either.

**Senator FAULKNER:** Perhaps Senator Ronaldson could assist by giving the number of it.

**Senator Wong:** If you could give us the number of the answer, then I will get a copy of it.

**Senator RONALDSON:** Given that it happened in May, I am a bit surprised no-one has a copy of it. Anyway, if you have not, that is fine.

**CHAIR:** If you give us the number of it, they can look it up.

**Senator RONALDSON:** It is F39.

**CHAIR:** We will organise a copy.

**Senator RONALDSON:** Just so that we do not get bogged down time wise, which is the last thing that any of us want, one of the reasons given in that answer was that there was a legal professional privilege. I just want to confirm that indeed the privilege lies with the client, does it not, and not with the lawyer. So the privilege presumably being claimed is being claimed by the AEC; is that right?

**Senator Wong:** I am not responding until I have a copy—

**Senator RONALDSON:** I am asking Mr Killesteyn. Mr Pirani most certainly could tell us.

**Mr Pirani:** Senator the answer is yes, according to normal legal professional privilege rules, the privilege lies with the client. However, in relation to government legal advice that is provided by such bodies as the Australian Government Solicitor and DPP there is a protocol that exists in relation to its disclosure. We go back and consult the lawyers in relation to it as well as consulting the minister before—and it was the minister who made the claim on public interest immunity to which LPP formed a part.

**Senator RONALDSON:** So you are the client but the minister made the decision.

**Mr Pirani:** Which is the requirement under the Senate rules.

**Senator RONALDSON:** Did you make any submissions to the minister, given that you are the client in relation to this matter, about whether you thought that was appropriate or inappropriate; or were you asked?

**Mr Pirani:** I did not make submissions.

**Senator RONALDSON:** Were you asked?

**Mr Pirani:** But I did prepare a draft answer, yes.

**Senator RONALDSON:** Were you asked?

**Mr Pirani:** No, Senator—sorry, can I just correct the record. I was not asked but I did prepare the draft answer that did have the claim of public interest immunity which did include legal professional privilege.

**Senator RONALDSON:** You were requested to give an answer when the answer was that it would be denied on the back of that, weren't you? You were not asked for an opinion as to whether that was an appropriate course of action. You were given the *fait accompli* brief, weren't you?

**Senator Wong:** That is not the evidence he just gave.

**Senator RONALDSON:** It most certainly is.

**Senator WONG:** Senator, it is your want to make a whole range of outlandish claims.

**Senator RONALDSON:** That is a really silly comment, Minister. If you are going to intervene like that, can we please have some sensible discussion.

**Senator WONG:** It did not take you very long to call me silly.

**CHAIR:** Can we allow the witness to complete the answer.

**Senator RONALDSON:** What was outrageous about what I have said? Do you think it is appropriate that unions are not—

**Senator Wong:** I said 'outlandish'.

*Senator Ronaldson interjecting—*

*Senator Wong interjecting—*

**CHAIR:** I ask the minister and Senator Ronaldson if you can both come to order. It is not helpful for *Hansard* or for me.

**Senator RONALDSON:** No, it is not. I agree. It is very unhelpful.

**Senator FAULKNER:** At least you are agreeing on something.

**CHAIR:** You have, Senator Ronaldson, put a question forward—

**Senator Wong:** And I am saying the question is unfair.

**CHAIR:** Minister, if you would allow me to finish. A question was put to the witness and they were in the process of answering. I know it is of great interest to all of us to hear this evidence but if we can not talk over the top of one another it would be most helpful. Please continue, Mr Pirani.

**Mr Pirani:** The AEC, whether we like it or not, is part of the executive arm of government and we were therefore required to comply with that advice that was issued by the Department of Prime Minister and Cabinet in May 2008 that was drawn to our attention in relation to this matter.

**Senator RONALDSON:** So I can just confirm in plain English that you prepared the response that the government wanted in relation to this, but your advice was not sought as to whether it was appropriate for legal privilege to be claimed in this situation; is that right?

**Mr Killesteyn:** Senator, we followed the normal process that has been established in this place for many other precedents. The call was with the minister. He made that decision. We followed normal process; nothing more.

**Senator RONALDSON:** I take it that you were not also asked for an opinion in relation to whether there was or was not an identifiable public interest served in disclosing the matter? That is one of the other grounds the government has used to deny access to this document.

**Senator Wong:** Minister Gray has furnished, I think, quite a comprehensive answer, to which I am grateful that you referred me, where he has outlined the basis of the public interest immunity claim. That includes, amongst other things, the status of the investigation, the fact of the provision of legal advice, the limitation period having expired—that is, there therefore being no clear public interest that would be served in publishing the advice in these circumstances—and the Senate having been provided with a range of information. That is the answer that has been provided.

**Senator RONALDSON:** Minister, the government's view would be, surely, that it would be in the public interest and that the public interest would be served by the community knowing why Mr Thomson apparently had no case to answer. For example, if it was on a technicality, surely the public is entitled to know why. If it was on the back of other reasons such as the statute of limitations et cetera, why would not the government just provide this information to the community so they knew why Mr Thomson had no case to answer? Why go to these extraordinary lengths to deny the community information it quite rightly deserves to have?

**Senator Wong:** I suppose one could turn the question around and ask why you are persisting in trying to get information where the appropriate authorities have made decisions. I for one believe that these sorts of matters—just as with the prosecution of another member of this parliament that is, I think, still underway or just finalised—should be handled by the appropriate authorities. That is not the approach you wish to take. You wish to come into this committee, estimate after estimate, to seek to badger—if I may say—the officers at the table in this committee and make statements, some of which do not appear to have a very substantial factual basis.

**Senator RONALDSON:** Minister, I will just take up that point. It is not the appropriate body that is the main decision maker. Your government is the main decision maker, not the appropriate body—

**Senator Wong:** The DPP has made a decision.

**Senator RONALDSON:** because the AEC was actually not consulted in relation to this matter, so please do not run the line to me that the appropriate body has made the decision. Mr Pirani was not asked for his advice as to whether it was or was not appropriate or was or was not in the public interest to release the DPP advice. It was not the appropriate decision-making body; it was your government that made that decision.

**Senator Wong:** See, this is the problem. You make a whole range of statements which are not correct, and I will just explain why. What you have sought is, as I understand it, looking at this, the advice of the DPP. There is a very important principle, which is the independence of the activities and decisions made by the DPP. Effectively, Senator, that is what you are

seeking to undermine. Minister Gray has made a decision. He has set out the reasons for that decision. I do not know that there is anything further we can add to this.

**Senator RONALDSON:** Minister, I put it to you that at every turn since this matter first came to the attention of this committee and others, this government has made every endeavour and at every turn has frustrated the process to protect its wafer-thin majority.

**Senator Wong:** I think the way in which you phrase the question, Senator, demonstrates your motivation. For you this is political. You do not believe that the various bodies that have some carriage of these matters, which include Fair Work Australia and the DPP, ought to be left to undertake their consideration independently. You believe it is appropriate to come in here and make political comment about that. I disagree with you.

**Senator RONALDSON:** The only political decisions and commentary, Minister, with the greatest respect, are from the Gillard Labor government in relation to their ongoing attempt to ensure that the community does not get to know what happened with the DPP advice, along with a whole range of other matters in relation to Mr Thomson. If people getting information is political, well, I suppose then I am being political. But I do not know whether the community actually thinks it is political to find out what happened here.

Mr Pirani, just so I am clear and it is on the public record: when did the AEC first start investigating Mr Thomson?

**Mr Pirani:** We became aware of the first allegation on 8 April 2009. We had contact—I did not; the media unit of the AEC had contact—with a *Sydney Morning Herald* reporter on 8 April 2009. On 19 May 2009, I approached Mr Williamson of the HSU in relation to one of the returns, and we have been going forward—

**Senator RONALDSON:** That is Mr Michael Williamson?

**Mr Pirani:** That is correct.

**Senator RONALDSON:** Is he the gentleman who has stood down from his position, Minister?

**Senator Wong:** Actually—

**Mr Pirani:** Then on 20 May 2009 I formally wrote to the president of the HSU national office, Ms Kathy Jackson, and we continued contact either with her or with her lawyers after that date.

**Senator RONALDSON:** I cannot remember; did you ever speak to any of the journalists at the *Sydney Morning Herald*? I do not think you did, did you?

**Mr Pirani:** No, I did not.

**Senator RONALDSON:** But I think there were some discussions earlier about the fact that there was media contact in relation to the Victorian division.

**Mr Pirani:** That is correct.

**Senator RONALDSON:** How would you rate the allegations against Mr Thomson, compared to the allegations allegedly made against the Victorian division of the Liberal Party, I wonder.

**Mr Pirani:** I am just not sure I am competent to respond to that.

**Senator FAULKNER:** But it is quite common, isn't it, Mr Pirani, for matters to be drawn to the AEC's attention as a result of media stories? This is often the way these matters are initiated—in fact, more often than not, I think it is fair to say, isn't it, historically?

**Mr Pirani:** That is correct. We have two processes. One process is the compliance review, when we go through and have a look for compliance with the returns. The second process is what we call the special circumstances, which are the cases that we report the outcome of on the internet. Certainly there have been numbers of those.

**Senator FAULKNER:** It no longer appears to be a practice, but on this committee we used to go through these matters proactively. In fact, the AEC would come prepared to work through what matters were live or current matters—call it what you will—and so many of them had come to the attention of the AEC via media stories, as opposed to necessarily third-party contact with the AEC. I think that is fair to say, isn't it?

**Mr Pirani:** That is correct.

**Mr Killesteyn:** And we continue to report them both in our funding statements delivered to parliament and on our website.

**Senator FAULKNER:** But it does appear that the committee has evolved. That is nothing to do with me.

**Senator RONALDSON:** The committee has evolved to the extent that I think we are trying to make sure that the facts are known and are known widely. So it has been a good evolution, I would think.

**Senator FAULKNER:** I am not saying it is good or bad, but it is just a change of practice. I thought you would be interested in that.

**Senator RONALDSON:** So it started on 8 April 2009?

**Mr Pirani:** Yes.

**Senator RONALDSON:** When did you first write to the DPP seeking their advice?

**Mr Pirani:** It was on 7 May 2010.

**Senator RONALDSON:** When was that advice received again?

**Mr Pirani:** The letter was dated 1 June 2010. So it was received shortly after that.

**Senator RONALDSON:** I will turn now to Coastal Voice. I assume that you have revisited this matter.

**Mr Pirani:** Following our discussion at last estimates, yes, I have.

**Senator RONALDSON:** I presume you are now happy to admit that you were wrong in relation to your previous comments about Coastal Voice: that it no longer existed and other comments such as the fact that it was merely a business name.

**Mr Pirani:** I accept that I was incorrect in relation to saying that it wasn't an entity. I accept that the evidence from New South Wales Fair Trading, in relation to its registration under their legislation, establishes that it is an entity. What I haven't changed on, though, is whether it is an associated entity of the Liberal Party.

**Senator RONALDSON:** Of the what, sorry?

**Mr Pirani:** Of the Labor Party, sorry. I apologise.

**Senator RONALDSON:** An entity is an incorporated or unincorporated body, isn't it?

**Mr Pirani:** That's correct.

**Senator RONALDSON:** You are suggesting that this group is not?

**Mr Pirani:** No, I have accepted that I was incorrect in the response that I gave you at the last estimates hearing and that it is an entity in terms of the definition in section 287(1).

**Senator RONALDSON:** You are saying to me that you remain unconvinced that it was an associated entity.

**Mr Pirani:** That's correct.

**Senator RONALDSON:** When you were seeking information about this matter, you said you did various searches, including company searches, ABN searches et cetera. Why did you not do a search with New South Wales Fair Trading?

**Mr Pirani:** Because we had the search from ABN Lookup that showed that, while it wasn't registered for GST purposes, it was an incorporated body active from 3 May 2006. So we had the ABN search and we had the domain register search.

**Senator RONALDSON:** What did the domain register search say?

**Mr Pirani:** It was not currently registered at the time we did the search, which was 21 September 2010.

**Senator RONALDSON:** You see, the domain name registrant was the Health Services Union of Australia, National Office. Mr Pirani, you said that you—

**Senator Wong:** Before we proceed to take questions on that document, can we have a copy of it, please?

**Mr Pirani:** I am certainly aware from the newspaper articles—

**CHAIR:** Sorry, we need to have the committee accept the tabling of that document. It's a very poor copy; have you got a better copy?

**Senator RONALDSON:** It is a poor copy.

**CHAIR:** Is there any date on it?

**Senator RONALDSON:** No, not on that document.

**Senator FAULKNER:** I move that we accept it as a tabled document—poor copy or not.

**CHAIR:** So resolved.

**Mr Pirani:** I am aware that the reports in the media were that the website and the domain name were run through the Health Services Union.

**Senator RONALDSON:** You were aware of that?

**Mr Pirani:** I was aware that was one of the allegations that were run in the media, yes.

**Senator RONALDSON:** So when you are looking at an 'associated entity' discussion, you've got a website—could I just go back: you said that you did get an extract from NSW Fair Trading, did you?

**Mr Pirani:** No. We did the business/government look up on ABN Lookup.

**Senator RONALDSON:** But that's all?

**Mr Pirani:** That had the entity, showed that it had an ABN number and showed that it was created on 3 May 2006. It had the entity's name, said that it was not currently registered for GST and that its main business location was in New South Wales.

**Senator RONALDSON:** So that indicated to you that this was an incorporated association?

**Mr Pirani:** Indeed. The reasons that I gave you in the letter that I wrote in response to your letter in 2010 indicated that we accepted it because it had an 'I', which suggested that it was registered under the Voluntary Associations Act of New South Wales.

**Senator RONALDSON:** When did the statute of limitations run out in relation to this matter?

**Mr Pirani:** In relation to an associated entity lodging a return?

**Senator RONALDSON:** Yes.

**Mr Pirani:** It depends which financial year you are referring to. I understand, and I read the *Hansard* from the New South Wales parliament when a question was raised about the status of this organisation, that it had been originally approved as a telephone service for the aged and that action was being taken by New South Wales to deregister it which, as an entity, means that it still existed prior to the New South Wales body taking some action.

**Senator RONALDSON:** You have acknowledged now that it was an incorporated body and therefore it came under the associated entity test. It met that part of the test.

**Mr Pirani:** It was an entity, yes. I acknowledge that.

**Senator RONALDSON:** Had you or your office bothered to do a Fair Trading search—and I find it quite remarkable that this was not done—it would have indicated to you that the public officer was a Mr Craig Robert Thomson. I will seek to table that as well; this document is a little clearer than the other one.

**Senator ABETZ:** That is a similar name to the member for Dobell!

**Senator RONALDSON:** You have evidence before you that the domain registration name was the HSU. In fact, I will go back further. I will take you through—

**CHAIR:** Just before you move on, you have asked for a document to be tabled. Is it the wish of the committee to have receipt of that document? It is so resolved.

**Senator RONALDSON:** Thank you. If you had gone onto the website of Coastal Voice, Mr Pirani, you would have seen a number of people who had said, 'Why I joined Coastal Voice.' Interestingly, one name at the bottom, I am sure everyone around this table is acutely aware of, is one Criselee Stevens: 'My name is Criselee and I have lived most of my life on the Central Coast.' This is the same Criselee Stevens who acknowledged that the union had put money into Coastal Voice for printing et cetera. I want to take you through other names. They are Kerry Stratford, Brian Kirk and Matt Burke. Out of interest, Mr Kirk was mentioned by Mr Thomson in his maiden speech. These all appear on the Coastal Voice website. One of the other people who was talking about the great enthusiasm for Coastal Voice was one Matt Burke, who happened to be a New South Wales Young Labor convenor. Criselee Stevens, as we know, authorised Labor Party material for Mr Thomson. I ask you this question, Mr Pirani: did you gather this information or do the investigation on Coastal Voice, or did someone in your office do it?



**Mr Pirani:** I was part of the team that collected this information.

**Senator RONALDSON:** How can you miss a NSW Fair Trading search, how can you miss a domain registration to the HSU, how can you miss from the website the names of all these Labor Party members, who are part of this organisation, and come to the decision that this was not an associated entity? What has gone wrong in your office?

**Mr Pirani:** There is no information for the AEC or any other evidence or material that points to this being an entity that operates wholly or to a significant extent for the benefit of one or more registered political parties. Indeed the actual evidence that you sent me—and I thank you for that, Senator—in relation to the December 2006 newsletter showed that the primary purpose of this organisation was the newsletters that are put out for the aged in the community. That was the purpose it was established under New South Wales law. The fact that it had prominent people associated it who were with the Health Services Union—and Mr Burke and Ms Stevens were both part of the Health Services Union at various times and Mr Thomson was the president of this organisation—does not mean that the entity itself is an associated entity. We have to look at how it operated, and the material that was before the AEC did not disclose that it operated wholly or to a significant extent for the benefit of a political party. There were no political party advertisements in the pamphlets that were handed out. I have no doubt it raised the profile of the president of Coastal Voice but it did not refer to the ALP or in relation to matters involving political issues.

**Senator RONALDSON:** Mr Pirani, where—

**CHAIR:** Senator Ronaldson, you have already had your time—

**Senator RONALDSON:** I have got one question left.

**CHAIR:** This your final question, then I intend to go to Senator Abetz.

**Senator RONALDSON:** Mr Pirani, on that information and the material that I gave you, was there any mention at all about this aged-care telephone line?

**Mr Pirani:** Not in that material.

**Senator RONALDSON:** So at that stage, Mr Pirani, when you knew that the reasons ostensibly for this organisation being established was an aged-care hotline and in the material that you were provided with there was absolutely no mention of an aged-care hotline and, given the fact that the domain was registered to the Health Services Union and everything else I have put before you, I ask you again: what has gone wrong in your office in relation to the investigation of this matter?

**CHAIR:** That was your final question, Senator Ronaldson.

**Senator Wong:** This is really repetitive.

**Mr Killesteyn:** We have been through on a number of occasions the question of the interpretation of the associated entity test. I think we have explained again on a number of occasions that it is a very high bar that has been set. Mr Pirani has been through that. We are operating in accordance with the legislation the way it is set. There will be differences of interpretation, but I believe the interpretation that we have put on it which is supported by precedent from a number of High Court cases is correct.

**CHAIR:** We are now going to go to Senator Abetz, but I will just advise people that I will be going to Senator Rhiannon at 6.10, so Senator Abetz and then I intend to go to Senator Ryan.

**Senator ABETZ:** Last time round, Mr Pirani, we discussed the \$200,000 worth of donations to the Australian Labor Party from certain Chinese donors which had not been disclosed by those donors. Is my understanding correct that they have now been disclosed?

**Mr Pirani:** Yes, your understanding is correct. New Matilda reported on—sorry, I do not have the actual dates with me—

**Mr Killesteyn:** 12 April.

**Mr Pirani:** Thank you, and we have responses from the two people associated with the company.

**Senator ABETZ:** Can you advise us how this occurred? How were these ALP donors tracked down? Did they come forward voluntarily? Where you able to find out, or did the Labor Party assist?

**Mr Pirani:** We actually wrote to the Labor Party seeking details of the addresses and the documents that had been lodged with them. We also did a company search in relation to the company and that gave us the addresses that were on the asset register in relation to the directors who were the two people who were the donors.

**Senator ABETZ:** I am no expert in this area, but have you seen the donor returns?

**Mr Pirani:** I have not seen them personally.

**Senator ABETZ:** Who would have seen those within the AEC?

**Mr Pirani:** One of my staff, but they are up on the website.

**Senator ABETZ:** I am not an expert but all three of them seem to be in the same handwriting, but if you are not able to comment on what you have observed then I cannot take that—

**Mr Pirani:** I understand there was a media report in which the son was quoted as indicating that his mother had a poor grasp of English. I think it was his mother. I believe that is how there was some assistance given in relation to that return.

**Senator ABETZ:** Not a poor grasp of money, by the sounds of it. I see, from an article by Lenore Taylor in the *Sydney Morning Herald* entitled 'Politics a hobby for Labor donors', that—I trust I am pronouncing the name correctly—Mr Shangjin Lin, who appears to have given the Labor Party \$50,000, is a 22-year-old student. Does the AEC record confirm that?

**Mr Pirani:** We have no record of the person's age.

**Senator ABETZ:** What about their occupation? This person is a student.

**Mr Pirani:** Again, we went to the company register, and he was listed as one of the directors.

**Senator ABETZ:** According to Mr Lin, each year Shenglong (Australia) Investments Group exports two or three containers of fruity shiraz wines from the Canberra region to China. But I note that an online business directory describes its activities as 'auxiliary finance and investment services and personal loan brokers'. Did the AEC undertake any enquiry as to the nature of the business that this company may have been involved in?

**Mr Pirani:** No, Senator.

**Senator ABETZ:** Did the AEC form any views on the bona fides of these political donors?

**Mr Pirani:** They were people associated with the company and those donations were reported on the ALP return to us. We went through the ASIC records; we got confirmations of the identities and the localities; we contacted them; and they responded. We have what we believe to be prima facie, valid returns.

**Senator ABETZ:** On the face of it, it seems that a company that exports only two or three containers of fruity shiraz wines made fairly substantial donations, but I accept that you do not look behind that. I quickly place on the record your decision, Mr Pirani, in relation to the complaint by the Liberal Party of Australia, Tasmanian division, about an advertisement headed 'Truth in Advertising', which states 'Ta Ann has accused the Greens of not telling the truth in advertising'. I think you said that, because it had come from overseas et cetera, you were not able to make a decision. For the benefit of the committee it was a non-authorised advertisement. Does that mean that, in future, if somebody were to make an allegation—let us say that a political party was not telling the truth in a matter—we could get an overseas donor to head it: 'Truth in Advertising? Joe Bloggs has accused'—whatever political party—'of not telling the truth in advertising,' and then have a whole stack of information underneath it and not be required to authorise that advertisement?

**Mr Pirani:** I have two comments: firstly, it is acknowledged that that is a loophole in the extra-territorial operation of the Electoral Act; secondly, action could be taken against the newspaper. I suppose I should write to the *Mercury* reminding them of their obligations because it is the publisher as well—

**Senator ABETZ:** That was going to be my next question.

**Mr Pirani:** I have not done that but I will undertake to do that.

**Senator RYAN:** In your report *Analysis of informal voting, House of Representatives, 2010 federal election*, the AEC provided a breakdown, by electorate, of informal voting, looking at those voters who voted with just one tick or a cross. Is it possible for you to provide the committee with a breakdown by electorate—in a similar fashion—of informal votes where a 1, a tick or a cross was used by candidate?

**Senator Wong:** By?

**Senator RYAN:** By candidate. Group together all the 1s, ticks and crosses, saying that there were so many per electorate. Is it possible to look at those by candidate?

**Mr Killesteyn:** We will take that on notice. We collect a lot of information for purposes of the informality report. I do not know whether we have collected the information down to that level. If we did, I will have a look at it; however, if we did not, it is unlikely as we will not go back through all the ballot papers.

**Senator RYAN:** Sure. Would the ballot papers have been destroyed?

**Mr Killesteyn:** I am not sure whether they would have been destroyed or not.

**Senator RYAN:** They would have been destroyed by now, wouldn't they?

**Mr Pirani:** The House of Representatives ones have; the Senate ones have not.

**Senator RYAN:** We are only interested in the House. Obviously it is whether you have it or you do not. Will you consider doing so at subsequent elections? I say this given that informal voting has been and will probably continue to be an issue that provokes some debate in this place in the coming years. Could you consider doing that for future elections?

**Mr Killesteyn:** I will take it on notice.

**Senator RYAN:** I would like to turn to the issue of enrolment. You would be aware that the Victorian Electoral Commission undertook a process of pursuing people for failure to enrol, including up to the point of prosecution and issuing notices of prosecution.

**Mr Killesteyn:** Yes, we are aware of that trial.

**Senator RYAN:** Given the discussions we have had at this committee and others and your concern about the lack of enrolment and the concern of members of his place, why have you chosen to not follow a similar course of action?

**Mr Killesteyn:** Most of our strategies have been designed around trying to facilitate or make it easier for people to enrol. I am on the public record as saying that my preferred model, and I think one that is more appropriate for Australia, is around encouraging voluntary compliance. Through that strategy we have been doing some interesting things like working with Australia Post. We now have a facility with Australia Post which was only introduced last week to allow people to update their enrolment through their change of address facility they have with Australia Post. Some 700,000 people use that facility every year.

We have another strategy with the Australian Taxation Office for people completing their e-tax return online. The system has been built in cooperation with the tax office. If they show a change of address through that e-tax return they get a reminder that they should also change their address with the AEC, and they are then given a direction to the AEC's website. That is building on the legislative change that came in last year to allow online update.

I am certainly aware of the trial the Victorian Electoral Commission has done. But I would also point to some of the evidence that the Victorian Electoral Commission made to its parliamentary inquiry in relation to that matter. At the end of their evidence they conclude as follows:

Based on the result of the trial the VEC sees merit in taking a firmer line on compulsory enrolment. However, as under the current arrangements further action must be taken through the courts, the process is expensive and ties up the resources of the VEC, the VGSO—

obviously their department of prosecutions—

and in the courts. To make the process less expensive and avoid wasting the resources of the courts, the VGSO and the VEC will recommend that legislation be introduced so that failure to enrol or failure to update enrolment details is made an infringing offence.

That is the same issue that I put before the joint standing committee for consideration as well.

**Senator RYAN:** So it is your view that we should make failure to enrol an infringement offence rather than—

**Mr Killesteyn:** I am suggesting that there would be value in having an administrative penalty for failure to enrol rather than the current process which requires us to take these matters through the courts for what at the moment is a relatively small penalty.

**Senator RYAN:** We have had long debates about a third possible step, which we do not need to recount today.

If I could turn to the issue of multiple voting. In your submission to the Joint Standing on Electoral Matters you outlined effectively five bullet points:

At this stage a warning letter may be sent to some electors informing them of the correct procedures and penalties for voting more than once. In those cases the matter is taken no further. Some common examples of responses where an elector may have voted more than once but no further action is taken include:

I am sorry, I do not have the page number. I am hoping you might be familiar with that. I know it has been an issue of some discussion. From the figures you have provided, 85 per cent of multiple voters in 2010 were subject to no further action. Was that just because one of those five standard excuses or reasons were given? Is that something that upon that point you then just move on and do not take any further action? Is that an automatic reply and you classify it as okay?

**Mr Killesteyn:** Just let me go through the figures again, at the risk of repeating it. We had some 29,920 electors that were originally identified as potential multiple voters. We then go through a process of eliminating what we call official errors—that is polling official errors—including lists that are not marked or scanned correctly. Out of that we then brought the number down to 16,210 electors who remained to be investigated by the divisional officers. We wrote to 16,189 electors, artist discovering that the other 21 were deceased, and we sought further information from each of those 16,189. Of that number, 13,775 required no further action. The breakdown of that is: 6,265 voters were matched to an apparent non-voter record of a similar name; 5,211 voters denied multiple voting; 1,660 replies indicated official error; and the remaining 639 voters were either deceased or were considered to require no further follow-up. Out of that number—if I just finish for the sake of completeness, and I think I might get to the answer to your question—2,414 cases were then further investigated. Of that number, 1,458 voters admitted multiple voting, with over 80 per cent being aged, new voters with limited understanding of the voting process, or those with language difficulties. That is an assessment that is made by the divisional returning officer.

**Senator RYAN:** Sure.

**Mr Killesteyn:** The remaining 956 cases were predominantly nonresponses which were referred to the relevant Australian electoral officer in each state for decision. The AEO then decided what follow-up action would be taken. Out of that, we looked at what the potentially most egregious cases of multiple voting were. Essentially we looked at any cases where there appeared to be three or more multiple votes, and 19 cases were referred to the AFP for further investigation.

After discussion with the AFP we agreed on what we termed a 'day of action'. Essentially, the AFP committed resources to make contact with each of those 19 cases and make inquiries of those individuals about the allegation of multiple voting. The outcome of that was that 11 of those denied voting more than once, and in the absence of any further corroborating evidence, the AFP decided to take no further action—that they could not. In one case the AFP could not contact the voter after multiple attempts and so no further action was taken in that case. Four voters admitted voting more than once. In those cases one had related disabilities and the AFP decided not to pursue the matter—it was inappropriate to do so. The three

remaining voters who admitted to voting more than once were issued with a formal police caution. No further action is being taken.

**Senator RYAN:** When you looked at the number of people, was one of the factors taken into account—in fact all of them—whether any those people had multiple voted previously?

**Mr Killesteyn:** There was one particular instance, I recall, where the person had allegedly voted multiple times in a previous election. I just need to confirm with Mr Pirani, I think that was one of the 19 cases that were referred to the AFP.

**Mr Pirani:** Yes, it was.

**Senator RYAN:** So that would be a standard part of the investigation undertaken by the AEC?

**Mr Killesteyn:** It is a standard part of determining what cases we would then refer to the AFP.

**Senator RYAN:** Of the five-odd per cent of letters not responded to or returned undelivered, I think those were the ones you said were referred back to the divisional returning officer?

**Mr Killesteyn:** Sorry, this is the—?

**Senator RYAN:** The 760-odd multiple voter letters that were sent out that were not responded to or they were returned undelivered. Are they the ones referred to the divisional returning officer?

**Mr Killesteyn:** Generally, and then we will then take action to see if we can further trace those individuals. If we cannot find them then ultimately objection action will be taken to remove them from the roll.

**Senator RYAN:** Can you take on notice for the 2010 election how many of those people have been removed from the roll subsequently?

**Mr Killesteyn:** Yes.

**Senator RYAN:** The resource limitations have been previously discussed. This is a resource-intensive program investigating issues of multiple voting. We go down from 16,000-odd names being marked off more than once—that is probably the best way to describe it—to 19 referred to the AFP, and then a requirement for you to agree with AFP on a day of action. Do you need the agreement of the AFP to pursue this?

**Mr Killesteyn:** It is the AFP's decision as to whether they will commit resources for further investigation. We will refer the cases and that is why we take a fairly careful view as to those cases that we think are the most egregious, but ultimately it is the AFP's decision.

**Senator RYAN:** Has the AFP refused to pursue or investigate any issues that you have requested them to?

**Mr Killesteyn:** In the 2010 election, the 19 cases that were referred were, in a sense, negotiated with the AFP.

**Senator RYAN:** How many did you start with? That was the outcome by negotiation. It always moves in from two points. How many did you initially suggest that the AFP should pursue?

**Mr Killesteyn:** I will not put a figure on it because I just cannot recall. I just make the point again—and I am sorry to repeat this—that we were looking to take action against those cases that were the most egregious, and we defined that essentially as three or more, where you would broadly make a conclusion that two might be an error, but with three or more you would start to question whether there was some intent involved. That was the basis upon which—

**Senator RYAN:** The problem is that a few hundred people voting twice has more impact than 10 people voting three times. I put my question again: was 19 the number that, internally within the AEC, you thought warranted further investigation by the AFP? You said it was a negotiated outcome, so—

**Mr Pirani:** My recollection was that it was 19. There were originally more than that that were referred to my team in Canberra. I had two lawyers go through it, to have a look at whether there was some prima facie evidence that would assist the AFP, because they have some issues with the numbers of cases that get referred to them. But my recollection is that about 52—

**Mr Killesteyn:** Fifty-five.

**Mr Pirani:** Fifty-five came to me in Canberra, but it was only 19 that went to the AFP.

**Senator RYAN:** I think you know where I am going. It is clear that you are making a judgment on what you think the AFP will accept. You made the point that it is a negotiation; you made the point that it is up to them what they investigate. It is of interest to me and others whether or not the AEC thought any more than 19 warranted further investigation. If you think only 19 warranted further investigation, then that is fine. We will probably end up pursuing this again in February; I am pretty certain that we will.

**Mr Killesteyn:** The 19 cases were ones where we thought that there was at least further information that was available that suggested to us that there may have been some intent on the basis of the multiple voting. As the AFP will tell you, the difficulty in all of these cases is around whether there is appropriate evidence that there was an intent and, indeed, a practice of multiple voting. That has always been the issue for us.

**Senator RYAN:** I understand that. Part of the action of the AFP is gathering evidence. It does become part of a self-fulfilling circle—a virtual circle. I move on to the issue of authorisations. Am I correct in saying that an insert in a newspaper by a member of parliament which is of the nature of 'standing up for our community' does not just require their name, the phone number at their office, their email address and their website; it actually requires a printed and authorised bio?

**Mr Pirani:** There are two provisions in the Electoral Act. Section 328 is the provision that requires the name and street address of the person who authorised it and, when it is printed in a newspaper, under section 331 it is supposed to have the word 'advertisement' in 10-point font at the top.

**Senator RYAN:** I have an insert here from Mr Danby. I am sure Senator Rhiannon will be interested; she seems to star in it. It describes it as a supplement from Michael Danby MHR, federal member for Melbourne Ports; it gives the phone number for, I assume, the office, an email address, a website, and there is no further information. That would be something that you would be interested in, in terms of a breach?

**Mr Pirani:** Thank you, Senator.

**Senator RYAN:** I will forward a copy of that to you later in the week. Are you receiving increasing numbers of complaints regarding the lack of correct authorisation of electoral material? I understand that it has been increasing. And what action are you taking against multiple infringers?

**Mr Pirani:** I have had several letters from the national office of the Liberal Party pointing out a number of breaches of section 328 of the Electoral Act.

**Senator RYAN:** Not from our side, I presume.

**Mr Pirani:** No. I have also had complaints in relation to some advertising in relation to the Australian Greens. We do our normal process which is that we write to the person, we point out what the correct process is, we seek an undertaking that there will not be any further breaches and we trust that they will take action to prevent it occurring again. Last week I had a letter that pointed out issues in relation to some advertising in Tasmania, and on Friday I wrote to both Senator Brown and Senator Milne seeking their assistance to resolve those issues.

**Senator RHIANNON:** I notice that the AEC website now has a function allowing donors, parties and candidates to lodge their returns online directly. Do you envisage this is the first step towards some form of continuous disclosure?

**Mr Killesteyn:** I think we have had this conversation before. Certainly if we move to a system of continuous disclosure then the AEC could not envisage that this would be done without some form of electronic assistance. Whether it is a first step is really up to the parliament to pass legislation to require it. As I said, we see that the technology is there to assist that if parliament so wishes.

**Senator RHIANNON:** Are there any increased costs associated with what you are doing, or do you feel that because it is online it could actually reduce costs?

**Mr Killesteyn:** There is certainly an implementation cost. This system that has been designed so far is fairly minimalist, and if we are going to a continuous disclosure system then we would have to increase the capacity of the system. There is probably some complexity as well in the nature of the detail that is required. So the cost would not only be on the AEC; it would also be on those people who are obligated to make the disclosure. So those costs in a sense would shift. Each organisation would need to establish its own internal processes by which it could identify which of the myriad transactions that they are no doubt conducting on a day-to-day basis would need to be disclosed to the AEC.

**Senator RHIANNON:** Has there been any research conducted into the ease of use of the AEC's donation disclosure website? Has there been any user acceptance testing?

**Mr Killesteyn:** We have not done any post-implementation evaluation as such but there was considerable consultation with the political parties during the design of the system. It is a relatively new system. Unless Mr Pirani has other advice, I do not think we have received any negative commentary about the system; in fact, I think it has been well received.

**Senator RHIANNON:** I want to move on to automatic enrolment. If automatic enrolment for federal elections is not legislated in time for the AEC to complete a thorough automatic enrolment program prior to the close of rolls for the next election, what steps will you take to



contact those voters who have been automatically enrolled at a state level in New South Wales or Victorian elections and how would you encourage them to enrol for the federal elections?

**Mr Killesteyn:** We are already taking steps to make contact with all of those electors that have been directly involved by both the New South Wales Electoral Commission and the Victorian Electoral Commission. My officers will have the statistics but I think in relation to both New South Wales and Victoria we sent out something in the order of 60,000 letters to those people for whom we have advice from their respective electoral commissions that they have been enrolled. I might point out too that, at the time that both the New South Wales and Victorian electoral commissions directly enrol individuals, they are given information about not only their state enrolment but also the requirements to complete their federal enrolment. So by the time we contact them they will have had at least one letter from their state electoral commission plus our reminder. It is worth noting too, however, that the response rate to our letters to these individuals is relatively low. I think the number of people who are then taking action to complete their enrolment form with the AEC is about 12 per cent.

**Senator RHIANNON:** That is quite worrying. Do you have a follow-up step?

**Mr Killesteyn:** We will continue, as we have available under the legislation, to remind those individuals. Unfortunately, at some stage, if we do not get a response, then ultimately the other obligations under the act kick in, and they may have to be objected off the federal roll. We have pointed to the dangers that can arise in relation to divergence of both the Commonwealth roll and the state rolls.

**Senator RHIANNON:** So you have written to them. There are other measures that you have talked about. Could you outline them? Is it an education campaign, an advertising campaign—what are you looking at?

**Mr Killesteyn:** We are constantly looking for ways in which we can make it easier for people to meet their obligations. That was my point earlier to Senator Ryan—we think an appropriate strategy, given that the research essentially tells us that the stimulus for most new electors and existing electors who have an obligation to update their roll details is the calling of an election, is to try to move the stimulus away from the election to an earlier point. We think that things like the partnership we have with Australia Post and the Australian Taxation Office essentially make it easier for people—there is an inbuilt stimulus there—and, while they are changing their address for another process which they apparently attach more priority to, we are there reminding them at the same time. If it is easier—they can do it online—then we think there would be some value in that.

**Senator RHIANNON:** If there was a change to House of Representatives voting to allow the lodging of preference tickets so that votes which would otherwise be determined as informal were counted, what changes would the AEC have to make in the lead-up to the election and in the actual counting of the votes?

**Mr Killesteyn:** At this stage we only have the recommendation from the joint standing committee for those savings provisions. We are looking at the implications of that. Clearly there are some immediate implications of the potential to reintroduce into the count some 230,000-odd ballots. So there is an extra counting process there, and there is obviously a process of training our polling officials in how that count would be conducted and in the

importance of ensuring that the particular group voting ticket matched the ballot that was not completed fully. As I said, we are still exploring all of those implications.

**Senator RHIANNON:** Could you outline how you see advantages or disadvantages that would be created in reporting of election results and conducting a preference count in this way?

**Mr Killesteyn:** I think these sorts of issues have been discussed in the joint standing committee. The primary advantage of these systems is that they potentially reduce the level of informality, and if you ascribe and attach a importance to the level of informality—which I think most people do—and think that there is value in the objective of as many people as possible not having their vote wasted, then—

**Senator RYAN:** But they do count votes that were not made, don't they?

**Mr Killesteyn:** Yes, but I am trying to balance the argument. I am saying that, on one side, if you believe in the notion that high rates of informality is not a worthwhile outcome in Australia's system, then this is one way of dealing with informality. On the other side, however, there are arguments which militate against these sorts of systems, and I think the primary argument that we laid out in our submission was the potential for a group voting ticket to determine the outcome of a person's ballot rather than the person themselves. How you balance that and how parliament balances that is, I guess, a matter for some continuing debate. I make the point that the Australian Electoral Commission is not taking a view here; we are simply putting the counterarguments for consideration.

**Senator RHIANNON:** Could you provide comment on the amount of additional resources that would be required? Is it within how you already manage an election, or would it change things substantially?

**Mr Killesteyn:** I have not done, and my people have not done, any estimates of that at this stage. If the legislation moves ahead then, obviously, we will examine the issue of costs. An election currently is costing around \$110 million, most of which is spent on polling officials. I could imagine, simply because of additional ballots being included in the count and the need to distribute preferences, that there would be additional counting costs. There is also some education about the way in which the system is designed, which would require some different or additional advertising from what we already put out, but we have not made any estimates at this stage.

**Senator RHIANNON:** I would like to ask you about what appears to be a loophole with regard to the disclosure threshold. I want to set this out for your comment. If a donor donates \$11,500 or more in one amount then the party must disclose the details of the donor. If, however, a donor makes multiple donations of, say, \$10,000 on many different days then the party is not required to disclose the donor's details, as each amount is under the \$11,500 disclosure threshold. The party is only required to include the amounts as part of total receipts by the party. You could take an extreme example: a donor donating \$10,000 on each of 300 days in a financial year would have donated \$3 million, but the party is not required to provide the AEC with the donor's details. That example could be any amount. The donor in such circumstances is required to disclose the cumulative donations in November—a month after the party's return—however, from my experience, many donors fail, at least initially, to lodge a return. If the party accounts are not audited by the AEC or the cumulative amounts of

donations are not picked up in a compliance audit, then the cumulative donations that are above the threshold may never come to light. Is that an explanation of how it works, and do you see that as a loophole?

**Mr Pirani:** Senator, the only things on record indicating that there are issues in relation to the reporting by political parties and reporting by donors is that it is confusing for people often to understand the different reporting requirements and why we do not, on some occasions, have a match between an amount reported by a political party and an amount that is reported by a donor and vice versa. It is an issue, and it is an issue about which there was legislation which, to my understanding, is still before the Senate to partially address.

**Senator RHIANNON:** There was a question I forgot to ask earlier when I was asking some questions about the website. Are there any plans for the AEC to improve the functionality of the website, in particular the ability to cross-reference donations from the same donor over a number of years?

**Mr Pirani:** We have done as much work as we feel we can with our current resources on the current e-FAD and super-FAD return systems that we have on the website. We are hoping to do more development work as resources become available.

**Senator RHIANNON:** I want to ask about the issue of compliance. I am aware that it has come up a number of times before, but it continues to be something that is often queried when this work is looked at. If penalties for failure to comply with reporting requirements were strengthened, would this result in more cases, where the electoral funding law had been broken, ending up before the court? Would you then see that this could result in greater compliance?

**Mr Killesteyn:** I think we are in the land of speculation. Clearly there is an issue about the extent to which the DPP and the AFP make judgments about the value of mounting investigations based upon the relative size of the penalties, and if they are adjusted significantly then that may change their view. That is really a question that you need to pose to them. We have, however, put on record a consideration that—at least in relation to those offences which are objective offences such as late lodgement of disclosure returns—there would be value in consideration being given to an administrative penalty, which we believe might assist in compliance. But that is for strict objective penalties, such as late lodgement. There are other areas of offences such as misleading statements and so forth—incomplete statements where we do not believe that administrative penalties would necessarily be appropriate.

**Senator RHIANNON:** And on associated entities, should the definition of associated entities be rewritten to make them clearer and to include all organisations that operate totally or to some extent for the benefit of political parties?

**Mr Pirani:** Senator, we have raised issues about paragraph (b) of the definition, because it appears to be somewhat confusing. We have made some recommendations about an amendment to section 287, subsection (1). But of course part of that will depend on whether the current JSCEM inquiry has a result which is similar to the Canada model, then associated entities will be meaningless.

**Senator RYAN:** Mr Pirani, given the disclosures, discussions and public interest around the member for Dobell and various fundraising issues associated with that, have you put any

extra procedures in place to capture things like credit cards that may be disclosable but not disclosed at the moment under the current regime? For example, credit cards provided by one organisation that someone can use during a campaign or for disclosable expenses but that are not at the moment?

**Mr Pirani:** No, we have not. Part of the issue would be how we would identify the credit cards, particularly given some of the more recent allegations that I understand are before the New South Wales police involving credit cards from a third party. I think one of the issues that JSCEM would be looking at would be: should it be illegal for money to be spent in any way in an election campaign that does not go through a campaign account? And if we were going to use something like what occurs in the US or Canada, then you would have to have a specified account, and only money sourced from that account would be able to be used in an election campaign. That would assist at least in alleviating the issue about if the money came from some other account and some other credit card then it would automatically be outside the scope and therefore be unlawful. But, again, that is a major change.

**Senator RYAN:** The problem with that, you would expect me to say, is that it poses quite an extra administrative burden on people who are doing everything right at the moment—particularly those that might not be supported by significant parties, but even parties have devolved arrangements. Do you have the authority to request further information from candidates so that at least you have on file and on record their statements with respect to issues like this? Could you ask them whether any expenses have gone through a credit card that have not otherwise been disclosed? I imagine some people might make innocent mistakes in that regard.

**Mr Pirani:** Senator, my understanding of the current process is that, when we go out and do a compliance review, we look at the appointment of the candidate agents and at the money that came from the campaign accounts which most of the party agents are responsible for. So we currently get some information from doing our audits of the parties themselves, but I do not believe currently in the act we have any power to require such additional information about credit cards that may have been issued.

**Senator RYAN:** You think it is a limitation of the act in not capturing effectively different mechanisms by which money can flow?

**Mr Pirani:** That is right. Of course that is one of the issues, as you well know, that in the current review by the joint standing committee we will be looking at. But it is an issue that is clearly there.

**Mr Killesteyn:** If I might beg the indulgence of the committee for a very short moment, I want simply to record that Paul Dacey, the Deputy Electoral Commissioner, who has been here with us for some time, is attending his last estimates hearing. Mr Dacey is retiring at the end of this calendar year. I certainly want to record his service to me and the rest of the AEC, but also to note that obviously he has given good service to the Senate estimates committee processes as well.

**CHAIR:** I thank you very much for putting that on the public record, and I am sure I speak on behalf of the entire committee. Since I have been on this committee and its chair I appreciate his contribution to the development of democracy in this country. Mr Killesteyn, I thank you and your officers for coming before us and we look forward to seeing you at the

next estimates. When we resume the hearing after dinner we will move to the Department of Regional Australia, Regional Development and Local Government. And thank you, Minister.

**Senator Wong:** Thank you, Chair.

**Proceedings suspended from 18:30 to 19:46**

**PRIME MINISTER AND CABINET PORTFOLIO****In Attendance**

Senator Sherry, Minister Assisting on Deregulation and Public Sector Superannuation,  
Minister for Small Business

**Department of Regional Australia, Regional Development and Local Government**

Ms Glenys Beauchamp, Secretary

Mr Simon Atkinson, Acting Deputy Secretary, Policy and Implementation

Mr Geoff Leeper, Deputy Secretary, National Disaster Recovery Task Force

Mr Dan O'Brien, Deputy Secretary, Program and Engagement

**Outcome 1:**

Mr Tony Carmichael, First Assistant Secretary, Regional Engagement Division

Ms Judy Jenkins, Acting Assistant Secretary, RDA and ONA

Ms Elizabeth Bennett, Acting Assistant Secretary, Local Engagement and Strategy

Ms Robyn Fleming, First Assistant Secretary, Program Delivery Division

Mr Gordon McCormick, Assistant Secretary, Local Government Programs

Ms Karen Lindsay, Acting Assistant Secretary, Regional Australia Development Fund

Mr Bruce Taloni, Acting First Assistant Secretary, Policy and Coordination Division

Mr Andrew Dickson, Office of Northern Australia

Ms Julia Pickworth, Acting Assistant Secretary, Policy Development and Reform

Ms Jane Heffernan, Assistant Secretary, Engagement and Reporting

Ms Megan Lees, Assistant Secretary, Policy and Cabinet Liaison

**Outcome 2:**

Mr Julian Yates, First Assistant Secretary, Territories Division

Ms Gillian Savage, First Assistant Secretary, Norfolk Island Reform Taskforce

Mr Stephen Clay, Acting Assistant Secretary, Territories East

Ms Belinda Moss, Assistant Secretary, Territories West

**Corporate Services**

Mr Jamie Clout, Chief Operating Officer

Mr Kym Partington, Chief Financial Officer

Mr Michael Nelson, Assistant Secretary, HR and Governance

**CHAIR:** Welcome. Officers and senators are familiar with the rules of the Senate governing estimates hearings. If you need assistance the secretariat has copies of the rules. I particularly draw the attention of witnesses to an order of the Senate of 13 May 2009 which specifies the process by which a claim of public interest immunity should be raised.

*The extract read as follows—*

Public interest immunity claims

That the Senate—

(a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;

(b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;

(c) orders that the following operate as an order of continuing effect:

(1) If:

(a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and

(b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.

(2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.

(3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.

(4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.

(5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.

(6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.

(7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).

(8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

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

The committee has set Friday, 3 December 2011 as the date by which answers to questions on notice are to be returned. Officers called upon for the first time to answer questions should state their name and position for the *Hansard* record. Minister, do you have an opening statement?

**Senator Sherry:** I do not; thanks, Chair.

**CHAIR:** Ms Beauchamp, do you have any opening comments?

**Ms Beauchamp:** Thank you, Chair. It is probably just worth saying that we tabled our annual report last Friday and all of our questions on notice were also submitted before the deadline.

**CHAIR:** Thank you. It is always impressive to have responded so quickly. Senator Joyce, you have the call.

**Senator JOYCE:** Thank you very much, Madam Chair. I was rushing up here. I have been watching a program about organ donation which Kevin Rudd was on. He was talking about donating all manner of organs from his colleagues to all sorts of charities.

**Senator Sherry:** I think we should all do that. I have signed my donor card and I think it is very important we all do that, frankly.

**Senator JOYCE:** So do I.

**Senator Sherry:** The medicos can decide what should be given out to whom.

**Senator IAN MACDONALD:** What about Kevin's heart?

**CHAIR:** I do like the humour, but I will just remind all committee members that there is a lot to get through this evening. The opposition have a lot of people wanting to ask questions, so I do not think we ought to dillydally with impromptu interjections. Senator Joyce.

**Senator JOYCE:** Did the department acknowledge all applications under round one as they were received for the Regional Development Australia Fund?

**Ms Beauchamp:** Yes.

**Senator JOYCE:** Were you aware of any applications that were lost?

**Ms Beauchamp:** I am not personally aware of any applications that were lost but I will ask Ms Fleming to answer that question.

**Ms Fleming:** Not to my knowledge.

**Senator JOYCE:** If it did come to your knowledge—because it has come to our knowledge—that certain people had sent in applications and never heard back from you, would you want those applications to be resubmitted?

**Ms Beauchamp:** They could possibly be eligible for submitting at the next round.

**Senator JOYCE:** Can you provide us with the details of which submissions the government has, so that we can match them up with others who have sent in submissions who have never heard back from you?

**Ms Beauchamp:** There were 553 applications?

**Senator JOYCE:** Did you contact all those people to say you acknowledged receipt of their application?

**Ms Beauchamp:** Yes, we did.

**Senator JOYCE:** Did people ever contact you and say, 'Have you got our submission?'

**Ms Fleming:** The way that the system works is that if people lodged a submission they got an automatic email return from the system, but some applications were sent in by email, so not everybody got an automatic email response.

**Senator JOYCE:** So basically what you are saying is: no submissions were lost, and for all submissions that were received you acknowledged their receipt?

**Ms Fleming:** To my knowledge, there were no submissions lost.

**Ms Beauchamp:** I could confirm that, too—that no proponent or applicant has brought to our attention that they have submitted an application and it has not been acknowledged.

**Senator JOYCE:** I might bring that issue up again in a second. Are any members of the independent advisory panel paid?



**Ms Beauchamp:** Yes, they are.

**Senator JOYCE:** How much?

**Ms Beauchamp:** The pay rates are determined by the Remuneration Tribunal and they are paid on a per diem basis, which is published.

**Senator JOYCE:** And roughly how much is that—about \$2,000 a day or something?

**Ms Beauchamp:** For the chair it is probably \$1,027 and for members it is \$884 per diem.

**Senator JOYCE:** Just going back to submissions: were any parts of a submission lost?

**Ms Beauchamp:** I will have to ask Ms Fleming.

**Mr O'Brien:** If applications were lodged properly then all components of the application would have been lodged; otherwise, they would have been deemed ineligible.

**Senator JOYCE:** And when they were deemed ineligible, did you contact them and say they were deemed ineligible?

**Mr O'Brien:** No, we did not.

**Senator JOYCE:** Why not?

**Ms Fleming:** It is best practice under the ANAO guidelines that people are informed at the end of the process around whether they are ineligible or they are successful or unsuccessful, so all contact is done at the end of the process.

**Mr O'Brien:** It is important to remember that this is a competitive tender process, in effect, and so those competitive tender rules apply.

**Senator JOYCE:** This is very important: so no parts of any submissions were lost?

**Ms Beauchamp:** We acknowledged and assessed all of the applications and the attachments as they came in. It is the obligation on the proponent to make sure all requirements, in terms of the mandatory documents required, as per the guidelines, were actually submitted.

**Senator JOYCE:** So no-one from your office ever contacted any of these applicants saying, 'I think we might have lost some of your application'?

**Ms Beauchamp:** No.

**Senator JOYCE:** Are you sure?

**Ms Fleming:** We have what was lodged with us. If you could define 'lost'—

**Senator JOYCE:** You put your foot in the rabbit trap, not me.

**Senator Sherry:** It might help, if you have got a specific case in mind—

**Senator JOYCE:** When did the advisory panel first provide advice to the minister?

**Ms Beauchamp:** The panel provided advice to the minister on 1 September.

**Senator JOYCE:** On what date did the advisory panel provide the minister with a short list of projects?

**Ms Beauchamp:** The letter from the advisory panel to the minister included that information on 1 September.

**Senator JOYCE:** Did the minister return the list of recommended projects to the advisory panel for further review?

**Ms Beauchamp:** No.

**Senator JOYCE:** He did not?

**Ms Beauchamp:** No.

**Senator JOYCE:** On what date did the minister receive the final list of recommended projects from the advisory panel?

**Ms Beauchamp:** On 1 September.

**Senator JOYCE:** Can you provide us with the final list of projects which were recommended to the minister by the independent advisory panel?

**Ms Beauchamp:** I can provide that, though I do not have that here in front of me. We are in the process of providing feedback to unsuccessful applicants and the like. As soon as we have finished that process we may be in a position to provide that.

**Senator JOYCE:** So you will take it on notice and provide us with the list?

**Ms Beauchamp:** I can take that on notice.

**Senator JOYCE:** And you will be able to provide us with the list in due course?

**Ms Beauchamp:** As you are aware, Senator, we have a substantial FOI request from you and your office requesting a series of documents from the department about applications and the like.

**Senator JOYCE:** Did anyone from the department as for a proposal or part of a proposal to be resubmitted?

**Ms Beauchamp:** I am not aware, Senator—

**Mr O'Brien:** Not that I am aware of.

**Senator JOYCE:** Is the department aware of any conflicts of interest or claims of roting on particular projects under the RDA fund?

**Mr O'Brien:** No.

**Senator JOYCE:** I have here attachment C, 'Conflict of interest investigation over the Clunes museum decision'. Are you aware of that?

**Mr O'Brien:** Aware of the conflict of interest?

**Senator JOYCE:** The Hepburn Shire Council \$2.7 million grant for the redevelopment of Clunes museum is being investigated by the local government investigations and compliance inspectorate. Were you aware of that?

**Mr O'Brien:** It has not been brought to our attention, no.

**Senator JOYCE:** It has now. I picked it up in the media; why didn't you?

**Ms Beauchamp:** Senator, it would be useful to have a copy of that to see whether it is actually relevant to the Regional Development Australia Fund and whether it is an issue that has been brought to our attention.

**Senator JOYCE:** Do you want me to table it for you?

**Senator Sherry:** Yes, that would be good.

**Ms Beauchamp:** I think that would be very helpful.

**Senator JOYCE:** I will table that. It seems that a Labor Party councillor has a shop two doors down from it and he was one of the main contributors to the application.

**Senator Sherry:** And the point is?

**Senator JOYCE:** The point is—

**Senator Sherry:** I think we had better get the document first.

**Senator JOYCE:** The point is that it has raised enough suspicions to get itself investigated and it is something that you are not aware of—\$2.7 million.

**CHAIR:** Can I just remind senators, as I did from the outset, that if you have documents that you want to have tabled it is very helpful if you have either additional copies or at least a second copy—which would not then hold up proceedings. So if I can just remind senators of that for the remainder of this session. As there are no objections, it is resolved that the committee accepts the tabling of this document. You have the call, Senator Joyce.

**Senator Sherry:** It is a media clip.

**Senator JOYCE:** Are you doubting it?

**Senator Sherry:** We will see where you go, Senator, but it is a media report; it is not a document of—

**Senator JOYCE:** You are laughing, which means that you doubt the veracity of it.

**Senator Sherry:** Firstly, do not put words in my mouth. You referred to a document for an investigation and you give us a media report—a clip—from the *Ballarat Courier*. We will see where it leads us, but it is a media report.

**Senator JOYCE:** I understand if you think it is—

**Senator Sherry:** Take us through it and I am sure if the witnesses have any information—

**Senator JOYCE:** Is it true that the particular project is being investigated by the local government investigations and compliance inspectorate?

**Senator Sherry:** they will, I am sure—

**CHAIR:** Senator Joyce, the minister had not completed his response. You have tabled a document; he is making comments in relation to that. If you allow him to finish it helps Hansard and me. Minister, do you care to complete your answer?

**Senator Sherry:** It will only take us a minute or so to read it, but I am just making the point: it is a media report and I am sure if the witnesses have any information they will do their best to respond to your questions, Senator Joyce.

**Senator JOYCE:** You are not aware of this issue at all?

**Mr O'Brien:** This has not been raised with us. It is just worth noting that the applicant was the Hepburn Shire Council—a councillor from Hepburn Shire Council was objecting to it. We are happy to look into that and, obviously, if there is anything sustained we will take action.

**Senator JOYCE:** You see the concern people have when, for instance, they get \$2.7 million and are now under investigation, yet something like the stock transit centre at Broken Hill gets nothing for a \$550,000 stock transit centre.

**Senator Sherry:** But who is investigating what here? We have a media report that none of the witnesses are aware of. There is an application from the Hepburn Shire Council. Fact: there is a media report that one of the councillors has raised a possible conflict of interest. Fact: it has not been raised or drawn to the attention of the officers.

**Senator JOYCE:** It is being investigated by the Local Government Investigations and Compliance Inspectorate.

**Mr O'Brien:** It is a complaint that has been received by—

**Senator JOYCE:** You either believe it is being investigated by the Local Government Investigations and Compliance Inspectorate or you do not, in which case I suppose we have a spurious, slanderous piece from the Ballarat *Courier*. I do not think that is the case.

**Mr O'Brien:** It is a complaint—

**Senator JOYCE:** If you read the first line, Minister, you will see it is being investigated by the Local Government Investigations and Compliance Inspectorate.

**Senator Sherry:** I can see that, but the witnesses have indicated they are not aware of the investigation.

**Senator JOYCE:** You were just saying it was not being investigated.

**Senator Sherry:** The witnesses are not aware of the investigation.

**Senator JOYCE:** You said that.

**Senator Sherry:** No, I did not say that.

**Ms Beauchamp:** It is certainly not being investigated, Senator, by the Commonwealth government.

**Senator JOYCE:** Let's go to the next one, which is being investigated by the Commonwealth. Is it true that the Auditor-General is investigating the operation of the Regional Development Australia Fund?

**Ms Beauchamp:** The Australian National Audit Office is undertaking an audit of the Regional Development Australia Fund process, as was indicated on the work program it published earlier in the year.

**Senator JOYCE:** Has the Auditor-General given the department any guidance on what particular aspects of the RDA Fund it is investigating?

**Ms Beauchamp:** As with other audits they have undertaken within the department, they will look at the process to ensure that we have managed the process to the utmost requirements of the Commonwealth procurement and Commonwealth grants guidelines.

**Senator JOYCE:** Going back to the media article, how much do you spend on media monitoring in your department?

**Ms Beauchamp:** Approximately \$35,000 a month.

**Senator JOYCE:** I am looking at budget estimates. In 2011 you spent \$387,000 on media monitoring. So, in your \$387,000 of media monitoring, which the taxpayer pays for, you did not manage to pick up that one of your projects was under investigation.

**Ms Beauchamp:** If I can clarify, one of our projects is not under investigation. These are claims made in the media. We do not necessarily respond to what is in the media. There are a

number of allegations in here and it includes words such as 'possible' and 'maybe'. This is a matter that is obviously before the Victorian government. It has not been raised with us as an issue and there has been no complaint lodged with us about this.

**Senator JOYCE:** So you spend \$387,000 on media monitoring. This is being investigated. It was in the media, you did not pick it up and you did not know about it till I brought it to your attention tonight.

**Ms Beauchamp:** It has not been raised with us as something we needed to investigate as part of the process of the Regional Development Australia Fund.

**Senator JOYCE:** When is the Auditor-General due to report on investigations?

**Ms Beauchamp:** The Auditor-General will be reporting early next year—I think March 2012.

**Senator JOYCE:** When did the Auditor-General first get in touch with the department with the intention to review RDA funding?

**Ms Beauchamp:** As I mentioned previously, the review of the Regional Development Australia Fund was identified in the Australian National Audit Office's work program before the start of this financial year. So it was always on the agenda to look at and audit the Regional Development Australia Fund, as a matter of course and business as usual.

**Mr O'Brien:** This is an audit, Senator, not an investigation. It is part of the audit work program.

**Senator JOYCE:** Going back to Hepburn, you were saying that you do not proactively go looking for things; you only react to complaints, is that how it works?

**Mr O'Brien:** We act on all formal complaints, of course.

**Senator JOYCE:** But you do not proactively use a due diligence approach—you do not look at the information you collect from your \$387,000 of media monitoring and see if there is an issue, see if there is a possible dodgy councillor out there who might have slipped something into the system?

**Mr O'Brien:** From my memory, this is a project that was strongly aligned to the RDA committee's plan. It was also supported by the council as the applicant. It was independently assessed through the assessment process.

**Senator JOYCE:** Has the Auditor-General been in touch with the department since the announcement of round 1 projects?

**Ms Beauchamp:** If I can clarify once again, the Australian National Audit Office is doing what they do as a matter of course, not based on any complaint or investigation. They are undertaking a performance audit of the Regional Development Australia Fund. They will be looking at the performance of the department in administering on behalf of the government the Regional Development Australia Fund. We had known for quite some time—as I said, it was published on the ANAO website as part of their work program—that they would be undertaking this performance audit as soon as decisions were made.

**Senator JOYCE:** Can you tell me how your due diligence process works?

**Ms Beauchamp:** Within the Regional Development Australia Fund?

**Mr O'Brien:** The assessment process?

**Senator JOYCE:** Yes.

**Ms Fleming:** The assessment process for grants—the grant applications?

**Senator JOYCE:** Yes.

**Ms Fleming:** The grant applications are lodged and the department goes through an eligibility check. There were a series of mandatory eligibility requirements placed on applicants, which are at pages 15 and 16 of the guidelines. Once a project is assessed as eligible, we undertook a departmental assessment of the business case; we commissioned an independent viability assessment that looked at the risks of the projects; we sought comment from state and territory governments and Commonwealth agencies on each of those projects; and those materials were packaged together and provided to the panel, who assessed the applications and made subsequent recommendations to the panel and—

**Senator JOYCE:** Do you know how we found out about Hepburn Shire Council? You might be amazed at this form of research that we do.

**Senator Sherry:** Clearly the officers do not, because they were not aware of it in the first place.

**Senator JOYCE:** We googled it. So I think you can do that for remarkably less than \$387,000. If we can dig it up, why can't you?

**Ms Fleming:** That was after the announcement of the grants.

**Senator JOYCE:** It just seems peculiar that—

**Ms Fleming:** I am not—17 September.

**Senator THISTLETHWAITE:** Can I just say that the department has clearly answered this question, Senator.

**Senator JOYCE:** No, they haven't. That is the whole point.

**Senator THISTLETHWAITE:** It is an application from the council. The matter is being investigated by a state body.

**Senator JOYCE:** They did not know that.

**Senator THISTLETHWAITE:** It has nothing to do with the department.

**Senator JOYCE:** It is very much to do with the department.

**Senator THISTLETHWAITE:** You are simply wasting—

**Senator JOYCE:** It is \$2.7 million—

**CHAIR:** Thank you, Senator Thistlethwaite and Senator Joyce.

**Senator THISTLETHWAITE:** I think you should move on—

*Senator Joyce interjecting—*

*Senator Thistlethwaite interjecting—*

**CHAIR:** Senators, having dialogue across the chair is unhelpful to these proceedings.

**Senator JOYCE:** Well, pull your colleague into line. He is sitting beside you—

**CHAIR:** The question has been put—

**Senator THISTLETHWAITE:** They have answered the question four times—

**CHAIR:** There is no point of order. The question was put and answered. Senator Joyce and Senator Thistlethwaite, both of you are well aware of the standing orders that I cannot direct the witnesses on how to respond. You may not like the response, Senator Joyce, but it is the prerogative of the officers before us, to answer accordingly.

**Senator JOYCE:** Well, just keep your colleague beside you in check.

**CHAIR:** Senator Joyce, I do not need you to tell me how to chair.

**Senator JOYCE:** How many complaints has the department received so far, as a result of round 1?

**Ms Beauchamp:** One.

**Senator JOYCE:** Who was that from?

**Ms Fleming:** One, Senator.

**Senator JOYCE:** Who was that from?

**Ms Fleming:** It was received today. I am not quite clear who lodged the complaint, but I know was received sometime today.

**Senator JOYCE:** Have you received any feedback from stakeholders on applications in relation to round 1?

**Ms Fleming:** The minister asked the RDAF chair to undertake a review following the announcements of round 1. We conducted a series of roundtable discussions with local government, not-for-profits and RDAs across the country, and we also had an online survey form that could seek comments from stakeholders. There was a raft of comments received via that process which we are taking into account in the development of the guidelines for round 2.

**Senator JOYCE:** How many applications did not meet all the criteria?

**Ms Fleming:** Three hundred and forty-nine were ineligible.

**Senator JOYCE:** Does the department consider this rate of non-compliance to be acceptable?

**Ms Fleming:** It is considerably higher than we would like.

**Senator JOYCE:** Did you ever consider, by reason of the rate of non-compliance, that you should be more proactive in getting back to the people who make the applications, to guide or assist in a way, not to get them through but to at least make them deal with the criteria?

**Ms Beauchamp:** The mandatory selection criteria that needed to be met were very clear in the guidelines when the fund was open. In addition to that, there was also a requirement to ensure that mandatory documents were provided. I do not think we should shy from making sure we have robust, shovel-ready projects, investment-ready projects, which was a requirement as well, that could be put forward and which we could act unreasonably quickly. As Ms Fleming pointed out, there have been some learnings in the process, for us but also for the proponents to ensure they do put in more robust proposals the second time around.

**Senator JOYCE:** You have provided advice to the minister on how the rate of non-compliance might be reduced?

**Mr O'Brien:** The minister, as Ms Fleming indicated, initiated a review. That review is looking at providing guidance to the minister about how the next round could be conducted.

**Senator JOYCE:** Will the RDA fund guidelines be amended at all before round 2 is announced?

**Ms Beauchamp:** We are going through the process of assessing the feedback from round 1, both through the online survey and from what the chair of the panel has gleaned. We will be putting advice to the minister on where we might need to improve the process.

**Senator JOYCE:** Is the department aware of any resignations from RDA committees as result of dissatisfaction with round 1 of the RDA fund?

**Ms Beauchamp:** No, I am not personally aware.

**Senator JOYCE:** I do not even need to look this up. What about Mayor Loughnan? What about Mayor Jo Sheppard? I am thinking of names just off the top of my head.

**Ms Beauchamp:** Who have resigned because of the—

**Senator JOYCE:** Because of the fact that they feel they are completely and utterly wasting their time participating in the RDA funding process when their applications are not recognised or not received. They have reported back that some of these have been lost, and now it has been investigated by the Auditor-General, and the first issue I brought back about an investigation did not even—

**Senator Sherry:** Senator Joyce, I am not going to have you verballing the witnesses. The witnesses have clearly said that they have not received—

**Senator JOYCE:** They are not aware of any—

**Senator Sherry:** Can I finish, Chair? The witnesses have clearly indicated that they have not heard of these complaints. Secondly, there is not some sort of investigation, which you link, in attempting to verbal the witnesses, by the Auditor-General. The Auditor-General is conducting an audit in accordance with their normal work practices, not in respect to—what you assert or claim incorrectly—some resignations and complaints. You are just wrong, Senator.

**Senator JOYCE:** So you are not aware of the resignation of Councillor Loughnan from the process?

**Mr O'Brien:** I might ask First Assistant Secretary Tony Carmichael.

**Mr Carmichael:** No RDA committee members have resigned with respect to RDAF applications.

**Mr O'Brien:** I think it is fair to say there was concern expressed by RDAs in feedback sessions about their role and whether that role can be altered.

**Senator JOYCE:** You are really not getting value for money out of your \$387,000 media unit, are you? It is also in the media that Mayor Rob Loughnan has resigned from the RDA process because of his dissatisfaction with the way the process was conducted. That is another thing you can pick up on your Google search.

**Mr Carmichael:** That has not been conveyed to the department.

**Senator JOYCE:** How is this due diligence of yours working?

**Mr O'Brien:** Due diligence on?



**Senator JOYCE:** On exactly what is going on with the \$100 million that has been sent out—on the feedback you are getting about how councils are feeling about it.

**Ms Beauchamp:** We have had one complaint, as was mentioned earlier. In terms of the due diligence process, it might be worthwhile for me to reiterate what was in the guidelines. Each applicant is required to make a legal declaration as part of its application. Applicants should ensure that any conflicts of interest on the part of any member of an RDA committee is declared. The application process has a number of requirements in terms of due diligence. That includes assessment around the viability of the organisation. We do have an independent viability assessor who looks at the viability of the project and also the ongoing performance of the organisation making the application. Much of this is spelt out in the assessment process described on page 13 of the guidelines, and I can assure you that it is very robust. No complaint has been conveyed to us about dissatisfaction with our management of the process. There is obviously a lot of disappointment in a tender based process. There has been quite a bit of demand for applications. But certainly we had no complaints from mayors about the process.

**Senator JOYCE:** You can understand the frustration when, for instance, \$10 million goes to the Geelong Football Club but an application from Bendigo or Ballarat to remove asbestos from an asbestos lined childcare facility was denied.

**Ms Beauchamp:** As I said earlier, we have gone through a fairly robust process. The guidelines are very clear in terms of how those applications will be assessed. The Regional Development Australia Fund is only one funding stream that is available for local governments and others to access. There is also the health fund and the education fund for regional Australia.

**Senator JOYCE:** What about when \$7 million goes as part of a \$20 million art gallery in Newcastle, yet a stock transit centre in Broken Hill gets nothing?

**Senator Sherry:** Senator, as the witnesses have indicated, there were 553 applications, and there were 35 successful applications—that was the number of projects for which there was money. It is very natural that people would be disappointed.

**Senator JOYCE:** Very disappointed.

**Senator Sherry:** There are approximately 500 applicants who are not going to be funded. Naturally there is disappointment, and naturally people are going to make judgments about projects that did receive funding and be concerned and disappointed that they did not.

**Senator JOYCE:** Have you paid the \$2.7 million to the Hepburn Shire Council yet?

**Mr O'Brien:** No, we have not.

**Ms Beauchamp:** No, we are still in contract negotiations with the successful applicants.

**Senator JOYCE:** Are you aware that the CEO of the Hepburn Shire Council resigned on 4 October?

**Ms Fleming:** Not to my knowledge.

**Mr O'Brien:** No, I was not aware of that.

**Senator JOYCE:** What happens after you select a project? Do you continue to assess its merit before handing over the money?

**Ms Beauchamp:** In accordance with our procurement guidelines, funding agreements and the like, we do, and we also ensure that the applicant meets all the requirements under the Commonwealth procurement and grant guidelines.

**Senator JOYCE:** Here is another quote from Google:

While councillors have refused to comment, the position of chief executive officer Kaylene Conrick has been under increasing pressure following a critical Victorian Auditor-General's report of council management.

The Local Government Inspectorate is investigating a \$2.7m federal government grant to the shire for redevelopment of the Clunes museum.

There seems to be an abundance of material on this.

**Ms Beauchamp:** You have put a number of—

**Senator JOYCE:** You just have to Google that.

**Ms Beauchamp:** Sorry, Senator; you have made an application under FOI to receive what documentation we might have. We are in the process of putting all that documentation together, and we will see what we can actually sift out in terms of what was raised with the department.

**Senator JOYCE:** 'Hepburn Shire Council management was named and shamed in a Victorian Auditor-General's report tabled in parliament on September 14.' You were not aware of that either?

**Ms Beauchamp:** As you would be aware, the minister made announcements about the fund on 7 September.

**Senator JOYCE:** This is all the problem of the media monitor, isn't it—that you are not aware of this information?

**Ms Beauchamp:** I have not seen the problem. I am not sure what the problem is that you are identifying.

**Senator JOYCE:** Do you want me to table those for you as well—those media reports? We just got them then, from Google.

**Senator Sherry:** It is up to you to table what you want. The witnesses have already indicated they are not aware of the—

**Senator JOYCE:** I will table these additional articles for you.

**CHAIR:** Senator Joyce, the minister was responding. If you would just give the minister the courtesy of allowing him to finish, then you will get the call. If you then seek to table documents we will deal with that at the appropriate time.

**Senator Sherry:** As I was saying—I think for the fifth or sixth time—the witnesses have indicated they were not aware of these. What we have before us is a media report. Witnesses were not aware of this or the other issues that Senator Joyce is raising about the Hepburn Shire Council; they have now been drawn to the attention of the department. The department has an appropriate due diligence process in place that is being activated and followed through, prior to any one cent of money being passed over. That is where it is.

**Senator JOYCE:** It is just surprising you do not know anything about it.

**CHAIR:** Senator Joyce, did you want to table those documents?

**Senator JOYCE:** Yes. I am only too happy to table them. There are three media reports there from different media outlets. You can have a look at them. If in doubt, just google 'Hepburn Shire Council' and your own program; it all comes up.

**Ms Beauchamp:** Thank you for raising this. I just note some of the dates are actually after the minister made announcements about the fund. So, as you have requested through FOI, we will look at it.

**Senator JOYCE:** In round 1 there was originally only \$100 million. However, \$150 million worth of projects were announced. Is the extra \$50 million of funding to be brought forward money?

**Ms Beauchamp:** I think I raised this with you at the last estimates: we have a funding profile for the budget; how that has been expended depends on the progress of the projects. So that \$50 million will come from the budget that has been allocated over the forward estimates.

**Senator JOYCE:** From which year?

**Ms Beauchamp:** It will probably come out of the next couple of years.

**Senator JOYCE:** So the next two years?

**Ms Beauchamp:** It all depends what the expenditure profile is, and, as we go through the negotiations with the applicants, we will have a better idea of what the expenditure profile is and how that matches and marries with the budget profile.

**Senator JOYCE:** So your due diligence process basically revolves around: if I FOI something, you look into it—is that how it works?

**Senator Sherry:** No.

**Ms Beauchamp:** No, I think I went through it, and it is very clear, in terms of what the due diligence process is around the applicants and the applications and the projects lodged under the Regional Development Australia Fund. Not only that, we do have independent liability assessments that undertake the due diligence process for us.

**Senator JOYCE:** How much money did you actually give west of the Great Dividing Range in Queensland?

**Ms Beauchamp:** I would have to take that—

**Senator Sherry:** I do not think we have got it. We have state split and territory split, but I think—

**Senator JOYCE:** I thought it was because regional—I am talking a big regional area, like west of the Great Dividing Range—

**Ms Beauchamp:** West of the Great Dividing Range—

**Senator JOYCE:** In Queensland.

**Ms Beauchamp:** in Queensland? I will have to take that on notice, sorry.

**Senator JOYCE:** What about, let us say, west of Ipswich?

**Ms Beauchamp:** I will take that on notice.

**Senator JOYCE:** Are you aware that there seems to be a substantial lack of funding off the coast in Australia?

**Senator Sherry:** 'Off the coast', did you say?

**Senator JOYCE:** The continent that we live on.

**Senator Sherry:** 'Off the coast'?

**Senator JOYCE:** Off the coast. As in, not on the coast, Minister—as in inland.

**Senator Sherry:** I was just asking. I was not clear about what you meant. The department does have a breakdown on a state and territory basis, and, I think, on an electorate basis. That is available. As you are redefining boundaries across Australia—and that is your prerogative—we would then have to sit down at maps and look at these boundaries that you are giving us and assess how many projects fall within the boundaries that you are outlining.

**Senator JOYCE:** Is there anything in South-West Queensland?

**Ms Fleming:** Projects were selected on merit and there are fact sheets on each of the projects on the website that show the location of these projects. The projects were selected by the panel according to their fit with the selection criteria and their assessments of the projects.

**Senator Sherry:** For example, there were no projects in northern Tasmania—

**Senator JOYCE:** I know.

**Senator Sherry:** and I am outraged. I live in Northern Tasmania and there were no projects.

**Senator JOYCE:** You should have been in Denison, where they got two. I think it is very good question to your Labor Party mates.

**CHAIR:** Senator Joyce, allow the minister to respond. I am most interested to hear about Northern Tasmania.

**Senator Sherry:** It is true, there were two projects in Southern Tasmania. Tasmania is a region, Senator Joyce. We have had a long debate about what is a region. But I can assure you, Tasmania has Bass Strait between it and the mainland. It is a region. Therefore, it is perfectly valid for there to be projects in Tasmania. But, as I say, I am in Northern Tassie, and there was nothing in Northern Tassie.

**Senator JOYCE:** I know.

**Senator Sherry:** I live there and I am a touch concerned.

**Senator JOYCE:** Minister, we are on a unity ticket there. I think it is absurd that Northern Tasmania, Scottsdale—all those areas—got nothing. Denison, surprisingly enough, because it is held by a person that you might require, did get \$6.2 million.

**CHAIR:** Senator Joyce! Senator Joyce, I will ask you to come to order! If you just allow the minister to complete his answer, we will get through the proceedings much faster and you will get more information.

**Senator JOYCE:** Truncate his answers.

**CHAIR:** Senator Joyce, as you well know, under the standing orders, I cannot direct any witness, including the minister, on how to respond. You put your question; allow him to finish. Then you will get the call.

**Senator JOYCE:** We are on a unity ticket here on how Northern Tasmania got nothing but Denison got \$6.2 million.

**Senator Sherry:** I would just point out, Senator Joyce, you could go to many areas of Australia, dependent on your own geographic definition of 'region', and find the same. As I say, in the case of Northern Tasmania, there were no successful projects, which disappoints me.

**Senator JOYCE:** Do you find it surprising?

**CHAIR:** Senator Joyce!

**Senator JOYCE:** Do you find it surprising?

**CHAIR:** Senator Joyce! Allow him to finish.

**Senator Sherry:** I do not give lengthy answers, Senator Joyce. I will just conclude on this point. You could go to another area of Australia—and you are going to some and we would have to get maps out as you draw your boundaries of regional convenience around the country—to see whether there are any projects in them.

**Senator JOYCE:** Has he finished?

**Senator Sherry:** Yes, I have finished.

**CHAIR:** Does the committee wish to table the three documents. It is so agreed. Senator Joyce, you have the call.

**Senator Sherry:** And the witness, I think, did mention that—

**Senator JOYCE:** Do I have the call?

**CHAIR:** Yes, Senator Joyce has the call.

**Senator JOYCE:** There is also the \$8 million that was given to one building in Armidale. It seems remarkable that Denison, as politically required, got \$6.2 million; one building in Armidale in the electorate of the Independent member for New England got \$8 million. Yet other areas where there were much smaller amounts for very worthy causes seem to have got nothing. There have been no discussions as to why certain areas—

**Senator Sherry:** As I have already indicated—

**CHAIR:** Minister! I do not think Senator Joyce has completed his question. We are not going to get very far tonight if we continue to speak over the top of one another. Senator Joyce, can you complete your question please.

**Senator JOYCE:** Is it possible to table the assessment criteria for the project at the Cats stadium, Geelong, which got \$10 million; the \$8 million for, I think, Freeman House in Armidale; the \$6.2 million for Denison? Are we able to examine how you actually went through assessing those projects vis-a-vis why a project such as the stock transit centre at Broken Hill got nothing; the upgrade of the Lynn Highway got nothing; and the refurbishment to remove asbestos from a child care facility got nothing? Is it possible to have these tabled so we can have a look at how these were assessed or what they did wrong under the assessment processes?

**Ms Beauchamp:** In terms of the assessment criteria, it is very clear and it has been published as part of the round 1 guidelines. In relation to the details on the specific projects, I would have to take that on notice in terms of why they did not get up or why they were considered ineligible. I do not have that detail in front of me.

**Mr O'Brien:** It is also the case that we are providing feedback to all unsuccessful applicants; we are going through that process now. We have 260 requests for feedback and we are about halfway through them—

**Senator JOYCE:** I will give three on notice—

**Senator Sherry:** Just before we go to the next question, I have already pointed out that it is natural, given the more than 500 applicants—and just because a project was not provided with a grant does not mean it is an unworthy project, Senator Joyce; there are priorities within those projects that fit within the criteria—that people are disappointed. I am aware of projects in Northern Tasmania, and I understand that they would be disappointed. It is natural for people to be disappointed about missing out on a project that they believed was worthy and which they supported, but there is a limit. As Ms Beauchamp has mentioned, this is round 1 so it is not the end of the program, but it is natural that some people who are disappointed may look at other projects and still have the view that their project is more worthy than a project that received funding—whether it is the Geelong Football Club or otherwise.

**Senator JOYCE:** If I can get tabled—three would be a good example so we can understand how it works—why the Geelong Football Club got \$10 million, yet the refurbishment to remove asbestos from a childcare facility at Bendigo got nothing; why an art gallery in Newcastle got \$7 million to assist in a \$21 million art gallery, yet the stock transit centre to assist the humane treatment of animals in Broken Hill got nothing; why Freeman House in Armidale got \$8 million, yet the upgrade of the Lynne Highway to try to save people's lives got nothing. Could just work out what the special aspects and characteristics were that required those projects not only to get funded but to get funded in the quantum they got funded—which seems to be quite an incredible amount of money—when, if they had got half as much and we had spread the money around, we could have had a much better and fairer approach to what is genuinely regional Australia.

**Senator Sherry:** I think this is an observation that perhaps the department could not make. Let us say we cut the funding in half—let us take your argument—and we allocated the funding to 70 projects. That would still mean there are more than 400 projects that applied that would miss out. I still think we would have, understandably, some people and organisations whose projects would not be funded, unfortunately—or fortunately; there is a budget constraint on all of these programs and the money was allocated as the minister, on the recommendations, believed was appropriate. There are always going to be people in any round of contestable grants like this who will be disappointed on missing out.

**Senator JOYCE:** Don't you think it is somewhat strange that Independent and Labor seats got two-thirds of the funding when they only represent one-third of the regional areas?

**Senator Sherry:** The department can give you statistics on seats, but from what I understand I do not believe it is an unbalanced allocation on electorates. Some states, from looking at it, appear to have got a higher percentage of the moneys than other states.

**Senator JOYCE:** From your own statistical analysis of it, Minister, you do not think there is something a bit strange about one-third of the seats getting two-thirds of the funding—that there could not even be a sniff of political preferencing?

**Senator Sherry:** The departmental officers can give you the electorates—government held, Independents, Liberal, Nationals. They can give those to you.

**Senator JOYCE:** A suggestion by the minister to help a few mates out: 8 million bucks up to New England—

**Ms Beauchamp:** Can I just clarify, Senator—

**Senator JOYCE:** and \$6.2 million—

**CHAIR:** Senator Joyce! You have asked the question and Ms Beauchamp was trying to respond. Will you pay the courtesy of allowing the witness to respond?

**Ms Beauchamp:** The assessment criteria is very clear in the guidelines. Neither the department, nor the panel, looked at the criteria to see whether they fell within one electorate or not. That was not a consideration. A number of criteria were gone though both from the panel and from the department in terms of assessing whether a project was eligible or not. As Senator Sherry was saying, in terms of those that were assessed as suitable and did not get up, it was because this was the first round of the project. The demand for the fund outstrips supply. I just want to reassure the committee that we do not look at and certainly do not provide advice to the minister on the split between electorates.

**Senator JOYCE:** I will clearly ask you something, because I really want to make sure we get this. To your knowledge, were any submissions or parts of submissions misplaced, lost or otherwise mislaid by the department?

**Ms Fleming:** I would not classify some of the applications in the way you have, but there were lodgement issues in some of the applications that were lodged and that had impacts. There were compatibility issues and there were people who modified applications and they were not meant to modify the application form, so when they went to lodge it online it did not lodge into the application process. We took external probity advice on all issues before us around whether an application could be accepted or not. You may describe something as 'lost', but I may describe it as something else. I need to understand what you what you mean by 'lost'. I would not want to mislead.

**Senator JOYCE:** To your knowledge, was any proponent required to sign a witnessed statutory declaration that none of the contents was changed when a proposal was resubmitted in part or in whole? It sounds awfully like you lost the first one.

**Ms Lindsay:** Yes, we did ask a small number of applicants to sign a statutory declaration confirming that they had lodged particular documents.

**Senator JOYCE:** That sounds awfully like you might have lost it.

**Ms Lindsay:** I think it was more an issue of lodgement, where they had lodged it via an email process and because of the size of the document it did not come through our system. We received documents that ran to hundreds of pages, which are quite difficult to upload via an email system.

**Mr O'Brien:** Can I just add: we had 553 applications and the total sum of the applications in terms of page numbers was almost 500,000 pages.

**Senator JOYCE:** But this is the question I asked you at the very start, and now when we get to the end I am getting a completely different answer, so how many of these—

**Senator Sherry:** Sorry, I am not going to accept that. You are not getting a completely different answer. That implies the officers have not given accurate responses. They have given accurate responses based on the questions that you have asked to date.

**Senator JOYCE:** How many JP signed declarations are you aware of, in resubmitting information?

**Mr O'Brien:** Can I take that on notice?

**Senator JOYCE:** More than one?

**Mr O'Brien:** Yes.

**Ms Fleming:** We would say it is a small number but more than one, but I could not tell you exactly how many at this stage.

**Senator Sherry:** We will take it on notice. The officer has indicated we will take it on notice. We will give you the details.

**Senator JOYCE:** Were you aware of that, Ms Beauchamp?

**Ms Beauchamp:** No, I was not aware of that. However, regarding the number of mandatory documents to be submitted and including the size of the documents, obviously, from a proponents point of view, they may not have the technology. I know that some applicants had to split their applications because of the size of it and submit it in a number of lots. So I think the department did the right thing in making sure that we had received all parts of the application which they may have split during the application process. As Mr O'Brien pointed out, we are dealing with very large computer files and pages of up to 500,000.

**Senator JOYCE:** So why were you not aware?

**Ms Beauchamp:** I was aware that some proponents had to submit their applications in more than one lot, through the lodgement process. I was not aware—I think it is a very good process—that to confirm that the department had received the relevant documentation that the officers had obviously done the right thing.

**Senator JOYCE:** Are you aware that the JP-signed declaration—

**CHAIR:** I am sorry, Senator Joyce. Ms Fleming were you going to add something to that response?

**Ms Fleming:** I was just going to add that we are aware that there were lodgement issues. That does not mean that a document was lost. It means that there were issues around lodgement that were a consequence of multiple factors. They were the consequence of the applicant changing the documents or of applicants not following lodgement procedures as explained; there were technology issues. All of these issues created lodgement issues. They have been discussed in the feedback process we had with round 1. We are certainly proposing to amend our systems to address this issue but a lodgement issue does not create a lost document. That is where I think we would just agree to—

**Senator Sherry:** Just before we move on I want to draw the committee's attention to the fact that we did discuss this issue of the difficulties around the lodgement—the technical issues and the document sizes—at the last committee.

**Senator JOYCE:** Did—

**Senator THISTLETHWAITE:** Before you begin, can I just ask a follow-up question on this point?

**Senator JOYCE:** No, because I have the call.



**CHAIR:** I am sorry, Senator Joyce, but if there is a follow-up question, the way we have been conducting these estimates is that the senator is entitled to ask a follow-up question leading on from yours.

**Senator JOYCE:** As long as I can when someone else does.

**CHAIR:** Senator Joyce, if you are quite willing to sit in estimates for the two days and take that opportunity, you can.

**Senator Sherry:** He has been going for an hour. He has had a pretty good go.

**CHAIR:** I think you had a fair go.

**Senator THISTLETHWAITE:** I think it was you that mentioned earlier that the department took advice from a probity organisation regarding the lodgement process.

**Ms Fleming:** Correct.

**Senator THISTLETHWAITE:** Was the process of asking applicants whose applications did not lodge properly to complete a statutory declaration on the advice of that organisation?

**Ms Fleming:** That is my understanding.

**Senator JOYCE:** I am going to ask a follow-up on his follow-up. Did you advise people that they had to get a JP-signed declaration due to a mistake of your department?

**Ms Fleming:** I do not understand the reference to the 'mistake of the department'.

**Senator JOYCE:** You told someone that they had to get a JP-signed declaration, where they could not change any of the details, not because of a mistake on their part but because of a mistake of your department.

**Ms Fleming:** But it may not have been a mistake. It is a lodgement issue. I am not saying it is a mistake by any of the parties.

**Senator Sherry:** Senator if you have a concern or complaint by someone who has given you information just pass it on to the officers. I really do not believe that there is anything here that should concern the committee. Give us the information and the claim. It can be passed on to the officers and they can provide you with a detailed response. We are more than happy—

**Senator JOYCE:** So basically what you are saying there, Minister, is that I do the work. We find all the mistakes and then we use estimates to help you to do your own job: tell you where you have got things wrong and that \$2.7 million has been sent to some dodgy council because some dodgy councillor managed to swindle the system, and tell you about things that the Auditor-General has—

**Senator Sherry:** Senator Joyce, you are raising questions—

**Senator JOYCE:** We will do all the work for you. You do not need due diligence. We will do it for you.

**Senator Sherry:** No, no, Senator. You are raising questions. The departmental officers have well outlined the due diligence process—the guidelines et cetera and what occurred with the process.

**Senator JOYCE:** They did not actually outline the due diligence process.

**CHAIR:** Senator Joyce, if you would just allow the minister to complete his answer Senator Moore has a follow-up question.

**Senator Sherry:** They did. You have raised issues with the department and none of the officers here—we have said it on a number of occasions—were aware of Hepburn Council. That matter was based on press clippings at this point in time, anyway. They will have a look at that issue.

**Senator JOYCE:** No—

**Senator Sherry:** Just let me finish. If you have a concern from an individual or an organisation that the department is not aware of, provide us with the information and it will be followed up.

**Senator JOYCE:** For a vague second there I thought you were the government!

**CHAIR:** Senator Moore has a follow-up question, Senator Joyce.

**Senator MOORE:** Ms Fleming, have you had any requests or complaints from any applicant that their papers have been lost, and have you had any contact with any senators that have been raising these issues with you over the last couple of months?

**Ms Fleming:** If I could just walk through a bit of a process—

**Senator MOORE:** Sure.

**Ms Fleming:** At the announcement we provided advice to all applicants around their application—whether it was ineligible or unsuccessful in the round 1 funding—and we offered feedback, and 260 applicants have sought feedback from us. We are about halfway through the process of feedback, so there may be applicants we have not yet had a chance to speak to, but in that are about half our telephone conversations where we scribe down issues.

As a consequence of one of those letters, there was an issue with a particular council which was concerned that they had been advised that they had not lodged all the mandatory documents. They raised with us that they believed that they had lodged all the mandatory documents, and we undertook due diligence to check our records. In that particular circumstance we found that the applicant had lodged two different documents—they had lodged a blank application form, which made their application invalid, and they had launched a separate email with attachments but not an application form, and that made their application ineligible. Those two different documents received two different numbers in our system. They were both ineligible under probity advice.

We have spoken with that particular council. They understand the issues that occurred. We have talked this through with the council, and we are hopeful that our new process will avoid the issues that were associated with the SmartForm from round 1.

**Senator MOORE:** In terms of the information, in that council's application there could have been confusion around the issue. You have worked through with them on that process—

**Ms Fleming:** We have.

**Senator MOORE:** and they understand what happened.

**Ms Fleming:** I have spoken with them personally.

**Senator MOORE:** Of the 253 that you are working through in individual consultation, if there are any that could be confused with a lost document claim, could we get that information at the next estimates on notice?

**Ms Fleming:** Yes, I will take that on notice.

**Senator MOORE:** Nothing else in terms of the issues breaching privacy, but, as the issue has been raised about lost documents, it would be good to have that on record.

**Ms Fleming:** I just want to be clear about this terminology 'lost documents'.

**Senator MOORE:** I agree with you, Ms Fleming.

**Ms Fleming:** They are not necessarily lost documents; they are lodgement problems of documents. They are not lost in our system; they are just recorded differently or in part. But they are not lost.

**Senator MOORE:** The issue has been raised, and I just want to have it fully clarified whether there is anyone out there who is aggrieved. If we could have that to the committee, that would be very useful.

**Ms Fleming:** Certainly.

**Senator JOYCE:** How many staff are responsible for the upkeep of them myregion government website? How many staff tweet on the myregion government Twitter account?

**Ms Beauchamp:** Seven departmental officers and contractors support the operation of the myregion website.

**Senator JOYCE:** I was watching it for a while because these things interest me, and for a while there the only things I could see on the myregion website were three photos. One was of the Gold Coast, one was of the Sydney Harbour Bridge and one was from a photo competition that you had going there. What exactly do those seven staff do?

**Ms Beauchamp:** As you would be aware, the site is in development. We have made the website available to most of our stakeholders. The photos—

**Senator JOYCE:** So you have seven staff—

**Ms Beauchamp:** If I can just say that the photos that you see on the website change on a regular basis—

**Senator JOYCE:** For a long while they did not.

**CHAIR:** Senator Joyce, you have asked the question. Do I have to remind you again to allow the witness to complete her answer?

**Ms Beauchamp:** To familiarise people with the use of the website we ran a photographic competition open to all regions across Australia.

**Senator JOYCE:** Ms—Sorry.

**Senator Sherry:** Hang on, Senator Joyce—

**Senator JOYCE:** I have apologised; I am trying—

**CHAIR:** Senator Joyce, you asked the question; allow Ms Beauchamp to complete her answer.

**Senator Sherry:** Chair, I recall we discussed this issue at the last estimates, including why there were regional photos. I just hope that there is a regional photo or two of Tasmania on the website, and I will be checking.

**CHAIR:** Ms Beauchamp, you have the call.

**Ms Beauchamp:** The government provided funding over the period of the forward estimates to roll out and maintain the website. We are adding ongoing functionality to that website. You will see changes to the website on an ongoing basis as we get more information—as we develop communities of practice and improve the engagement mechanisms for regional Australia to contribute to some of the conversations and policy development processes here in Canberra. So it is in the early stages. We are getting pretty positive feedback on its use. The photographic competition did actually provide a good foundation and platform for people to familiarise themselves with the use of the website.

**Senator JOYCE:** We did an assessment of it ourselves and we found that, as of 5.30 pm on 17 October, which was yesterday, there were only 17 comments on forums from people other than departmental staff or RDAs. Do you think this is a proper utilisation of seven staff members?

**Ms Beauchamp:** The seven staff members do a range of activities. As I said, the website is in development and added functionality will be provided. The seven staff are looking at what information they need to put on the website, what sort of design components we need to add and, obviously, how we use the modern social media as a mechanism to engage more with regional Australia.

**Senator JOYCE:** How much are we paying these seven staff and for how long have we been paying them?

**Ms Beauchamp:** In the budget process the government provided \$4.2 million over four years, so it is a finite bucket of money. In the development stage I would expect us as a department to spend more, and after we have it fully functional I expect the number of staff maintaining the website to be somewhat lower.

**Senator JOYCE:** How much have you spent to date on the myregion website and also on the Twitter account? How many staff have you got on the Twitter account?

**Mr Atkinson:** To date we have committed \$486,693 on the myregion project, and the bulk of that has been spent on the build of the initial website.

**Senator JOYCE:** When do you think this thing will be complete? If it is in the development phase, when do you think development will be finished?

**Mr Atkinson:** It will be progressively rolled out, and it should be finished by February or March next year.

**Senator JOYCE:** At the start there were three photos on the website that were in the photo competition. One was of the Sydney Harbour Bridge, one was of the Gold Coast—

**Senator Sherry:** Yes, we have heard about this already on at least three or four occasions.

**Senator JOYCE:** What part of regional Australia is the Sydney Harbour Bridge?

**Senator Sherry:** I think you know from our stunned silence, Senator, that we are well aware of where the Sydney Harbour Bridge is.

**Senator JOYCE:** I just want to know what part of regional Australia that is—the Sydney part of regional Australia!

**Senator Sherry:** We have already traversed this a number of times. As the secretary has explained, there was a change of photos in terms of the photo competition, and I am going to check to make sure there were photos of Northern Tasmania in the rotation, for example. That concerns me, just as you are concerned about a photo of the Sydney Harbour Bridge.

**Senator JOYCE:** Do you monitor the Ballarat *Courier*?

**Ms Beauchamp:** We do, as you pointed out earlier, get a range of press clips from a number of regional newspapers.

**Senator IAN MACDONALD:** I have a couple of questions about the RDA and then I want to move onto Northern Australia. Will all those projects that missed out in round 1 have to go through the application process again or will they be automatically considered for round 2?

**Ms Beauchamp:** They will have to resubmit their application.

**Senator IAN MACDONALD:** Have they been advised of that?

**Mr O'Brien:** They will be advised that they will have to resubmit.

**Senator IAN MACDONALD:** They have not been yet?

**Mr O'Brien:** No, they have not been yet.

**Senator IAN MACDONALD:** There is a bit of confusion out there. I was under the impression—and I know others are—that they did not have to reapply, but they clearly do.

**Mr O'Brien:** We will need applications that have the most up-to-date information.

**Senator IAN MACDONALD:** Have all of those who applied for regional grants and missed out been advised of not only missing out but why they missed out—have they had critiques of their applications?

**Ms Beauchamp:** As Ms Fleming pointed out earlier, around 260 organisations have sought detailed feedback, and we are in the process of contacting those organisations and going through why their projects were not funded in this round.

**Senator IAN MACDONALD:** Are you saying only those who asked for that are being contacted?

**Mr O'Brien:** There are about 260 of them.

**Ms Fleming:** Senator, everybody received an email advising them. That was followed up by a letter explaining the considerations of the panel, if they were eligible to be considered, or the reasons for their ineligibility. So all 553 applicants were contacted. In that letter, we offered them the opportunity to seek feedback. To date, 260 organisations have taken up the opportunity to date to seek feedback, and we are about halfway through that process. Everybody was provided written advice on their application.

**Senator IAN MACDONALD:** So you are saying that some were knocked out because they were not eligible?

**Ms Fleming:** Correct.

**Senator IAN MACDONALD:** And they were advised why they were not eligible, and invited to get eligible or—

**Ms Fleming:** To seek comments and to discuss their applications.

**Senator IAN MACDONALD:** Could you tell me, perhaps on notice, if the Mackay Gymnastics club and the Whitsunday Moto Sports Club were advised of why they were knocked back?

**Ms Fleming:** They would have received a letter, but we will take that on notice.

**Senator IAN MACDONALD:** If they have not asked, could you take this as me asking for advice on why they did not receive funding on behalf of their local member, who has asked me to raise those two?

**Ms Fleming:** Yes, I will take that on notice.

**Senator IAN MACDONALD:** In August 2011 there was an advertisement placed asking for expressions of interest for volunteers, with a closing date of 16 September 2011. Can you tell me how many people applied to become volunteers?

**Mr O'Brien:** Was that for RDA committee vacancies?

**Senator IAN MACDONALD:** It is an advertisement in the *Courier Mail* on 31 August 2011, headed 'Regional Development Australia', and says that the 'Australian government and the Queensland government are seeking volunteers with vision, drive and community experience who are able to represent the broad interests of their region, understand local challenges and achieve results,' and so on. It is an ad put in by you so I assume you know what it is.

**Mr Carmichael:** Yes, that is an advertisement for expressions of interest for RDA committees in Queensland. Advertising dates in Queensland were the 31 August to 7 September.

**Senator IAN MACDONALD:** I have told you all that. I asked: how many people applied?

**Mr Carmichael:** Those EOIs closed on the 16 September—it was a soft close because, if people apply—

**Senator IAN MACDONALD:** No, I have told you that. I just want to know how many applied.

**Mr Carmichael:** In Queensland, we got 150 expressions of interest.

**Senator IAN MACDONALD:** Were they from a broad cross-section of the community?

**Mr Carmichael:** Do you want me to tell you by RDA?

**Senator IAN MACDONALD:** Perhaps on notice you could do that. We are on some limited time.

**Mr Carmichael:** Yes. It is a good spread across the state.

**Senator IAN MACDONALD:** And a good cross-section of positions in the community?

**Mr Carmichael:** We are still assessing the applications.

**Senator IAN MACDONALD:** How many people are going to be chosen to represent each region?

**Mr Carmichael:** That is set by the number of people on those RDAs, but there are 73 vacancies, or expiring terms, coming up, so there will be 73 appointments made from those 150 expressions of interest.

**Senator IAN MACDONALD:** On notice, can you give me where the vacancies are and, in that way, indicate to me the number of people who will be appointed in these areas? Is it possible to do that?

**Mr Carmichael:** Yes. I have that information here and I can table it, if you like.

**Senator IAN MACDONALD:** I would like it region by region. I guess there are only a couple in Queensland, but I am sure my colleagues would be interested across Australia. If you could do that on notice, that would—

**Mr Carmichael:** We will take that on notice, Senator.

**Senator IAN MACDONALD:** They are simply going to be members of the RDA and participate in the advisory role that the RDAs have? Is there any intention of the government to give the Regional Development Association some ability to deal with money and make actual decisions on grant applications?

**Mr O'Brien:** They did have a role in the first round of the RDAF and that was to, first of all, provide a letter of endorsement for the applicant and, secondly, to indicate whether the project aligned and how well it aligned with the regional plans that they have in each RDA area. Now, as we indicated earlier, we are looking at, through the feedback session that we have had, how we can strengthen the role of the RDAs. We are still going through the process of getting feedback from RDAs. We will take that feedback and provide the minister with some advice about how they could have a stronger role.

**Senator IAN MACDONALD:** It is a fairly minimal role at the moment. When do you expect that that will be formalised? I am not asking for an exact date, but before Christmas, before the end of the financial year?

**Mr O'Brien:** The actual role the RDAs undertake will be reflected in the next set of guidelines. I would expect the next set of guidelines to come out in early November.

**Senator IAN MACDONALD:** Thank you for that. I now want to pass on to the Office of Northern Australia, if I may. I thank you for your written answers to question 16 from the May estimates. I would like to ask some questions, but, for convenience, I refer you to the attachment that you attached to your answer to question 16. You told me that the Northern Australia Ministerial Forum was meeting in Port Hedland on 28 July 2011. What came out of that forum?

**Ms Fleming:** The members met and looked at the progress being made under a range of initiatives being taken forward under the auspices of the Northern Australia Ministerial Forum, including the long-term Northern Beef strategy. They also looked at the scope of the minerals analysis being taken forward under the strategy, and they took issues around the Indigenous experts panel and its formation—

**Senator IAN MACDONALD:** Were some minutes kept or was there a communique at the end of it that could be made available to the committee?

**Ms Fleming:** Yes, there is.

**Senator IAN MACDONALD:** There was a communique, a statement or minutes?

**Mr O'Brien:** It was a media statement.

**Senator IAN MACDONALD:** Could we have a look at that, please? You mentioned the Northern Australia Indigenous Sustainable Development Forum. Who has been appointed to that?

**Ms Fleming:** There are two chairs at this stage: Pat Dodson and Peter Yu.

**Senator IAN MACDONALD:** That is all the forum consists of?

**Ms Fleming:** The forum will be supported by a secretariat group that will bring together a variety of leaders on the issues as they arise. We will be working with the chair and deputy chair of that group to form the agenda. We have an initial meeting scheduled for November.

**Senator IAN MACDONALD:** There are two chairs?

**Ms Fleming:** There is a chair and a deputy chair.

**Senator IAN MACDONALD:** That presupposes they are chairing a group. But you cannot tell me who the rest of the group are.

**Mr Dickson:** The forum is to operate more as a series of workshops or meetings. Depending on the policy issue the ministry forum is dealing with, with the assistance of the Northern Australian Indigenous Land and Sea Management Alliance, who will convene the meeting, we will bring together a large group of Indigenous experts to discuss the policy issue over a number of days. The chair and the deputy chair will facilitate the discussion.

**Senator IAN MACDONALD:** What constitutes an Indigenous expert?

**Mr Dickson:** This is why we are delivering this in collaboration with an Indigenous organisation like the Northern Australian Indigenous Land and Sea Management Alliance. We seek the advice and assistance of state and territory jurisdictions and eminent leaders like Pat Dodson and Peter Yu. Through their services we will pull together a group. So it is difficult to define. But I think through collaboration with the jurisdictions and agencies like FaHCSIA and the Department of Employment and Workplace Relations we can pull together a fairly representative group of leaders who can provide advice to ministers.

**Ms Fleming:** I would just add that this is the same model that we are applying to the expert group that the CSIRO will chair for us. They will draw together experts from the scientific community, depending on the issues that are being addressed, for consideration by the forum. If it was carbon farming, land management or water we would draw together different experts from the scientific community to discuss those issues.

**Senator IAN MACDONALD:** How and on what criteria and by whom were Mr Dodson and Mr Yu selected?

**Ms Fleming:** It was a discussion between the four jurisdictions—Queensland, the Northern Territory, Western Australia and the Commonwealth. Ministers discussed the chair and deputy chair.

**Senator IAN MACDONALD:** So they were selected by the ministers attending the forum.

**Ms Fleming:** Correct.

**Senator IAN MACDONALD:** Were applications called for? Do we know if others were considered?



**Ms Fleming:** There were discussions at the standing committee and then ministers made a decision collectively.

**Senator IAN MACDONALD:** Do you know if ministers were offered a list to choose from, or were there just two recommendations given by the standing committee?

**Ms Fleming:** Can I take that on notice?

**Senator IAN MACDONALD:** Yes, that is fine. Community based planning is the next item referred to in the annexure. It says this program will examine cross-government approaches to improving participation in land and water planning and development. The project was due to commence in 2011-12, and we are almost halfway there. What has been achieved in the cross-government approach to improving community participation?

**Ms Fleming:** The minister has looked at some of the projects being taken forward under the Northern Australia Sustainable Futures Program. That is one of the projects that is being reconsidered at the moment. Some of the projects the minister has wanted to put additional effort into, such as the beef strategy and the minerals work—

**Senator IAN MACDONALD:** You are telling me that nothing has happened with the community based planning project except it is being considered by ministers.

**Ms Fleming:** Nothing has occurred to date under that and that project is being reconsidered.

**Senator IAN MACDONALD:** So it may not go ahead and it may go ahead?

**Ms Fleming:** That is correct.

**Senator IAN MACDONALD:** That is interesting. What has brought about the change of heart?

**Ms Fleming:** A stronger focus on some of the more substantive projects and the level of interest across the jurisdictions to put more effort into the commodity resource planning issue and the long-term beef strategy.

**Senator IAN MACDONALD:** Good, thank you. The Northern Australian local government and household water management initiative, which involves priority water challenges and projects being coordinated by the Australian Centre of Excellence for Local Government, commenced in April. It has been going six or seven months now. How is that initiative going?

**Ms Fleming:** The initial phase of the project has been completed and included a review of available data on household water use in Northern Australia, an assessment of the role of local governments in the delivery of water services and an assessment of existing water programs in remote and regional Australia. The next phase of the project will identify options for improving water delivery in Northern Australia, focusing on the role of local governments in managing water services.

**Senator IAN MACDONALD:** Are the review, the assessment and the assessment of existing projects done by the Australian centre of excellence public documents that could be made available to the committee?

**Ms Fleming:** Could I take that on notice?

**Senator IAN MACDONALD:** Yes, sure.

**Ms Fleming:** In principle there is no issue with that.

**Senator IAN MACDONALD:** That would be good. The next one was Northern Australian data development. The project commenced in March and has been going seven or eight months. That was focusing on development of data and metrics that better inform decision making. Where is that at?

**Ms Fleming:** The first phase of that project was a consultancy whereby we spoke to all of the nine northern RDAs and asked each of them where they thought there was a need for more data across the north. We are considering the resources we have available to look at where we would now best apply our efforts to enhance the statistical coverage across Northern Australia. Phase 2 is still in development; in phase 1 we have an input from RDAs, in short.

**Senator IAN MACDONALD:** Is the input from the RDAs a public document that can be made available to this committee?

**Mr O'Brien:** Yes.

**Ms Fleming:** We could take that on notice and I think it should be able to be made available.

**Senator IAN MACDONALD:** That is good, thank you. Please give us a copy. The next one is sustainable development: building markets in environmental and land management services. This project will develop a proof of concept for establishing an economic market in environmental and land management services in Northern Australia. Can you explain to me in ordinary English what that actually means?

**Ms Fleming:** The concept behind the project was to commission some work that would look at whether, if we changed the policy settings, we would be able to encourage more entrepreneurship in environmental services and generate new businesses rather than just jobs associated with grants. The first phase of the project will assess the size and scale of the current and potential market for natural resource management and environmental and land management. The project has commenced and is expected to be completed in December 2012. It will identify ideas and concepts at that stage. It is a long-term project.

**CHAIR:** Senator Macdonald, it might be a good time to suspend for our break.

**Proceedings suspended from 21:14 to 21:30**

**CHAIR:** I welcome the officers and the minister back.

**Senator IAN MACDONALD:** Who is the project manager for this project? We were talking about sustainable development: building markets in environmental land and management services, and you were telling me that they are looking into what could be done in this area.

**Ms Fleming:** We are managing the project. Are you interested in who the consultants are?

**Senator IAN MACDONALD:** You told me last time that tenders to deliver the project are currently being assessed. I just want to know who was selected.

**Ms Fleming:** It is Access Economics.

**Senator IAN MACDONALD:** Can you tell me what they are being paid?

**Mr Dickson:** Yes, I can. Let us just—

**Senator IAN MACDONALD:** Perhaps you could—

**Ms Fleming:** We will just look that up and we will be able to tell you. I think it is around \$300,000, but it might be less than that.

**Senator IAN MACDONALD:** Okay. That tender was selected by the department?

**Ms Fleming:** Yes. The tender is for \$220,000, and we undertook the tender in conjunction with the Department of Sustainability, Environment, Water, Population and Communities.

**Senator IAN MACDONALD:** The next item is partnership with the Cooperative Research Centre for Remote Economic Participation. You told me you have made a contribution of \$100,000 to that CRC.

**Ms Fleming:** That is correct.

**Senator IAN MACDONALD:** You say the Office of Northern Australia is actively participating in CRC activities. Can you tell me how you are participating? Has the CRC developed any tangible strategies or action plans?

**Ms Fleming:** The department participates through its funding as what is termed a participating partner, and, as a result of that, we work with the CRC in the determination of their research projects and to ensure that the interests of the Office of Northern Australia are aligned with the CRC.

**Senator IAN MACDONALD:** Because time is short, could you on notice to tell me what research activities the CRC are funding or supporting that relate to Northern Australia?

**Ms Fleming:** Certainly.

**Senator IAN MACDONALD:** The next one is a timetable for infrastructure investment in Northern Australia regional development priorities, and I am wondering about the projects to identify infrastructure priorities. Can you tell me what those priorities are, or what has been identified as a priority?

**Ms Fleming:** Certainly. I will just ask Mr Dickson to give you a bit of an update on that.

**Mr Dickson:** Through the Northern Australia Ministerial Forum we have been able to leverage the original funding that was identified through the Northern Australia Sustainable Futures program with additional funding from the jurisdictions. This work has now grown, and we are pursuing three projects which address issues around infrastructure priorities. The first project is being undertaken by ABARES and is a collaboration with the department of resources. It looks at major resource industry developments—particularly bulk commodities such as LNG, coal and iron ore—and how those resource industry developments drive regional development and infrastructure needs. That project will be substantially finished by the end of this year, and they will report in March. In consultation with Queensland, we identified that while bulk commodities drive infrastructure developments around Australia, particularly in Western Australian, other issues are also relevant in Queensland and the Northern Territory. So we are doing an additional project, which looks at base metals, precious metals, bauxite and phosphate. Phosphate is particularly important to the Northern Territory and of course base metals and precious metals are particularly important to the Townsville to Mount Isa corridor. That project we are commissioning now in collaboration with the jurisdictions.

**Senator IAN MACDONALD:** ABARES is doing that, did you say?

**Mr Dickson:** No, we have not commissioned that work yet and it is unlikely that ABARES will do that because they have resource constraints. The third project, which will follow both of these projects—one focusing on bulk commodities; one focusing on base metals/precious metals—will look at those additional infrastructure issues that surround major resource growth corridors, such as community and social infrastructure, skills, Indigenous employment and development needs. We are able to demonstrate here that, through the Northern Australia Ministerial Forum, what the Commonwealth started as a fairly modest investigation of infrastructure priorities we have been able to develop into a more substantive program of work in collaboration with the jurisdictions.

**Senator IAN MACDONALD:** My take on what you have told me is that for project 1 ABARES is doing some research into major industry development. Someone else is going to do some research into base metal opportunities. The third one relates to social infrastructure, if I can broadly call it that.

**Mr Dickson:** And skills.

**Senator IAN MACDONALD:** I understand that the minister, Mr Crean, has been looking at the Green Hills Dam project on the Gilbert River, but the descriptive of those three infrastructure priorities does not seem to incorporate water storage projects.

**Ms Fleming:** The Office of Northern Australia participates in the Queensland government initiative, which is a working group on the Gilbert River. We are aware of developments and participate in that working group, but it is not a project of the Northern Australia Sustainable Futures package.

**Senator IAN MACDONALD:** What is it a project of?

**Ms Fleming:** The Queensland government is just looking at the Gilbert River.

**Senator IAN MACDONALD:** What is the Commonwealth's involvement?

**Ms Fleming:** We participate in that working group so we are kept abreast of issues that the Queensland government is looking at.

**Senator IAN MACDONALD:** Can you tell me on notice what it is looking at? I understand the premier was up there the other day wanting an urgent brief.

**Ms Fleming:** Certainly, Senator.

**Mr Dickson:** I will just clarify that the work we are doing around infrastructure priorities is principally focusing on large-scale infrastructure and the relationship between developments in the resource industry and how that drives regional development.

**Senator IAN MACDONALD:** I understand.

**Mr Dickson:** We do not have a capacity to look at all infrastructure issues and we do not have a capacity to move out beyond those growth corridors.

**Senator IAN MACDONALD:** Thank you for explaining that. The notes you gave me just said it will identify infrastructure priorities in Northern Australia. I thought perhaps the Green Hills Dam might have been No. 1. Thank you for your explanation. There is a lot I would like to ask you about the Northern Australian beef strategy. Suffice it to say that, in my view, one of the good things that came out of the neutered Northern Australia Land and Water Task Force was the beef strategy. It has all been rendered fairly irrelevant following the live cattle

ban, which just about decimated the northern beef industry right across three states. Is that strategy still being pursued?

**Ms Fleming:** That strategy is very much front and centre of long-term development for the beef sector. Perhaps Andrew could talk you through some of the key points. I understand you are short of time.

**Senator IAN MACDONALD:** I would love to do that, but I do have two or three other things I wanted to ask.

**CHAIR:** You are out of time, Senator Macdonald. Do you want to put those questions on notice or do you want to hang around and see if you get an opportunity later?

**Senator IAN MACDONALD:** I am just saying thank you for the offer to do that, but perhaps if you could explain what you would have told me. I am particularly interested in the mosaic agriculture. I would desperately have loved to have spoken to you about those.

**Ms Fleming:** There is a page on our website on each of these projects. It was only put up today, so you may not be familiar with the material, so I apologise for the short notice. There is actually a page on each and every project, but I am happy to also take any questions on notice that you might have around those.

**CHAIR:** I am going to have to go to Senator Rhiannon. If there is time, Senator Macdonald, you can deal with your colleagues and get some more time if necessary.

**Senator RHIANNON:** 2010 was the year of women in local government, and I understand that one of the decisions that came out of that was to increase the representation of women to elected positions in local government. I understand that it is still only about 27 per cent, so I was interested to hear what you are doing to follow up on that 2010 year.

**Ms Beauchamp:** I will ask the relevant officers to come forward, and I acknowledge that this issue was raised at the last estimates in terms of what was done through the area. There have been a number of projects that have been pursued in that, but I will ask the relevant officers to come forward.

**Mr Atkinson:** There is \$250,000 for the three-year 50:50 Vision. There is \$100,000 in scholarship funding to enable senior women in local government to participate—

**Senator RHIANNON:** Sorry, it is hard to hear. Are these projects that have already been undertaken or are they current now?

**Mr Atkinson:** These are currently underway. There is \$100,000 in scholarship funding to enable senior women in local government to participate in the new executive leadership program being developed by the Australian Centre of Excellence for Local Government, and some people have already gone through that. There is \$100,000 to improve the collection of data and reporting on the status of women in the local government sector, \$40,000 to Local Government Managers Australia for the 2010 management challenge involving around 130 councils identifying strategies to promote gender equity in their councils.

**Senator RHIANNON:** Thank you. You spoke there about collecting data. I note that the Minister for the Status of Women, Kate Ellis, has stated that the government is committed to increasing representation of women on boards, which is obviously very relevant to local councils. Only around five per cent of chief executive officer positions in local government are actually occupied by women. So, apart from the scholarships for women to participate in

the first course at the Centre of Excellence for Local Government, is there ongoing funding to ensure increased representation of women in senior local government positions?

**Mr Atkinson:** I will have to take that on notice.

**Senator RHIANNON:** Thank you. I would like to move on to the issue about constitutional recognition of local government. How much money has been allocated to the process for constitutional recognition of local government?

**Ms Beauchamp:** In the last budget statement the government allocated \$9.4 million to the department to implement a range of priorities relevant to regional Australia, including progressing the referendum on constitutional recognition.

**Senator RHIANNON:** Out of that \$9.4 million what will end up being spent on the referendum? There is actually a rumour—which is partly why I have asked this—that it will only be about \$1 million, when \$15 million was spent 12 years ago when we had the republic referendum. I am just trying to pin down the real amount of money that will be spent.

**Ms Beauchamp:** This does not include the cost of actually running a referendum; this—

**Senator RHIANNON:** No, I am just talking about the lead-up. Out of that \$9.4 million, what has been allocated?

**Mr Atkinson:** There are around eight departmental staff, four contract staff and there is currently a budget of around \$3 million allocated.

**Senator RHIANNON:** Is that a budget for both wages and for informing the public?

**Mr Atkinson:** That is a supplied budget for the use of the expert panel. The expert panel process is not the advertising process that works in the lead-up to a referendum: this is the expert panel who have been commissioned to gauge the level of community support and engage on what the potential questions could be.

**Senator RHIANNON:** The \$3 million is to cover this consultation period that is rolling out at the moment?

**Ms Beauchamp:** Yes, it is to support the operations of the expert panel, including the design of their website, the communications products that they are putting out and some community polling work. They are doing some quite intensive work over the next few months. Part of these costs actually do support that expert panel.

**Senator RHIANNON:** When you say 'the next few months', I understood that it was only over five weeks that they were doing this work. Is it months or are we talking about five weeks?

**Mr Atkinson:** No, the expert panel was appointed on 8 August and it is due to report in December.

**Senator RHIANNON:** Sorry, I meant the consultation period—that is fairly short, isn't it?

**Ms Beauchamp:** That is available on the website. I think that is a very short period. I think the expert panel has identified the consultation processes and where they are going on their website. I just have not got that information in front of me.

**Senator RHIANNON:** I did want to ask a little bit about that. The panel on its website says that it is:

... currently touring the states to meet with premiers, opposition leaders, local government representatives, other interested stakeholders and members of the public.

Does this mean that they are meeting with local government, premiers and other stakeholders outside the notified public meetings? I am trying to get a sense of the actual process of the consultation. Is it that we have public meetings and then you are also having specialised meetings as well?

**Ms Beauchamp:** The expert panel and the chair are running the process. Given the time line, it is a combination of both public meetings and meetings with other interested stakeholders.

**Mr Atkinson:** They are also seeking public submissions.

**Senator RHIANNON:** How does one seek a stakeholder meeting? That is what I am often asked?

**Mr Atkinson:** To do that you would contact the constitutional recognition panel.

**Senator RHIANNON:** Do you understand that there is a willingness respond, considering the shortage of time? Is it all sewn up or is their flexibility here to engage in a real way with people?

**Mr Atkinson:** I would just make the point that it is an independent panel and it has made the decisions on the consultation and community engagement program. The panel is led by Mr Jim Spigelman. It has determined what its approach to this will be. I cannot speak for the panel but, if somebody were to engage with them and seek a meeting, they would certainly take input.

**Senator RHIANNON:** Thank you; that has been helpful. I want to move on to some legislation that is coming up in New South Wales which would change the legal status of local government from body politic to body corporate. Has the department considered the consequences of this change, particularly relating to federal funding of local government?

**Ms Beauchamp:** The minister has asked us to look at a range of issues impacting on funding for local government. During the last budget process, for example, the government announced a review of the Financial Assistance Grant Scheme, so we are and will be looking at the impacts of the New South Wales legislation on those issues. Certainly no decisions have been taken by government, but there are a range of issues we need to consider in undertaking that review.

**Senator RHIANNON:** What is the time line on that review? This legislation is being considered right now. You have spoken of a review that the minister has asked you to do—when will that be finalised, and will you be releasing any of that?

**Ms Beauchamp:** We are still scoping out the terms of reference for that review and are yet to put to the minister some advice on the process for the review. So it is still in development.

**Senator RHIANNON:** It sounds like it will be quite a while away.

**Ms Beauchamp:** It all depends—

**Senator RHIANNON:** Next year?

**Ms Beauchamp:** I am sorry; I cannot give a date until I have gone through it with the minister.

**Senator RHIANNON:** The Productivity Commission in 2008 confirmed:

... a significant number of councils, particularly in rural ... and remote ... areas would remain dependent on grants from other spheres of government to meet their current expenditure.

Does the government have concerns about the adequate funding of local government by reason of the 2009 High Court decision of *Pape v the Commissioner of Taxation*?

**Ms Beauchamp:** Obviously these are the sorts of things that the Attorney-General's Department is looking at in terms of the legal ramifications. As I mentioned, we will be looking at the review of the Financial Assistance Grant Scheme to look at the funding for local government and, in that context, also looking at a range of other funding that is going to local government through a range of discretionary programs and through the states and territories.

**Senator RHIANNON:** I was specifically interested in the department's response to that High Court case, which was effectively two years ago.

**Ms Beauchamp:** The government has not made a response as such. It is still in the court processes, as I understand it. I would have to take that on notice. I think we are still waiting for the outcomes of that process.

**Senator RHIANNON:** If you could take it on notice, both what the process is and if there has been any response that can be—

**Ms Beauchamp:** As I said earlier, I would probably have to pass those on to the Attorney-General's Department, who are looking at the court proceedings and the legal proceedings.

**Senator RHIANNON:** Thank you. What is the status of the review of federal assistance grants? does the government have plans to increase direct funding for local government, in particular for infrastructure maintenance?

**Ms Beauchamp:** As I said earlier, the government has announced a review of the financial assistance grants—in the order of \$2 billion is provided through local governments through that fund—and is also looking at a range of other investments that are made primarily through discretionary grants going into local governments. So there are a number of funding streams that local governments access at the moment.

**Senator RHIANNON:** I am sure you are aware of the accusations that are often made about cost shifting by Commonwealth and state governments. It has been estimated to have a negative impact on councils of between \$500 million and \$1.1 billion annually. Has a review of the Inter-governmental Agreement Establishing Principles Guiding Inter-governmental Relations on Local Government Matters commenced?

**Ms Beauchamp:** I think the review has kicked off, primarily through senior officials. It has yet to be raised with ministers because there was a review of the Council of Australian Governments ministerial arrangements. So, as senior officials, with the other states and territories, we are looking at the requirement to undertake that review and put to a group of local government ministers later in the year.

**Senator RHIANNON:** When you say that it is yet to be raised with ministers, you mean the state ministers?

**Ms Beauchamp:** Yes.



**Senator RHIANNON:** Thanks. I have one question on climate change. National and state local government associations largely have welcomed the \$320 million Low Carbon Communities Program, but it has been highlighted that much more funding would be needed for strategic energy efficiency and generation initiatives. Is there other funding and support available to councils to replace inefficient street lighting and to create water recycling projects and water-sensitive urban design initiatives?

**Mr Carmichael:** I think that question would be better directed to the department of climate change. We have some initiatives where we are working with local councils, particularly around issues to do with their refuse tips. That is an issue that has been raised with us and that is part of our role, to work with them around that particular issue, but most of the other matters have been directly negotiated with the department of climate change and local government.

**Senator RHIANNON:** No, obviously we are taking it up with them. But I was interested in if there were any projects that your department oversees. It sounds like the answer is no, apart from projects around tips?

**Mr Carmichael:** Yes.

**Mr O'Brien:** They would be able to apply to the Regional Development Australia Fund if they had a project that met the eligibility criteria.

**Senator RHIANNON:** Such projects that I have outlined could have come under that?

**Mr O'Brien:** Potentially.

**Ms Beauchamp:** The other thing we have been doing is—there is a range of funding through the Clean Energy Future package—working with the department of climate change—particularly through local government forums, our Regional Development Australia committees—to see how people might best access those funds, for things like renewable energy, as Mr Carmichael has said, for the work that is being done around methane extraction through landfill sites and the like. We have certainly been out there as a portfolio talking about what sorts of good ideas they might bring forward—carbon farming and a range of other things as well.

**Senator RHIANNON:** Good. Thank you. I have one last question: next year a number of states have local government elections—New South Wales, Victoria, Queensland—does the department have any money for local government elections? I am particularly thinking in the context of alerting people that it is on, that they should vote and participate in the democratic process, because local governments traditionally have the lowest voter turnout. Is there any level of involvement that comes from the federal department and is there any budget?

**Ms Beauchamp:** There is no budget. All that we do is engage through Regional Development Australia committees and the 565 local governments in terms of making available our websites and other communications. So we provide in-kind support, if that were necessary and if they sought our assistance.

**Senator RHIANNON:** Thank you.

**Senator RYAN:** I have a couple of follow-up questions. Has any consideration yet been given to the timing of a referendum with respect to local government recognition?

**Ms Beauchamp:** That will depend on the outcomes of the expert panel consultation-and-review process that is underway at the moment.

**Senator RYAN:** Do the results of that expert panel get fed through to the Department of the Prime Minister and Cabinet? Because there is a concurrent consultation process going on with respect to Indigenous recognition. I think some are a little closer to making recommendations or finalising a paper than this particular process is, if not by much. I think there is some consideration about whether things should be held jointly with elections or otherwise. Which departments would your paper go to for consideration by the government?

**Ms Beauchamp:** The expert panel is doing its work independently. We are working very closely with the families department, the Attorney-General's Department and Department of the Prime Minister and Cabinet. Proposals will be going forward probably later this year or early in the new year in terms of what options might be considered by government.

**Senator RYAN:** Do they get carried forward by your department? This is an independent committee—I realise that—I am just wondering who has carriage of it into the government, into the cabinet, for example?

**Ms Beauchamp:** The normal cabinet process is that agencies work together, and views and options will be put forward in that process.

**Senator RYAN:** I understand that. I am wondering literally which minister has carriage of this particular issue?

**Ms Beauchamp:** Minister Crean has carriage of this particular issue. Minister Macklin has carriage of the Indigenous recognition issue. Prime Minister and Cabinet and the Attorney-General play a key role in that too.

**Senator RYAN:** Thank you.

**Senator THISTLETHWAITE:** Ms Beauchamp, I was a member of a parliamentary inquiry regarding the carbon pricing legislation. We held a hearing in Tamworth and the local chamber of commerce appeared at the inquiry and said that many of their members were not necessarily opposed to the reforms but were requiring further information about how the scheme would work, particularly small businesses. I am wondering if you could run through for us, firstly, whether you have had such inquiries to the department from small businesses in rural and regional areas and what the department has done in response to those to inform local communities in those areas about the operation of the scheme and where they can go for assistance?

**Ms Beauchamp:** I will start off then hand over to my colleagues. Since the announcement of the Clean Energy Future package, there have been around 20 RDA forums at the local level, to identify and provide knowledge and information around what is in the government's package, what funding streams might be available and what assistance is available to small businesses and households and the like. There has been engagement, from the minister down, with these local communities, primarily through the Regional Development Australia committees and holding local government meetings.

**Mr Atkinson:** Senator, I will answer the second half of your question. We have been working closely with the department of climate change on their communications strategy and how to communicate the opportunities that are presented by the Clean Energy Future plan to regional Australia.

**Mr Carmichael:** RDAs have played a lead role in Minister Crean engaging regional communities on the Clean Energy Future plan. I have a list of places I can provide you with if you like; they are all around Australia. He has visited every state and a range of regional centres in each of those states. They have been popularly attended. There have been follow-up requests in particular communities where the sense of the impact may have been more, so there is more intense work happening in places like La Trobe. There has certainly been a nationwide series of forums engaging local business, community groups and local councils.

**Senator THISTLETHWAITE:** If you are going to a regional centre to conduct a forum, how do you inform the local community?

**Mr Carmichael:** They are generally advertised in local papers. Sometimes it is not Minister Crean but another minister. But they are given wide publicity. There is generally media around the event, so often a couple of hundred people attend these forums.

**Ms Beauchamp:** The RDAs themselves actually initiate a number of the forums. For example, in Tasmania and other areas, they have been doing some quite active work around carbon farming and what opportunities might come from the whole package, so the Regional Development Australia committees have been marshalling and mobilising resources and holding independently of government their own local forums as well.

**Senator JOYCE:** As you put so much effort into going around the country to advise them how much we can change the temperature of the globe by, did you ever think to use the same forums to inform people in those areas how they could put a submission in properly so they could get funding? You seem to be very active on one front but you seem to lack the same enthusiasm in trying to assist people in RDA funding.

**Mr Carmichael:** RDAs actually do conduct forums, and 55 of them did conduct consultations on the round of funding. They advertised it widely; that was part of the process and that was part of their role.

**Senator JOYCE:** Did you do any in western Queensland?

**Mr Carmichael:** There are RDAs all through Queensland and all of them engaged in that activity.

**Senator JOYCE:** So why do we have such a poor success rate in the return of applications that would be accepted?

**Ms Fleming:** As we outlined before, people changed the forms and modified the lodgements and not for profits were for the first time given access to the fund; whereas before we had run that lodgement system with local government only. This created a range of issues, but we will be working closely to ensure that there are as clear instructions as we can provide on using the new system and road testing that system in advance of round two.

**Mr Carmichael:** Just to follow up, Senator Joyce, Minister Crean held a state forum in Queensland and talked to all RDAs about the RDAF funding.

**Senator JOYCE:** Whereabouts?

**Mr Carmichael:** In Brisbane. All RDAs attended.

**CHAIR:** Senator Joyce, you are certainly straying off local government. Senator Thistlethwaite has the call.

**Senator THISTLETHWAITE:** Just going back to that issue of informing local communities, can you tell the committee about what the department is doing to inform local communities about government service delivery in general in some of these rural and regional areas?

**Mr Carmichael:** It is part of RDAs' mandate to be aware of all Commonwealth and state initiatives, and they promote them. Generally, where they know where there are particular priorities—particularly where they have priorities in their own regional plans around, say, around social inclusion—they will make a much more concentrated effort on that, but it is one of their roles to inform their local communities. Where an issue comes to their attention through the broad consultation processes that they undertake and the development of their plans, they will hold particular forums around those sorts of issues.

**Senator THISTLETHWAITE:** Does the department keep a check of important economic and lifestyle indicators in some of these regional areas?

**Mr Carmichael:** We encourage all the RDAs in their development of their plans to provide that sort of data and we have some projects where we are helping facilitate better access to that sort of data for RDAs. Each evolution of their plans will be underpinned by better data. Part of the myregion.gov.au website is to provide data at a regional level, at both the RDA level and the local government level, so there will be increasing access to that sort of data that informs local decision making on that site as well.

**Senator THISTLETHWAITE:** What about working with business to encourage greater investment in rural and regional areas? Are there any programs specifically devoted to that?

**Mr Carmichael:** We are developing some of those programs, but we are sponsoring a conference next week, the SEGRA conference to be held in Geelong, where there are particular sessions being held on how you engage particularly small and medium enterprises in economic activity in their regions. There will be a number of workshops targeted to that. We are developing a community of practice site, which Ms Beauchamp talked about earlier, and it will have some of that sort of material on it: how RDAs engage business communities and how they engage around business planning and business opportunities. We are undertaking specific work in the Illawarra right now on five strategies, which we want to then promulgate strategies nationally but are testing in the Illawarra.

**Senator THISTLETHWAITE:** Does the department keep records of indicators of business investment in particular areas? Is that something that is routinely measured?

**Mr Atkinson:** We do not keep—sorry, was it business activity indicators?

**Senator THISTLETHWAITE:** Yes, general economic growth measures, unemployment levels and those sorts of issues.

**Mr Carmichael:** We are doing some specific work in Cairns, for example. It is not easy information to get and we are doing some work with a local economic consultancy company and the Queensland government. We do that where there are hotspots where we are working in particular regions—

**Mr Atkinson:** We have a body of work on regional indicators that is progressing. We are working across Commonwealth agencies to gather existing data—for example, employment, economic and some social data sets—to pull them together at a regional level.

**Senator THISTLETHWAITE:** Is the department doing any work on improving the coordination of functions across all tiers of government in certain areas?

**Ms Beauchamp:** One of our key functions, particularly since we were set up, is looking at how we better coordinate Commonwealth agencies, in the first instance, and make sure that we can provide the necessary local intelligence back to Commonwealth agencies, so we can better target and guide Commonwealth investment in regions. Also, we work with state and territory governments, and we have obviously been doing that too in the rollout of, for example, the Regional Development Australia Fund, and work with local governments. The 565 local governments and the 55 Regional Development Australia committees are a great source of advice in terms of what works and what does not work on the ground. We have been able to be a funnel or a conduit back to Commonwealth agencies here in Canberra—in terms of Regional Development Australia committees, the development of their roadmaps and plans. They engage local communities, including business leaders.

Part of our role has been to look at how we better coordinate that information across government here in Canberra but also with our state and territory colleagues and with local government. That has been one of the value-adds that we as an organisation are bringing to the way the Commonwealth government does business, basically. We have not had this lens before, in terms of looking at the delivery of Commonwealth programs through this regional lens, and being able to embed within the Commonwealth government the importance of regions, what is happening out there on the ground, and what works and what does not work. We have been fortunate enough to have quite a deal of influence through cabinet processes and others and being able to bring that local intelligence to some of the decision-making that is happening here in Canberra.

**Senator THISTLETHWAITE:** Can you outline for the committee the arrangements and the progress in developing the Regional Development Policy Centre?

**Mr Atkinson:** The Regional Development Policy Centre was registered under the Corporations Act as an entity on 21 September. I understand the board of the policy centre will be meeting formally later this year. They have already commenced consultations with key regional stakeholders. They propose to develop a forward policy and work agenda.

**Senator THISTLETHWAITE:** When is that organisation due to commence?

**Mr Atkinson:** The organisation exists as an entity already. I understand they will be pursuing a formal public launch later this year.

**Ms Beauchamp:** They expect to hold their first board meeting in the next few weeks.

**Senator JOYCE:** What will the agenda include?

**Mr Atkinson:** Minister Crean stated that Australia's regions include rural, urban and remote areas, but, from a regional policy perspective, it is about supporting communities and improving social, environmental and economic outcomes for people outside Australia's major capital cities. To pursue those objectives, it is not about creating new statistical boundaries, which the ABS already has several of, and the remoteness classifications—

**Senator JOYCE:** I just have one question: does it include Perth?

**Mr Atkinson:** I would say that Perth is a region of Australia.

**Senator JOYCE:** What about Sydney?

**Mr Atkinson:** The question—

**Mr O'Brien:** It is certainly a region of Australia. That is a focus of our department. Metropolitan activities—no.

**Senator JOYCE:** Sydney is a region—good. Another regional area.

**Mr Atkinson:** Senator, just to clarify: when I talked about the regional policy agenda focusing on supporting the economic, environmental and social outcomes of people outside of Australia's major capital cities, that is different to what my colleague was talking about—regions as a discussion of RDA coverage, effectively, and local government.

**Senator JOYCE:** So Perth is in or out?

**Ms Beauchamp:** Senator, it is not as simple as you make out in terms of whether Perth is in or out. We are not talking about statistics and lines on a map; we are looking at the impact of programs and policies on regions as a whole. There might be something happening in Perth that actually is providing a much broader benefit for people outside of Perth. It all depends on the particular question you are after.

**Senator JOYCE:** What about a road in Perth? Would that be helping people in regional Australia?

**Ms Beauchamp:** Roads obviously connect communities together, so it depends. I am not too sure about the basis of your question.

**Senator Sherry:** As I recall, we have had a discussion about this on at least two previous occasions. If you want to pursue the time of the committee on this issue—

**Senator JOYCE:** Everywhere seems to be a part of regional Australia.

**CHAIR:** Senator Joyce, you have repeatedly covered this area tonight. Can you at least allow the minister to complete his answer without jumping in over the top of him. Minister, please continue.

**Senator Sherry:** As I recall, I do not think the conversation went anywhere. I certainly recollect Perth being raised and we have had Sydney Harbour Bridge tonight. It is your time, but we have discussed the matter and answered it on at least two previous occasions.

**Senator JOYCE:** Everywhere is regional.

**Senator THISTLETHWAITE:** Is it the role of the RDAs to identify for the government the economic and social priorities for their regions?

**Mr Carmichael:** That is one of the key priorities that we ask them to do and increasingly we are working with state governments around that. For example, Queensland just released their draft regionalisation strategy. We worked with Queensland about how you prioritise economic and social priorities in each of those regions and RDAs are at the forefront of that consultation process. When the Queensland government came to Canberra to consult on their plan—and this is part of what Ms Beauchamp was saying earlier about how we are playing a lead role across the Commonwealth—we brokered all of the appropriate Commonwealth agencies to participate in that consultation to feed into their regionalisation strategy. So there is a bottom-up process of RDAs identifying social and economic priorities for their region and then work around aligning those with state and Commonwealth priorities so that we get a line of sight from the local to the national level.

**Senator THISTLETHWAITE:** That is not a time defined process, is it? It is an ongoing process?

**Mr Carmichael:** It is an ongoing process but we do seek that they upgrade and enhance their plans each year and they are just in the process now of finalising all of their plans. Each year they need to update their plans, they need to consult with local stakeholders to determine if those priorities are changing or if new ones are emerging. They must consult with their local councils and they must provide a plan to their local councils in their region as part of that process.

**Senator THISTLETHWAITE:** Does the government formally respond to those plans and those priorities?

**Mr Carmichael:** We analyse those plans and that informs our public policy considerations. We also feed that back at the state level through state advisory committees to work out how we might, for example in Queensland, work around Queensland's key priorities and the Commonwealth's key priorities that are also identified with the RDA and local government—to bring alignment between those four groups to better progress those sorts of issues at a strategic level.

**Senator THISTLETHWAITE:** Is Queensland the only state that has done that?

**Mr Carmichael:** No. Ms Beauchamp was talking about our lead role. In Victoria there are eight regional management forums; they have not had any participation from the Commonwealth until now. We have negotiated that a senior Commonwealth officer will be on each of those committees. We are coordinating the Commonwealth briefing of those officers and they will feed back into Commonwealth policy considerations. RDAs, local government and state government are all part of those committees. We are rolling that out across the country where it is appropriate and where we can work with the state governments in that way.

**Senator McKENZIE:** I have four questions relating to a specific program or application. They relate to the funding sought under the Regional Development of Australia Fund to facilitate the growth of the Latrobe regional airport in Gippsland Victoria as an aerospace industry centre and to expand regional employment opportunities. The application was rejected due to a failure to provide certain documentation. The project was going to give an additional 150 direct jobs to our community, already stressed in the coal industry. Can the department advise of the details around the decision to reject the application?

**Mr O'Brien:** I can take that on notice.

**Senator McKENZIE:** Thank you.

**Mr O'Brien:** It was deemed ineligible?

**Senator McKENZIE:** Yes.

**Ms Beauchamp:** Senator, you actually mentioned the failure to provide documentation. That in itself would be a reason why it was ineligible to be considered.

**Senator McKENZIE:** If that is the case—and my understanding is that it was a genuine misunderstanding rather than a deliberate attempt to withhold—is there an avenue for redress or reapplication or discussion with the department to have their application looked at again?

**Ms Beauchamp:** If round 1 has closed, in terms of round 2 they are eligible to reapply. Also, on the basis of them reapplying, they will have probably sought further advice from the department in terms of why their application was ineligible. They have also had the opportunity to seek that feedback.

**Senator McKENZIE:** This is the No. 1 project put forward by the whole—

**Mr O'Brien:** I spent a lot of time in the Latrobe Valley in recent months so I am well aware of the projects and I would expect that they will be resubmitting at the next round.

**Senator McKENZIE:** Yes, that is my understanding too. Given the higher rate of non-compliance in round 1, have the application forms or the required criteria change?

**Mr O'Brien:** Yes. We are reconsidering reviewing the guidelines as they currently stand—and we talked about that a little earlier. That process has not been finalised yet. It will be finalised shortly. With the minister's approval, we are looking to publish a new set of guidelines in early November. So they will change. We are looking at changing the process of application in terms of lodgement. I might get Ms Fleming to talk a little bit about that. The idea is to make available a more user-friendly e-form than we had previously.

**Ms Fleming:** The system we used before was a smart form that we had used in the third round of the RLCIP program so we had not anticipated the issues that arose in RDAF round 1 because it was a system that had been used before. Given the issues that arose with round 1, we are now developing a web form. That means people will lodge directly onto a web form; there is no downloading of documents or modifying of documents; they can amend the document and they can do it over time; there will be tab fields; there will be explanations; there will be a how-to guide the user system; and we will provide as much support as we can to applicants who possibly have not used web forms before

**Senator McKENZIE:** How much money will be available under round 2?

**Mr O'Brien:** That is still to be determined.

**Senator McKENZIE:** Is there another program that will be available more quickly for access by Gippsland Aeronautics that you can advise them of?

**Mr O'Brien:** Not at this stage.

**Senator McKENZIE:** On notice, I would like to know which regional papers the \$35,000 spent on Media Monitors actually covers.

**Mr O'Brien:** I will have to take that on notice.

**Senator RYAN:** I presume you would be in a capacity to provide the brief you provide to Media Monitors. That would give the wholesale cost. If it is a commercially provided service, obviously the government would provide a brief saying, 'This is what we want covered, the search terms, newspapers, regions.' Would you be able to take that on notice and provide it to Senator McKenzie?

**Mr O'Brien:** We will take that on notice.

**Senator RYAN:** Is there any reason you could not?

**Mr O'Brien:** I am personally not sure.

**Senator McKENZIE:** I think what Senator Ryan is suggesting is that you have asked them to do a monitoring service and what you have asked them to do must be somewhere.



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

**Senator JOYCE:** I want to go to Granite Belt Support Services. They would be in the Stanthorpe area. They put in an application to fund a community therapy day services and training centre to service families and carers in the Southern Downs and Northern Tablelands regions. I have been to this project, which is to help disabled kids and their families. Are you aware of this project?

**Senator Sherry:** Which program are we dealing with here?

**Senator JOYCE:** RDA funding. They did not get funding under the RDA.

**Mr O'Brien:** I am not aware of that project.

**Senator JOYCE:** They want feedback on why they did not get funding. They were very eager to get it. It is a big issue for the people of Stanthorpe. How would they go about finding out why they did not get funding but a hall in Lismore got \$3 million?

**Mr O'Brien:** As we mentioned earlier, the feedback process is underway and we are about halfway through that at the moment.

**Senator JOYCE:** What do you suggest we say to them as to why a building in Armidale got \$8 million yet they got nothing?

**Senator Sherry:** We have explained the process. This is the second time.

**Senator JOYCE:** It is very important for them.

**Senator Sherry:** I accept it would be. There are local projects in the north of Tasmania that did not get any funding, and I am disappointed for them. I can understand why.

**Senator JOYCE:** We are talking about this assistance for disabled children; not Northern Tasmania.

**Senator Sherry:** I can understand their disappointment. There were more than 550 applications. We have had a thorough discussion about this prior to the break this evening. I can understand there were a very, very significant number of applications vis-a-vis the number of applications grant money could be provided for. It is perfectly reasonable to understand disappointment and it is perfectly reasonable for people, an organisation, a not-for-profit or a council that have missed out to look at others who have been provided with money and perhaps be concerned. That is, again, perfectly reasonable—a perfectly human disappointment.

**Senator JOYCE:** So do I just offer that babble as an excuse to them?

**Mr O'Brien:** We are happy to speak to them.

**Senator Sherry:** There is a process.

**Ms Beauchamp:** We have been through a robust process. It has been a competitive process. Not every project can get up out of the 553. There has been a process of prioritisation by the panel in accordance with the guidelines. Some projects have been presented in a much stronger way in terms of meeting the selection criteria than others.

**Senator Sherry:** You tonight criticised St Vincent de Paul's project, you criticised the Geelong project involving the Geelong Football Club. People have different perspectives on what is a project.

**Senator JOYCE:** I would stand by that assisting disabled children's families is more important than assisting the Geelong Football Club. Do you have a different view?

**Senator Sherry:** I do not have a view on this matter. All I said is that I understand the disappointment and the perspective of people that miss out.

**Mr O'Brien:** You asked the question: what can I say to them? You can say to them very clearly that we are willing to provide feedback.

**Senator JOYCE:** They raised \$920,000 themselves. They were looking for \$1.167 million. I have been there. It is vitally important to those people. I think everybody agrees—we are on a unity ticket—that respite for families is an essential element.

Clearly understand this, because this is very important: there is no area in Australia that is excluded under the term 'regional'?

**Ms Beauchamp:** It all depends on what information you are actually after. As you would know, there was a regional ministerial budget statement put out last year that identified \$4.3 billion of new initiatives going into regional Australia. 'Regional Australia' is defined differently across different regions depending on the funding programs. For example, resource management have different boundaries than the health program, who are offering rural and remote services, as do some of the regional implications of some of the education funding. What our minister is very keen to do is look at projects and how they benefit those living outside—as Mr Atkinson said—the major capital cities. That is a sort of benchmark we use. But you cannot generalise because there are a range of programs that are provided to regional Australia and they have very different requirements in terms of some of the rules they apply, particularly for funding arrangements.

**Senator JOYCE:** When you said 'the major capital cities' does that include—

**Senator Sherry:** Senator—

**Senator JOYCE:** No, I am not talking to you, Minister; I am talking to—

**Senator Sherry:** I still have a right to respond to a question, and I will.

**Senator JOYCE:** Can you respond after I finish the question?

**Senator Sherry:** Yes, when you finish—go for it.

**CHAIR:** Yes. Senator Joyce had the call. Let him put the question, as I have asked him to allow you to answer. Senator Joyce.

**Senator JOYCE:** So when you talk about 'major capital cities', does that include or not include Perth?

**Senator Sherry:** Just before the officer answers, because I think this is the third time tonight you have raised this.

**Senator JOYCE:** Well, just give me the answer—yes or no?

**Senator Sherry:** We had an extensive discussion on two previous occasions. I think we are touching the fourth or fifth time we have gone to the definition of 'region' and a conversation about Perth. I am all for providing you with the response—

**Senator JOYCE:** Okay, give it.

**Senator Sherry:** I had not finished. I am all for providing you with a response, but this is the fourth or fifth time around on this matter.

**Senator JOYCE:** I just want some answers.

**Senator Sherry:** If the officers have anything additional to add to previous question-answer conversations we have had on this, as I have said before, Senator Joyce—

**Senator JOYCE:** But that is not an answer. That is just a—

**CHAIR:** Senator Joyce, I pulled the minister up just a few moments ago to allow you to complete your questioning. He is now responding. If you keep going over the same old ground you are going to get a response from the minister that is appropriate. Minister, you have the call.

**Senator Sherry:** I will conclude and just say that, Senator Joyce, it is your time and, if you want to ask a question four or times—we really have worked this issue in great detail—it is your prerogative. There might be other senators who have other questions. We can only do our best but we are getting quite repetitive on this one.

**Senator JOYCE:** You have just spent three or four minutes to give an answer to a question which was never an answer. It was completely and utterly irrelevant. The question was quite succinct: is Perth one of the major capitals that are excluded from the definition of regional? Yes or no? Either Perth is part of regional, in which case the answer is yes, or Perth is not part of regional, in which case the answer is no. You have been completely unable to give an answer to that. Why? Is this a tactic of yours to try to prevaricate, thinking that somehow if you babble on for long enough that will do for an answer?

**Senator Sherry:** No. I just pointed out that we have discussed the issue of Perth and definition of region—

**Senator JOYCE:** So Perth is or it isn't?

**Senator Sherry:** on three or four previous occasions.

**Senator JOYCE:** So you cannot answer the question?

**Senator Sherry:** I am not a believer in—

**Senator JOYCE:** So you are not capable of answering the question. Is that why you are no longer in cabinet?

**CHAIR:** Senator Joyce, you have put your question on a number of occasions. You might have changed the terminology a little bit. Allow the minister to complete his answer.

**Senator Sherry:** As I say, if the officers have anything more to add on this repetitive question, fine, but I do not have anything more to add.

**Senator JOYCE:** You did not have anything at all, actually—but that is who you are. Has any feedback included any suggestions to better manage round 2 of the fund?

**Ms Beauchamp:** Yes, Senator.

**Senator JOYCE:** What are they?

**Mr O'Brien:** We are working through a process. We are getting feedback from RDAs right around the country and we are taking that feedback on board. We have also set up an online web form to provide feedback. We are taking that all into account in the preparation of the second set of guidelines.

**Senator JOYCE:** The members of the independent advisory panel remain the same for round 2.

**Mr O'Brien:** That is a matter for the minister, but I expect that they would.

**Ms Fleming:** They were appointed for three years, Senator.

**Senator JOYCE:** Who are the members of that panel?

**Ms Fleming:** The chair is Christian Zahra.

**Senator JOYCE:** Where is he or she from?

**Ms Fleming:** He is from Victoria.

**Senator JOYCE:** What part of Victoria?

**Senator Sherry:** He is the former member for McMillan.

**Senator JOYCE:** Who else have we got?

**Ms Fleming:** Professor Barbara Norman.

**Senator JOYCE:** Where from?

**Mr O'Brien:** The ACT. There is Brad Orgill from New South Wales.

**Senator JOYCE:** What part of New South Wales.

**Ms Fleming:** Sydney.

**Senator JOYCE:** Who else have we got?

**Mr O'Brien:** Professor Fiona McKenzie from Western Australia.

**Senator JOYCE:** What part of Western Australia?

**Mr O'Brien:** Perth. And there is Justin Hanney from Victoria. He is from Melbourne.

**Senator Sherry:** And there is no-one from Tasmania. Senator Joyce, just look at the list. Going back to our earlier discussion; however, I do not want to go back to Perth—

**Senator JOYCE:** Do we have anyone from places like Mt Isa, Kalgoorlie or from regional Australia on the Regional Development Australia panel?

**Senator Sherry:** We have given you the full list and their background.

**Senator JOYCE:** So the answer is no.

**Ms Beauchamp:** Where those people are currently living is not necessarily an indication of the skills, expertise and knowledge that they bring from regional Australia.

**Senator JOYCE:** It is a bit of a reflection on how Regional Development Australia funds are allocated when there is not even one person from regional Australia on the panel.

**Mr O'Brien:** Each of them has had a very strong association with regional Australia.

**Senator JOYCE:** Which one?

**Mr O'Brien:** Each of them has.

**Senator JOYCE:** Give an example.

**Mr O'Brien:** Justin Hanney was the former chief executive of Regional Development Victoria.

**Senator JOYCE:** Where did he live when he did that?

*Senator Ryan interjecting—*

**CHAIR:** Senator Ryan and Senator Joyce, we are coming to the conclusion of the evening. I understand you want to get as many questions on the record as possible, but if you allow the witnesses to complete their answers that would be most helpful.

**Mr O'Brien:** Could you put the question again, please?

**Senator JOYCE:** Where did he live?

**Mr O'Brien:** He spent a lot of time in local government in Bendigo and Wangaratta and is, as I say, the former chief executive of Regional Development Victoria. Professor Fiona McKenzie has extensive experience in regional development and currently holds the position of professorial or fellow at Curtin University doing regional development issues.

**Senator JOYCE:** Don't you think it would be nice to have on the Regional Development Australia panel one person who actually lived in regional Australia?

**Ms Beauchamp:** These people bring particularly strong expertise and skills in regional Australia. They are one source of advice on regions. Obviously we work very closely as a department with Regional Development Australia committees and the 565 local governments. So there are opportunities for Regional Development Australia committees and others to provide regional input into the process.

**Senator RYAN:** Mr O'Brien, did the person you said was the former head of Regional Development Victoria work with you when you were head of Regional Development Victoria?

**Mr O'Brien:** Yes, he did.

**Senator RYAN:** Who appointed him to this particular board?

**Mr O'Brien:** It was a ministerial decision.

**Senator RYAN:** Did you have a role in recommending his appointment?

**Mr O'Brien:** No, I did not.

**Senator RYAN:** When was he head of Regional Development Victoria?

**Mr O'Brien:** He was the head of Regional Development Victoria from 2007 to 2010.

**Senator RYAN:** So he was your successor as head of Regional Development Victoria?

**Mr O'Brien:** Yes, he was.

**Senator RYAN:** Who appointed him as the head of Regional Development Victoria, if you are aware of his background?

**Mr O'Brien:** I am assuming the departmental head at the time.

**Senator RYAN:** Was it a ministerial appointment or a departmental appointment at the time?

**Mr O'Brien:** It is a statutory appointment but it was on the basis of a recommendation of the department.

**Senator RYAN:** And that office is based in?

**Mr O'Brien:** The office of Regional Development Victoria?

**Senator RYAN:** Yes.

**Mr O'Brien:** It is based in Melbourne.

**Senator JOYCE:** How many staff do you employ outside the capital cities?

**Mr O'Brien:** Including the Indian Ocean territories staff, we employ about 160.

**Senator JOYCE:** Outside capital cities?

**Mr O'Brien:** Yes.

**Senator JOYCE:** The figures we have here show that you have 289 in Canberra. Is that right?

**Ms Fleming:** That is correct.

**Senator JOYCE:** Six in Bendigo?

**Ms Fleming:** Yes.

**Senator JOYCE:** Darwin is a capital city and they have got one. Hobart is a capital city and they have got two.

**Senator Sherry:** It is a region.

**Senator JOYCE:** Jervis Bay has three and Newcastle has five.

**Senator Sherry:** I object to this talk of Hobart.

**Senator JOYCE:** Orange has six and Perth has 11. It seems like the vast, vast majority—

**Senator Sherry:** Hobart is very different from Brisbane, Sydney or Melbourne.

**Senator JOYCE:** are actually employed in capital cities.

*Senator Ryan interjecting—*

**Senator Sherry:** I do not think it is as big as Geelong, either.

**Senator JOYCE:** Did you ever give any consideration to employing more people in your regional development department in regional Australia?

**Ms Beauchamp:** Yes, indeed. We are in the early stages of the development of the department—just over 12 months. A number of areas were transferred from other agencies in Canberra. We are in the process of developing and strengthening our regional network. That is going to take time. We will be working on that over the next few years.

**Senator JOYCE:** You said that you employed 100 in regional areas. Was that your first answer?

**Mr O'Brien:** There are 120 staff in the Indian Ocean Territories. We contract that staff.

**Senator JOYCE:** What exactly are they doing in the Indian Ocean Territories? Are they working with immigration?

**Mr O'Brien:** Delivering the core services and central services to the community, including the teaching staff, nursing staff and power workers.

**Senator JOYCE:** On pages 101 and 102 of your report, you have got for the Indian Ocean Territories, Christmas Island with two.

**Ms Beauchamp:** That table refers to employees under the Australian Public Service Act. We also administer the Indian Ocean Territories contract through other organisations employees to provide those services that Mr O'Brien was talking about.

**Senator JOYCE:** What about Mount Isa, Port Hedland or Kalgoorlie—any of these remote areas? Do you have anybody employed out there?

**Ms Fleming:** We have a part-time officer in Kununurra.

**Senator JOYCE:** That is good. Anyone apart from that?

**Mr O'Brien:** We have staff in Darwin and half a dozen staff in Townsville.

**Senator JOYCE:** But what about in the remote areas of regional Australia—Mount Isa, Cunnamulla, Bourke and Port Augusta? Is there any person employed in any of those?

**Mr O'Brien:** No.

**Senator JOYCE:** So the best we get is one part-time person in Kununurra. How many employees do you have altogether?

**Ms Beauchamp:** We have 481 employees, including the Indian Ocean Territories staff.

**Senator JOYCE:** Do you think if you had more employees to assist out in regional Australia you would actually get a better response to some of your funding?

**Mr O'Brien:** We have very strong linkages with the RDA committees. They have an important function in local communities. There are 55 of those across the country.

**Senator JOYCE:** Do you think you have a very strong linkage with the one of which Mayor Rob Loughnan was the chair before he resigned?

**Mr O'Brien:** I think we have a strong working relationship with all RDA committees.

**Senator Sherry:** I think that is the third time we have mentioned this mayor.

**Senator JOYCE:** There are others—Jo Sheppard.

**Senator Sherry:** This is really getting very repetitive, Chair.

**Senator THISTLETHWAITE:** Can I ask a follow-up question, Chair. Am I right in categorising it this way: rather than the department putting people in these regional centres and telling the community what is best for them, the approach of the government is to establish these regional development associations and allow the community to tell the government what is best for that area?

**Mr O'Brien:** That is right: it is a bottom-up approach. It is about embedding localism and allowing communities to organise for themselves rather than being organised by government.

**Senator THISTLETHWAITE:** And the people who are on those regional development associations come from those communities, don't they?

**Mr O'Brien:** They do indeed.

**Senator JOYCE:** How many review meetings have been held since the round 1 successful projects were announced?

**Senator Sherry:** Of what?

**Senator JOYCE:** Review meetings on the first round of the RDA funding.

**Mr O'Brien:** Five.

**Senator JOYCE:** Where were those meetings held?

**Ms Fleming:** We held the meetings in capital cities for ease of access. We had one in Melbourne, one Adelaide, one in Perth, one in Brisbane, one in Sydney and two in Canberra.

**Mr O'Brien:** That was after consultation with the RDAs themselves across the country—what was easiest for them to get together.

**Senator JOYCE:** What was the outcome of these meetings?

**Ms Fleming:** To clarify, one was a teleconference to ensure that rural RDAs were able to participate in that process. The outcome was a series of conversations with local government, not-for-profit organisations and RDAs providing feedback that reflected their regions' views on the guidelines, the process and the lodgement that we could take into account in crafting the processes and design of round 2 after the minister had considered it.

**Mr O'Brien:** We are consolidating all those views and issues that came up through those forums, and obviously they will be reflected in the advice that we provide the minister.

**Senator JOYCE:** What is the process for disbursing the funds for the 35 successful projects announced under round 1?

**Ms Fleming:** We contacted each of the successful applicants and we are seeking further information to execute a funding agreement, and we are currently negotiating with the 35. We draft up a funding agreement, they consider that and, once they have signed it, we then sign it. The template of the funding agreement is on the website.

**Senator JOYCE:** In that case, how far have you got with the funding agreement with the Clunes Museum for \$2.6 million?

**Ms Fleming:** We would have made initial contact advising them that they have been successful. I would have to provide on notice what level of information we have received to date from that particular council.

**Senator JOYCE:** In summary we have a body, none of whose panel lives in regional Australia, all of whose meetings has been held in a capital city, which is currently being investigated by the Auditor-General and which has provided \$2.7 million to a body which has been noted in parliament as currently under investigation in regard to a dodgy councillor. Would you say you have had a successful day at the shop?

**Senator Sherry:** The secretary will give an answer to those incorrect assertions as we have done on, I think, three occasions.

**Ms Beauchamp:** We have run a competitive tender process for the Regional Development Australia Fund round 1 quite successfully. We have had demand that has exceeded supply. We have had very clear writing instructions in terms of the selection criteria in the guidelines. We have had probity advice all along the way. We have contracted independent viability assessments and, as we have gone through, due diligence arrangements.

As I indicated, there is no investigation as such by the Australian National Audit Office; what we do have is normal business-as-usual for these types of grants, and the Australian National Audit Office had indicated quite publicly in their work plan that they would be undertaking a review of the administration—that is, the department's administration of the Regional Development Australia Fund.

We have had only one complaint. We are in the process of providing feedback to unsuccessful applicants. In the process we have also sought advice on how we might improve the second round, and we are in the process of consolidating that information and putting forward improvements that we could make for round 2.

So, in terms of ANAO best practice—and we have had quite a number of the regional grants programs in the department and in the portfolio which we have inherited and which



have gone through audits in the past—I am of the view, having had a look at how we have exercised our obligations under this process, that we have administered a very robust process that, hopefully, will match up and be in accordance with the better practice ANAO guidelines for the administration of a discretionary grants program.

**Senator JOYCE:** Until I informed you tonight you were not aware of the conflict of interest investigation in the Clunes Museum decision, and we find out tonight that, to the best of our knowledge, there is only one part-time staff member—in Kununurra—who you could say is in a genuinely remote regional area.

**Senator Sherry:** The secretary and other officers have given a very comprehensive, detailed outline explanation of the issues you have raised. We are not going to repeat ourselves. I think there are probably senators with other questions in the little remaining time.

**CHAIR:** There certainly are.

**Senator JOYCE:** I am finished.

**Senator IAN MACDONALD:** Just one follow up from one that Senator Joyce was asking—what were Mr Zahra's qualifications for this job apart from the fact that he is a former Labor member of federal parliament?

**Ms Beauchamp:** Sorry, Senator—I do not have the CV in front of me.

**Senator IAN MACDONALD:** While you are looking that up, I want to ask a couple of very brief questions about the Northern Territory as a territory. I suspect I should ask them of the Assistant Secretary, Territories West. I also want to ask a couple of questions about Christmas Island, and I have to finish some of my questions about Northern Australia.

**Ms Beauchamp:** Senator, can I clarify? You said you were interested in the Northern Territory, did you?

**Senator IAN MACDONALD:** Yes.

**Ms Beauchamp:** Our Assistant Secretary, Territories West is primarily about the administration of Christmas Island and the Cocos (Keeling) Islands.

**Senator IAN MACDONALD:** I am very much aware of that.

**Ms Beauchamp:** Okay.

**Senator IAN MACDONALD:** What are the arrangements for Northern Territory statehood? Is anything being done about that? There is a bit of a push in the north on that.

**Ms Beauchamp:** It is certainly not an issue for our portfolio.

**Senator IAN MACDONALD:** I thought it was in the Attorney-General's portfolio but I see it is listed in this estimates. Has it changed?

**Ms Beauchamp:** Are you talking specifically about Northern Territory statehood?

**Senator IAN MACDONALD:** Territories generally used to be in this department—

**Mr O'Brien:** It is in this department. Territories is in this department.

**Senator IAN MACDONALD:** Not in Attorney-General's?

**Ms Beauchamp:** No, sorry.

**Mr O'Brien:** The issue of statehood is certainly an issue that Attorney-General's would be dealing with. We have not handled any formal proposal from the Northern Territory government on that—

**Senator IAN MACDONALD:** Can someone just tell me which department administers our eastern, western and northern territory?

**Mr O'Brien:** The department does have overarching responsibility for administering and managing the Commonwealth's interests in the territories, including the Northern Territory.

**Senator IAN MACDONALD:** Okay. What is the Commonwealth doing about statehood—if anything?

**Mr O'Brien:** I think we actually have no formal proposal from the Northern Territory government. So there is nothing yet at this stage for the Commonwealth government to consider. But I might hand over to Mr Yates to see if he has any further information to add.

**Mr Yates:** The Commonwealth government supported in principle the granting of statehood to the Northern Territory, but it is subject to the resolution of a number of constitutional issues by the Northern Territory and agreement to this approach by the Commonwealth. As Ms Beauchamp has said, we have not had a formal proposal about that from the Northern Territory. The Northern Territory is undertaking a number of forums itself to talk about what statehood might look like, and I would expect in due course that some form of proposal will come to the Commonwealth for consideration.

**Senator IAN MACDONALD:** Okay. Time is short, so nothing is on the table. Could we go back to Mr Zahra and his qualifications?

**Mr O'Brien:** He was obviously a federal member of parliament in Latrobe Valley. Prior to that he was chief executive officer of the Aboriginal Health and Housing Service in Gippsland. He has worked as a director for the Victorian Energy Networks Corporation and chair of the Victorian Sustainable Timber Industry Council.

**Senator IAN MACDONALD:** That is his CV. Can someone tell me what skill—

**Senator Sherry:** It was a ministerial appointment—

**Mr O'Brien:** It was certainly a ministerial appointment—

**Senator Sherry:** So I can refer it on to the minister and take it on notice, but a number of the attributes in the CV obviously relate to regional matters. Beyond that I will have to take it on notice.

**Senator IAN MACDONALD:** If you would, Minister. Thank you. I cannot identify them, but there is nothing wrong with giving former members of parliament a job. It happens all the time.

**Senator Sherry:** There are plenty of them on both sides of politics—

**Senator IAN MACDONALD:** I agree with you, Minister. I am not making that point. I am simply asking: what are his qualifications for this job? I could think of some things he might be good at. I struggle to see what his relevance to regional Australia is. But you will put that to the minister. Thank you.

Could I go back to Northern Australia—I am sorry I am all over the shop here—to try to get this in in the next five minutes. I was told in answer to a question that the first industry

roundtable—it was chaired by David Crombie, it was convened on Monday 27 June, including representatives of AgForce, the transport sector and so it goes on. I think it is the industry roundtable on the northern Australian beef strategy. I wonder if there are any minutes from that meeting or any communiqué or anything that you can tell me was achieved? Was there a work plan set out for the working group?

**Ms Fleming:** There was not a communiqué from that group, but David Crombie provided the Northern Australia Ministerial Forum with a verbal report back at their meeting in Port Hedland, and we continue to progress the issues that were raised at that forum through the long-term beef strategy and the work that we are doing with the states and territories. We would be happy to take you through that or provide further information on notice.

**Senator IAN MACDONALD:** In my rush at the end of my last go at this, I asked you to put on notice questions about the northern Australian beef industry strategy. I am really interested to see where the strategy for the Northern Australian beef industry is now at, following the live cattle ban, which set it back quite considerably if it did not destroy it. It is not destroyed but it has certainly been set back some time. Can you mention that in your written response?

**Ms Fleming:** Yes, certainly, Senator.

**Senator IAN MACDONALD:** Last time you told me there was the CairnsPlan. Do you remember we had discussions about this at the May estimates?

**Ms Fleming:** Yes.

**Senator IAN MACDONALD:** It has been put back and put back and put back. The last reason was Cyclone Yasi. Has it now been released?

**Ms Beauchamp:** No, it has not.

**Senator IAN MACDONALD:** Okay. It was due for release in January. When do we expect the CairnsPlan to be released?

**Mr O'Brien:** You say it was due for release in January?

**Senator IAN MACDONALD:** That is what I was told at the previous estimates—January 2011. It was already late when I asked about it at the February estimates. Subsequent to that, a cyclone came along, and at the May estimates I was told it was the cyclone that had held it up. I am just wondering when it is likely to be released.

**Mr Carmichael:** There is some work actively happening right now on a CairnsPlan. We are working with the local government and the local RDA. There is a local economic firm doing analysis that is fitting into a Commonwealth and state process which will be finalised over the next month, and then advice will be given to both state and Commonwealth governments about the next steps.

**Mr O'Brien:** Senator, it is probably worth noting that the minister launched a Cairns regional strategy today with a group called Advance Cairns, and that is a—

**Senator IAN MACDONALD:** Yes, but that is not the CairnsPlan.

**Mr O'Brien:** No, these are all inputs into the CairnsPlan.

**Senator IAN MACDONALD:** Sorry?

**Mr O'Brien:** They will all be inputs into it.

**Senator IAN MACDONALD:** Cairns is having a difficult time, as anyone who knows that part of Australia would appreciate. The department told me that that plan was to be released in January of this year. It is now getting on to a year later. I am simply asking when it is going to be released.

**Ms Beauchamp:** Sorry, Senator, can I take that on notice?

**Senator IAN MACDONALD:** Okay.

**Ms Beauchamp:** My apologies.

**Senator IAN MACDONALD:** It could be important to Cairns. The Cairns strategy is something that has bobbed up in the last few months, but it is quite different, as I understand it, to the CairnsPlan. Finally, in the time left, do we—

**CHAIR:** This is your final question, Senator Macdonald.

**Senator IAN MACDONALD:** Yes, and it relates to Christmas Island. Can someone tell me, perhaps on notice—is Ms Belinda Moss here?

**Ms Beauchamp:** No, but Mr Yates is.

**Mr O'Brien:** Mr Yates is.

**Senator IAN MACDONALD:** Mr Yates is the man? Okay. Have the costs of operating Christmas Island—not the costs of the detention centre, of course, or of the police but the general administrative costs of the Commonwealth operation of Christmas Island—increased since the detention centre has fallen over, had riots and all those sorts of things? Do we have figures on the general running costs for the administration of the island, roads, water, sewerage and those sort of things?

**Mr Yates:** I cannot give you exact figures; I can say that general running costs have increased. The increased number of people consume more electricity, which consumes more fuel, to give one very simple example, but I would need to take it on notice to give you the detail, to disaggregate it. I cannot do that at this time.

**Senator IAN MACDONALD:** If you could, because—

**CHAIR:** If you could just finish up, Senator Macdonald.

**Senator IAN MACDONALD:** Yes. I think you know what I am looking for, Mr Yates. I am not talking about the detention centre, but the detention brings more aircraft in and, as you say, more fuel, more water and so on. I am just interested in, perhaps over the last three financial years, what are the actual costs of administering the island part of the island, as opposed to the detention centre. If you could give me that, I would appreciate it.

**Mr Yates:** We can take that on notice.

**CHAIR:** I would like to thank the minister, Ms Beauchamp and the officers. I would also like to note the other departments that have appeared before us. I would like to thank the committee members for their cooperation, the secretariat for all their work in preparing for the estimates and also Hansard. I declare these portfolio estimates proceedings closed.

**Committee adjourned at 22:59**