



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

FINANCE AND PUBLIC ADMINISTRATION
LEGISLATION COMMITTEE

Estimates

TUESDAY, 24 MAY 2011

CANBERRA

BY AUTHORITY OF THE SENATE

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SENATE
FINANCE AND PUBLIC ADMINISTRATION LEGISLATION COMMITTEE

Tuesday, 24 May 2011

Senators in attendance: Senators Bernardi, Boyce, Cormann, Faulkner, Ferguson, Fifield, Hanson-Young, Humphries, Hurley, Kroger, Ludlam, Moore, Parry, Polley, Ronaldson, Trood and Stephens.

PRIME MINISTER AND CABINET

In Attendance

Senator Evans, Minister for Tertiary Education, Skills, Jobs and Workplace Relations and Leader of the Government in the Senate

Senator Arbib, Minister for Sport, Minister for Indigenous Employment and Economic Development and Minister for Social Housing and Homelessness

Senator Sherry, Minister Assisting on Deregulation and Public Sector Superannuation, Minister for Small Business, Minister Assisting the Minister for Tourism

Department of the Prime Minister and Cabinet

Outcome 1

Overview

Mr Duncan Lewis, National Security Adviser

Mr Barry Sterland, Acting Deputy Secretary (Governance)

Dr Gordon de Brouwer, Acting Associate Secretary (Domestic Policy)

1.1 Domestic Policy

Dr Gordon de Brouwer, Acting Associate Secretary (Domestic Policy)

Ms Rebecca Cross, Acting Deputy Secretary (Social Policy)

Dr Paul Schreier, First Assistant Secretary, Industry, Infrastructure and Environment Division

Mr Paul Ronalds, First Assistant Secretary, Office of Work and Family

Mr Dom English (former First Assistant Secretary, Economic Division)

Mr David Turvey, Acting First Assistant Secretary, Economic Division

Mr Tim Beresford, First Assistant Secretary, Social Policy Division

Mr Paul Elton, Deputy Head, COAG Reform Council Secretariat

Ms Mary Ann O'Loughlin, COAG Reform Council Secretariat

Mr Michael Frost, COAG Reform Council Secretariat

1.2 National Security and International Policy

Mr Duncan Lewis, National Security Adviser

Dr Margot McCarthy, Deputy National Security Adviser

Ms Rachel Noble, National Security Chief Information Officer

Mr Graham Eveille, Acting First Assistant Secretary, Defence, Intelligence and Research Coordination Division

Mr Dave Sharma, Acting First Assistant Secretary, International Division

Ms Sachi Wimmer, Acting First Assistant Secretary, Homeland and Border Security Division

Ms Marina Tsirbas, Assistant Secretary, DIRC

1.3 Strategic policy and Implementation

Mr Ben Rimmer, Deputy Secretary (SPIG)

Mr Dom English, First Assistant Secretary, Strategy and Delivery Division

Mr James Flintoft, Executive Coordinator, Strategic Policy and Implementation

1.4 Support Services for Government Operations

Mr Barry Sterland, Acting Deputy Secretary (Governance)

Mr Kim Terrell, Acting First Assistant Secretary, Ministerial Support Unit

Ms Bernadette Welch, First Assistant Secretary, Corporate Services Division

Ms Philippa Lynch, First Assistant Secretary, Government Division

Mr David Macgill, Assistant Secretary, Parliamentary and Government Branch, Government Division

Mr Chris Angus, Acting First Assistant Secretary, Cabinet Division

Mr Peter Docwra, Chief Information Officer

Mr Matthew King, Chief Financial Officer, Corporate Services Division

2.1 Official and Ceremonial Support

Mr Barry Sterland, Acting Deputy Secretary (Governance)

Mr Kim Terrell, Acting First Assistant Secretary, Ministerial Support Unit

Mr Frank Leverett, Assistant Secretary, Ceremonial and Hospitality Branch

Australian National Audit Office

Outcome 1—Assurance audit services

Mr Ian McPhee, Auditor-General

Mr Steve Chapman, Deputy Auditor-General

Ms Anya Moore, Executive Director Corporate Management Branch

Mr Anthony Howatson, Chief Finance Officer

Outcome 2—Improvement in public administration

Mr Ian McPhee, Auditor-General

Mr Steve Chapman, Deputy Auditor-General

Mr Matt Cahill, Group Executive Director Performance Audit Services Group

Ms Barbara Cass, Acting Group Executive Director Performance Audit Services Group

Mr Brian Boyd, Executive Director Performance Audit Services Group

Mr Tom Clarke, Executive Director Performance Audit Services Group

Mr Stuart Turnbull, Executive Director Performance Audit Services Group

Mr Michael White, Executive Director Performance Audit Services Group

Ms Fran Holbert, Executive Director Performance Audit Services Group

Australian Public Service Commission

Outcome 1

Mr Stephen Sedgwick, Public Service Commissioner

Ms Penny Weir, Acting Deputy Public Service Commissioner

Ms Annwyn Godwin, Merit Protection Commissioner

Mr Ian Fitzgerald, Chief Human Capital Officer

Mr Tom Fisher, Acting General Manager Employment Frameworks
Dr Jane Gunn, Group Manager, Strategic Centre, Leadership, Learning and Development
Mr David Schmidtchen, Group Manager, APS Workforce
Ms Clare Page, Group Manager, Workforce Participation
Mr Damian West, Group Manager, Client Engagement
Ms Margaret Jamieson, Group Manager, APSC Products and Services
Mr Derren Gillespie, Group Manager, Remuneration Tribunal Secretariat
Mr Roger Tarlinton, Acting Group Manager, Workplace Relations
Mr Patrick Sedgley, Group Manager, Workforce Classification
Ms Karin Fisher, Group Manager, Ethics
Mr Patrick Palmer, Group Manager, Corporate

Australian Institute of Family Studies

Professor Alan Hayes, Director
Ms Sue Tait, Deputy Director, Corporate and Strategy
Dr Daryl Higgins, Deputy Director, Research

Office of the Commonwealth Ombudsman

Mr Allan Asher, Commonwealth Ombudsman

Office of the Inspector-General of Intelligence and Security

Outcome 1

Dr Vivienne Thom, Inspector-General of Intelligence and Security
Ms Diane Merryfull, Assistant Inspector-General of Intelligence and Security

Office of National Assessments

Outcome 1

1.1 Assessments and reports

Mr Allan Gyngell AO, Director-General
Mr Derryl Triffett, Assistant Director-General, Corporate and IT Services
Mr Pat Keane, Director Business Management

1.2 Coordination and Evaluation

Mr Allan Gyngell AO, Director-General
Mr Derryl Triffett, Assistant Director-General, Corporate and IT Services
Mr Pat Keane, Director Business Management

National Archives of Australia

Outcome 1

Dr. Stephen Ellis, Acting Director-General
Ms Karen Griffith, Assistant Director-General, National Coordination Branch
Ms Cheryl Watson, Assistant Director-General, Corporate Services Branch

Outcome 2

Dr. Stephen Ellis, Acting Director-General

Ms Karen Griffith, Assistant Director-General, National Coordination Branch

Ms Cheryl Watson, Assistant Director-General, Corporate Services Branch

Department of the Prime Minister and Cabinet**Outcome 2****Office for the Arts**

Mr Richard Eccles, Deputy Secretary, Office for the Arts

Ms Sally Bassar, First Assistant Secretary, OFTA

Ms Celia Street, Assistant Secretary, OFTA

Ms Stacey Campton, Assistant Secretary, OFTA

Mr Paul McInnes, Assistant Secretary, OFTA

Mr Kim Allen, Assistant Secretary, OFTA

Mr Stephen Arnott, Assistant Secretary, OFTA

Ms Leonie McGregor, Assistant Secretary, OFTA

Ms Louise Doyle, Director, National Portrait Gallery, OFTA

Australia Council

Ms Kathy Keele, Chief Executive Officer

Ms Robin Cowdery, Executive Director, Corporate Resources

National Gallery of Australia

Dr Ron Radford, Director

Mr Alan Froud, Deputy Director

Screen Australia

Ms Fiona Cameron, Executive Director Strategy and Operations

Mr Ross Matthews, Head of Production Investment

Mr Richard Nankivell, Chief Finance Officer

National Film and Sound Archive

Ms Ann Landrigan, Acting Chief Executive Officer

Mr Steve Vogt, General Manager, Corporate and Collection Services

Mr David Boden, Acting General Manager, Collection Development and Outreach

National Library

Ms Anne-Marie Schwirtlich, Director-General

Mr Gerry Linehan, Assistant Director-General, Corporate Services

National Museum of Australia

Mr Andrew Sayers, Director

Mr Mat Trinca, Assistant Director Collections, Content and Exhibitions

Mr Graham Smith, Chief Operating Officer

Ms Kylie Noonan, Chief Finance Officer

Old Parliament House

Ms Jenny Anderson

Mr Andrew Harper

Mr Michael Richards

Independent National Security Legislation Monitor

Mr Bret Walker SC, Independent National Security Legislation Monitor

Department of the Prime Minister and Cabinet

Outcome 3

Office for Sport

Mr Richard Eccles, Deputy Secretary, Arts and Sport Group

Mr Bill Rowe, General Manager, Office of Sport

Ms Natasha Cole, Assistant Secretary, Office of Sport

Mr Jaye Smith, Assistant Secretary, Office for Sport

Committee met at 09:01

CHAIR (Senator Polley): Good morning, everyone. I call this committee to order. 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 additional expenditure for 2010-11 for the parliamentary departments and the portfolios of 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, 8 July 2011 as the date by which answers to questions on notice are to be returned. The committee's proceedings today will continue with its examination of the Prime Minister and Cabinet portfolio. 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 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, which I now incorporate into *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)

Department of the Prime Minister and Cabinet

CHAIR: The committee will begin today's proceedings with the continuation of national security and international policy, program 1.1.2. I do not believe there are any opening statements at this point. Is there any other additional information for the record?

Senator Chris Evans: I know there are constraints on one's ability to do this, but I just wondered if I could get some sense of how we see the day panning out. I know you and Senator Fifield work closely in terms of trying to be cooperative and allow senators to plan, and in terms of the department we have all these agencies listed as well. I just wondered if we

could give people an indicative idea of how the day is likely to pan out, when they are likely to be required to come up to parliament et cetera, knowing all the caveats on such things.

CHAIR: We will be at least an hour.

Senator FIFIELD: Indeed. Senator Ludlam may have some questions for international? We could be an hour on international, possibly the same on official and ceremonial—maybe a little less—and then through the program as scheduled.

CHAIR: I would say we are about a couple of hours behind.

Senator FIFIELD: We are a couple of hours behind, but they are just indicative timings. Some of these agencies may take 10 minutes.

Senator Chris Evans: The agencies are not likely to be on until later in the morning?

CHAIR: That is right.

Senator FIFIELD: That is right.

Senator Chris Evans: That would be the earliest. Then arts would certainly be after lunch at the earliest—is that right?

Senator FIFIELD: Yes, that is right.

Senator Chris Evans: Thank you for that.

Senator TROOD: I just wanted to follow up on some of the matters that we began to speak about last night rather late, and in particular some of the matters relating to WikiLeaks. Mr Lewis, have you see the *Age* newspaper this morning?

Mr Lewis: Yes. I have not actually read the article but I know about it. Are you referring to the article headed 'Gillard slow to read WikiLeaks briefings'?

Senator TROOD: Yes.

Mr Lewis: There is a similar article; I do not know whether it is exactly the same one, but it is in the *Canberra Times* also this morning?

Senator TROOD: The copy I have is from the *Age*. There is a suggestion in here, perhaps even an allegation, which says that:

But copies of Ms Gillard's briefing papers released to *The Age* reveal the Prime Minister never signed any of the released briefings as read on the day they were submitted and generally took between four and six days to read urgent material submitted to her ... Ms Gillard took five days to read urgent advice from the Australian Federal Police on whether WikiLeaks founder Julian Assange had breached Australian law, after she had publicly said publication of US embassy cables on the WikiLeaks website was illegal.

Have you read that passage or are you familiar with that passage?

Mr Lewis: I am familiar with it, yes.

Senator TROOD: Is that allegation true?

Mr Lewis: I might get Dr McCarthy to answer this question.

Dr McCarthy: In relation to that issue, what I would say is that the Prime Minister's reading and actioning of those briefs did not in any way prevent us from doing the work we needed to do in relation to the WikiLeaks issues. While it is true that the briefs were not signed on the day that they were sent to the office, the briefs did not require the Prime

Minister to approve any action that the department was taking. We were able to do the work we needed to do to coordinate the whole-of-government response to the issue.

Senator TROOD: That is a different series of propositions, but the question is: is the allegation true? From what you are saying I gather you are saying that in fact it is true.

Mr Lewis: We would not have any idea within the department as to exactly when the Prime Minister did or did not read the document. I obviously cannot help you about the internal processes of another office.

Senator Chris Evans: I think there are a couple of things to say. I have the advantage of having read the *Canberra Times* article. I think the description of 'urgent' in relation to a number of those documents is perhaps a little overblown. As I understand it, a number of the documents—and a lot of this has been released under FOI and is available—indicate they were reports of the WikiLeaks task force, which are updates on their work and reporting of their considerations. They were not, as the officer indicated, submissions which required the Prime Minister to sign to authorise immediate action; that is the first thing to say. Secondly, four to six days for a sign-off, quite frankly, is not a long length of time for a prime minister who is travelling and has huge responsibilities. The Prime Minister is known for being quite assiduous about briefs.

The other thing to say is that ministers often get briefed verbally by their officers or departmental officers on issues and consider the formal written brief later. I sign off on meeting briefs often weeks after I have had the meeting, because it is in a pile of things you need to sign off on. I am just making the point that matters that are urgent will be brought to the Prime Minister's attention as well and subject to verbal briefs by her staff or departmental staff.

As I understand it, certainly the description to me of the documents is that they have largely been reports of the task force and all that information has been made public under FOI requests. They were considered by the Prime Minister and signed off within a short period of time. As I say, urgent matters are brought to the attention of ministers, and particularly the Prime Minister, in other ways if there is an urgent requirement.

Senator TROOD: Thank you for that information, Minister. I am grateful for that, but these documents were apparently marked 'urgent'. It may not have been that there was a need for immediate action on them, but they were marked 'urgent' and presumably that means that they are documents which should come to the Prime Minister's attention rather more quickly than other documents. Four to five days seems to be a long time to be assured that those documents have actually been read.

Mr Lewis: Could I just reconfirm for you that the documents were for information. As Dr McCarthy has pointed out, there was no immediate action that we officials were waiting for. The urgency of which you speak is certainly not apparent from our point of view.

Senator TROOD: Who would have marked the documents 'urgent'? The documents were apparently marked 'urgent'.

Dr McCarthy: That may be a reference to a standard part of the briefing template that indicates timing. If indeed they were marked 'urgent', the officer preparing the brief would have written timing against the brief.

Senator TROOD: If a document is marked 'urgent' then within what period of time is it normally expected to be read by the Prime Minister?

Mr Lewis: I have explained that we do not know when the Prime Minister read them. It is quite common to have a document sitting on your desk for a while, while you are contemplating it. I am sorry; I just cannot assist you with that particular line of questioning.

Senator TROOD: I understand that you have said that to me. I am interested in knowing: if a document is marked 'urgent' for the Prime Minister's attention, when would you expect that document to be read? Is four to five days normal, or can 'urgent' be two weeks, or would 'urgent' normally be 24 hours?

Senator Chris Evans: I know that as a minister you get documents that have a standard format which may include a date by which you need to sign off, so you might get one today for 3 April, or you have things like 'urgent' on them, which is the decision in which effectively sometimes the officer concerned is trying to get themselves at the top of the list for your consideration. I think the key point here is that the submissions did not require an urgent decision from the Prime Minister, there was no delay in terms of action required, and four to six days to deal with a submission for a prime minister, quite frankly, is not a lengthy period of time given other commitments. Equally, as Mr Lewis makes clear, first of all submissions may be read and not signed off, and secondly there will be verbal or other briefings to the Prime Minister in terms of issues that need to be brought to her attention. I just find that the suggestion that a formal sign-off of a submission in a period of four to six days is some sort of issue of concern is, quite frankly, not right.

Senator TROOD: Can anybody at the table tell me whether or not the matter was brought to the Prime Minister's attention verbally rather than relying on the document?

Senator Chris Evans: I think the officers at the table could not; that would probably have occurred inside the Prime Minister's office. Certainly the way my chief of staff operates is that, if submissions come in that he thinks I ought to know about, rather than just have them go into my tray he would brief me on them. If there is an issue that is currently running in terms of dealing with the issue, people get briefed verbally all the time. As I say, the submissions referred to did not require action by the Prime Minister; they were for information and noting.

Senator TROOD: Why are you sending documents to the Prime Minister—who is obviously a busy person, as you have said—marked 'urgent' if you anticipate that it can take four to six days for her to read them?

Mr Lewis: We do not know that.

Senator TROOD: If they are of so little moment, why do you not mark them whatever the next classification down from 'urgent' is so that she could read them at her leisure?

Mr Lewis: The matter was something of current and public interest at the time.

Senator TROOD: Precisely, Mr Lewis.

Mr Lewis: As I explained to you, we do not know when the Prime Minister read them. Your assertion that she did not read them until four or five days later is something that I cannot give any substance or credence to.

Senator TROOD: You are not seriously putting the proposition to me, are you, that the Prime Minister would read these documents, set them aside and then four or five days later come back and sign them and then send them back to wherever they came from?

Mr Lewis: It is quite possible and it is all—

Senator TROOD: It is more likely, is it not, that she would have signed the documents as soon as she read them?

Senator Chris Evans: That is certainly not the way I do it. I cannot speak for the Prime Minister but, if I get an information brief, I will often then speak to someone in my office or the department for further clarification or discuss it with other people well before I sign off. If you are dealing with a current issue, you will be having a range of discussions, a range of briefings. The date of sign-off is not central to what information briefs are. Often a brief like that invites further questioning or discussion or the need to talk to another minister et cetera. I do not think I should put too much store on the timing of sign-off on what is a Public Service description of something as urgent but which we know to be matters that did not require a decision and which were largely reports of a task force. I think it is not unusual practice.

Senator TROOD: This document was prepared within your division, Mr Lewis—is that right?

Mr Lewis: Within the group, yes.

Senator TROOD: Within the group, so the officer who prepared the submission decided this was urgent and so marked it clearly; is that a fair assumption?

Mr Lewis: Yes.

Senator TROOD: Presumably that was because, as you have said, it was a matter of public importance at the time. There was a lot of discussion about it and indeed there were questions of national security involved as far as we knew given what was coming out from these WikiLeaks documents. There were matters which not only were of intrinsic public importance but also went to the very heart of national security—isn't that right?

Mr Lewis: The issue of leaked documents is a national security matter; there is no doubt about it.

Senator TROOD: It would not have been unreasonable to assume that this needed urgent attention, and five to six days would seem not to be urgent?

Mr Lewis: We can speak only from the point of view of the effect back in the department. We cannot say that the handling of these documents in the Prime Minister's office or by the Prime Minister had any impact whatsoever on the pace at which we were working in the department. They were information briefs, so there was nothing for us to react to.

Senator TROOD: Mr Lewis, the public record on this matter, so far as there is one, is that the Prime Minister took four to six days to read a document related to national security which was marked 'urgent' by your group.

Mr Lewis: I reject that notion.

Senator TROOD: That is the public record; that is all we have. Since you are unable to provide us with an account of when the Prime Minister actually did see it, you cannot provide a defence of her situation, you cannot provide us with information as to when she actually did read the document, you are speculating, and the public record from documents received under

FOI makes it very clear that it took nearly a week for an urgent national security document to be read—

Senator Chris Evans: Four days has gone to a week.

Mr Lewis: With respect, you also are speculating that the first time the Prime Minister saw or became aware of that was the moment that she signed it. I cannot confirm that, but that is speculation on your part, surely.

Senator TROOD: What is on the public record does not reflect well on the way in which the Prime Minister has dealt with this urgent national security matter either—

Senator Chris Evans: That is not right. That is just not right, and I know you are trying to beat up a press story today. Let me be clear to you: the process, as any of the former Liberal or National Party ministers would advise you, is that briefs come into the Prime Minister's or a minister's office in great number. I cannot imagine how many come into the Prime Minister's office, but they come in great number. They are generally, in my office, referred first to an adviser, who provides advice as to the urgency in the sense of what rate they push them up to the minister and what is given priority. A prime minister is enormously busy and often travelling, and decisions would be taken in their office. Many briefs would be the subject of a briefing to the Prime Minister or the minister as to what has come in and what they need to deal with urgently. Office staff would make a decision about what needed to be seen immediately or might provide summaries of issues, or the minister might see the brief and then seek further information, discuss with colleagues and seek to discuss with departmental staff.

Your proposition requires the leap to an assertion that no-one in the office did anything about it until the Prime Minister signed it. That is not the way it works. These briefs were briefs that did not require a decision from the Prime Minister. Quite frankly, I am sure that the Prime Minister is required to make certainly hundreds and perhaps thousands of decisions a day. The office would prioritise those and the Prime Minister would be briefed on issues that require her attention. A turnaround of four to six days in a Prime Minister dealing with briefs, I think, would be regarded by the Public Service as highly efficient.

Senator FAULKNER: Can I ask a question of Mr Lewis or Dr McCarthy. I assume that there is a leap of faith involved in this between two critical pieces of timing: (a) when a submission—let us not make it specific but just in the normal course of events—goes from an agency to the minister, in this case the Department of the Prime Minister and Cabinet, to the Prime Minister or the Prime Minister's office; and (b) when something is signed off by a minister or the Prime Minister. These are the two critical recorded time periods involved in any of these sorts of things—is that right?

Mr Lewis: Yes, that is correct.

Senator FAULKNER: In other words, between the time it is transmitted by a department and received in an office and the document is signed off and then returned to an agency; that is the record, really—the physical record. But of course any minister or prime minister might well have been dealing with any document before final sign-off, might they not? That is true, is it not?

Mr Lewis: Yes, I think it is quite common.

Senator FAULKNER: I think it is quite common too, because I have certainly done it myself and I suspect Senator Evans has done it himself too. I would not expect to be open for criticism if that were the case. That is true, is it not?

Mr Lewis: That is a description—

Senator FAULKNER: While you might know when something is received, finalised and returned, it is extremely difficult from a paper trail to understand what happens between those two periods of time, which I think is Senator Evans's point. Have I got this right or wrong?

Mr Lewis: I think that is an accurate characterisation of how commonly those papers are handled, yes.

Senator FAULKNER: Of course, be it in the case of the Prime Minister in relation to this issue or another issue or be it in the case of any minister, it is extremely difficult for officials at estimates committees to be making any judgments about what might occur in the Prime Minister's office or effectively what might happen with papers that might be on the Prime Minister's desk, is it not?

Mr Lewis: Obviously we cannot comment on the practices inside the Prime Minister's office. What may or may not have happened to this document is something of which I have no visibility other than that there was no impact down in the department with regard to what happened.

Senator FAULKNER: I completely accept that, Mr Lewis, but what the public record may well show is (a) when a document is transmitted from a department. That is true, is it not?

Mr Lewis: Yes.

Senator FAULKNER: And (b) you might have some sort of date stamp or similar recording if it is national security classified material—some form of mechanism that records the time such a document is received in a minister's or prime minister's office. That is correct, is it not?

Mr Lewis: That is correct.

Senator FAULKNER: Also, if it were something that required signing by a minister or prime minister, that would be dated?

Mr Lewis: Yes.

Senator FAULKNER: Usually you have a signature and a date and then a time of receipt back in the agency of the document after it is returned?

Mr Lewis: That is correct.

Senator FAULKNER: Yes, but in between times anything could happen, could it not?

Mr Lewis: That is right.

Senator FAULKNER: In terms of a minister or a prime minister's perusal or consideration of such a document, I think it would be a massive leap of faith for anyone to suggest that a minister or prime minister might not be giving close consideration of matters or the contents of documents until they are returned to the agency concerned. That may or may not assist the committee. I hope it does.

Senator TROOD: It is not very helpful.

Senator FAULKNER: I know it does not assist you, because when you are developing a rather extreme conspiracy theory you would not ever want to let the facts get in the way of such a conspiracy theory.

Senator TROOD: There is no conspiracy here.

CHAIR: Senator Trood, you have the call this morning. Have you got any further questions?

Senator TROOD: I was trying to exercise my right that you have given me, Chair, which was to say that I was not trying to develop a conspiracy theory.

CHAIR: If you just go forward with your questions, it would be more than helpful to the committee.

Senator FAULKNER: I have tried to help. As a result of me not helping, I am going to leave.

Senator TROOD: As you have always been, Senator Faulkner. Was the Prime Minister in town at this time. Was she in Canberra?

Mr Lewis: I do not know. We can find out. I will take that on notice.

Senator Chris Evans: I think there is a suggestion there is a series of submissions, is there not?

Senator TROOD: There were submissions on this subject over a period of time, but I think we are talking about some documents which were sent to her office and I gather she was in Canberra at the time or at least in the environs.

Senator Chris Evans: Why do you gather that? Do you know or are you just saying that?

Senator TROOD: No, in trying to explain this situation no one has suggested to me or to the committee that she was in some distant part of the planet which would have been—

Senator Chris Evans: That is because you have not asked us that. Secondly, we do not know. To then conclude the opposite is not, quite frankly, a statement of fact. It is not your usual style to do this this way; that is why I am more inclined to take you up on it. The point is that I do not know where the Prime Minister was on the relevant dates when a series of submissions were sent to her office. Neither do you, so I think we ought not to make any claims about that.

Senator TROOD: Minister, thank you for that. I did ask whether or not the Prime Minister was in Canberra at the time.

Senator Chris Evans: We said we do not know.

Senator TROOD: Perhaps you could find out for me?

Senator Chris Evans: We can do that.

Senator TROOD: Because it occurs to me that would have been a reasonable explanation as to why it took so long for these documents to be read by the Prime Minister if she was not actually in Canberra. That would have been a logical, sensible, rational way to explain the delay. Nobody seems to have decided that was a good way to do it, so I assume from that that she was in proximity to her office.

Senator Chris Evans: We have given you the logical and normal explanation as to how these matters are handled. We can check for you where the Prime Minister was in terms of the relevant dates.

Senator TROOD: Thank you, I would be grateful if you would do that. It occurs to me that, if documents are going to be sent to the Prime Minister's office marked 'urgent' and, on the evidence on the public record, they are not going to be read for four to six days, perhaps someone in the Prime Minister's office and department should rethink the categorisation of documents marked 'urgent'—because as you have said, Minister, it is a good point, if I may say so.

Senator Chris Evans: All I know is I have got four in trays and three of them are marked urgent and nothing ever goes in the other one.

Senator TROOD: I am not surprised the government is doing so badly because it sounds dysfunctional. Maybe it would work more effectively and efficiently if officers took more care as to the documents they mark. You have made the point, and I agree with this point, that prime ministers in particular receive a lot of documents and they have to prioritise the work that they are doing. In those circumstances one would have thought that perhaps the officers with whom the Prime Minister is working would be more careful about the documents they send up as marked urgent if this is the treatment they are going to receive on matters of national security.

Mr Lewis: If I could just come back on that, I do not accept the notion that officers in the department would have exercised anything but proper judgment with regard to the markings on the documents concerned. I am sorry; I just do not see how you can draw any indication from this that they have been improperly marked in any way. The officers in this department do take a great deal of care about how they mark the documents for transmission to the PMO and to any other agency. I am not able to see from your line of questioning where we have departed from that diligence.

Senator TROOD: Do not misunderstand me; this is not me casting an aspersion on officers of the department. It is a reflection on what I imagine to be the procedures and protocols that apply in the department as to which documents are deemed of particular urgency or not.

Mr Lewis: We do have quite clear protocols and they do not appear to have fallen down in this case.

Senator TROOD: I assume that is the case and in those circumstances they perhaps need revision in light of this. You are telling me that it is perfectly proper for a Prime Minister to receive a document on matters of national security which are of great importance to not only her political position but actually go to questions of the nation's security, and you can mark those documents urgent and it can wait four or five or six days before they are read. Then, the system needs revision, it seems to me.

Mr Lewis: We have been through the issue of when they were read. I just do not accept your characterisation of the way in which this is handled.

Senator FIFIELD: I was just going to suggest that perhaps a method employed by former Treasurer Willis could be used. He had two in trays, one marked boring tax briefs and the

other exciting tax briefs. Maybe that could be deployed in the Prime Minister's office, exciting briefs and boring briefs, to distinguish them.

Senator Chris Evans: We know the Leader of the Opposition regards all economic briefs as boring. At least Mr Willis took an interest in some of them. If we could return to some questions, that would be more than helpful for the committee. Senator Trood, you have the call.

Senator TROOD: Mr Lewis, can I take you to the department's budget and in particular, page 40 of the budget statements on which there is a table in relation to program expenses. You will see that the program expenses for 2010-11 were \$39 million. They decline over the forward estimates to \$22 million or thereabouts. Can you explain to the committee why that cut has taken place?

Mr Lewis: Yes. I will try and give you a complete answer on this. About 80 plus per cent across the board of those cuts, that difference between in the first instance the \$39 million and the \$28 million in the immediate coming budget, are due to cuts in direct funding. I will just run through those currently. There is the one-off effect of Australia's contribution in respect of the Christchurch earthquake, which was \$5 million. There is the current independent review of the intelligence community, which is \$3 million over the years 2010-11 and 2011-12.

Senator TROOD: I understand the earthquake matter but the review of the intelligence community is continuing, is it not?

Mr Lewis: That is correct.

Senator TROOD: So the \$3 million in the forward estimates is at the end of that review; is that right?

Mr Lewis: Yes, it goes over into the next financial year.

Senator TROOD: But then it ends?

Mr Lewis: Then it ends.

Senator TROOD: Okay, thank you.

Mr Lewis: The cost of future border protection and people-smuggling work being absorbed from July 2011 is \$2.8 million over 2009-10 and 2010-11.

Senator TROOD: May I stop you there, please? There is a reference, footnote 1, relating to the funding of border security and maritime people-smuggling measures lapsing.

Mr Lewis: A lapse in the program, that is correct.

Senator TROOD: I do not think that anybody in this room would be surprised to hear me suggest that this is a matter of great national importance. I am a bit surprised to see that particular measure in there. Can you just explain which particular dimension of that measure is ending?

Mr Lewis: When it was conceived several years ago that measure was a lapsing program. You can see from the record there that it is due to lapse on 30 June. I would regard the handling, if you like, of people-smuggling issues within the department as having been normalised or regularised. We will absorb some of that work within the department's existing resources. We have had substantial support come in by way of secondees from other departments, which reduces the burden on us. The lapsing program, which was conceived, as

I say, several years ago to lapse, is now doing that. I am quite confident that the resources that we have, both now and into the future, will adequately provide for the current demands of border protection issues.

Senator TROOD: Which particular measure is it that is lapsing?

Mr Lewis: It is the funding that was around the creation of the border protection taskforce and the border protection working group in particular within our department. We have, as you are aware, a whole of government policy co-ordination function. It is not operational, but policy co-ordination. The border protection task force, which I chair, which has representation from across the Commonwealth, is supported by a small secretariat, being the border protection working group within our department. This funding, several years ago, was the direct result of a series of structural arrangements that were put in place, of which I have just spoken, in order to better cater for the exigencies of the moment around border protection. The structures are up and running. We are in what I would describe as a regularised mode around that now. I am quite comfortable with the lapsing nature of that program.

Senator TROOD: The task forces are still in place, are they not?

Mr Lewis: The task force, singular.

Senator TROOD: The task force and the coordinating mechanisms are still in place?

Mr Lewis: That is correct.

Senator TROOD: Which this funding was to support, is that right?

Mr Lewis: That is right.

Senator TROOD: Border protection is no less an issue now than it was then. In fact, I would have suggested that given the numerous fronts on which the government is trying to manage this issue with Malaysia, East Timor and Papua New Guinea, and the boats and the detention centres—the whole policy is collapsing—then you actually need more resources.

Mr Lewis: I understand the thrust of your question but the original allocation of funding was quite clearly to establish these new structures. They are now up and established. As I said, we have drawn in secondees from other departments and agencies. The lapsing nature of the program is what I would describe as perfectly routine as we regularise the handling of border protection, which we have done within the department.

Senator TROOD: Are you saying that you are not devoting any fewer resources to this issue now than you were previously under this program?

Mr Lewis: That is right.

Senator TROOD: Do I understand you to be saying that that argument is made by virtue of the fact that you have got secondees from other departments, so they boost your resources, at least your staff resources?

Mr Lewis: That is one of the contributions.

Senator TROOD: You are not paying for the staff who have been seconded?

Mr Lewis: That is correct, other than for their presence in our department, the fuel and light and office space and so forth.

Senator TROOD: So you pay for their computer time and office space et cetera, but you are not paying their staff costs?

Mr Lewis: That is correct.

Senator TROOD: How many staff are we talking about?

Mr Lewis: I will have to get some advice on the precise details. I can come back to you quite quickly on that. I do not have the answer right at my fingertips, but within a few minutes we will come back with an answer.

Senator TROOD: Thank you. I distracted you from your list. Are there any other explanations for this decline in funding?

Mr Lewis: Yes there are, one being the planned conclusion of a small grants program, 2011-12. It is one element of the government's wider national security, science and innovation strategy. Again, that is a grants program that has been in place for some years but was on a path of reduction through its life.

Senator TROOD: That program has just been cut completely?

Mr Lewis: No. I am saying that it has been reduced over the last couple of budgets and is on a reduction path.

Senator TROOD: But now it is ending; is that right?

Mr Lewis: That is correct; it is ending in this forward estimates period.

Senator TROOD: It is not taken up in any other portfolio anywhere, is it?

Mr Lewis: There has, I dare say, been some absorption elsewhere. The national security science and research community is a very big one, as you know, involving a number of publicly funded agencies. There are an increasing number of universities, tertiary institutions and commercial entities that are involved in research. You may recall, in the immediate aftermath of 9/11 there was a desire by the government of the time to accelerate and to spur on national security research. We are now what I would describe as being up on a crest of a wave. At that point, the public funding beside that could start to come off. That is what you are seeing here.

Senator TROOD: Is there anything else then, that aside? I am not sure all that amounts to virtually a 50 per cent cut in the allocations?

Mr Lewis: There is another measure here, being one-off funding for cybercoordination, which amounts to \$0.41 million in 2010-11 and \$0.45 million in 2011-12. That was a role which transferred from ASIO and Defence.

Senator TROOD: That is a role you have taken on?

Dr McCarthy: I might just clarify. PM&C took on a cyber policy coordination role to coordinate work that is going on across government in relation to cyberpolicy and operations after the last election. That role is being resourced in part through contributions in 2010-11 and 2011-12 from ASIO and Defence, both agencies which are involved in cyber issues. That is funding only for two years, which explains some of the drop-off in the forward estimates, being an increase and then a decrease.

Mr Lewis: The remaining portion of the decrease in the funding for national security relates to whole of government efficiency dividends over time, which has been uniformly applied, of course, across the department.

Dr McCarthy: There is also an administered expense for the National Counter-Terrorism Committee secretariat but that funding remains broadly constant over the period of the forward estimates.

Senator TROOD: It is difficult to avoid the conclusion that there has been a steady decline in the funding of national security functions within the Prime Minister's office as a result of this budget, and that it reflects a steady decline since Prime Minister Rudd was in office.

Mr Lewis: I have been through the one-off direct expenses that have been cut, that account for, as I say, over 80 per cent of the funding reductions. The staffing numbers within the group have remained largely constant. We are still sitting with an ASL of 137, I think. There has no appreciable diminution of that. There are some recruiting fluctuations obviously and there may be vacancies being filled time to time.

I certainly do not sense, as the head of this group, that there has been any diminution in terms of our core resourcing. There has not been. I do not get any sense that there has been a diminution in any other respect, other than these issues of direct funding which, as I have described to you, are lapsing programs and so on, or one-offs.

Senator TROOD: Do I take it that you do not agree with Mr Daniel Flitton's observation, again in the *Age*, that your office has been quietly dissolved since the time—

Mr Lewis: I read Mr Flitton's article with great interest actually.

Senator TROOD: I thought he was accurately describing what you seem to be—

Mr Lewis: With due respect to him, I reject his assertion completely. In fact, you may have seen on our departmental website that we went out with a rebuttal of the assertion that he was making the following day. No, I do not accept it.

Senator Chris Evans: I do not think there is anything about Mr Lewis that looks dissolved.

Mr Lewis: Soluble.

Senator Chris Evans: I do not agree with your characterisation, but I think you made the point earlier that it would be counterintuitive to think that there had been any diminution of effort or resourcing. That is right; there has not been. Mr Lewis has taken you through the issues of programs that are ceasing, but their central functions remain the same. The support for the early initiative, in part, reflects new arrangements put in place, some functions being picked up by some of the other departments and also obviously those on secondment to PM&C. Your basic assertion that it would be counterintuitive is wrong.

Senator TROOD: As a former senior officer of the SAS, I have always regarded Mr Lewis as insoluble but that is not to say his office might not be.

Senator Chris Evans: Not infallible, but certainly insoluble.

Mr Lewis: I have been described as other things, I assure you.

Senator TROOD: I do not doubt that. Can we turn to the national security statement. I asked you some questions about this last time and I think you were helpful to the committee in pointing out that the statement which you contributed to I think in 2008 referred to national security statements as appearing regularly. You placed some emphasis on the word regularly; I think you were drawing a distinction between annually and regularly. Of course, there has

not been another national security statement since that first one. Is there any intention to prepare another national security statement?

Mr Lewis: You might recall from our last discussion on this that the assertion that it would be an annual event was made by you at the time, as I recall. I did describe that it was indeed regular as opposed to annual, as you have described this morning. My answer then, when asked about when the next national security statement might appear, was that it is entirely a matter for the government as to when that happens. I am afraid that I am not able to give you any other answer because that is still the case, that it is a matter for the government as to when a national security statement might be delivered.

Senator TROOD: I think you did say that last time and I understood the import of that. I am perplexed by the fact that the department's program component deliverables continues to include a reference to periodic national security statements; that has been there for three years, I think. As one reads that document it suggests that another national security statement is imminent or at least likely to appear in the near future; is that not correct?

Mr Lewis: That is a matter, as I say for the government. Regarding period publication of these documents, the actual length of the period is a matter for government decision.

Senator TROOD: I just want to take you to another matter of what I think is process. It concerns the Australian government's policy position in relation to Libya, which I assume your office has some responsibility for, at least in so far as the Prime Minister is concerned with that, Mr Lewis?

Mr Lewis: To the extent that the Prime Minister is involved, that is correct.

Senator TROOD: In March this year Foreign Minister Rudd, I think, is on the public record as firmly backing no-fly zones in Libya. That is your recollection, is that correct?

Mr Lewis: I do not recall the precise dates, but yes, I accept that.

Senator TROOD: Simultaneously, the Prime Minister stated:

I think it's appropriate for the Security Council to consider a full range of options, I don't believe that range of options should be narrowed.

That statement seems to be in contrast to the foreign minister's statement that he firmly backed no-fly zones. Would you agree that there is a difference of policy position here?

Mr Lewis: No, I do not. My recollection was that the Prime Minister outlined the government's position on Libya in her address to parliament on 2 March. She called at that time for the UN Security Council to consider establishing a no-fly zone over Libya. The government's position, from my point of view, has been consistent around this, calling for Gaddafi to cease attacks on civilians and for the international community through the UN to take appropriate steps to achieve it.

Senator TROOD: On the one hand we have the foreign minister saying we ought to impose, and he firmly backed a no-fly zone, and a Prime Minister being far from committed to that policy alternative, and in fact far more cautious about that position. Is that not correct? Was it not the confusion that existed in these positions that prompted US officials to contact Canberra to seek an explanation as to why these policies were at variance with each other? Are you aware of that?

Mr Lewis: I am not aware of it.

Senator TROOD: You are not aware of any representations received from foreign governments, most particularly the United States government, which asked for a clarification of our policy because they seemed to be in a state of confusion?

Mr Lewis: No, that did not come across radar. That is a matter that perhaps the department of foreign affairs may be able to help you with. I just read out the content of the statement that the Prime Minister made on 2 March, and the government's position supporting the no-fly zone was laid out by her on 2 March.

Senator TROOD: I see. Can you explain the reference in a *Sydney Morning Herald* article to an advisor of the Prime Minister saying:

... Mr Rudd's freewheeling approach was causing confusion at a diplomatic level. "He's out of control," the adviser said.

Are you responsible for that remark, Mr Lewis?

Mr Lewis: Not at all, and I would not begin to account for the content of the *Sydney Morning Herald*.

Senator TROOD: It is a reliable journal of record. These remarks are in quotation marks, so I assume it is a direct quote taken from an officer or an advisor to the Prime Minister.

Mr Lewis: I cannot comment on that. I would have no idea of the provenance of it.

Senator TROOD: So you know nothing about the provenance of this?

Mr Lewis: No, and it would not be the first time a news article was inaccurate, I presume.

Senator TROOD: That may well be true. Was this matter drawn to your attention in any way?

Mr Lewis: I was aware of it. I read the article at the time. I remember the media coverage of this.

Senator TROOD: Were the inconsistencies in policy drawn to your attention?

Mr Lewis: I have just said to you that I do not think there is an inconsistency in policy in terms of what was declared by the Prime Minister on 2 March. I just do not accept the characterisation of that.

Senator TROOD: The Prime Minister was clearly required to repair the damage that had been done as a result of these inconsistencies between the foreign minister's position and the Prime Minister's position.

Senator Chris Evans: I do not think that is right, Senator. Correct me if I am wrong on this but I think the Prime Minister's statement to parliament was before she was in the US.

Mr Lewis: It was some weeks before we left, I am just being advised now.

Senator Chris Evans: Yes. The statement made by the Prime Minister on 2 March called for the UN Security Council to consider establishing a no-fly zone over Libya.

Senator TROOD: Is there a formal mechanism that operates within your group, or your office, Mr Lewis, to try and coordinate the positions of the Prime Minister and the foreign minister on matters of policy?

Mr Lewis: That is entirely a matter for the respective ministerial offices.

Senator TROOD: I see, so you have no role in maintaining that coordination?

Mr Lewis: We would give advice, obviously, to the Prime Minister, and if we saw that there was some form of inconsistency then we would bring it to the attention of the Prime Minister, I am sure.

Senator TROOD: I see, so you are not persuaded there was an inconsistency on these two matters?

Mr Lewis: No.

Senator TROOD: Another matter of policy, Mr Lewis; did you have a hand in preparing the Prime Minister's speech at the official lunch here at Parliament House before the Malaysian Prime Minister?

Mr Lewis: I did read it. I will just check. Yes, I am just advised that we did prepare a first draft of that speech. That is fairly typical of speech preparation for the Prime Minister's speeches, wherein we will prepare a draft, send it to the office and then—

Senator TROOD: So your office was responsible for the draft of the speech?

Mr Lewis: That is correct. We presented to the office of the Prime Minister a first draft of that speech.

Senator TROOD: When the Prime Minister delivered this speech there was that nationally embarrassing moment when she said:

... I look forward to continuing to work closely with you to ensure the success of the East Asia Summit with the US and China shortly to join.

That was not correct, was it? I assume she meant to say Russia. Did the first draft of the speech have Russia in it or China?

Mr Lewis: I do not know. We would need to check on what was in that. How the Prime Minister made that error of fact—I accept that it was a misstatement and I think she freely acknowledged that, but I cannot account for it.

Senator TROOD: This is rather embarrassing, is it not? Everybody who pays any attention to these issues knows that the East Asia Summit was at least in part a creation of China, and that Russia was originally excluded. It is one of the most simple propositions about understanding East Asia security architecture. How did this error occur?

Mr Lewis: I cannot account for the Prime Minister making a speech. I am sorry, I just cannot go to that as a departmental official.

Senator TROOD: Perhaps you could investigate for me your original draft of the speech. This is a public document.

Senator Chris Evans: The draft is not.

Senator TROOD: The draft may not be.

Senator Chris Evans: I am not sure whether the draft constitutes advice to the Prime Minister.

Senator TROOD: I would like that document, the draft of the document to be presented to the committee, please.

Senator Chris Evans: We will take it on notice. I am not sure that that is appropriate. I am not undertaking to provide that. It would be unusual for drafts of speeches to be made available so that one could track changes made in the Prime Minister's speech as a result of

various departmental or speech writer input. I will take advice on whether that has been past practice. I think Mr Lewis has made it clear there was an error in the speech, and he is not aware of the source of that. I am not sure we will be able to provide you with various iterations of the speech preparation.

Senator TROOD: I press my request that the draft of the speech be provided.

Senator Chris Evans: I am taking that on notice.

Senator TROOD: You know the rules, you know the basis on which you will have to find some reason not to provide the document. I cannot for the life of me see that—

Senator Chris Evans: I am happy to have that debate with you, but I have taken on notice your request.

Senator TROOD: Thank you.

Senator Chris Evans: I am just indicating to you it would not be my inclination to provide it but I will take advice on it.

Senator TROOD: Is it possible, Mr Lewis, that you did the right thing in your speech and someone in the Prime Minister's office changed it? Perhaps the Prime Minister herself?

Mr Lewis: That is speculation but I guess it is possible.

Senator TROOD: Did you investigate this matter once this rather embarrassing incident occurred?

Mr Lewis: Not personally, no.

Senator TROOD: Did you not think it was important enough to find out how this happened?

Mr Lewis: I think at the time I just thought that she had misspoken. I was present at the speech.

Senator TROOD: You must have known immediately that she had misspoken. Did it not occur to you that this was a matter of some embarrassment, a Prime Minister making a major speech to an assembled company in the presence of the Malaysian Prime Minister, who is well across these kinds of issues, and she on the face of it profoundly misunderstands the nature of security arrangements in the Asia-Pacific?

Mr Lewis: What I thought is not relevant or not important.

Senator TROOD: It is relevant insofar as someone was responsible for this embarrassment, and you, as the National Security Advisor, I would have thought would have had primary responsibility for tracking down how this occurred, with the purpose, presumably, of making sure it does not occur again. Would you not say that would be part of your responsibilities?

Mr Lewis: I cannot comment.

Senator TROOD: You can comment on your responsibilities.

Mr Lewis: My responsibility is to give advice to the Prime Minister. We provided a draft speech. What happens in terms of the delivery of that speech is not something for which I can account, other than the content of the draft. As the minister has said, we will need to check whether in fact that draft is something that can in fact be released. It is a draft deliberative document, a working document.

CHAIR: Senator, can I just ask you to wind up? We have surpassed the allocated time, so if you could start to wind up, please?

Senator TROOD: Thank you, Chair. You have that on notice. I would be grateful if you could get back to me when you can about that. In light of the time, lastly can you tell me, Mr Lewis, how the review of intelligence agency is progressing? When will that be completed?

Mr Lewis: The reviewers are due to report at the end of July. I have spoken to the two reviewing officers recently by way of getting an update from them, and I am satisfied that the review is progressing satisfactorily.

Senator TROOD: Do we have a date for it to be concluded?

Mr Lewis: The review is to be concluded by the end of July and then it will be considered, obviously, by government.

Senator TROOD: Finally, regarding the National Counter-Terrorism Plan, I know it is largely in the province of the Attorney-General's department, but you are overall responsible for counterterrorism; is that correct?

Mr Lewis: I have a central coordinating role, yes.

Senator TROOD: According to page 1 of the National Counter-Terrorism Plan, it was to be updated every three years.

Dr McCarthy: The plan is currently being updated.

Senator TROOD: Is it?

Dr McCarthy: Yes, I am the chair of the National Counter-Terrorism Committee and that work is underway.

Senator TROOD: The second edition was 2005, Dr McCarthy, I think I am right in saying? So it was not revised by 2008?

Dr McCarthy: I would need to check. That is some time before I came to the position. I can check for you on when it has been updated since the first edition.

Senator TROOD: You would seem to be at least six years behind in updating the plan. Why has that not occurred?

Dr McCarthy: I can get information for you on how often the plan has been updated. I do not have it in front of me. I will take it on notice.

Senator TROOD: Perhaps you could take that question on notice. The plan is under review at the moment, is that right?

Dr McCarthy: That is right.

Senator TROOD: You are chairing a committee for that review; is that correct?

Dr McCarthy: I chair the National Counter-Terrorism Committee, which is a committee of COAG that coordinates national policy and strategy on counter-terrorism. That is one of many lines of work for the committee.

Senator TROOD: Is your department undertaking that review?

Dr McCarthy: The review is being coordinated between the Commonwealth, the states and the territories, so it is a coordinated effort.

Senator TROOD: When will this be completed?

Dr McCarthy: I will need to take that on notice.

Senator TROOD: Perhaps you could do that for me, thank you.

CHAIR: I take it there are no further questions on 1.12.

Mr Lewis: I just have some amendments to read into the record as we draw to the end of this part of the hearing. Could I just read into the record that in response to the question from Senator Fifield yesterday evening, I want to clarify that consistent with longstanding practice, the department of PM&C is not responsible for the costs associated with the overseas travel by the Prime Minister and the Prime Minister's spouse. These costs, as with all other ministers, are met by the Department of Finance and Deregulation. It was just a finetuning on one of the answers that we gave with regard to travel. I think Dr McCarthy has some additional information.

Dr McCarthy: Senator Trood, you asked how many secondees are currently in the Border Protection Working Group. There are currently three secondees in the Border Protection Working Group. You also asked last night who was the source of the advice provided to the Prime Minister on what US laws may be applicable to the WikiLeaks release. I indicated that advice was based on advice provided by the Attorney-General's Department. Can I add to that that we also drew on advice from the Department of Foreign Affairs and Trade. Chair, also last night Senator Ludlam asked what were the dates of briefings provided to the Prime Minister on the current WikiLeaks issue, specifically the last date the department briefed the Prime Minister. Those dates are, in order, 25 November 2010, 26 November 2010, 27 November 2010, 1 December 2010, 2 December, 3 December, 9 December, 17 December 2010, 21 January 2011, 17 February 2011, 25 March 2011 and 2 May 2011.

CHAIR: Thank you very much.

Mr Lewis: There is one last set of additions and corrections from Mr Sterland.

Mr Sterland: Last night there was a discussion of the volunteering function, and I think a figure of \$17.1 million was mentioned. That was accurate in that it was the money that was transferred over from the relevant department, the machinery government, but the budget figures themselves include 2014-15, which brings the figure up to \$22.7 million.

CHAIR: Thanks very much for that additional information. We will now move to program 1.2, official and ceremonial support.

Senator FIFIELD: Could I please have—and this is something that might need to be taken on notice—a quarterly breakdown of electricity bills for Kirribilli House and the Lodge since November 2007?

Senator Chris Evans: I expect probably like everybody else's they will have gone up.

Senator FIFIELD: No doubt.

Mr Sterland: I will take that on notice.

Senator FIFIELD: Could you quickly take me through the current staffing levels at the Lodge and Kirribilli House?

Mr Terrell: Currently we have a total of 6.6 positions, with one of those positions vacant, and that is for both the Lodge and Kirribilli House.

Senator FIFIELD: Those 6.6 positions is for the Lodge and Kirribilli House?

Mr Terrell: Yes. One of those positions is vacant so the total of current staff is 5.6 equivalent.

Senator FIFIELD: Are those 6.6 divided between the Lodge and Kirribilli House?

Mr Terrell: That is correct.

Senator FIFIELD: Can you allocate?

Mr Terrell: At Kirribilli House there would normally be two staff, and under our current arrangements we would have the remaining 4.6 FTE at the Lodge.

Senator FIFIELD: Where is the vacancy? Is it at the Lodge?

Mr Terrell: It is at the Lodge.

Senator FIFIELD: What is the vacant position?

Mr Terrell: The position is a house attendant position.

Senator FIFIELD: Could you just quickly take me through the position descriptions or the job titles for the 6.6 positions?

Mr Terrell: There was an answer to a question on notice after the last hearings where these positions were described in full. The house manager, if you like, takes on a managerial role at both the Lodge and Kirribilli House. That involves being accountable for the day-to-day operation of the Lodge subject to the direction and guidance of the department.

Senator FIFIELD: Just their job titles.

Mr Terrell: We have a house manager, a senior chef and house attendants. Those roles are consistent across both houses.

Senator FIFIELD: One house manager, one senior chef and how many house attendants?

Mr Terrell: At the Lodge right now we would normally have 2.6 full-time equivalents but we have only 1.6 at this particular point in time.

Senator FIFIELD: What are the other two positions?

Mr Terrell: Are we talking about the Lodge?

Senator FIFIELD: We are talking about the 6.6 positions overall.

Mr Terrell: We have a house manager at the Lodge. We also have a house manager, who is also a chef, so fills that role at Kirribilli House. We have a house attendant at Kirribilli House as well, who can also assist with some of the chef duties. We also have a full-time chef at the Lodge, and normally we would have equivalent 2.6 house attendants.

Senator FIFIELD: Thank you. Has there been any change in that establishment since Ms Gillard became Prime Minister?

Mr Terrell: No, not really. There have been a few movements within the staffing arrangements since she became Prime Minister but that structure, in fact, is very consistent with what has been for a number of years.

Senator FIFIELD: Are you in a position to give us an update on the current contents of the Prime Minister's wine cellar?

Mr Terrell: Again, we provided to the most recent question on notice a detailed list, but we would have to take it on notice.

Senator FIFIELD: Has there been any change since that answer?

Mr Terrell: I assume that there has been consumption and purchases since the last update.

Senator FIFIELD: If you could provide that on notice.

Senator Chris Evans: We can take it on notice, Senator.

Senator FIFIELD: Thank you.

Senator Chris Evans: I think if people just read the answers to the questions taken on notice the previous time, that would probably help.

Senator FIFIELD: The purpose of my question is to find out what has changed since the answer to the last question on notice.

Senator Chris Evans: I would be more prepared to ask the officers to do the work if there was any suggestion that people had read the last answer. We can obviously update the information.

Senator FIFIELD: I am sorry, I will ask whatever questions I ask, and if your presuming to know what you think senators have or have not read is a basis for determining how helpful officers will be, that is a pretty new precedent you are seeking to establish.

Senator Chris Evans: I am not seeking to establish anything.

Senator FIFIELD: You are seeking to be both a mind-reader and to apply some arbitrary criteria to the helpfulness of officers at the table.

Senator Chris Evans: No, we will provide the answers. I just think obviously people ought to have a look at the previous answers given. I remind you that Mr Hockey used to refuse to provide answers to questions on notice. It is not a practice we follow. We will provide the answers. Equally, when it requires a lot of work I would just appreciate if people actually dealt with the information they got previously.

Senator FIFIELD: I do not think the questions I am asking do require a lot of work. They are pretty standard questions which have been asked at estimates. I am seeking to find out any changes that have occurred since the questions on notice were answered. Things change day by day, week by week, month by month. So, I am sorry, but I will ask, and I expect those answers to be given, taken on notice and answered.

Senator Chris Evans: Yes, and I would expect you to read the answers.

Senator FIFIELD: Why would you presume I have not?

Senator Chris Evans: It is quite clear from your last question that you have not.

Senator FIFIELD: You can set yourself up as a mind-reader if you like.

Senator Chris Evans: No, it is just if we are going to ask officers to do the work it would be useful if the previous work was actually dealt with.

Senator FIFIELD: You can be a condescending mind-reader if you choose to be.

Senator Chris Evans: If I choose to be I will be. I am just indicating that when work is required of officers taxpayers' money is expended and I would just like to make sure that it is to good effect, that is all.

Senator FIFIELD: It is put to good effect. I am sorry, I did not assume that once answers were provided to questions on notice that things were in static and did not change. Is that your understanding?

Senator Chris Evans: No, it is not, but you asked for information which has already been provided. We can provide an update of that.

Senator FIFIELD: I asked for the current staffing level at Kirribilli and the Lodge—current as in today.

Senator Chris Evans: No, you asked for the current stock of the wine, as I understand it.

Senator FIFIELD: Firstly I asked for the current staffing level.

Senator Chris Evans: We have dealt with that, and we are now onto the next question.

Senator FIFIELD: Then I asked for the current stock of the wine.

Senator Chris Evans: Yes, and I would refer you in the first place to the answer given on notice, but we will update that if that is what you want.

Senator FIFIELD: On that basis, we would never ask future questions, because you would just say, 'Well, we have already answered that on a previous occasion on notice.'

Senator Chris Evans: No, it is just a question of frequency. I refer you to Mr Hockey who refused to answer questions, refused to, and indicated it was because he thought it was a waste of departmental time.

Senator FIFIELD: Did you get up on the wrong side of the bed today?

Senator Chris Evans: No, Senator, I just think that if officers and taxpayers' money is going to be expended on answering questions it would be good to think that senators actually used the information.

Senator FIFIELD: Senators do, Minister. Anything else you want to add? Any other helpful hints?

Senator Chris Evans: No.

Senator FIFIELD: Are you done?

Senator Chris Evans: When they come to me I will assist.

Senator FIFIELD: Have you finished?

CHAIR: Senator Fifield, you have the call. Would you like to put a question to the witnesses?

Senator FIFIELD: Thank you. Could I ask that any changes to the wine cellar since the last answer was provided be provided on a week-by-week basis, if that is possible?

Senator Chris Evans: A week-by-week basis?

Senator FIFIELD: A week-by-week basis? Changes from the last answer that was provided to today.

Senator Chris Evans: If you are asking us to do a stocktake every week I think that might be—I will take the question on notice but I am sure whether we could justify doing a stocktake every week in order to answer the question for you but we will come back with what is helpful. We are happy to be transparent but whether it is a good use of time to weekly provide you with a stocktake I am not sure.

Senator FIFIELD: That will depend on the basis upon which this information is updated.

Senator Chris Evans: That is right.

Senator FIFIELD: It may be a simple thing to do.

Senator Chris Evans: Yes, clearly we do not want to get to a nightly level. As I say, I am happy to be transparent, happy to see how that information has been provided in the past but I would want to give consideration to whether we are required to do it weekly.

Senator FIFIELD: At the last estimates information was provided on official functions hosted at Kirribilli and the Lodge including a description of the events, the number of guests and costs, catering, staff hire, things of that nature. Is that something that you are in a position to provide an update on.

Mr Terrell: Yes. What period of time would you like to cover?

Senator FIFIELD: From when you last provided that information, let us say it is from the last estimates, please?

Mr Terrell: Okay.

Mr Lewis: Since the last estimates in February I have a record of one event here which is the President of Malta dinner on 22 March which was in the Lodge.

Senator FIFIELD: None since then?

Mr Terrell: That is correct.

Senator FIFIELD: So there have been no official functions at Kirribilli or the Lodge since that time?

Mr Terrell: That is correct, other than what Mr Lewis indicated.

Senator FIFIELD: Perhaps you could provide guidance as to what constitutes an official function? It is a phrase we commonly use.

Mr Terrell: The definition we use is the definition that Senator Faulkner provided the committee in May 2008. We define official functions as those functions that the department is actively involved in organising, so our ceremonial hospitality branch issues invitations and so on.

Senator FIFIELD: For any occasions other than those, PM&C would not have knowledge of because they would be of a private nature?

Mr Lewis: That is correct.

Mr Terrell: We do not collect information on private functions.

Senator FIFIELD: Thank you for that. Have there been any physical alterations made to either of the official residences since the last estimates?

Mr Terrell: As you would be aware, both residences are old and require corrective maintenance from time to time. Most of that work is currently organised by the Department of Finance and Deregulation under an arrangement we entered into with Finance last year. You would have to check with them to get an update on what has happened from their side. From our side, we have done some relatively minor works to both houses.

Senator FIFIELD: When you say minor you are talking about in the hundreds of dollars or single figure thousands?

Mr Terrell: We have put some possum collars on a camphor laurel at Kirribilli House. That cost \$1,560 exclusive of GST.

Senator FIFIELD: They are those brown rings that go around tree trunks?

Mr Terrell: We removed a dying and storm damaged tree at the Lodge which cost \$8,200, GST exclusive.

Senator FIFIELD: Nothing else other than those? For other costs we would need to go to the department of finance?

Mr Terrell: I have not got the details of exactly what but there was an additional \$390 spent at the Lodge and my figures indicate that there has been no additional expenditure at Kirribilli House.

Senator FIFIELD: Could you take on notice what that \$390 was for?

Mr Terrell: Sure.

Senator KROGER: I am curious as to how many evenings the Prime Minister and her partner spend at Kirribilli House? Do you have that information?

Mr Terrell: The department does not collect that information.

Senator KROGER: When you work out your staffing rosters which you have just gone through assiduously, would that not in some way take into account how many evenings a year the Prime Minister and her partner were there and the events that they would be scheduled to host?

Mr Terrell: When we are looking at the rosters and staffing levels we take into account a number of things including generally speaking how often the Prime Minister and Mr Mathieson and other people are using both the Lodge and Kirribilli House. We do not actually keep records within the department on their usage or their attendance at either of the residences. We know that we need to staff both residences on an ongoing basis and we need to have properly trained and suitably skilled people to do that. We would look at that on a regular basis, talking to both house managers but we do not keep records of when the Prime Minister or Mr Mathieson is in residence at either of the houses.

Senator KROGER: When you review the management of either home, but in this case we are talking about Kirribilli House, and what needs to be done, whether work needs to be undertaken because it is getting more use or whether it does not need to be undertaken because it is not a cost effective use of money for little use, how do you make that assessment if you do not keep a record of how many nights the residence is being used and for what purposes? I would have thought that to do a proper account and review of the expenditure there you would need to actually keep a record of those sorts of things?

Mr Terrell: Normally we would talk to the house managers who would keep their own records. They are not the department's record; they effectively are the Prime Minister's records. We would work with them to make sure that there is an appropriate level of staffing at both of the residences. I would talk regularly to both of the house managers around a range of issues including staffing and the adequacy of the staffing levels.

Senator KROGER: Mr Terrell, that assumes though that the house managers hold a lot of knowledge and experience with each of the residences so that they can apply that to their own analysis of what needs to be done or does not need to be done. If you have a turnover of house managers you are not keeping the history, if you like, of how the residences are managed and so on. I would have thought that that was not the most appropriate way to go if it is done on

the basis of a house manager at a particular point in time and their assessment. If one of those leaves, as has happened, how is that information then passed on in the most accurate way?

Mr Terrell: Part of my division's responsibility is to stay completely on top of these issues. We have a good deal of corporate knowledge within the department around the management of both residences going back many years. I feel very confident that we can make a fairly sound judgment based on that corporate knowledge which would be then supplemented by the expertise the managers would bring to the table.

Senator KROGER: Mr Terrell, I accept your experience and I am not questioning your capacity and ability to manage the residences but what the Australian public would be interested to know is how the residences are being used and if they are being used in a way which maximises their capacity. I know there are a lot of not-for-profit organisations that have access to them for their events and so on but I do think it would be very helpful for us to have an accurate record of how these residences are being used, for what events, how many times the Prime Minister or her family are in residence and so on, so that we could have a proper oversight of these residences.

Senator Chris Evans: I think the officer has given you the answer which is that the staffing establishment in both houses has been stable and has not been subject to major change over a long period of time. Secondly, they work with the house managers to ensure adequate staffing is available for the use of both houses. He has also made it clear they do not record the number of nights as to whether the Prime Minister or her partner actually occupies the house. I am not sure that there is an appropriate need for that to be recorded but the reality is the officer cannot help you as it is not recorded.

Senator KROGER: Thanks very much for the clarification, Minister, even though it was not needed. My question goes to the point that as a second residence I think it would be very helpful for us to have an understanding of the use of that residence.

CHAIR: Thank you. We will suspend and come back at 5 to 11, at which time we hope to clarify the remainder of the schedule for today. Could the committee members stay please?

Proceedings suspended from 10:33 to 10:55

Australian Public Service Commission

CHAIR: I welcome the Australian Public Service Commissioner and officers. Mr Sedgwick, do you have an opening statement?

Mr Sedgwick: No, I do not.

Senator FIFIELD: Good morning. I will just draw your attention to something you are probably aware of and that is in the National Disability Strategy which the Commonwealth and other jurisdictions have signed up to, one of the areas for action outlined was to improve employment, recruitment and retention of people with disability in all levels of public sector employment and in funded organisations. Are you aware of that area for action in the National Disability Strategy?

Mr Sedgwick: Yes.

Senator FIFIELD: As we have learnt over previous Senate estimates hearings, the employment of people with disabilities in the Australian Public Service has declined over many years. Please correct me if these figures are not up to date but I think in 1996, 5.5 per

cent of APS employees identified as people with a disability but by last year the percentage had dropped to 3.1 per cent. Is that broadly in line with your understanding?

Mr Sedgwick: The numbers I have is that in 1999 we had five per cent of ongoing employees with a disability. The last few years have stabilised around 3.1 per cent. We do have a problem though. The data that we are referring to comes from APSED, which the public sector employment database. Individuals need to disclose their disability status and we do not know the disability status for just under a third of employees. So, there is a large degree of uncertainty on the number.

Senator FIFIELD: I appreciate that.

Mr Sedgwick: We do have the state of the service employee survey which is a confidential survey, it is a sample but it is a confidential survey. In that, seven per cent of employees identified themselves as having a disability. So it is somewhere in that range of three to seven. Who knows? It is about where we are, I guess.

Senator FIFIELD: Over what period of time has that survey work been undertaken? I am just wondering whether we can go back further, if we can go back 10 years?

Mr Sedgwick: Would it have declined? I do not have that number in my head but I would be surprised if it had not.

Senator FIFIELD: If you could take it back year by year for as long as that survey has been done that would be interesting, just to make sure we are comparing like with like. Graeme Innes, the Disability Discrimination Commissioner, has called the effort in the Public Service to employ people with disability an epic fail. I am not endeavouring to be partisan here; I think this is an issue that has been around for a long, long time. You have given us the percentage of 3.1 per cent up to possibly seven per cent according to the confidential survey of people who identify as having a disability, do you have an actual number of staff that you can cite that that three per cent to seven per cent would represent?

Mr Sedgwick: The number was 4,618 as of last June.

Senator FIFIELD: That is the figure I had. You do not have any more updated figures since that time?

Mr Sedgwick: Not in front of me, no.

Senator FIFIELD: Again, please take on notice what the change has been since 30 June. Has the Public Service Commission formed a view as to what the implications of the National Disability Strategy's objective to improve employment in the public sector is? What are the implications for the APS? Has the commission formed a view as to what are some useful things that could be done across the Public Service to give effect to the National Disability Strategy objective?

Mr Sedgwick: We have got a number of consultative forums and best practice guides and a whole range of things. What I would say to you is that, despite a lot of goodwill, we have not got a silver bullet in this area. We do not have a magic solution here. We know that there has been a long-term downward trend, as you identified, in the number of people with a disability who have been employed in the service. Some of that might reflect the changing nature of work. There has been a lot of relatively low level work that may have been suitable for some people with a disability, not everybody, that is being done in other places or

outsourced over recent years. It has been one of those difficult issues to crack, frankly. I have been amazed by the amount of goodwill that is around, we just do not seem to have a solution yet. Some senior agency people had a private dinner with Mr Innes and a number of other people and we are all very aware of the problem, we are all quite committed to try and resolve the problem but, as I say, we do not have a magic solution.

Senator FIFIELD: One of my concerns about the National Disability Strategy is that it is a fine document but there are many fine documents which everyone agrees to, everyone gives assent to and they sit on a shelf. Against that sort of backdrop, has the government initiated any discussions with the Public Service Commission about how to implement this area for future action?

Mr Sedgwick: We have got a number of strategies in place at agency level to establish forums to share good practice. There is the disability steering group. Recently we have amended the commissioner's directions regarding recruitment activity to make it easier to recruit people with a disability. The circumstances in which this direction would apply would be one in which you have somebody with a disability, the agency and the individual are working with a disability employment network provider, and it is clear that the job for which the individual is being recruited is one for which they are suitable and they can do. In those circumstances, we are prepared to accept that a merit process is somewhat differently applied than would be the case otherwise. The directions have been amended to facilitate the employment of people with disabilities to do jobs for which they are properly equipped. We hope that over time that will have some impact at least.

Senator FIFIELD: Could you provide the committee with a copy of those amendments?

Mr Sedgwick: Our directions? Yes.

Senator FIFIELD: That is good to hear. Back to my previous question: has the government, either in the form of Minister Macklin or Parliamentary Secretary McLucas who have responsibility for disability or their departments, initiated discussions with the Public Service Commission about the National Disability Strategy and how to give effect to that area of action?

Mr Sedgwick: There are quite active and ongoing discussions between departments including with the Department of Families, Housing, Community Services and Indigenous Affairs to give effect to the draft National Disability Strategy. This is quite an active matter for us.

Senator BOYCE: There have been a number of pilot programs in a few departments involving the employment of people, and particularly I am thinking of people with intellectual disability. What role has the commission had in oversighting or distributing learnings perhaps from those?

Mr Sedgwick: I might ask Ms Page to give you the detail. We are very active in sharing best practice information across departments and agencies, as you will have picked up with the way you framed your question. The locus of activity here does rest with agencies because it is a case of matching an individual with a job and being able to make reasonable adjustment in their circumstances and all of those kinds of things. We have quite active forums that are about sharing and promulgating best practice, not just in this area but in a number of others as well.

Ms Page: We have actually established a disability steering group with a view to doing exactly what you mentioned, promoting and sharing examples of best practice throughout the Public Service. We have also developed an online forum for use by APS staff so they can share, create and distribute successful stories that they have had. On 27 July this year we are running a one-day conference. One of the aims of that conference is also to promote some examples of better practice strategies that agencies have introduced to improve their employment outcomes for people with disability.

Senator BOYCE: Who would be participating in that conference?

Ms Page: It is open to HR practitioners, heads of corporate and APS agency staff.

Senator BOYCE: How many pilot programs or programs are currently operating within agencies?

Ms Page: I could not tell you that, sorry. We would have to try and retrieve that information for you.

Senator BOYCE: If you could retrieve that information? If you could give me a sense of pilot programs, whether they are continuing and whether they have turned into real programs, so to speak, across the whole Public Service?

Ms Page: Yes.

Senator BOYCE: That would be very useful, because I do not think we will have any sense of what is working until we know whether the pilot programs are producing ongoing results. With respect to disability access to departmental buildings and the like, is your disability steering group looking at that question?

Ms Page: Not specifically, no. My understanding is that agencies are well aware of their responsibilities in this regard and have ensured that their buildings comply with appropriate standards.

Senator BOYCE: I am sure they are, but whether it remains the highest priority would be the other question. So there is no overarching check on that?

Ms Page: No. We do provide advice from time to time to agencies about what we consider are the reasonable adjustments they should make when they are considering employing a person with disability. Apart from the workplace infrastructure, that would certainly include things like building access and access to facilities like bathrooms and those sorts of things.

Mr Sedgwick: My memory is that the accommodation guidelines for the Commonwealth, which are set by the Department of Finance and Deregulation, address issues of that kind.

Senator BOYCE: I realise that is what is supposed to happen. I just wonder if anyone checks that it does happen.

Mr Sedgwick: I see. It would not be something that we would normally check.

Senator BOYCE: The other question concerned funding for driving improved employment of people with disabilities. Do you have a particular budget for that or are you simply taking it out of your overall budget?

Mr Sedgwick: We are managing it within our resource constraints.

Senator BOYCE: There is no specific program really focused on this?

Mr Sedgwick: There is not a program as such, but we have established a group within the commission who deal with the diversity issues.

Senator BOYCE: Have you set yourself a KPI in that area?

Mr Sedgwick: We have one under the National Disability Strategy. The only problem is we are not meeting it.

Senator BOYCE: You have told us about some of the things you are doing to address what you described as a difficult issue. You have not looked at interim targets or progress targets?

Mr Sedgwick: Under the strategy, we have been having discussions with departments about setting targets. Those discussions have not concluded as yet. It is a very difficult thing to do.

Senator BOYCE: When would you anticipate that you would have those established?

Mr Sedgwick: I would not want to anticipate when we would get to the end of that discussion.

Senator BOYCE: Thanks, Mr Sedgwick.

Senator MOORE: I am wondering if the commission works with specialist employment providers. I know that DEEWR is working very closely with those. Do you have employment providers that work with you and also that you talk to your agencies about? Are they one of the target groups for the conference?

Ms Page: Yes, we do. We work closely with organisations like the Australian Network on Disability, with ACE, and we certainly liaise and talk to them regularly. They will be attending and presenting at our conference in July.

Senator MOORE: In terms of the regional process, one of the areas we know is that in the past, when you did an audit of public sector work, people who identified with disability were largely centred in larger agencies, a lot in Canberra, and in those kinds of areas as opposed to regional networks. Is there a focus on regional network employment by the Australian association of employers?

Ms Page: I could not comment on that, sorry. We tend to liaise with them on a strategic level in terms of being able to provide advice to agencies and act as a conduit between them and agencies so that they can tailor solutions at an agency level.

Senator MOORE: Is it the kind of question you would actually ask them? Certainly the whole concept of regional employment is extraordinarily important. When you are working with people in those places, their capacity for regional stuff would be a useful component.

Mr Sedgwick: In the context of some of the discussions we are having with agencies around approaches to workforce planning, there are issues around better engagement with regional labour markets and better matching of employment with where people are as opposed to where the agencies are. Those things are naturally arising. The disability emphasis, if you like, is something that can be picked up in that context. It is early days in that debate.

Senator RONALDSON: Mr Sedgwick, under the Public Service Act 1999, you are required to issue a certificate of dismissal to senior employees, is that right, after representations made by a secretary or a delegate to issue a certificate?

Mr Sedgwick: To terminate an SES officer?

Senator RONALDSON: Yes.

Mr Sedgwick: Yes, there is a section of the act, the number of which I cannot remember, that says that if an agency head wishes to terminate an SES employee, they will need to consult us.

Senator RONALDSON: What are the grounds for issuing a certificate of dismissal? What has to be satisfied? What is the time line? Is formal counselling required? Are there a fixed number of written warnings or sanctions required prior to issue?

Mr Sedgwick: No, there are not within the exercise of my powers in respect of that section. My memory of it was that we need to be satisfied that it is in the public interest. As to the internal processes of the agency, you would expect them to have the capacity to engage with the individual and give them a reasonable period to adjust.

Senator RONALDSON: Sorry, I am finding it very difficult to hear you. You said you would do it, and the only test that you impose is the public interest test?

Mr Sedgwick: I will just get the act for you, Senator.

Senator RONALDSON: I take it that your lack of knowledge in relation to this matter indicates that you have not issued any certificates since you have been the commissioner?

Mr Sedgwick: I have not had to exercise that power as yet, no.

Senator RONALDSON: When did you take over?

Mr Sedgwick: December 2009.

Senator RONALDSON: I take it from that that the certificates are not issued on a regular basis?

Mr Sedgwick: No, thankfully. It is reasonably unusual to terminate an SES officer. Section 38 of the act provides:

An Agency Head cannot terminate the employment of an SES employee unless the Commissioner has issued a certificate stating that:

(a) all relevant requirements of Commissioner's Directions under section 36 have been satisfied in respect of the proposed termination; and

(b) the Commissioner is of the opinion that the termination is in the public interest.

Senator RONALDSON: What are the requirements under section 36? I presume they are the procedural matters for you to address?

Mr Sedgwick: Section 36 provides:

The Commissioner must issue directions in writing about employment matters relating to SES employees, including engagement, promotion, redeployment, mobility and termination.

Senator RONALDSON: If all a secretary has to do, I take it from what you have said, is write to you and say that it is in the public interest for this person to be removed, then you will issue the certificate?

Mr Sedgwick: That is a hypothetical question. It has not happened to me yet. No, an agency head wishing to get the commissioner to exercise that prerogative would need to demonstrate that the directions have been complied with, and the commissioner would need to be satisfied that it is in the public interest.

Senator RONALDSON: What are those directions?

Mr Sedgwick: I do not have them with me. I will be quite happy to give them to you.

Senator RONALDSON: Can you get those for me by the close of business today?

Mr Sedgwick: I should think so.

Senator RONALDSON: Is anyone at the table aware of what the directions are?

Ms Fisher: I have a copy of the commissioner's directions here.

Senator RONALDSON: If you could table those, that would be terrific. Are they the matters that the commissioner has to be satisfied with the measures the secretary has taken or are they matters that the commissioner will impose on the secretary before the issue of the certificate?

Ms Fisher: It is not my area of responsibility.

Senator RONALDSON: Who has the responsibility to substantiate to whom what needs to be done for a certificate to be issued? Has anyone in the room been involved in the issuing of a certificate?

Mr Sedgwick: I am not sure where you are going with this. In circumstances in which—

Senator RONALDSON: With the greatest of respect, Mr Sedgwick, I will decide where I am going with it. If you can just answer my question, I would be very grateful. I know where I am going, and Mr Sedgwick is just about to find out.

Senator Chris Evans: Your question was, 'Can anyone in the room answer that question?' The advice to you is please direct your question to Mr Sedgwick; if he requires officers to assist him, he will bring them to the table. You do not need to answer the question where you are going with this, but you can obviously direct questions to Mr Sedgwick in his responsibility as Australian Public Service Commissioner.

Mr Sedgwick: I am just finding it difficult to answer the question.

Senator RONALDSON: Thank you, Mr Sedgwick. Minister, this is obviously a very significant power given to the commissioner, and no-one today can even tell me what the requirements of it are.

Senator Chris Evans: I think we just tabled them, did we not?

Mr Sedgwick: The requirement is set down in legislation, and I told you what it was. The directions are here. They are on the public record, actually.

Senator RONALDSON: Once a certificate has been issued, are there any conditions attaching to that? Does the person so named against whom the certificate is issued have the right of reply? Do they reply back to you? Do they reply to the secretary back to you?

Mr Sedgwick: The process, as I understand it, is that an agency head, having complied with the directions and the procedures that they had set up within their agency, would form a view about an individual. In circumstances in which they believe that the performance of the individual was such that termination was required, they would seek the authority of the commissioner under section 38 to issue the certificate to terminate. I told you the two tests that needed to be satisfied. Having formed the view about whether that certificate should be issued or not, the commissioner would then issue the certificate or not, as the case may be. In

the event that they did, it would then be up to the agency head to decide whether they wished to go ahead and terminate. That is my understanding.

Senator RONALDSON: What do you as the commissioner require of the delegate or the secretary when they are writing to you? Do you require some background to it, or is it just a simple letter saying that it is in the public interest for this person to be terminated? What do you do?

Mr Sedgwick: The agency head needs to be able to put sufficient information before us to enable us to form a view about whether or not the requirements of section 38 have been met.

Senator RONALDSON: Can you please take this on notice and perhaps if you can get back to me by close of business today or close of business tomorrow? I have already asked you what are the grounds for issuing the certificate of dismissal. What has to be satisfied? What is the time line? Is formal counselling required? Are a fixed number of written warnings or sanctions required prior to issue? Once a certificate has been issued, what are the conditions? How long does the certificate give an officer before their dismissal is actioned? What are the terms of a dismissal certificate regarding payment of accrued leave and entitlements, et cetera? Does the officer have the opportunity to explain their situation or actions? You have already answered my question as to how many you have issued. Can you please take on notice again and provide the committee with a breakdown of requests made and those granted by month and agency since November 2007?

Mr Sedgwick: We will not be able to deal with all of that by close of business.

Senator RONALDSON: Close of business tomorrow?

Senator Chris Evans: Senator, there is no requirement and no capacity for you to set deadlines. The committee sets the deadlines for responding to questions on notice.

Senator RONALDSON: I am asking whether it can be done.

Senator Chris Evans: They will be dealt with in the normal way. If Mr Sedgwick is able to help you earlier then I am sure he will but, just to be clear, those detailed questions on notice will be treated in the normal way.

Mr Sedgwick: By way of explanation, a number of the points that you have addressed there would seem to go more to the processes within an agency. Those issues around notice and opportunity to adjust and all of those things go to the performance of the individual and that is a matter that the agency head and the procedures of the agency would address.

Senator RONALDSON: In the normal course of events, you would think that those things are a given within the agency, would you not?

Mr Sedgwick: Each agency is required to have their procedures, yes.

Senator RONALDSON: That is right. I specifically asked you the question. As I said, I will make the comment but one would assume that before a certificate is requested, all of those things that I have put to you within the agency would have been done. They are on notice, and you will get back to me as soon as possible with those?

Mr Sedgwick: We will get back to you as soon as we can reasonably give you a correct answer.

Senator RONALDSON: Thank you, I appreciate that. As to your question before with respect to where this was heading, that is actually in relation to the case of Ms Jane Wolfe. I think this matter predated your period?

Mr Sedgwick: It did. I am familiar with it in broad terms.

Senator RONALDSON: That is terrific news.

Mr Sedgwick: I am not sure how far I am going to comment on the circumstances of an individual, though. This is a public forum.

Senator RONALDSON: Yes, but I am sure you are quite capable of answering questions in relation to a case that your predecessor was a respondent to in legal proceedings.

Senator Chris Evans: Perhaps we could just see how it goes, Senator, knowing the limits of Mr Sedgwick in terms of the treatment of an individual's circumstances. Perhaps we will just see how we go and he will help you in the way he can.

Senator RONALDSON: You are aware that this matter fell over almost at the first hurdle, and that the applicant, Ms Wolfe, was reinstated and costs were awarded?

Mr Sedgwick: I am aware that there were legal proceedings, the outcome of which was that the individual was reinstated, certainly.

Senator RONALDSON: The Federal Court proceedings barely got past first base, did they not, before your predecessor and the Commonwealth and Dr Gumley, the first respondent, settled the matter. Can you tell me on what grounds the Public Service Commissioner backed Dr Gumley's account of the requirements for Ms Wolfe's dismissal?

Mr Sedgwick: No, I am sorry, I cannot. I just do not have that with me. I am quite happy to take that on notice to the extent that we can respond to it.

Senator RONALDSON: Can you provide me please with a copy of the correspondence between Dr Gumley and the Public Service Commissioner and a copy of your predecessor's decision which has been forwarded back to Dr Gumley?

Mr Sedgwick: I will take that on notice.

Senator RONALDSON: So you will provide me with that?

Mr Sedgwick: I will take it on notice. I will take advice.

Senator RONALDSON: Are you going to provide me or are you going to take the question on notice?

Mr Sedgwick: I will take the question on notice.

Senator RONALDSON: Why would you not provide it?

Mr Sedgwick: I will take the question on notice.

Senator RONALDSON: Are you going to provide it or are you not going to provide it?

Senator Chris Evans: You will get that when you get the answer.

Senator RONALDSON: With the greatest of respect, Minister, I am not going to sit here while someone tells me they will take it on notice and then I will get a response back saying, 'No, I am not going to provide it to you.' If the officer is not going to provide it, I would want to know why it is not going to be provided.

Senator Chris Evans: That may be the case. I am sure we will be happy to help you with that, but I think Mr Sedgwick is being cautious as he should be as to get proper advice about whether he ought to release correspondence in terms of this particular case and the impact on the individual. I am sure if Mr Sedgwick gets advice that that is appropriate, he will release it. If not, he will give you an answer as to why not.

Mr Sedgwick: I am not trying to be unhelpful. As the minister says, I am just being prudent and cautious.

Senator RONALDSON: The request, presumably, from Dr Gumley was in writing, and presumably the response from the Public Service Commissioner back to Dr Gumley issuing the certificate was in writing?

Mr Sedgwick: I am certain of that.

Senator RONALDSON: Presumably the reasons for Dr Gumley's seeking the certificate were detailed in that written correspondence, and presumably the commissioner's letter back would have provided written reasons for the consent of the commissioner to the issuing of the certificate?

Mr Sedgwick: I cannot recall the correspondence, so I cannot say.

Senator RONALDSON: Do you know what the cost of this aborted action was?

Mr Sedgwick: No, I do not.

Senator RONALDSON: Will you take it on notice?

Mr Sedgwick: I would not know all of the costs.

Senator RONALDSON: I am not suggesting that off the top of your head you would, but you will take it on notice and provide me with that?

Mr Sedgwick: We would not know all of the costs that were involved. We may know our costs, but we would not know others' costs.

Senator RONALDSON: My apologies, I meant the PSC's portion of the costs, and I presume that they were split up between the various respondents, were they—the DMO and yourselves?

Mr Sedgwick: I honestly do not know, but I will find out for you.

Senator RONALDSON: Given that there was an amended amended statement of claim in relation to this matter, and the response of the respondents, is anyone at the table able to tell me whether, at any stage, advice was sought from the Australian Government Solicitor or elsewhere as to the likelihood of the chance of success of the defence of this action?

Mr Sedgwick: The Australian Government Solicitor, as I understand it, was involved throughout this process. Let me amend that. We certainly had legal advice throughout this process; I cannot recall precisely where it came from.

Ms Fisher: The Australian Government Solicitor is one of two firms on our panel of legal advisors, so it would be likely that if we sought external legal advice that it came from them.

Senator RONALDSON: How often did you seek advice in relation to this matter, do you know?

Mr Sedgwick: I would have to take that on notice.

Senator RONALDSON: Can you provide me with a copy of that advice, please?

Mr Sedgwick: We will take that on notice. You know the issues around legal privilege.

Senator RONALDSON: Yes. Are you aware as to who made the decision to settle this action virtually before the proceedings had even commenced in the Federal Court?

Mr Sedgwick: A number of us were involved in that decision.

Senator RONALDSON: Were you involved in that decision?

Mr Sedgwick: I had involvement in that decision.

Senator RONALDSON: You did?

Mr Sedgwick: Yes.

Senator RONALDSON: You were not the original commissioner who issued the certificate but you were involved in subsequent proceedings?

Mr Sedgwick: Because I was the commissioner, and the issue is with respect to the office.

Senator RONALDSON: When you became commissioner and you became aware of this legal action, did you seek any advice to satisfy yourself that this was an action that should be continued under your bailiwick?

Mr Sedgwick: We had advice, the timing of which I simply cannot recall, but we can easily refresh our memory. We had advice at several points about this, and that led to the actions where the case was terminated.

Senator RONALDSON: At what stage did you get advice that this action was unlikely to be successful?

Mr Sedgwick: I simply cannot recall that. It was not one of the first things that came to my attention when I became commissioner, but it was very early in my tenure. I just cannot remember when. We could find that out for you.

Senator RONALDSON: Just so I am absolutely clear, when it was brought to your attention—and it is hard to imagine a more pressing issue that you were being confronted with when you were first appointed, I must say, but putting that to one side—did you personally seek advice to satisfy yourself that this action was in the best interests of the commission?

Mr Sedgwick: Once I became aware of this issue, I was receiving regular advice on this matter.

Senator RONALDSON: Was your first advice that you should proceed with this matter or that it should be terminated?

Mr Sedgwick: Sorry, Senator, I simply cannot recall what my first advice was. In any event, I would need to take advice as to whether issues of that kind are appropriately canvassed in a forum such as this, given that it would have been covered by legal privilege.

Senator RONALDSON: I actually think that, if the media reports are correct, this was a case that probably cost the taxpayers about \$2 million, and the Federal Court order was quite clear that the behaviour of all of the respondents in this action was inappropriate because the applicant had been denied procedural fairness. The court notes indicate that 'procedural fairness was denied as pleaded in paragraphs 66A, 66B and 66C of the further amended statement of claim'. Can you provide me with a copy of that further amended statement of

claim, and can you provide me with the full court order and any attached decision of the court?

Mr Sedgwick: Again, I will take that on notice. I do not wish to be unhelpful; it is just that I am not too sure who legally is responsible for those documents. I do not think that we filed that statement of claim. I think it was filed by another party.

Senator RONALDSON: No. Those documents presumably are available. They are a public record.

Mr Sedgwick: As I said, I will take that on notice. I will not be unhelpful; I am just being prudent.

Senator RONALDSON: When this matter was settled, were you consulted about that?

Mr Sedgwick: Yes, because I was a party to the decision that we would terminate.

Senator RONALDSON: When you were consulted—

Mr Sedgwick: Sorry, what do you mean by 'when the matter was settled'?

Senator RONALDSON: When the matter was resolved, when the respondents withdrew.

Mr Sedgwick: We were certainly party to the decision to withdraw.

Senator RONALDSON: Presumably you were; you were one of the co-respondents. In fact, your predecessor was the second respondent. Were you contacted on the day that the respondents decided to withdraw from this action, or had you received that advice beforehand?

Mr Sedgwick: We had been advised over a period of time about how the issues in the case were proceeding. The nature of the issues that were being discussed and the range of the decisions that were open to us at different times were being canvassed, and I was quite well aware of them over a period of weeks. This is not something that you get to in five minutes.

Senator RONALDSON: No, indeed.

Mr Sedgwick: The legal processes have their own dynamics. We were moving to the tune of those legal dynamics.

Senator RONALDSON: Did the DMO and you have separate legal advice? Were you separately represented?

Mr Sedgwick: I do not think we were.

Ms Page: It is not usual.

Mr Sedgwick: No, I do not think we were.

Senator RONALDSON: Will you take that on notice for me?

Mr Sedgwick: Yes.

Senator RONALDSON: Justice Stone made this court order on 8 April. Will you take on notice, if you cannot answer it now, when it was first brought to your attention that the chances of successfully defending this were unlikely?

Mr Sedgwick: I would have to go back and refresh my memory. I simply cannot recall the precise date.

Senator RONALDSON: Are you aware that these proceedings were settled in the court virtually before the case had commenced? It had commenced, but I do not think any evidence had been given. It really was withdrawn at the start of the court proceedings.

Mr Sedgwick: It was withdrawn early. My memory of it was that the case was progressing in the usual way, so it was being listed for mention and all those other things that lawyers do. We were in the document discovery phase. It was through that document discovery phase that some issues came to light that we needed to investigate and address, and ultimately led us to take the action that we did.

Senator RONALDSON: What were those issues?

Mr Sedgwick: I am sorry?

Senator RONALDSON: What were the issues that came to light?

Mr Sedgwick: The orders that were finally made addressed issues of natural justice.

Senator RONALDSON: But you are saying that when the issues came to light, that is when you decided to withdraw. Are those issues the procedural fairness issues?

Mr Sedgwick: Yes.

Senator RONALDSON: Had they not been pleaded from day one by the applicant?

Mr Sedgwick: You have the advantage of me that you have the court documents in front of you.

Senator RONALDSON: I do not have anything.

Mr Sedgwick: I would need to go back and refresh my memory as to exactly what the applicant was pleading. I would not be surprised if—

Senator RONALDSON: But you have told this committee that when these issues came to light, the decision was made to withdraw and then you acknowledge that those issues were the procedural fairness issues. The procedural fairness issues came to light the moment the pleadings included that, so it was not new news to you on the door of the court, was it?

Mr Sedgwick: No, I disagree. In circumstances where claims and counterclaims were being made in that legal case, the process was then being properly followed. My memory of it—and again I will need to check my memory—is that we were going through the document discovery process and it was in that context that the decision was taken to do what we did and withdraw from the case. It was a process.

Senator RONALDSON: When did these issues come to light that led to this decision to withdraw? When did you become aware of them?

Mr Sedgwick: I am sorry, Senator; I have already told you that I need to go back and refresh my memory. It was a process of discovery.

Senator RONALDSON: With the greatest of respect, you seem to have an intimate knowledge of the process and therefore could answer my first question about the issues, but when I am asking you another question, you seem to have a memory loss in relation to that.

Mr Sedgwick: I am sorry, Senator, that is rather unfair. The issue that ultimately led to our taking the actions that we did was one of procedural fairness.

Senator RONALDSON: Did you and Mr Gumley have any discussions in relation to this matter?

Mr Sedgwick: Yes, we must have, and there were circumstances in which we were being jointly briefed by lawyers.

Senator RONALDSON: How often were you briefed?

Mr Sedgwick: I am sorry, we will take that on notice.

Senator RONALDSON: You will take that on notice?

Mr Sedgwick: Yes.

Senator RONALDSON: What dates were you briefed?

Mr Sedgwick: I will take that on notice.

Senator RONALDSON: Were you separately briefed to Mr Gumley, do you know, or were you jointly briefed on these matters?

Mr Sedgwick: I would have to refresh my memory; I suspect it was both. At times I would have been briefed, and at other times we would have been jointly briefed from my memory of it.

Senator RONALDSON: Your understanding is that you were not separately represented?

Mr Sedgwick: We were not separately represented, as I recall.

Senator RONALDSON: Did you go back and look at the correspondence that your predecessor had received from Mr Gumley in requesting the certificate to be issued?

Mr Sedgwick: Not that I recall.

Senator RONALDSON: Your organisation was a respondent to an action of which the procedural fairness had been pleaded very early on, and you are telling us that you did not actually look at the basis and the rationale for the decision made by your predecessor?

Mr Sedgwick: I had legal advice that was quite thorough that was addressing the issues. I was not in the position of redoing the decision that had been made previously. We were dealing with some issues in discovery which did not go to the merits of the decision; they went to some procedural issues. In those circumstances, no, I did not look at it, as I recall it.

Senator RONALDSON: But the merits of this decision were the procedural issue matters, so how can you say that they were two separate things? That is what it was all about, was it not?

Mr Sedgwick: The issue on which the case was withdrawn related to procedural fairness.

Senator RONALDSON: But that is what had been pleaded by the applicant from day one, that she was not appropriately treated, that she was not provided with procedural fairness, was it not?

Mr Sedgwick: That was in her statement of claim.

Senator RONALDSON: So from day one, that was what she was pleading, was it not?

Mr Sedgwick: This is not going anywhere.

Senator Chris Evans: I think Mr Sedgwick has been more than helpful in that he has outlined the process and his engagement with that as best he can from his memory. He will take the rest on notice. If it goes to the details of the applicant's claim and issues around their response, I think Mr Sedgwick has indicated that he would need to refresh his memory and take some of that on notice. I knew nothing about this, but I have a sense of the process, and

clearly there was a settlement reached before they went to trial, on legal advice. I suspect the advice was: 'you are going to lose', but that is my commentary, and the decision was taken.

Senator RONALDSON: I suspect that is a given, Minister.

Senator Chris Evans: Yes. As an impartial observer, that is what it sounds like to me. I think Mr Sedgwick has been as helpful as he can about the process, but he clearly does not want to slash outside the off stump about the detail.

Senator RONALDSON: I fully understand that, and I have been very circumspect in relation to my questions but I do want to pursue this issue. You have told the committee that the procedural fairness issues were pleaded by the applicant in her statement of claim. Presumably you became aware of the issues, or someone did, at the end of the process. We have all acknowledged that you were aware of them at the start of the process. What further evidence was given to you which led you to believe that you should withdraw, and at what stage were you given that advice prior to the matter being withdrawn?

Mr Sedgwick: As I said to you, I will take that on notice.

Senator RONALDSON: Prior to your predecessor's issuing the dismissal certificate, had the commissioner received any correspondence on the matter from Dr Gumley?

Mr Sedgwick: Prior to issuing the certificate?

Senator RONALDSON: Yes?

Mr Sedgwick: Certainly.

Senator RONALDSON: I think you were going to provide me with that information, anyway, were you not?

Mr Sedgwick: I have taken on notice the question you asked which was if it could be provided to you.

Senator RONALDSON: Thank you, Madam Chair. Thank you, Mr Sedgwick.

Senator FIFIELD: I would like to ask some questions about the commissioner's negotiations with the CPSU which have received quite a bit of media coverage of late. I thought I would give you the opportunity at the outset to respond to some of the CPSU's criticisms of the commission, the first of which is the accusation that your office has been interfering with agency bargaining.

Mr Sedgwick: Could I begin by being quite clear and on the record that the commission is not bargaining with the CPSU. The CPSU's preference when the bargaining framework was being established was to proceed with a single APS agreement, but that was not a position that the government was prepared to proceed with at this stage. So bargaining is being conducted at agency level. As has been the case for many years now, agencies are bargaining within a framework that has been established by the government, but in a situation in which it is clear that the bargaining framework is a set of recommendations in a sense. It is not mandatory on an organisation. Organisations are required to bargain in good faith, as they are required to under the Fair Work Act. What the government is looking for as a consequence of this bargain is that we achieve outcomes that are fair, that support improvements in productivity at the agency, that support the work of the agency, that are affordable within the budget of the agency, and that make progress towards achieving greater

commonality in terms and conditions across the Australian Public Service, which is an objective that we actually share with the CPSU.

Senator FIFIELD: You touched on the good faith bargaining provisions of the Fair Work Act, and one of the accusations of the CPSU is that the commission denies that those provisions apply to the commission. What is your response to their contention?

Mr Sedgwick: We are not bargaining with the CPSU, so since we are not bargaining with the CPSU, it is a little bit hard to see how the provisions of the Fair Work Act apply to our interactions with the CPSU. I must say we have had quite open and for the most part quite constructive dialogue with the CPSU. It was consulted in the process of the government's finalising its framework. We have consulted it in the process of framing our guidance. That is not to say that we have agreed with the CPSU, and we certainly have not bargained, but I think we have had a quite open and professional relationship, to be honest.

Senator FIFIELD: The CPSU also accuses you of taking an aggressive and heavy-handed approach to negotiations and turning negotiations into a service-wide attack on key entitlements. I guess your response to that would be that you are not actually negotiating?

Mr Sedgwick: We are not negotiating. I think the point about some of this is the government's policy objective is to seek to achieve greater commonality in terms and conditions over time across the Australian Public Service. In establishing the framework, issues have emerged where the government is encouraging agencies to improve the terms and conditions that are available to employees because they are kind of below the norm, if you like, or below the generality of terms and conditions that are paid by agencies. In other circumstances, there may be agencies that are providing entitlements that are a bit above the norm. The government has let it be known that it would like to see some compression back towards the norm at both ends of that spectrum. It is not demanding that it will happen in one step, but it is asking agencies to take into account that, to the extent that consistent with good faith bargaining and the needs of the agency and their budget, if they can make progress at the two ends of the spectrum, the government would like to see that happen.

Senator FIFIELD: Do you think the CPSU is bargaining in good faith?

Mr Sedgwick: I have no reason to believe that it is not.

Senator FIFIELD: You would be aware of the threatened industrial action by the CPSU?

Mr Sedgwick: I have heard such matters have been raised, yes.

Senator FIFIELD: Given the industrial action which has been threatened is quite widespread, covering Customs and Immigration, Defence, organisations like Centrelink and Medicare, is the Public Service Commission undertaking any plans or liaising with other departments and agencies to make plans in the event that widespread strike action does occur?

Mr Sedgwick: There are a couple of points there. We are in constant contact with agencies, not just in respect of workplace bargaining, but it is our job to be in constant contact with agencies, to provide support and to assist people to correctly interpret the guidelines and how they should be appropriately applied. My minister, the Special Minister of State for the Public Service and Integrity, was on radio a little while ago saying you would expect to hear things of this kind being raised at this stage of a bargaining process. It is a bargaining process. I guess we will all see where this goes. We certainly hope that these matters can be resolved without resort to strike action, but we will just see where we get to.

Senator FIFIELD: But you are not undertaking any contingency planning for widespread strike action?

Mr Sedgwick: We are not, because these are matters that will be handled by the agency. They have the responsibility for maintaining services to the extent that they can in those circumstances. There is very little we can do to assist them. We do not know their business in those circumstances.

Senator FIFIELD: Do you think that the decision to harmonise public sector awards by making 68 of 74 agreements expire at the same time was a good one?

Mr Sedgwick: That was a policy decision of the government. It is not a matter I will comment on.

Senator FIFIELD: I will accept that. You would be ahead of the report called *Ahead of the game: blueprint for the reform of Australian government administration* which came out of the Advisory Group on Reform of Australian Government Administration chaired by Mr Moran?

Mr Sedgwick: Yes, I was a member of that group. Just before we go on, my colleague has reminded me there is one context in which we are bargaining with the CPSU.

Senator FIFIELD: In relation to your own staff?

Mr Sedgwick: As an employer, yes.

Senator FIFIELD: You are bargaining in good faith?

Mr Sedgwick: We are all bargaining in good faith.

Senator FIFIELD: And they are too?

Mr Sedgwick: They are too.

Senator FIFIELD: Do you have contingency plans for strike action in the Public Service Commission itself?

Mr Sedgwick: We have not felt the need so far.

Senator FIFIELD: That is good to know.

Mr Tom Fisher: Are you considering strike action, Mr Sedgwick?

Mr Sedgwick: No, I have not got to that point yet. There are days, though.

Senator FIFIELD: With respect to the blueprint for reform, the commission has a role in the delivery of that?

Mr Sedgwick: You are not kidding; yes, we do.

Senator FIFIELD: Are you it? Are you the point man for that?

Mr Sedgwick: You go for it.

Senator FIFIELD: You are?

Mr Sedgwick: Yes.

Senator FIFIELD: How do you think things are tracking?

Mr Sedgwick: Quite well. Coming out of the blueprint, we had responsibility for quite a number of initiatives ourselves. We have made quite a deal of progress against the time lines that were set for us in the blueprint. We have done the consultations around the revision of the

values, for example. We had two rounds of consultations late last year and early this year that have been quite fruitful. We have done work to see what amendments need to be made to the Public Service Act to give expression to both the revised values, if the government agrees to them, and to the amendments to the act to bring it more in line with some of the recommendations of the blueprint. We have been doing the work on the employment bargaining stuff. We have introduced trial capability reviews in a couple of departments. We have done an examination into the feasibility of conducting a citizen survey in Australia along the lines of those that are done in Canada in particular or New Zealand. We have established a thing we call the Strategic Centre for Leadership, Learning and Development which is looking at leadership development and the contemporary approaches to learning and development for some of the core skills and competencies of the Public Service, particularly for its SES. They are looking at devising a talent management program to apply at some senior levels in the Public Service. We are doing work with agencies to streamline recruitment activities. There is a pile of work going on with agencies. We have work in hand to work with agencies to better implement workforce planning across the Australian Public Service. We are keying particularly off some work in respect of ICT that the government introduced a couple of years back, broadening it out into more general sets of questions around organisational capability. There has been quite a deal of activity in recent times. I think we are travelling pretty well, to be honest.

Senator FIFIELD: Part of one of the reforms under the heading creating more open government was conducting a citizens survey. Has that occurred?

Mr Sedgwick: No, we have done the feasibility study into doing the survey, so we have scoped it out. We know how much it would cost. We have a good sense of what difference it has made, particularly in Canada, to conduct the survey, but we have not actually designed or conducted the survey itself. It has just been a budget issue. That is a matter we will bring back to the government at an appropriate time later in the year, I suspect, but we have not taken it to it yet.

Senator FIFIELD: Is that survey anticipated to be a random survey of an indicative proportion of the population?

Mr Sedgwick: Yes, the scale and the scope of the survey are things that the government will need to determine. We will take some options and we will leave it to the government to decide. In Canada, for example, it is a random sample, and it covers both people who have had experience of working with agencies and those that do not, the idea being to try to understand why some people in effect give up trying to make contact with government. The parameters are matters for the government to decide later. They are not cheap to do, I must tell you.

Senator FIFIELD: No, I am aware they are not. So you certainly have not got to the stage of having the questions or areas that a survey would cover?

Mr Sedgwick: No. There are two different elements of the approach that the Canadians use. One is this questionnaire, the survey, of citizens, and the other one is what is called the common measurements tool. The common measurements tool is a common bank of questions which agencies apply in their environment. In Canada, these common questions are administered across at least two jurisdictions, in both the federal and the provincial jurisdictions, and I think there may even be a municipality that is involved. Because they have

this common bank of questions, they can benchmark performance across the jurisdictions. So we could go either way. We could do one or other of those components, or we could do both.

Senator FIFIELD: What about the revision of APS values?

Mr Sedgwick: We have two rounds of consultations that were conducted about the APS values. The first round attracted 200 responses, and the second one 300. They were quite insightful processes of engagement. We have Government 2.0 technology to engage people, and it was a very productive process.

Senator Chris Evans: What does that mean?

Mr Sedgwick: We use the web. It is government policy, minister. In another 45 minutes or so, I will be engaged in a web 2.0 event with the graduate cohort of the Australian Public Service in the Canberra Theatre. It is a very important part of the government's program. It has really been a very enlightening and productive process. Again, this will be a component of the proposed revisions of the Public Service Act that the government will have for its consideration in the near future.

Senator FIFIELD: When do you expect the new values to be implemented?

Mr Sedgwick: They are in legislation. If the government agrees to what we propose, there would be proposals to amend the Public Service Act and the usual range of consultations would be associated with that.

Senator FIFIELD: What about the review of the size and role of the senior executive service?

Mr Sedgwick: It was completed and has reported. We conducted the review assisted by Roger Beale, a former secretary. That will be before the government for a decision about where we go next in due course.

Senator FIFIELD: It says in the document, 'Complete a review of the size, capability and work level standards of each level of the Senior Executive Service (SES) before any new net growth in the SES occurs.' Is it safe to assume that there has been no new net growth in the SES in the intervening period?

Mr Sedgwick: That statement goes on to say, 'unless agreed by the government.' We have had an SES cap in place. The only increases in the caps of agencies that have been agreed have been in circumstances in which there is a priority that needs to be addressed and, increasingly, the role satisfies the draft work level standards that were developed as a part of that SES review. We administer those arrangements and provide advice to the minister.

CHAIR: Because the Australian Public Service Commissioner had indicated from the outset that they had a 12 o'clock cut off, how much longer will you be?

Senator FIFIELD: I have one last question.

CHAIR: We have about another five minutes, and hopefully we will wind up, if that allows you to meet your next appointment.

Senator FIFIELD: Are you able to indicate since the blueprint came out and today what the net increase in the size of the SES has been?

Mr Sedgwick: I do not have the figures since the blueprint came out. I have in my memory that since June the number of SESs has increased by a couple. The cap on the

number of SESs actually increased in line with government activity, but the number of jobs filled has been relatively stable. I can actually give you those numbers. I can give them to you on notice or I can try to find them.

Senator FIFIELD: Take it on notice. I guess the thing with these great statements that you will do something before any new net growth in SES occurs, it is true as long as you discount all of the exceptions, as long as you discount new government priorities.

Mr Sedgwick: My colleagues have just given me the number. The number of staff reported by agency as at 31 March was 2,848. It was 2,850 at 30 June 2010, which is the effective date that the caps were introduced. But the cap is higher than that.

Senator FIFIELD: So you have a cap that is going up?

Mr Sedgwick: Yes.

Senator FIFIELD: If you could take on notice what the net increase has been in the SES since the blueprint came out and today?

Mr Sedgwick: Sure. The dates are different.

CHAIR: Thank you very much, Mr Commissioner, for appearing before us today. That concludes that element of our estimates hearings.

Mr Sedgwick: Thank you very much, Chair; I appreciate your indulgence.

Australian National Audit Office

[12:10]

CHAIR: Mr McPhee, do you have any opening comments?

Mr McPhee: No, thank you.

Senator CORMANN: Are you aware of a private member's bill currently in the parliament called the Auditor-General Amendment Bill 2011?

Mr McPhee: Yes, I am aware of it.

Senator CORMANN: What are your thoughts on the bill?

Mr McPhee: The bill follows on from an inquiry by the Joint Committee of Public Accounts and Audit which recommended a range of changes to our legislation. Our review of the draft bill suggested it is very much in line with the committee's recommendations, so we do not have any issues with the proposals in the bill.

Senator CORMANN: Would you welcome the proposed extension of your powers?

Mr McPhee: We would welcome the changes, and understand that they arose from the committee's inquiry and some of them were also recommended by a Senate committee.

Senator CORMANN: Were you consulted by Mr Oakeshott before the bill was introduced?

Mr McPhee: I am just trying to recall, to be honest, whether or not I was consulted. I think I was aware that Mr Oakeshott was introducing the bill.

Senator CORMANN: That is a matter of public record. What I am trying to find out is the level of involvement that you may or may not have had in the drafting of the bill.

Mr McPhee: I see. My office did provide some advice or guidance to Mr Oakeshott's office on some of the proposals.

Senator CORMANN: Do you think there is a need for the Auditor-General to audit third party contractors?

Mr McPhee: That was the view of the committee, and I do understand the reasons for that; I would like to explain that. We do audits of major defence acquisition projects, for example. Currently our focus is very much on what the defence department or the defence organisation does to deliver these very complex projects on time, to budget and to capability. Our focus is very much: what has the defence agency done to manage the process and to bring these projects home. It has been put to me that sometimes our focus on the defence organisation to the exclusion of focusing on the contractor sometimes does not always sufficiently comprehend the nature of the partnership arrangement.

Senator CORMANN: Who has put that to you?

Mr McPhee: Senior defence people. I do accept the point that, in this world, where we talk about partnerships and the importance of public sector organisations and industry and/or non-government organisations working in partnerships today to deliver programs, it is probably not an unreasonable point to say that it takes two parties at least, or maybe more in some cases, to deliver particular services. The traditional focus of my organisation, due to the act of focusing on the public sector organisation, probably needs to be updated. That is the origins for this suggestion that we should have a focus on industry performance as well.

Senator CORMANN: If your powers, or the powers of the Auditor-General's office are extended to audit not only government entities and agencies but also third party contractors, what sort of impact will that have on your work load?

Mr McPhee: I have said to the public accounts committee that we would not be looking for any additional resources for this purpose. We currently do somewhere between 45 and 55 performance audits a year, and I at least saw it as a substitution issue. If we were going to do further work, in particular audits, then we would adjust our program elsewhere.

Senator CORMANN: As a substitution issue, and adjusting your program elsewhere, are you saying that there will be less of an auditing focus on government departments and agencies and more of a focus on third party contractors?

Mr McPhee: It is all relative.

Senator CORMANN: By definition, if there are 45 to 55, and you talk about substitution, if you are going to do third party contractors, and with every third party contractor you audit you will not do what you would have done before in terms of government agency or department, it stands to reason, through normal logic, that there will be fewer audits of government departments and agencies as a result, if as you say you do not go for additional resources?

Mr McPhee: Yes. It does at one level. What I am suggesting, though, is there is not a significant shift in the way that I am viewing our program.

Senator CORMANN: How significant would the shift be?

Mr McPhee: It depends obviously on the circumstances. In the audit approach, generally speaking, you are trying to focus on the material matters, the significant risk to the delivery of the program. In my judgment, we would only engage with the private sector firm where there

were significant matters or significant risks that were or potentially were having an impact on the delivery of the project or the program.

Senator CORMANN: What is the definition of significant risk?

Mr McPhee: It means it should not be an incidental element of the audit.

Senator Chris Evans: The Seasprite helicopter would have been a good example, I suspect.

Mr McPhee: I can only give you my personal perspective, and every Auditor-General will have a different view. But mine is there needs to be good reason for an auditor to be taking the approach of deciding to look at the performance of a private sector firm or another jurisdiction. I certainly would think that I would need to explain that in my reports as to why I saw the need to audit the private contractor, and I would be proposing to put those reasons in my report.

Senator CORMANN: You talk about 45 to 55 audits of government departments and agencies now, so how would you expect that proportion to change? How many of them will be third party contractors in the future if this legislation comes up and how many do you think would be government departments?

Mr McPhee: I saw it certainly at the margin. I imagine at the most we would be looking at, say, several a year.

Senator CORMANN: Several—two, three, four?

Mr McPhee: That was in my mind.

Senator CORMANN: That would of course increase the regulatory burden on business beyond what they currently experience. They are not subject to that sort of requirement to submit themselves to that sort of audit now?

Mr McPhee: Equally, from the parliamentary perspective, they are engaging, contracting with the Commonwealth to deliver certain services. If the parliament suggested that I should have the authority to do that, then that would be a cost to them to engage with me to allow me to complete the audit in a timely manner.

Senator CORMANN: And a cost to government which has to fund the services that they contract business to do in the first place. Ultimately it will be the taxpayer who ends up paying.

Mr McPhee: Yes. Senator, I hesitate to say this, but let us not just focus on the cost side. There may be some benefits arising from our audit.

Senator CORMANN: That is a fair point.

Senator Chris Evans: We have spent an awful lot on failed projects for want of early intervention under successive governments. I am not making a political point.

Senator CORMANN: I am not pursuing a political point either. I am asking some very genuine questions to try to ascertain the views of the Auditor-General.

Senator Chris Evans: No. I am just making the point. There may well be a cost benefit in our actually getting good information on whether a project is going off the rails early.

Mr McPhee: If I could add to the minister's comment, we certainly do emphasise and promote better practice through our guidance and our work. I would like to think that if we

were doing audits in this space, if we had the authority to do it, we would keep in mind the opportunity for promoting good practices and approaches that seem to have a high rate of success for the benefit of industry in the longer term.

Senator CORMANN: On balance, you think that extending your audit powers to third party contractors will help prevent more government waste than it would increase the cost burden on business that is contracting with government?

Mr McPhee: I think there are two elements: firstly, the accountability element—that is, the effective use of Commonwealth taxpayers' funds; and secondly, the performance improvement element.

Senator FIFIELD: Following in a different but related vein to Senator Cormann, there is an increasing number of what you might call quasi-governmental agencies and bodies which are coming into existence, such as the Australian Health Practitioners Regulation Agency. It is an unusual creature. It has been established by each of the nine jurisdictions who have passed mirror legislation. It has taken an activity of registration of health practitioners which was previously the domain of the states and put them in this new body, of which each of the health ministers are basically one-ninth shareholders, including the Commonwealth. The Commonwealth put money into the establishment of this body. This body will be essentially self-funding, relying on the revenues that it gets from charging registration fees. We are in the process of having a Senate inquiry by this committee into that agency. Continually we have come up against the issue which is that it really does not answer to anyone. It does not answer to any parliament in Australia. Each minister only has a one-ninth interest in it. Its employees are not public servants, but I guess they are public servants of a sort. I am interested in your thoughts as to a body such as that. Sticking to your domain, who should audit it? It was founded or established with Commonwealth money in the first place. The Commonwealth passed legislation to help give effect to it but it does not really directly answer to anyone. In terms of financial accountability and probity issues, who do you think should audit such a body?

Mr McPhee: These are never easy. I always say it is important when these bodies are established that, as part of the governance arrangements, consideration be given to the auditing arrangements. Certainly in terms of our existing legislation, at the moment it is reasonably straightforward. If it is controlled by the Commonwealth, it is subject to financial statement audit by us, and generally speaking, we can do performance audits. There is also provision in my legislation to do what we call audits by arrangement, where agencies may request audit services from my office, and we do a range of those for either international bodies or bodies that do not—

Senator FIFIELD: On a fee-for-service basis?

Mr McPhee: On a fee-for-service basis, generally speaking. I think when it comes to Commonwealth-state bodies, unless there is something that has been arranged or agreed by ministers, we would not have a natural entree to be doing the audit, nor would I wish to be doing the audit without the cover.

Senator FIFIELD: I do not blame you.

Mr McPhee: I think I just go back to where I started. It is so important for these arrangements that you put in place the arrangements that work for the respective governments and parliaments.

Senator FIFIELD: Sure. This particular agency is not one that you have been asked by the Commonwealth and the states and territories together to—

Mr McPhee: It is not registering with me at all.

Senator FIFIELD: Can you give some examples of Commonwealth-state bodies where you have been asked to, or when they were established, it was determined that you would be the auditor for those groups?

Mr McPhee: If I could take that on notice, I do not think there are many. In fact, the one I was just thinking about was an international body about something to do with the tuna fishing industry, where an international organisation asked us to do the audit, and we have agreed to do that. But let me take that on notice, if you do not mind, and let you know.

Senator FIFIELD: Certainly. Again, you might want to take this on notice, or you may know it off the top of your head, but what about a body like the Murray-Darling Basin Commission or whatever it is called today?

Mr McPhee: We may do the audit of the Murray-Darling Basin Commission, I will let you know. We do the audits of the Australian National University, bodies like that, which in their legislation state that the Auditor-General for the Commonwealth will be the auditor. Even though on an accounting argument the Australian National University is not controlled by the Commonwealth, because of its governance arrangements and funding arrangements, we are the appointed auditor. I would need to take that on notice, but my feeling is that we are the auditor for that body.

Senator FIFIELD: Thank you. There is a range of Commonwealth appointed task forces. We have a growing number of inspectorates these days. Just take the inspectorate, which I think comes under the Finance portfolio that Mr Fahey heads, which is looking at the BER project.

Mr McPhee: The Queensland floods.

Senator FIFIELD: Yes, the Queensland floods—to learn the lessons of the BER project. Would something of that nature, which is in effect an adjunct of the department, be covered by your auditing of the department of finance itself?

Mr McPhee: Correct. We would audit the parent entity, and sometimes when agencies come together in a joint venture, for want of a better word, we are entitled to look at the contribution by the Commonwealth agency. The more difficult area tends to be where they are incorporated or agreed by statute or by ministers coming together.

Senator FIFIELD: Sure. Something like Mr Orgill's BER group, that is in effect an extension of the education department?

Mr McPhee: Yes.

Senator FIFIELD: I do have a few more questions for the Audit Office on a different subject. I can either do those now or will we hold the audit office over lunch?

Senator CORMANN: I have a few more different questions as well.

Proceedings suspended from 12:29 to 13:35

CHAIR: We will now recommence examining the National Audit Office. Senator Cormann, you have the call.

Senator CORMANN: Mr McPhee, I have an initial question. Are you planning any audit of the government's solar panels rebate scheme?

Mr McPhee: I would need to take advice. I will ask one of my people to come forward on that. We are currently going through our planning phase. We have a fairly broad consultation period where we consult with parliamentary committees, a range of public sector agencies and other stakeholders, so we are open to ideas in terms of—

Senator CORMANN: Is somebody coming up to the table?

Mr McPhee: The answer at this stage is that we have no plans on that front.

Senator CORMANN: Can you talk me through how you make decisions on whether something is justified for audit or not? Are you keeping some space for your third party contractors?

Mr McPhee: We have more than enough work at the moment.

Senator Chris Evans: He is awaiting the will of the parliament.

Mr McPhee: We have a rolling program and continue to add potential topics to it.

Senator CORMANN: Is it a potential topic?

Mr McPhee: Not that I am aware of. It is important to say that the things that we are looking at are matters under the Commonwealth jurisdiction as well.

Senator CORMANN: These are matters that are also under the Commonwealth jurisdiction and there are some issues with it, if I can put it carefully like that.

Mr McPhee: Very concisely, we have a rolling program and we add topics to it. Depending on a range of sources, information that we gather from the parliament itself and parliamentary inquiries, we are aware of issues within agencies where matters may be significant or higher risk in terms of their delivery performance. We read the press and we consult widely in our program, so we are always open to potential topics. At the end of the day, of course, the ones that proceed are based on my assessment, but we have a very wide consultation process, so if there are any issues at any stage that the committees have we are open to them.

Senator CORMANN: It sounds to me that the solar panels rebate program fits in quite a number of the categories that you have mentioned in terms of high risk, performance questions and so on.

Senator Chris Evans: The officer can only advise you of his processes.

Senator CORMANN: I saw him nodding and Hansard cannot pick up a nod.

Senator Chris Evans: I will just be clear. If you want to write to the Auditor and suggest an inquiry then that is perfectly all right. Members of parliament have done that before. I do not think that it is fair to ask him to run a commentary of whether he should or should not based on you wanting to raise that particular example.

Senator CORMANN: Thank you. Mr McPhee, are you able to give us an update on the progress of the ANAO investigation into the effectiveness of Operation Wickenby?

Mr McPhee: It is very early days. As you are aware, we are having a look at that. We are only into the first month or thereabouts of the audit, so it is very much preliminary inquiries to make sure that we are understanding the respective responsibilities of the agencies involved and we will progressively advance that audit in the next 10 or 11 months.

Senator CORMANN: How many people are currently involved and how many people do you think that will scale up to as it rolls out?

Mr McPhee: In terms of our audit team?

Senator CORMANN: Yes, in terms of your audit team.

Mr McPhee: We run pretty lean and mean, so we have probably got about half a dozen maximum.

Mr Chapman: Two or three.

Senator CORMANN: Two or three right now and will it then ramp up to half a dozen?

Mr Chapman: Depending on the outcome of those initial inquiries we may need to review our resourcing, but over the course of the audit we would expect to have an average of two to three people.

Senator CORMANN: Is that enough, in terms of resources, to conduct this sort of review?

Mr Chapman: The nature of the audit is not all that different to a number of other audits that we undertake. Normal, straightforward audits would have, on average, two people over the course of the audit. An audit that is more significant might have up to four or five auditors—perhaps four audit staff. The staffing might peak at particular times during the audit, but this would be not uncommon for us.

Senator CORMANN: Can you tell us which agencies you are looking at as part of that investigation?

Mr Chapman: Rather than calling it an investigation, the performance audit will focus on those agencies with primary responsibility. Obviously the Australian Taxation Office has a key responsibility. The Crime Commission has a very important role to play and the Australian Federal Police have an investigating role within Operation Wickenby.

Senator CORMANN: So do you expect that will be the extent of it or are you expecting that there may be other agencies that will come into the scope of the audit?

Mr Chapman: At this stage we would see the audit focusing on those three agencies.

Senator CORMANN: Are there any preliminary findings or concerns that you would be able to raise with us at this stage?

Mr Chapman: No. The audit will be conducted in line with our normal methodology. We do a preliminary study review approach in the initial weeks of the audit. That would generally move to greater field work analysis where we would be spending significant time at the premises of the relevant agencies, reviewing their records and conducting interviews. After that the process would be a review and analysis activity by ourselves and the development of working papers to allow us to ascertain the key issues before we went back to the agencies to get their views on that particular matter. We are still very much in that first phase at this point in time.

Senator CORMANN: What is your time line in terms of finalising the report?

Mr Chapman: The audit has a working tabling date of February 2012. Our audits, on average, take around 11 months to be completed in our planning phase. That varies, of course. It could be nine months or it could be a bit longer. We expect this one to be completed in February.

Senator CORMANN: Are you expecting to be issuing any interim reports or papers?

Mr Chapman: No. The nature of the performance audit program is such that after the Auditor-General has formed his opinion that report is tabled in the parliament and becomes publicly available at that point.

Senator CORMANN: Before that happens is it that a draft report goes to the respective agencies and they get to comment on your findings?

Mr Chapman: We are in regular engagement with the agency right through the course of the audit. The intent is that there is no dispute around the facts and the findings of facts. In terms of our assessments, during the course of the audit, as you are indicating, we would be having formal meetings with them to discuss issues and give them papers which they can offer us comment on. There is a formal exit interview process in the later phases, together with the provision of a draft report under section 19 of our act.

Senator CORMANN: Thank you for that. Just on the issue of resources, how much will the ANAO have to find in savings in dollar terms to meet the government's increased efficiency dividend?

Mr McPhee: Those numbers are in our documents. I will ask our chief finance officer to help us out.

Senator CORMANN: Does \$3 million in savings ring a bell?

Mr McPhee: It would be pushing up to that across the period.

Mr Howatson: The 0.25 per cent additional efficiency dividend was an additional \$180,000 in the 2011-12 budget and was a value of \$590,000 over the three years.

Senator CORMANN: So it is \$590,000 over three years?

Mr Howatson: Yes.

Senator CORMANN: Have you made any decisions as to where these findings will come from?

Mr McPhee: We will adjust the budgets of all of our working groups.

Senator CORMANN: What is it going to mean practically? Is it going to be one fewer staff member?

Mr McPhee: It means that we will adjust the program and look for efficiencies. It is not expected to have a direct effect on our staff numbers, no.

Senator CORMANN: How do you save \$180,000 in the first year? Are you spending so much money on discretionary things?

Mr McPhee: If we can improve our internal project management we can save time in the length of an audit, for instance. That is generally the way we do it. We are looking for efficiencies through our information technology systems. We have invested quite heavily in

information technology in recent times. I expect a return from that in the way the organisation runs. There is a range of considerations of that kind.

Senator CORMANN: So your expectation is that you will be able to achieve those savings without any cutback in staff whatsoever?

Mr McPhee: Not in staff numbers. You need to be aware that we use quite a range of contractors as well in our office, so we will have regard to our contracting arrangements, and the way we run our corporate services as well.

Senator CORMANN: What does that mean in terms of the way you run your corporate services?

Mr McPhee: It is looking to make sure we get returns on investments we are making in systems and in the approaches we adopt.

Senator CORMANN: In terms of contractors, what you are saying is that you may not cut down your staff, but you may cut down the amount of work that you are able to contract out.

Mr McPhee: Or we may look for more competitive arrangements in testing the market.

Senator CORMANN: Are you not doing that as a matter of course?

Mr McPhee: We do that as a matter of course, but we are finding the market is quite competitive at the moment.

Senator CORMANN: Is that a recent development?

Mr McPhee: It is a development that we have seen in the last few years, to be frank. We are getting quite cost-effective proposals from the firms that we work with and that helps us to meet our budget.

Senator CORMANN: So there is not going to be any downgrading of audits or investigations whatsoever as a result of the efficiency dividend?

Mr McPhee: We are required to manage a range of cost pressures. For instance, at a professional level, accounting standards and audit standards are becoming more complex, so we are expected to do more from the point of view of our professional standards. Equally, the professional standards require that we take a risk based approach to our work, so importantly we focus on the matters that I referred to before lunch about the material items and the items where the risks are higher. We have recently had a look at our work program to make sure that we are focused on the key areas and the risk areas, and that has enabled us to make some savings in the approach to—

Senator CORMANN: What I am hearing you say is that your pressures in terms of the workload and the standards of work are going up; however, what you have done is looked at the risk profile of what you may have targeted in the past. What you are saying now is that you make the bar higher before you go for an audit—

Mr McPhee: That is correct in some areas.

Senator CORMANN: In what areas?

Mr McPhee: Particularly in the financial statement work that we do. We have reassessed what we have been doing traditionally against the professional standards, and in some cases that has allowed us to reduce the time spent on certain audits, to take out work that was not

higher value work. We have done that because we believe it is our obligation to run, as I said before, fairly lean and mean.

The other thing that I want to say is that I have not been backwards in the past in informing government where I thought that we have been short of resources and, equally, it is important when governments of whatever persuasion ask us to make efficiencies that we genuinely look to do that. At the end of the day, if I am not able to do that, I will firstly let the government know but, secondly, you may be aware that the JCPAA has an oversight role in terms of our budget and the committee always asks me if I have sufficient resources to discharge my mandate on a yearly basis. That is a question that I need to answer each year. This year I have said that in view of all of the circumstances we will absorb the efficiency dividend. We can and we will. In other years I have not said that. In fact, I have said that we need some more resources. I have to try to get the balance right in this role.

Senator CORMANN: Thank you.

CHAIR: Senator Fifield.

Senator FIFIELD: I refer you to contract notice from the Austender website, CN382831, which outlines a \$1,916,500 contract to undertake a financial statement audit of NBN and NBN Tasmania.

Mr McPhee: Correct.

Senator FIFIELD: It looks like the Audit Office is subcontracting to PricewaterhouseCoopers. Is that correct? What is the arrangement there?

Mr McPhee: Yes. Let me give a brief context. As a strategy and as a risk mitigation process from our end we have said that for certain more commercial, more complex audits, we will work with private sector firms to undertake the audit. We still sign the opinion. We are heavily involved in the planning and we are involved in all key meetings, for instance, audit committee meetings, in this case with NBN; but in terms of bringing the specialist expertise and the audit work on the day-to-day basis we work with the firms and in this case PwC.

Senator FIFIELD: Is that partly recognition of the fact that your prime expertise is in public sector auditing and this is more akin to being a company?

Mr McPhee: Correct. While we are not absolutely pure in the approach we take, we certainly say our expertise is government and when we work in the areas of, for instance, the Future Fund, NBN and Australia Post, a few of these clients which have a stronger commercial focus, we believe to do an effective job we should work in partnership and that is the model we apply.

Senator FIFIELD: Is this work funded from the Audit Office budget or is it a fee-for-service thing funded by the NBN?

Mr McPhee: It is funded from our budget, but we charge fees, but the fees are returned to Consolidated Revenue. We do not get control of the fees because parliament funds us completely for our services.

Senator FIFIELD: You mentioned before the importance of identifying who the auditors are or what the appropriate arrangements are when determining governance issues at the

inception of it. In the case of the NBN that occurred and it was deemed that your office would be the auditors for it.

Mr McPhee: Under the legislation we have the mandate to do the audit because it is a Commonwealth controlled body. At a technical level they could appoint someone else under the Corporations Law, but we would still have the authority to do the audit anyway, so they choose us as a matter of efficiency and cost effectiveness, but that is by statute.

Senator FIFIELD: Is this work the annual audits for 2011-12 and 2012-13?

Mr McPhee: That is correct.

Senator FIFIELD: Is it for NBN and NBN Tasmania? I know NBN Tasmania has its own board, but is it a separate company?

Mr McPhee: It is a subsidiary of the main NBN.

Senator FIFIELD: Is it the only subsidiary at the moment of the main NBN?

Mr McPhee: I could not tell you that. I do not know whether there are other subsidiaries, but it is one that we have audited in the past. I can confirm for you. We will liaise with NBN and get you an answer on that.

Senator FIFIELD: Thank you for that. I assume the audit of financial statements will be published?

Mr McPhee: Yes. The audited annual financial statements are tabled in agency's annual reports.

Senator FIFIELD: Obviously that is an annual event. Would the annual audited reports be the only release of financial information about NBN that your office would be involved in?

Mr McPhee: It is the main event. As a matter of course we table, every six months, a report to the parliament on issues arising from our financial statement work, but it is fairly high level, so you are right, the financial statements and the opinion are the main presentation of financial information in relation to NBN.

Senator FIFIELD: If there were issues that went to how your office undertakes audits or things that may be of interest for the auditing of similar Commonwealth bodies, is that the sort of thing that you report six monthly?

Mr McPhee: Correct.

Senator FIFIELD: As you indicated, under the legislation you are the auditors. It would be safe to assume that if there are any other subsidiaries of NBN that were in a situation where they needed to have accounts audited, it would be the Audit Office that would do it.

Mr McPhee: The only exceptions to that general rule are if there are overseas subsidiaries of that kind. That could be an issue where I think the entity normally appoints other auditors.

Senator FIFIELD: Given this contract is for the 2011-12 and 2012-13 financial years, has the Audit Office done any audit work for NBN prior to this?

Mr McPhee: Yes. We did the first year or two in-house. In the preliminary stages, as the company was in start-up mode, we did it ourselves, but as it has grown and as the complexities increased we decided that it was time to work in partnership with one of the firms.

Senator FIFIELD: PricewaterhouseCoopers gained the contract. Was that through a tender process?

Mr McPhee: That was through a tender process.

Senator FIFIELD: Are there any unique features or challenges that your office faces in auditing the NBN? What would be the most equivalent exercise that you have had to do? Would it be Australia Post? Are we charting new territory here?

Mr McPhee: There are some special and unique issues in terms of the accounting treatment and what the accounting standards expect. One of the things with new entities is that we need to be more alert to the nature of their business and how they operate; bodies like Australia Post tend to be more in the groove. We auditors have this thing we call professional scepticism. We cannot go to sleep on the job so we need to stay—

Senator FIFIELD: You would make a good opposition member of parliament.

Mr McPhee: With new organisations, though, obviously there are new or special issues, and we will work any through with NBN and discuss them as we go.

Senator KROGER: I wanted to ask a few questions in relation to ANAO report 33 in relation to protection and security of electronic information held by Australia government agencies. You undertook the audit of a few agencies. Which agencies were those? I understand one was PM&C, but which were the other agencies or other departments?

Mr White: We also looked at Medicare Australia, ComSuper and the Australia Office of Financial Management.

Senator KROGER: I understand the objective was really to assess the implementation and security of ICT in those agencies; is that correct?

Mr White: That is correct.

Senator KROGER: I am particularly interested in the compromise test that you ran in relation to passwords. Can you take me through what you did there?

Mr White: Yes. I should start by saying that the testing was not penetration testing. We were not testing live in the environment of the agency. The test was actually to ensure that we could look across the broad range of the agency passwords, not just to see whether we could break into the agency system. We took a download of the agency's passwords from the system and we ran it through our software to allow us to see whether we could break the passwords.

Senator KROGER: You carried that across to your own operations to see whether you could access the sites; is that right?

Mr White: No, we did not actually do penetration testing. We were trying to look at the broader agency's management of the passwords within their system. We were not actually seeing whether we could break into the system.

Senator KROGER: When you say the 'broader management password system', what do you mean by that?

Mr White: Each staff member, administrator and operator on the system will have a password. There will be rules and regulations in terms of how those passwords are set up, the characters they need to use to have an acceptable password, the length of the password, the

regularity of changing passwords and so on. That will be part of the policies and procedures of the agency. We were looking to test how effectively that was administered.

Senator KROGER: What you are suggesting is that the oversight of the security measures is what was under scrutiny, not the effectiveness of the actual security that was installed?

Mr White: We were not trying to break into the agency. We were trying to test the management.

Senator KROGER: Of the agencies, PM&C was one that you in particular raised issues in relation to; is that right?

Mr White: That is correct.

Senator KROGER: What were those issues?

Mr White: In terms of the administration of passwords?

Senator KROGER: Yes.

Mr White: We raised an issue in terms of better practice. We would suggest that on a risk management basis you would not accept the lowest standard of passwords within the agency. You would actually make administrator passwords more complex, because they are more powerful account users.

Senator KROGER: When was the audit tabled?

Mr White: In March.

Senator KROGER: Have your audit recommendations to raise the complexity of the password management system been applied across the agencies you have audited?

Mr White: I am not sure whether they have, but the agencies all agreed with the findings and have undertaken to ensure that their passwords were managed on the basis that we recommended.

Senator KROGER: I understand the purpose of the audit. I am sure when you look into different areas you identify that it might be opportune to audit another area. I am sure audits raise other issues. From the audit that you conducted inside those parameters, do you believe that we need to consider an overview of our security measures, post WikiLeaks, breaches of the Prime Minister's email system and so on? Do you think it would be timely to do a review?

Mr White: The audit was partly designed to benchmark where we as an agency felt the Commonwealth was standing at the moment. We were very pleased with the general outcome. We worked very closely with both the Attorney-General's Department in terms of the current framework for security and the new framework that is being embedded. We also sought support from the Defence Signals Directorate in terms of the technical processes. I think the message would be that it is always timely to consider these issues in terms of security and access. As you note, WikiLeaks occurred almost at the same time as we were doing the audit. It is happening all the time and it is just getting faster. It is always timely to look at the security aspects.

Senator KROGER: One of the recommendations that was made also was blocking access to some sites such as Gmail, Hotmail and so on. Was that a recommendation across-the-board for all government agencies?

Mr White: We would recommend it for any government agency that is not using those as their authorised mail system. The point was that these were publicly available sites that were not running through the security settings of the agency.

Mr Cahill: The nature of these audits, which are cross-agency, while they are directed at the four or five agencies we examine—we do others in procurement and such—are very much used as a vehicle to put messages out to the broader public sector. We often find when the executive directors and group executive directors attend audit committees, an audit committee will pick up these more generic audits and an executive will say, 'Look at these four recommendations. I would like to know how we stack up.' So, they are used as a vehicle to try to get a message across.

Senator KROGER: Is that being applied to all APH sites? Is that something that is going to be applied across all MPs and senators' offices?

Mr Cahill: I cannot actually say whether Parliament House is applying those disciplines, but we would expect that each of the departments of state and agencies would be looking at these recommendations and looking at their own practices to see whether they need to improve and check where they are at.

Senator KROGER: Why would you not include Facebook in that same classification? I understand it is a totally different system, but given the potential for not necessarily intentional disclosure of secure information, has there been consideration of Facebook and other social media sites?

Mr White: Absolutely. Where an agency decides to utilise something like Facebook you would expect that they would be doing a risk assessment of using it, the amount of staff that have it available to them, that the staff are appropriately trained and so on. They would bring it through the agency's security system itself to protect them. Our point was not allowing access to publicly available sites where it is not coming through the agency's security system.

Senator KROGER: I have some other questions, but I will put them on notice.

CHAIR: Thank you very much. That concludes the examination of the Australian National Audit Office.

Australian Institute of Family Studies

[14:11]

CHAIR: Do you wish to make an opening statement?

Prof. Hayes: No, we do not wish to make an opening statement.

Senator BERNARDI: At the estimates of May 2010 you flagged there was effectively a 10 per cent cut in the Australian Institute of Family Studies total appropriation; is that correct? Is my reading of it correct?

Prof. Hayes: Yes, I flagged there was a cut flowing from the efficiency dividend and other savings measures.

Senator BERNARDI: The total—it was unclear—was \$391,000 or thereabouts, which left you with a total appropriation of \$3.5million. It was in the region of 10 per cent?

Prof. Hayes: That is right.

Senator BERNARDI: What impact did this cut have on the institute's research programs?

Prof. Hayes: As I signalled, it had the impact of forcing us to review some of the processes internally to the institute, particularly around publications. I signalled that we were looking to reduce the number of print copies we produced. In fact, we have reduced that by 13.3 per cent. We have increased the amount of material disseminated electronically. That has gone up by six per cent. We have effected efficiencies in that way. We have also looked at efficiencies in terms of internal administrative processes and we have sought to diversify the range of partner organisations with whom we have memoranda of understanding to do contracted or commissioned work, and that has been an effective strategy.

Senator BERNARDI: Dealing with the publications briefly, there has been a decrease by 13.3 per cent in the published—

Prof. Hayes: In printed copies.

Senator BERNARDI: Do you still have enough documented material to satisfy demand?

Prof. Hayes: Absolutely; we have just been more careful about the numbers that we do in a print run. We have looked also at efficiencies in the distribution and mailing lists. We have made sure they are up to date. We have essentially effected some efficiencies there.

Senator BERNARDI: Do you have a program to make sure that these efficiencies are ongoing in the sense of keeping your mailing list up to date?

Prof. Hayes: We are indeed.

Senator BERNARDI: What about programs? Were any of the research programs themselves cut?

Prof. Hayes: No.

Senator BERNARDI: What about staff redundancies?

Prof. Hayes: None, and we have no plans for either voluntary or involuntary staff redundancies.

Senator BERNARDI: So, staffing levels are the same as they were last year?

Prof. Hayes: They are, yes. The proportions are similar. The numbers are similar. Of course, our staffing does fluctuate as a function of the commissioned and contracted research we have on at any given time. We match our staffing to the sorts of deliverables that we have and the budgets we have available through those projects. Sixty-three per cent of our funding of course comes through commissions and contracts. Thirty-seven per cent comes from the government appropriation. Other sources of revenue cover 63 per cent of what we get.

Senator BERNARDI: Let us confine ourselves just for the moment to the government appropriations.

Senator Chris Evans: I was hoping he was going to say he was going to give us the share coming from contracts. I was getting hopeful.

Senator BERNARDI: I would be very happy for that to happen, as I am sure you would.

Prof. Hayes: I have increased the share by 70 per cent over five years.

Senator Chris Evans: Keep up the good work.

Senator BERNARDI: In regard to the 2011-12 budget related paper No. 1.15A, which is on page 287 of the Prime Minister and Cabinet portfolio statements, you give details of appropriations, and the program 1.1 expenses. If I look at the 2010-11 budget paper, there

seems to be overall a cut of about \$3.1 million over the upcoming financial year and the forward estimates.

Prof. Hayes: That reflects the termination of a major project, which was the national evaluation of the 2006 family law reforms, which was one of the largest projects the institute has done to date. With the report being released in January last year of course that work came to an end. That is the explanation of the difference.

Senator BERNARDI: That was in January of last year, but I am just having a look at this and the forward appropriations, for example, in 2011-12 in the 2010-11 budget paper was \$10,948.

Prof. Hayes: Yes.

Senator BERNARDI: You might want to get these out so that you can follow along with me.

Prof. Hayes: I have misled you. The family law evaluation, of course, was in the non-appropriated component. But what has changed is that with the contract for the next four waves of the Longitudinal Study of Australian Children the fieldwork costs no longer come to us. The fieldwork costs flow from FaHCSIA to the Australian Bureau of Statistics directly, so it does not show against our portfolio budget statement. That was a transfer of those costs directly to the Australian Bureau of Statistics, which again is a more efficient way to do it. They get the money directly. They collect the data directly. We do not administer those funds. Our role has shifted to much more of a role in terms of the analysis of the data and reporting of the results, which I think is appropriate for us. The ABS is well positioned in terms of field data collection.

Senator BERNARDI: Can I clarify that that has nothing to do with the family law reform one?

Prof. Hayes: No. That was a misstatement. I apologise for that.

Senator BERNARDI: Thank you for correcting it. Were you consulted before there was this transfer of appropriations?

Prof. Hayes: Yes. We have been working with the ABS, but we were in the situation where we were subcontracting the ABS to do the fieldwork. We are now in a three-way partnership with the Department of Families, Housing, Community Services and Indigenous Affairs. They manage the overall project. The ABS does the field data collection and we do the design of the study and the heavy role in terms of the analysis and reporting. The ABS does the field data collection, the data cleaning and data warehousing. They are much more equipped to do that and I think it is a very good arrangement.

Senator BERNARDI: For my own personal satisfaction, previously when you subcontracted the outsourcing of the collection of data to the ABS, as the primary contracting party you would have had control over the demands of that data and so forth and there would have been an accountability mechanism between the ABS and the institute; is that correct?

Prof. Hayes: Yes, but it is now a partnership. It is a three-way partnership covered by an MOU that was extant before that.

Senator BERNARDI: You do not perceive there would be any loss in your ability to make demands of those requirements?

Prof. Hayes: Not at all, because the three partners actually manage the study collectively, but there is also a consortium advisory group of leading scientists from nine other organisations that assist with design, the survey instrumentation and other aspects of data collection. I think it works effectively.

Senator BERNARDI: Earlier you said it was a more efficient means of doing it, because it is a three-way partnership. Are there cost savings that have been demonstrated through this new arrangement?

Prof. Hayes: I think there are small cost savings to us around not having to administer that aspect of the project.

Senator BERNARDI: But in the totality of the project is it better?

Prof. Hayes: Yes, I think it is a more effective way to do it.

Senator BERNARDI: Is there any quantifiable evidence that it is?

Prof. Hayes: No, we have not analysed that.

Senator BERNARDI: There has been no reduction in overall funding for the project?

Prof. Hayes: No, not all.

Senator BERNARDI: Are you expecting to get something more than you would have received under the previous arrangement?

Prof. Hayes: We get the capacity to frame new areas for analysis and then put those as proposals for further work. I think that has been a good thing.

Senator BERNARDI: You could not do that before?

Prof. Hayes: We could, but our role is much more to explicitly do the research, analysis and reporting on it.

Senator BERNARDI: I am not trying to give you a hard time about this.

Prof. Hayes: Not at all. I am not taking it that way at all.

Senator BERNARDI: I am just trying to establish whether you are getting any less than you were before from this new arrangement?

Prof. Hayes: No. I think this arrangement is effective for us.

Ms Tait: The balance of the contract, or the MOU arrangement, between the Department of Families, Housing, Community Services and Indigenous Affairs and the ABS is a slightly different emphasis. The scope of the work in fact has been extended fairly considerably to the further waves of data collection. The balance of activity that we undertake is slightly different from previously, but the full scope of what we do and our capacity to undertake research on the basis of very much more detailed datasets—and going into the future even more detailed datasets—is of great benefit to us.

Prof. Hayes: The other thing that is happening too is that other government departments are realising what a rich resource LSAC is, and so they are putting out tenders for work in that area or commissioning us directly to do analyses on topics that LSAC can illuminate.

Senator BERNARDI: You may satisfy the minister's quest for even more funding.

Prof. Hayes: Absolutely.

Senator Chris Evans: He is probably going to sell me a proposition now, I suspect.

Prof. Hayes: Yes, always.

Senator KROGER: May I commend you, firstly, on the report that was brought out I think only last week. It was a very sober reminder to us all of the financial and social pressures that families are under and I think it was very timely. Was that report commissioned by anyone? You mentioned how 63 per cent of your reports are commissioned? Was that commissioned by—

Prof. Hayes: We actually had discussions with the Department of the Prime Minister and Cabinet around that work. Last year you may remember we had put out for our 30th anniversary *Families Then and Now*, which was a 30-year look at Australian families from 1980 forward, when the institute was founded. We decided that, given the events of the early part of the year, we would look at issues to do with not only the challenges to Australian families but also the resilience of Australian families and the sources of resilience. That was the genesis of the report. We had been talking to our colleagues with whom we most directly interact in PM&C, and that is the Office for Work and Family, and we undertook to put those analyses together. Each year we also do something for Families Week. Last week was National Families Week. In partnership with Families Australia we did that work. It broadly focused on a range of topics around the demographic change in Australian families, also some of the aspects to do with work and family and education. We looked across the lifespan of those topics. The things that were not picked up by media coverage were to do with older Australians, increasing longevity and increasing the healthy and positive ageing of older Australians. That was the genesis of the work. With the standing capacity we had we put that together, and I think it has been well received.

Senator KROGER: The report is very rich with a lot of information that could be used in consideration for policy development, because there was a lot of very interesting analysis that was undertaken in that.

Prof. Hayes: Thank you.

Senator KROGER: Given there is a significant policy change—many hope for the country to be in a significant transition over the next few years—in relation to the introduction of carbon tax, the discussion about climate change and how that is addressed, the implications of that on families in a whole swag of ways, has there been any consideration to having such a report done on an annual basis that provides hard data on annual changes. I am mindful of what I am suggesting here in terms of the cost. One of the things that your report raises is, for instance, the comparison over 25 years ago in relation to fulltime working parents. I think it was one in four to fifty-fifty in 1983, or something like that. There are implications of that on child care, education and so on. Given the rapid nature of change these days, has there been consideration of doing this on a more regular basis, even annually?

Prof. Hayes: We have had discussions around the usefulness for the institute in doing something like this, but nothing formal at this stage. That would be something we would really welcome. I see the institute as being one of the bodies that can provide the evidence that does inform policy. We are not a policy making body, but certainly what we do I think has a role in informing policy. The evaluation work we do, of course, has a role in adjusting policy. I think that, since its inception, the institute has been very committed to tracking these changes. I think always the causes of the changes are complex, but the changes related to the balance of families where both partners are working, for example, must reflect things like the

increase in educational participation of Australians and particularly Australian women. With that flows engagement in careers and professional career paths. Also what is interesting us increasingly is the impact of a massively shifting demographic. It surprised me that 16 per cent of Australians 65 and older are still in the work force. That has gone up considerably. It also astounded me—and I should have known this statistic—that four per cent of Australians at the time of Federation were aged 65 and older, and the figure at the moment is 14 per cent. That of course is projected to be around 25 per cent by the middle of this century. They are quite remarkable shifts and I think tracking those shifts is vital if governments are going to project where the policy pressures and policy needs will be in terms of responses. I am sorry, I am waxing—

Senator KROGER: Hence my comments about the significance of the pace of change, and the way it is affecting governance considerations. For what it is worth, I strongly support anything we can do to ensure the viability of your institute, because you are arguably very independent in the way in which you conduct your analysis and I think that is a good thing for the country. In conclusion, when you conduct these reports clearly you do a costing of them. Can you provide a costing for that report so that it could be considered whether in fact that that was achievable? I presume you do have that.

Prof. Hayes: We can give you a breakdown in broad terms of the time that went into the production of that.

Senator KROGER: Yes.

Prof. Hayes: We would take that on notice.

Senator KROGER: And I am happy with that.

Prof. Hayes: The issue for me—and I will be frank about it—is working to ensure that through whatever way we are funded we maintain our standing capacity, because this is a nice example where our standing capacity could be deployed in a relatively short time frame to do something that I think that has been useful. We have been collecting information for 31 years now.

Senator KROGER: Could you take on notice the breakdown of that; how many people worked on the report; the time it took to put that report together, and the areas that you sourced information from. That would be very helpful.

Prof. Hayes: Yes. The footnotes are in the back of the report—I am happy to table a copy.

Senator KROGER: I did not get to the footnote.

Prof. Hayes: The footnotes give you all of the sources we use, and I would be more than happy to leave a print copy.

Senator KROGER: I am happy to go to the footnotes. You do not need to do that. Thank you.

Senator Chris Evans: I was going to ask for a copy.

Senator KROGER: You have to take it home and read it tonight; it is a good read.

Senator Chris Evans: I had not noticed it come out, so I will.

Prof. Hayes: I will just give you *Families Then and Now*.

Senator Chris Evans: Okay.

Senator KROGER: Professor Hayes, finally, do you have any other interesting reports coming up?

Prof. Hayes: This year we have produced 53 reports up to the end of March. We have another 26 reports or publications coming out.

Senator KROGER: Can you table that?

Prof. Hayes: So, we will have 84 publications. They are not all reports of that size. Essentially that is up from 53 the year before. We are very actively engaged.

Senator KROGER: You are indeed. Can you table a list of the publications that you have put out this year?

Prof. Hayes: Yes, we can provide a list of the publications.

Senator KROGER: That would be great.

CHAIR: Is it the wish of the committee to have the document tabled?

Prof. Hayes: Can I provide it to you on notice?

Senator KROGER: Certainly, thank you.

Prof. Hayes: I am not sure you would read my writing.

Senator KROGER: No, that is fine.

CHAIR: We would not even try.

Prof. Hayes: They are all available on the web, by the way. All of our publications are disseminated through the web.

Senator KROGER: It is good to have this on *Hansard*.

Prof. Hayes: Absolutely.

Senator MOORE: I am interested in the study that Professor Higgins is doing on adoption practices in Australia. You would know that the Community Affairs References Committee is working in this area. I want to know about the budget for this one—the second program. I will go back to the original work, Professor Higgins. For the current one you are doing, on your website it lists the advisory group that you have, which is a very wide-ranging advisory group. Also, this particular report was commissioned by the Community and Disability Services Ministers Conference through COAG. Can you give me any idea of the funding that was linked to that?

Dr Higgins: The total amount of the funding for the current project looking at past adoption practices is \$375,000.

Senator MOORE: That is to cover all aspects of the process up until the report in 2012?

Dr Higgins: That is correct.

Senator MOORE: I see from the process that your work plan includes surveying.

Dr Higgins: That is right.

Senator MOORE: That is complementary to the History of Adoption Project at Monash. Can you give us some idea about whether there is any particular aspect of your work that is funded to do that work in liaison with Monash?

Dr Higgins: No, none of our work is actually funded to do it in liaison per se. It is in recognition that that work has already been undertaken or is underway, and particularly with

funding from the Australian Research Council, I believe. The important thing was for us not to be duplicating our terms of reference. Theirs is an historical study. Ours is one that is focussing primarily on the issue of the current needs of those who are affected by those closed adoption practices up to the 1970s and 1980s.

Senator MOORE: The 1970s and 1980s?

Dr Higgins: Our focus is on closed adoption. The legislation changed progressively across the states and territories over that time.

Senator MOORE: All those aspects of vetos and things like that.

Dr Higgins: That is correct.

Senator MOORE: Your original work was released in 2010.

Dr Higgins: Yes.

Senator MOORE: Do you have any information on the funding basis and who conducted that study?

Dr Higgins: Yes. It was commissioned by the Department of Families, Housing, Community Services and Indigenous Affairs. It was a request for us to provide a quotation to do a literature review to analyse the adequacy of the evidence base to be able to inform government policy and decision making.

Senator MOORE: So, that is purely funded by FaHCSIA?

Dr Higgins: That is correct.

Senator MOORE: Do you have those figures with you or can we get them on notice?

Dr Higgins: They will need to be on notice.

Senator MOORE: That would be fine.

Dr Higgins: I only have the current year's figures, if that is all right.

Senator MOORE: Was there an earlier AIFS study in this area from the 1990s?

Dr Higgins: Yes and no. AIFS was responsible for publishing a report that was conducted by academics from Western Australia. From memory, I think it was 1983 or 1984. They were not AIFS's researchers, but as is the case from time to time the institute publishes high-quality research that is relevant to the issues of families in Australia, and that was the decision that was taken at the time, to publish that piece of work by academics from WA.

Senator MOORE: So, to the best of your knowledge, particularly after you have done your work on the literature review, in terms of this form of research that would be the most focussed research in this area?

Dr Higgins: Certainly it came up in that literature review that I conducted as being one of the most comprehensive, both in terms of the scope of the questions that were being asked, in terms of the sample size and in terms of the quality, if you like, of the research. I am not suggesting it is the only thing, but it is certainly one of the larger and therefore more informative studies, particularly around the issue of representativeness as well.

Senator MOORE: Certainly my reading of the one from the 1980s was that it was based on statistical data, then they filled that out with out with anecdotal evidence that the book was actually presented in such a way that there was lots of the data from the surveys, but then it

was supplemented by real stories from people. That was annotated to say that this was not done in a scientific way; this actually had a human face. Is that how you would see it scientifically?

Dr Higgins: Certainly. The principal basis of the report was a quantitative survey based research study that had all of the rigour and all of the caveats that you would normally expect from an empirical piece of research, and that is what distinguished that study from quite a number of the other items, if you like, of research and information that I canvassed in that literature review, many of which were either qualitative or small scale. That is not to diminish those, but of course we need to pay different attention in terms of the kinds of lessons that we can learn and how useful it may or may not be in terms of informing national policy in this area.

Senator MOORE: The advisory group has people from a range of different departments and universities. It is quite heavily weighted towards universities.

Dr Higgins: Can I just add one clarification. It is actually a technical advisory group and the purpose is to advise us about the technical nature of the study, particularly in terms of the measures that we are proposing to use for the quantitative survey, and both the methodology and the content areas for qualitative aspects as well.

Senator MOORE: Is there any part of your process that actually includes consumers?

Dr Higgins: I probably would not use that word. We do not talk about consumers, but I understand that you would be referring to the participants, if you like, or the target group.

Senator MOORE: There is no good word and I do not like 'consumer' either, but in terms—

Dr Higgins: Sorry; I do not intend that as a criticism.

Senator MOORE: The people who actually have lived the experience.

Dr Higgins: Yes. In terms of the design phase, we have already conducted two separate telephone stakeholder consultations. We had wide representation from people who have already made themselves known to FaHCSIA with an interest in this area and who had been part of consultations in the past, when I was commissioned through the institute to write the literature review back in 2009-10. So, it was those same groups of people that we used as part of that stakeholder, if you like, consultation process that happened just this month.

Senator MOORE: The website does not reflect that.

Dr Higgins: That is correct; it does not as yet reflect that, because it has only happened this month and we have actually had a staff absence, but we will be remediating that.

Senator MOORE: So, in terms of the process, the funding is secure for three years?

Dr Higgins: Yes, we have a contract in place.

Senator MOORE: And there will be a reflection on your website that actually looks at that stakeholder stuff into the future?

Dr Higgins: That is correct. In fact, we have actually asked stakeholders whether we have their permission to use their names, because of course some people may or may not be happy with that. The technical advisory group occurred earlier and that so that is why it is already up on the website; the stakeholder consultations have only just recently happened.

Senator MOORE: Thank you, Chair.

CHAIR: Thank you, Senator Moore. Professor Hayes and officers, thank you very much for appearing before us. That concludes this examination. Good afternoon. I welcome the Office of the Commonwealth Ombudsman.

Office of the Commonwealth Ombudsman

[14:41]

CHAIR: Good afternoon, Mr Asher. Do you have an opening statement?

Mr Asher: I am delighted to appear before the committee. We see our role as in the main providing assurance to members and senators and members of the public that Commonwealth services are delivered in a fair, just and transparent way, and welcome any questions that the committee may wish to direct.

CHAIR: Thank you very much. We will go to Senator Hanson-Young.

Senator HANSON-YOUNG: Thank you, Mr Asher, for coming along today. I was keen to focus the questions that I have in relation to your role as the Ombudsman looking after areas of immigration. Of course, one of the roles that you have specifically is in relation to reviewing the individual cases of people who have been held for a certain amount of time within detention. I imagine that workload has gotten significant in the past year or so and yet it seems as though there is not much increase—or no increase really—in the budget to allow you to continue to do that work. Do you think, based on the ability of your unit, that you will be able to carry out those duties as required?

Mr Asher: There are two aspects to our supervision of those folk. The first is a statutory one that when somebody has been in immigration detention for two years or more we are required to do a review of the circumstances and we report to both the minister and we provide a deidentified report that is tabled in parliament. By another arrangement with the former minister for immigration, we undertake similar reviews at six months. When we first started doing that a couple of years ago the numbers in that were in the hundreds. Now, of course, they are in the thousands. I guess we are really struggling to find a way of meaningfully interviewing that many people and providing reports to the secretary of the department about aspects of, say, mental health or suitability of people remaining on Christmas Island rather than being brought on the mainland and things like that. It is also true that we were asked, again in a new policy proposal this year, to continue that work, although we are funding that work from elsewhere within our office by trying to find ways of trimming down other areas of complaint work so that we can continue to do that.

Senator HANSON-YOUNG: So, despite the increase in the number of cases you are being requested to review, with no additional funding you are still going to have to be able to manage that. What kind of impact do you think that will have on the transparency and accountability of not just individual cases but the overall conditions within detention centres?

Mr Asher: I am thinking that we will have to just redefine the way that we do that and perhaps instead of doing individual reviews we might have to do batch reviews—all of the detainees from a particular boat or something like that—and then try to rely more on the department's work with mental health provision and so on. I do regard this area as some of the most important work that we are doing, and we certainly do not wish to see individuals fall into limbo. I am reminded from the *Australian* this morning that it is just on a number of

years since they first published the Cornelia Rau story, and we are very conscious of the impact that has had and we do not want to see the department slip back to those bad old days.

Senator HANSON-YOUNG: You would not want to see vulnerable people slipping through the cracks simply because you have not been able to look at their individual case.

Mr Asher: Indeed.

Senator HANSON-YOUNG: In February you issued a report and you warned the government about the situation on Christmas Island; you said it was unsustainable. Of course we have seen the results of that since—riots on Christmas Island, and increasing levels of self-harm, not just amongst adults but amongst young people as well. Since then you have also made comments in relation to the government breaching their own values. Minister Evans is sitting right next to you. They were values that were promoted widely by the minister. Do you stand by those comments?

Mr Asher: The basis upon which we made that statement was that the values the government adopted for immigration detention included ones that spoke of people not being in detention on Christmas Island for any longer than was necessary; that unaccompanied minors and young folk should be brought onto the mainland at the earliest possible opportunity; and that we should treat people there with full respect and provide all of the services that are needed—legal services, interpreting services, mental health care services and so on. It was all those very points that we made in a report that we submitted to both the department and to the government last September, which we finally published in February.

Senator HANSON-YOUNG: So, you gave the government those warnings in September?

Mr Asher: That is right, yes.

Senator HANSON-YOUNG: In September you said that these were warning signs?

Mr Asher: Not only that, but we have had the practice over the last two years since October 2008, in fact, of submitting on every visit to Christmas Island—and we have now made 10—reports on all of these issues. We felt, though, that after the deteriorating situation that we found in September we should make a public report as well to draw wider attention to some of those, what we saw as, unsustainable tensions, overcrowding and a system which had, as we said in the report, come to rely on the goodwill of all parties. That includes excellent efforts by departmental staff, contractors and notably by advisors to asylum seekers and the asylum seekers themselves. We just predicted that you simply cannot keep drawing on the goodwill of folk in circumstances like that.

Senator HANSON-YOUNG: How has the government responded to the recommendations and that direct criticism?

Mr Asher: Partly from the recommendations and partly I suspect the government's own policy intent there have been now a number of new onshore facilities opened—in Darwin, in Tasmania, and the expansion of some others, Scherger. The number of people held now on Christmas Island has fallen quite considerably over the last six months or so. There is still some way to go and there are still unaccompanied children and families that are a matter of concern to us. We have had an inspection team there in the last week or so and another one going in a fortnight. We will be following up on all of those recommendations very soon.

Senator HANSON-YOUNG: Have you been informed specifically around measures to deal with, in particular, mental health care services and medical services that are available, considering they were specific things in your report that you criticised and that said needed to be fixed?

Mr Asher: Yes. We have been specifically following that up. There is a government health advisory group that is monitoring those issues, and we have been in touch with it. It is our intention to take with us some mental health specialists on a future visit not just to Christmas Island but to some of the other detention centres in remote areas where we think some of those same pressures will be building up.

Senator HANSON-YOUNG: You talk about there being a reduction in the numbers of people on Christmas Island, but of course we know that the numbers in places such as Curtin, for example, are growing. Surely this does not take away those same dangerous elements.

Mr Asher: No. Our view is that it is the remote locations rather than specifically it being Christmas Island that is a generator of much of the huge expense and difficulty. However, even though Curtin and some of the other facilities are remote and still expensive and problematic, the extreme versions on Christmas Island, with a very limited ability to resupply, equipment breakdown and inadequate facilities with people accommodated in tents. Those features fortunately do not appear in some of these other facilities.

Senator HANSON-YOUNG: How serious do you really think the government is about acknowledging what a tense, volatile situation there is in these centres? It seems to me that every day we are hearing of more and more cases of people being pushed to self-destruction.

Mr Asher: I have announced that we are currently developing terms of reference for a review of control of self-harm and suicide to see whether the practices being implemented are ones that have learnings from deaths in custody in the prison systems. We will be careful to consult with relevant stakeholders and experts around that, so I think I would prefer to wait until our research is finished.

Senator HANSON-YOUNG: Will the terms of reference include looking at the adequacy of the training, expertise and quality of the mental healthcare workers available in these facilities. That is, of course, from an advocate's point of view a complaint that has been raised time and time again?

Mr Asher: Indeed, we have such expressions of concern. Anyone who has looked at any of the literature on suicide and self-harm knows that only a small part of it is the actual facility in which people are kept. So much of the rest of it is about reassurance about what is going to happen to them—why, when and how—even if that might be in terms of a negative decision. We will be looking at those issues.

Senator HANSON-YOUNG: When will you make public the terms of reference and when this inquiry will go ahead?

Mr Asher: At the moment we are deeply engaged in a review of the use of force on Christmas Island, the incidents that occurred there, and the interrelationships between the contractor, Serco, the department and the Australian Federal Police. We have considerable resources on that at the moment. As soon as we can find some more resources we will proceed with the second area of inquiry.

Senator HANSON-YOUNG: Why did you decide to launch that inquiry when the government has their own inquiry—the Hawke-Williams inquiry? Why do we need another one?

Mr Asher: We have been doing the work that we have been doing for 35 years. We know about effective administration and cooperation. We have considerable legal powers that go across all agencies and all recipients of Commonwealth funding. We have done this many times and it was our concern that there are some specific issues that we want to explore.

Senator HANSON-YOUNG: I was in the Senate estimates session this morning with the immigration department and asked them specifically around the performance indicators and the contract with Serco. There has been a lot of talk about whether there have been breaches, whether there have been trained staff, whether staff are adequately equipped to deal with these issues, and not just when a situation in a centre gets to a point of rioting but just dealing with the day-to-day needs of traumatised people. The immigration department could not give me anything, because the contract is not publicly available. It will not be given to Senate estimates. The numbers of breaches Serco is involved in is not disclosed. There is no publicly disclosed information about whether they have breached or indeed, if they have, what the recourse has been. Will your inquiry, under the powers that you have, be able to access that information?

Mr Asher: Yes, we have power to obtain any information that we feel is necessary or relevant to pursue one of our statutory inquiries, and we do not have any suggestion at all that that information or cooperation will not be forthcoming.

Senator HANSON-YOUNG: Do you think it is acceptable that that type of information is not as a matter of course disclosed to the public?

Mr Asher: I think the government has a culture backed by new legislation for openness in government, and one of the cardinal goals that our organisation has been working toward for 35 years is fair, open and transparent administration. We do not engage in policy discussions. Certainly in public we have lots of opportunities through parliamentary committees and legislative processes where we will make submissions, but on the broad issue more transparency, in my view, is likely to lead to fewer problems. There is an old principle that sunlight is the best disinfectant, and I think that is a pretty good one.

Senator HANSON-YOUNG: You referred in the beginning of my questioning to the desire not to see another situation such as what we saw with Cornelia Rau.

Mr Asher: Yes.

Senator HANSON-YOUNG: Is it your frank assessment that unless there is more transparency and the ability for units such as your own to investigate there may very well be a chance for that type of case to fall through the cracks?

Mr Asher: Perhaps if I could answer slightly more widely that departments that are open to scrutiny and who welcome exposure of administrative deficiencies and take onboard changes, in my view, do not get into trouble; departments that resist them and are secretive do.

Senator HANSON-YOUNG: Thank you very much.

Senator Chris Evans: Can I just say, though, from the government's point of view, it is this government that invited the Ombudsman to have access to Christmas Island and to oversee operations there.

Senator HANSON-YOUNG: But we need it funded.

Senator Chris Evans: It is this government that encouraged their involvement in the review of people in detention in an attempt to keep the pressure on the department to resolve what were difficult cases. The department welcomed that scrutiny and welcomed the cooperation of the Ombudsman's office and still does, I understand, but I think the reality is the increase in numbers of clients has put enormous pressure on the system. There is no getting away from that. Systems that work well with small numbers are much harder to maintain in the face of larger numbers of clients, but the principle and the values remain, and the role of the Ombudsman in oversighting and having access to detention centres is an important one on which the government could use your support.

Senator HANSON-YOUNG: The point is that we need to see that backed up with appropriate resources. **CHAIR:** I thank the representatives for appearing before us. We will now call the Independent National Security Legislation Monitor.

Independent National Security Legislation Monitor

[15:02]

CHAIR: Welcome. Do you have an opening statement?

Mr Walker: No, I do not.

CHAIR: I will indicate to senators that we have a very tight time line this afternoon. We have about 20 minutes for this. Senator Trood can kick off. I know Senator Ludlam has some questions as well, so please be mindful of the time. I would also like to thank Senator Trood, at this point in time, for his contribution to this committee as I indicate that this will be his last estimates and he has popped in and out during the course of his term. I would like to thank him for his contribution and hope he continues to behave himself until the end. Senator Trood, you have the call.

Senator TROOD: Thank you for making yourself available, Mr Walker. It is not long since your appointment, so we appreciate your being here. Can you tell me when you took up your appointment?

Mr Walker: The date of the letter of appointment is 12 May, but the appointment was made on 21 April. I have already commenced some orientation meetings and put in train some inquiries.

Senator TROOD: We will get to that in a moment. There are a couple of things that I would like to clarify with you. Your letter of appointment was dated 21 April and you took up your position on 12 May. Can you tell us when you were offered the position?

Mr Walker: No, I cannot remember. It was some time in December, I think, which is when I recall the commencement of security checking.

Senator TROOD: What is the explanation as to why it took so long for your appointment to be confirmed?

Mr Walker: I am not a person who could answer that. I am the object of the process rather than involved in it.

Senator TROOD: You were offered the position in December; is that right?

Mr Walker: Yes.

Senator TROOD: I assume we are talking about 2010.

Mr Walker: That is correct.

Senator TROOD: Did you assume that it took that period of time, from December to April, for you to be vetted properly?

Mr Walker: It must have been some time before 21 April which is when, as I understand it, the process involves necessarily consultation with the Leader of the Opposition. It certainly involved the security clearance. I cannot tell you what else it may have involved internally and not talked about in the statute.

Senator TROOD: Do you have any staff?

Mr Walker: I do not have staff as such. There are two officers who are assigned or allocated to do what I need to be done.

Senator TROOD: Where are they from?

Mr Walker: Prime Minister and Cabinet.

Senator TROOD: Are they assigned on a full-time or part-time basis?

Mr Walker: It would be fair to say not full time, but what proportion of their time I cannot presently tell you because I do not know.

Senator TROOD: Are they freely available to you for the purposes of your office when you need them?

Mr Walker: They have been so far.

Senator TROOD: Do you assume that will continue?

Mr Walker: I do.

Senator TROOD: Have you been given a budget for the office?

Mr Walker: There is a budget. I am not given a budget and I am not given any expenditure powers, I think.

Senator TROOD: What is the size of your budget?

Mr Walker: I cannot tell you exactly. It is in some statements that I have read. I think it is in the vicinity of \$300,000.

Senator TROOD: As you may know, we have this procedure here of taking these questions on notice and your subsequently advising the committee. Perhaps you can take that question on notice.

Senator Chris Evans: Perhaps I should take it. I am not quite sure how this is going to work. It probably would have been better if I had someone from PM&C with us, but I do not. I will take it on notice and Mr Walker and I will work out whether PM&C should be providing an answer or he should.

Senator TROOD: Thank you for that. You are to report primarily to the Prime Minister. Is that as you understand your role?

Mr Walker: Yes, with a report that is directed, however, through the Prime Minister to the houses.

Senator TROOD: Is that in relation to all of your activities; is that correct?

Mr Walker: Yes. There is a reporting function required by the statute that has topics that are required to be covered in the area of the review of the legislation, which is the concern of the office.

Senator TROOD: What do you now see as your priorities for the position?

Mr Walker: The first priority, as far as I am concerned, is to acquire information, or data if you like, by way of baseline concerning the activities of all Commonwealth and state offices involved in administering the legislation in question.

Senator TROOD: Obviously that is your primary concern at the moment.

Mr Walker: That is right.

Senator TROOD: Having informed yourself fully of these matters, do you have a timetable of work established at the moment, or is it a bit early?

Mr Walker: It is too early, but I can say that setting a more detailed timetable is, itself, the first thing to be done.

Senator TROOD: What sense do you have of your overall responsibilities?

Mr Walker: The sense I have is that it is an annual reporting function involving the consideration in a continuing way for annual report of the following three main areas by way of reviewing the necessity for, the effectiveness of and the application of the laws in question.

Senator TROOD: So that is essentially the counterterrorism legislation or broadly the security legislation?

Mr Walker: Broadly counterterrorist with, as the committee would be aware, some definitional spread beyond strictly counterterrorism, that is correct.

Senator TROOD: That is all I have on this subject.

CHAIR: Senator Ludlam.

Senator LUDLAM: I would also like to add my welcome. It is great to have you here, having been working on the establishment of your office for about three years. It is great to finally get you into a committee. It took us a while to organise.

I will put my first question to the minister. The parliament passed enabling legislation for this office in March or April 2010. Can you tell us what was going on between March and December that it took that period of time before offers were being made to potential applicants?

Senator Chris Evans: I cannot give you any more information than I think has been given to you at previous estimates. I do not have any personal knowledge of the issues. Perhaps it might be better when Mr Walker appears next time that I might have PM&C or we might arrange for those sorts of questions to be asked while PM&C are represented at the table. I heard the discussion with you last time with the National Security Adviser and that is the extent of my knowledge, but I am happy to take on notice anything else that you wish to raise beyond the discussion that you had.

Senator LUDLAM: That discussion did not go very well, so it would be interesting to have someone from PM&C if you are able to do that for us.

Senator Chris Evans: If there is anything that I can add, I will take it on notice.

Senator LUDLAM: Thank you. Mr Walker, I take it that it would not be possible to table a work plan at this stage. Is that something that is still very much under development?

Mr Walker: Very much so.

Senator LUDLAM: I am interested, at the outset, to get a sense of your understanding of how you would engage with the legislation—for example, this bill in front of the Senate at the moment that I think would fall fairly clearly in your ambit. Are you proposing to examine or feed into committee work around that bill before it is enacted, or do you see your role as picking up after parliament has finished?

Mr Walker: Very much reviewing only the legislation referred to in the statute plus other Commonwealth enactments that are reasonably related to it. That gives an ambit of inquiry, but as far as I am concerned it would not involve looking at bills. I do not see that the statute gives me any official role in the making of the laws, but rather the reviewing of laws that have been made.

Senator LUDLAM: I understand there is some concern about your counterpart in the UK who has a mandate to examine current legislation, that they were worried that it politicised the position, so I can understand why that has been excluded. If the government invites you, not in a public way, but as a process of your background review, to make a contribution to proposed law reforms, I am presuming that there is nothing that precludes you from doing that.

Mr Walker: No. There is nothing that precludes me. There is nothing that precludes any citizen, but if it were anything that I were doing in relation to the office—and it is difficult to see why it would not be—it would certainly form the subject matter of reference in my report.

Senator LUDLAM: But you require a specific reference, for example, from the Prime Minister's office which your act allows now.

Mr Walker: I imagine in most cases that would be not only necessary, but even in the cases where it is not necessary it would still be expedient to have it fall in that fashion.

Senator LUDLAM: You have a gigantic task ahead of you which we have canvassed in your absence at a number of committees. There is an enormous body of work out there for you to undertake. Given that we do not know what might be coming down the line as far as references from the Prime Minister go, or the triggering of reviews every time laws are used, can you describe to us, to the limit to which you are able given that you are still establishing your work plan, how you propose to juggle the three things, the day-to-day individual matters and the operational side of things, as opposed to the underlying law reform task which I suppose is essential to your work?

Mr Walker: I think that you are right, with respect, that there is a difference between those tasks. I hope it will not be as tricky as requiring me to juggle anything because the law reform considerations obviously include the practical effect on what you call day-to-day matters. One thing that is clear is that I have not been selected for appointment as somebody with lifelong experience in the intelligence community or in counterterrorism operations and it would be wrong for me to pretend to expertise that I do not have. For those reasons I will probably start from the base of the expertise that I do have, which is in the understanding of legislation and the citing of it in some international comparative contexts, particularly within

international human rights requirements and obligations imposed on Australia, which are referred to in my statute.

Senator LUDLAM: You have confirmed for Senator Trood that you have two staff and part of their roles within PM&C is dedicated to supporting your office. They have both been appointed. Are you able to point us to who they are and where they sit?

Mr Walker: Sarah Driver is in the room.

Senator Chris Evans: We do not generally give out the names of public servants in particular jobs at the more junior levels. I am happy to get the classifications or the titles. I suspect that is what you are after.

Senator LUDLAM: Is that something that you could provide for us now or are you taking that away?

Senator Chris Evans: I can probably ask one of the people named to write it down for me and give it to you.

Senator LUDLAM: I will move on while that is happening. Can you describe their support roles? Are they purely administrative? Is there a research capacity there? What do they bring?

Mr Walker: There is most certainly research capacity there. They will also both need to be administrative assistants—both.

Senator LUDLAM: Without putting you in a difficult spot, is that going to be enough, two part-time officers?

Mr Walker: I do not know.

Senator LUDLAM: I am going to ask you that every time we have these sessions. I am just putting you on notice.

Senator Chris Evans: The government has confidence in Mr Walker that if he feels he does not have the resources then he will make that known, so we will obviously have to ensure that he is appropriately resourced.

Senator FAULKNER: We will look forward to Senator Ludlam's questions of Mr Walker.

Senator Chris Evans: They will be the highlights of the job, I am sure.

Senator LUDLAM: There are only two staff plus yourself. Is there anybody with expertise in online intelligence and security threats?

Mr Walker: I think that no is the answer.

Senator LUDLAM: How much of their time is devoted to your office? How much are you able to draw on them?

Mr Walker: The standard required by the terms of appointment is 60 days a year.

Senator LUDLAM: Is that in total or each employee?

Mr Walker: I am sorry, no, that is me. I hope that within civilised working hours the others will do whatever has to be done.

Senator LUDLAM: Is it at your discretion as to whether they end up as full time?

Mr Walker: I am sure that it is not at my discretion, but as the minister has said, it is something which I will not be shy about making requests for if I find that the assistance that I have is overtaxed.

Senator Chris Evans: I advise you that I am advised that Mr Walker will have two advisers at the EL1 level.

Senator LUDLAM: How has their workload shaped up thus far? I know the office has only been on its feet for a couple of weeks, but how have the demands on their time been so far?

Mr Walker: It is extremely preliminary and we are still ascertaining the scope of initial inquiries, which are necessarily intended to be comprehensive, to a number of agencies.

Senator LUDLAM: You were probably about to inform Senator Trood of this earlier in your opening comments. Can you tell us which government departments, ministers and agencies you have been able to meet with thus far?

Mr Walker: Apart from Prime Minister and Cabinet I have met, in an introductory fashion only, representatives of the AFP, ASIO and Attorney-General—I think that is it.

CHAIR: Final question, Senator.

Senator LUDLAM: I will take one on notice, if I could, which is just around where I find your budget statement. Have you met with any civil society groups, legal academics or members of the intelligence community that are outside formal structures of government?

Mr Walker: No.

Senator LUDLAM: Do you intend to at some stage?

Mr Walker: Yes.

Senator LUDLAM: I am trying to find where you appear in the portfolio budget statement. We cannot find your appropriation and I gather it was bumped forward because of the delay in setting the office up in the first place. Can I have someone provide that for us?

Senator Chris Evans: I will take it on notice.

Senator LUDLAM: Thank you.

CHAIR: Mr Walker, thank you for appearing before us. I know that you had to divert your travel arrangements at short notice so thank you very much. We look forward to seeing you at future estimates hearings.

CHAIR: I call forward the Office of Inspector General of Intelligence and Security.

Office of the Inspector-General of Intelligence and Security

[15:19]

CHAIR: Welcome, Dr Thom and officers. Dr Thom, would you like to make an opening statement?

Dr Thom: No.

Senator TROOD: Your staffing level has been increased in the budget statements from 13 to 14. As I understand it, that is not actually an increase in staff in this budget, it is the implementation of an announcement which was made in the MYEFO announcements earlier in the year; is that correct?

Dr Thom: That is correct.

Senator TROOD: That will bring your staff up to 14; is that also correct?

Dr Thom: Correct.

Senator TROOD: Is this new person a full-time staffer?

Dr Thom: We have received funding for a full-time person, yes.

Senator TROOD: According to the answer to a question that you gave me, that person is dedicated essentially to the whistleblower legislation, or the expectations you have about the increase in work for your office as a result of the whistleblower legislation; is that correct?

Dr Thom: With a small office you need flexibility and it is unlikely that one individual will be 100 per cent allocated to one particular function. Having said that, it was estimated at the time that proposal was put forward that we would need the resources of one person to dedicate to the whistleblowing function. It may not be one particular individual doing that 100 per cent of the time for the whole year; it may be a bit patchy. In a small office you have to have flexibility to be able to move people around.

Senator TROOD: Is the allocation a reflection of your expectations about the work which is going to grow out of the whistleblower legislation?

Dr Thom: Yes, particularly initially. We would expect some time to put to guidelines, internal procedures and the like.

Senator TROOD: In the budget statement on page 485—this is the PM&C budget statement for your office—there is a reference to program 1.1 Expenses and a reference to ‘significant assistance free of charge from the Department of the Prime Minister and Cabinet’. Is that right?

Dr Thom: Yes.

Senator TROOD: Can you explain what that means? What does ‘significant assistance’ represent?

Dr Thom: It is significance in terms of our overall budget. It is to do with corporate functions such as payroll, occupational health and safety, IT services and property services. They provide that to us largely free of charge. It is not significant in absolute dollar terms, but in terms of our rather small budget, it is significant.

Senator TROOD: If it were quantified it would be quite significant in dollar terms, wouldn't it?

Dr Thom: I cannot put a figure on it now. I could derive a figure and give it to you.

Senator TROOD: You can do that if you choose to do so. I am sure that intuitively you would think that this is quite a significant amount of assistance; in fact, the budget papers state that.

Dr Thom: In terms of our budget, yes.

Senator TROOD: The thing that I am troubled about in relation to this is that your office is supposedly independent of government, but in fact you would seem to have quite a significant dependence on a particular portfolio for resources. The second part of my anxiety is that whilst you have demonstrated in previous appearances before the committee that you

are very efficient with the way in which you manage your limited resources, it would seem that, in fact, your office is underfunded.

Dr Thom: In terms of being underfunded, what the PBS sets out is that we get, I suppose you could say, resources in kind in terms of only corporate services from Prime Minister and Cabinet. It is not in terms of policy advice and not in terms of handling complaints. It is purely corporate services. We occupy space in the Prime Minister and Cabinet building, isolated and dedicated space for my office. I suppose that the economies of scale would dictate that it would be far preferable for us to get those corporate resources from Prime Minister and Cabinet.

Senator TROOD: There may well be many good reasons to share resources, but yours is an independent statutory office, as I understand it, and in my view it ought to be seen to be an independent statutory office, but in fact, from the budget papers themselves, you are receiving significant assistance from the Department of the Prime Minister and Cabinet.

Senator Chris Evans: My understanding is that this has been a longstanding arrangement, prior to Dr Thom's period in the role. As someone who has spent a great deal of time questioning the then inspector-general, I can vouch for the fact that he was fiercely independent of the then Howard government and seen to be. I think Dr Thom has a similar reputation. For convenience of administrative purposes, this is a longstanding arrangement which allows better use of the taxpayers' money, rather than setting up separate systems for what is an office of 14.

Senator TROOD: Thank you for that. I floated my concern. I note the historical observations that you have made and I also reiterate my own personal view that I agree with you completely about Dr Thom's integrity in the office that she occupies. That has never been in question.

Senator Chris Evans: I am not suggesting that you were.

Senator LUDLAM: I did not think that you were. Given that we have limited time, we will move on. Dr Thom, you are undertaking an inquiry into Mr Habib's activities. Is that right?

Dr Thom: That is correct.

Senator TROOD: I think you told us on the last occasion that you have four staff and yourself working on that inquiry. Does that continue to be the case?

Dr Thom: I have four staff and I work on it myself. It does not occupy 100 per cent of my time, but I am working on it myself as well.

Senator TROOD: It is about a third of your resources?

Dr Thom: I have an additional staff member who is dedicated to that inquiry, so it is three out of the other 13 resources.

Senator TROOD: It is about a third. How are we going with the inquiry?

Dr Thom: I told the committee in February that I expected the inquiry to take the bulk of this calendar year to complete and I believe that time frame is still accurate.

Senator TROOD: Has Mr Habib been invited to present evidence to your inquiry?

Dr Thom: My inquiries are conducted in private so usually I would not disclose that, but Mr Habib himself has disclosed that to the media, so I can confirm that I have spoken to Mr Habib.

Senator TROOD: So he has formally engaged with your inquiry, has he?

Dr Thom: Yes, he has.

Senator TROOD: Was he represented when he appeared with you?

Dr Thom: He had a legal adviser with him.

Senator TROOD: I see. So have you essentially taken evidence from him?

Dr Thom: I have spoken to him to gather information.

Senator TROOD: Can you tell us how long that interview took?

Dr Thom: We allocated a day for that.

Senator TROOD: So you spent a day?

Dr Thom: Not an eight-hour day, but a part of a day.

Senator TROOD: Was it a 12-hour day?

Dr Thom: No, it was less than 12 hours. It was from 9.30 to 4.00.

Senator TROOD: So he spent quite a lot of time with you?

Dr Thom: Yes.

Senator TROOD: Do you expect to call him again or are you satisfied that he has provided you with all the information?

Dr Thom: I have not made a decision on that yet.

Senator TROOD: So it is possible that you may want to speak to him again?

Dr Thom: It is possible I may ask anybody to speak to me.

Senator TROOD: Have you spoken to many other witnesses in relation to your inquiry?

Dr Thom: I have spoken to about 15 people.

Senator TROOD: Fifteen?

Dr Thom: Yes.

Senator TROOD: How many of those 15 are in government and how many would you regard as outside government, or are they all part of some government agency?

Dr Thom: At this stage I would rather not go into all the details of whom I have interviewed. As I said, I am interviewing in private and once I start breaking down the numbers people might start to speculate as to whom I have interviewed.

Senator TROOD: When do you expect to report on this?

Dr Thom: I expect to have a draft report done by mid to the end of July or August, but there are a number of steps that have to be followed before that report is made final. I still hope to have the final report completed by the end of the calendar year.

Senator TROOD: So you will have a draft and then it will have to go on to various—

Dr Thom: Individuals, agencies, ministers and the Prime Minister.

Senator TROOD: Is that before it can be released?

Dr Thom: That is correct.

Senator TROOD: Do you intend to make it a publicly available document?

Dr Thom: In February I advised the committee that I would hope that as much of what could be made public would be made public, but that really depends upon the nature of the information that is in the final report as to how much intelligence and security related matters there are in the final report.

Senator TROOD: Have you formed any preliminary views in relation to that inquiry?

Dr Thom: No, I have not.

Senator Chris Evans: I am sure if she had she would not tell you.

Senator TROOD: Why wouldn't one try, Minister? In relation to the expenses of the inquiry, are we on track there?

Dr Thom: Yes. The Department of the Prime Minister and Cabinet made \$434,000 available to me over two financial years and we are on track with expenditure.

Senator TROOD: On page 48 of the budget statements, there is an additional \$114,000.

Dr Thom: That is the part of that that is available to me in the next financial year.

Senator TROOD: This is the second tranche, is it, of the two available to you?

Dr Thom: Yes.

Senator TROOD: I move on to inquiries and complaints that your office has received. I do not know that I asked you this in February. I think you probably need to tell us from the financial year to date perhaps, if you can do that.

Dr Thom: In terms of non-immigration-related visa clearance complaints, we have received 13 complaints about the action of an AIC, Australian Intelligence Community, agency. We have received another 118 inquiries which we assessed as not being complaints about the action of an AIC agency. Sixteen complaints were received about non-AIC agencies, which are not in my jurisdiction and so I did not inquire into those.

Senator TROOD: So 118?

Dr Thom: Those are contacts, inquiries or approaches which we have assessed as not being complaints about the actions of an AIC agency.

Senator TROOD: Therefore, you have had nothing further to do with it.

Dr Thom: That is right.

Senator TROOD: Can you please break down the complaints that you received which fall within your jurisdiction, by agency?

Dr Thom: There were 13; 11 about ASIO; one about DSD, Defence Signals Directorate; and one about the Office of National Assessments.

Senator TROOD: What is the status of those complaints and your investigations of them?

Dr Thom: I do not have that information here.

Senator TROOD: Would you take that on notice, please?

Dr Thom: Yes.

Senator TROOD: Are any of them resolved at this stage?

Dr Thom: I do not have that information here.

Senator TROOD: Would you take that on notice, please. In relation to complaints that you have received about ASIO's processing, how many have you received?

Dr Thom: About the processing of security assessments?

Senator TROOD: Yes.

Dr Thom: In the first three-quarters of this financial year—that is, 1 July 2010 to 31 March 2011—we received 861 complaints.

Senator TROOD: They are complaints about the speed with which ASIO has been completing its security assessments; is that right?

Dr Thom: They are complaints and inquiries about visa related security assessments undertaken by ASIO. I think the majority of those, if not all, are about timeliness. We believe that some of those have been complaints made as a result of applicants trying to accelerate the process.

Senator TROOD: Are they all about the speed with which ASIO has completed its investigations?

Dr Thom: I think mostly, if not all. I would not discount the possibility that there are a sprinkling of other complaints there, but, by and large, I think they are about timeliness.

Senator TROOD: How many of the 861 have been completed for your inquiries?

Dr Thom: Again, I am sorry; I do not have that figure here. I would imagine most of them have. We are not doing full investigations on all of those complaints.

Senator TROOD: Can you tell me then what conclusions you have reached about these complaints?

Dr Thom: We have not found any evidence about ASIO in terms of the processing of these visa related security assessments. We have noted, of course, the delays and the timeliness issues, but there have been no issues that we have had to follow up further with ASIO, bar the timeliness issues.

Senator TROOD: But it is within your province to comment on the timeliness issue; is it not?

Dr Thom: Yes.

Senator TROOD: What is the position in relation to the timing? To what extent are the complaints about timeliness justified, in your view?

Dr Thom: I think it would be fair to say that these assessments have been taking much longer than is reasonable. But, having said that, ASIO has very recently instituted a new process for security assessments which I think has cleared some of the backlog. But it is probably better to talk to ASIO about those operational issues as to what they are doing.

Senator TROOD: I will certainly take that opportunity. I am sure Mr Irvine will be pleased to talk to me about it tomorrow or the next day. But can you tell the committee how much longer than normal, or expected, these inquiries have been taking? How much over the time are they?

Dr Thom: Again, I think you would have to get the actual data from ASIO in terms of the mean time taken, the average time taken, and what they consider to be a reasonable time. A number of these have taken up to 12 months but I do not have an exact spread of the timing.

Senator TROOD: Twelve months—

Senator Chris Evans: I know from my own experience—and I think you ought to take it up with ASIO directly—that there are variants in time depending on the point of origin and other information that they might have on a particular client. In some countries, it is harder to get good information and it takes longer et cetera. But these are obviously matters that are best taken up directly with ASIO tomorrow.

Senator TROOD: I understand that. I understand the point you are making and I am sure Mr Irvine will make that point to me tomorrow or whenever I speak to him about the matter. But I am interested in Dr Thom's responsibilities and her assessment of the extent to which there has been a failure—if that is the appropriate term—in dealing with these matters in a timely way. As I understand it, you are saying perhaps most of the 861 reflect criticisms of the time that ASIO has taken to undertake its assessments.

Dr Thom: No, I do not think I said it was the majority of the 861. I would say it was a fair proportion. I do not have the exact numbers because we do not follow up a lot of these. But a fair number of them would be from people trying to accelerate the process: when they actually file their visa application, after a very short time they make an inquiry of us because they think that might accelerate the process.

Senator TROOD: Does it?

Dr Thom: No, it does not accelerate the process. We do not ask ASIO to put applications in a different order or ask them to expedite any particular persons.

Senator TROOD: You said that ASIO had improved its completion rate as a result of the changed procedures. Have you investigated any complaints received since it changed its regime? Have you received any complaints since then?

Dr Thom: We are still receiving historical complaints, yes. We do receive complaints from offshore skilled spouse visa applicants, but their changes have only been happening in the last couple of months so I cannot assess yet what difference that will make in the long term.

Senator TROOD: How many of the 861 complaints that you have received were filed after the change in the arrangements?

Dr Thom: I am sorry; I do not have those figures.

Senator TROOD: There is a lot of material on notice, so I would be grateful if you would ensure that you provide that information as soon as you can. Will these matters be reported in your next report?

Dr Thom: Annual report, yes.

Senator TROOD: Which is due out in October or thereabouts, isn't it?

Dr Thom: Thereabouts, yes.

Senator TROOD: This is a question on a different topic but I just wanted to know whether or not you have followed up recently any material in relation to the retention of

intelligence information on currently serving parliamentarians. That was a matter that was reported in recent—

Dr Thom: Yes. I have not followed up on that recently. I have not followed that up in the last 12 months.

Senator TROOD: Is that a matter that is still before you in your office?

Dr Thom: No, it is a matter that we will look at periodically but it is a matter that I have not done in the last 12 months. I hope I am recollecting this correctly, but I think at the end of the previous inquiry we said we would look at it periodically, but I have not looked at it in the last 12 months.

Senator TROOD: The last occasion this came up, I think you were not at that stage in the chair—

Dr Thom: That is right. It was Mr Carnell.

Senator TROOD: On the last occasion that it came before you, it had been resolved or settled, had it?

Dr Thom: I do not know what you mean by 'resolved or settled'.

Senator TROOD: That there were no outstanding matters in relation to the last inquiry.

Dr Thom: That is right.

Senator TROOD: Thank you.

CHAIR: Senator Ludlam.

Senator LUDLAM: Right before Christmas last year, I think it was on 23 December, the government rather quietly announced the terms of reference for an independent review of the intelligence community, the same agencies that you oversee. I do not believe your officers are mentioned specifically in the terms of reference, but can you tell us whether you are formally or informally linked to that undertaking?

Dr Thom: I have met with the committee and had discussions, but I am not covered in terms of the scope of their terms of reference.

Senator LUDLAM: I understood their review was not of your office; it is more that you are in a wonderful position to contribute. Does the review panel have access to all material, including intelligence information, that is collected and held by your office?

Dr Thom: That question has not been addressed.

Senator LUDLAM: I am addressing it now.

Dr Thom: I would have to take that on notice.

Senator LUDLAM: If the answer to that comes back as something other than just a yes or a no that would be appreciated as well—just the extent to which the material that you have will be made available to that review.

Dr Thom: Yes.

Senator LUDLAM: Great. Do you think there is an expectation that the panel will be able to make recommendations about the resourcing and mandate of your agency, or are they actually excluded from considering your oversight role?

Dr Thom: I think you would have to speak to the panel about that.

Senator LUDLAM: I am not sure that we can call them into these committees.

Dr Thom: That is true. Prime Minister and Cabinet are the agency responsible for it. I am not sure the extent to which they will be looking at oversight arrangements.

Senator LUDLAM: Are you able to make an undertaking to find out for us?

Dr Thom: I think it is probably better to address that question to the Department of the Prime Minister and Cabinet.

Senator Chris Evans: I am prepared to take it on notice on behalf of PM&C.

Senator LUDLAM: Thanks, Minister. If the answer to that is no, I would be curious to know the reason why, but I will not pre-empt it. I think Senator Trood addressed most of the issues I was going to ask about with regard to your staffing, considering I think ASIO alone tripled their staffing in the last decade or so. There is one new position given in this budget for the whistleblower scheme, which does not exist. There was a scheme that was announced with fanfare, in April of last year, I think. It was not particularly well received and it seems to have disappeared. What is that staffer doing?

Dr Thom: Are you asking: what is that staffer doing from 1 July? They will be looking at implementing the new whistleblowing provisions when that legislation is implemented.

Senator LUDLAM: It has not even come before the parliament yet.

Dr Thom: Then they will be doing other duties in the office, I guess—complaint work.

Senator LUDLAM: I understand there would be quite a bit of work related to a whistleblower scheme to be thinking about.

Dr Thom: Complaint work, yes.

Senator LUDLAM: It will be in that area?

Dr Thom: Yes.

Senator LUDLAM: Again, this might have been addressed by Senator Trood. The legislation that is currently before the Senate provides for the delegation of the powers that you hold personally, in part because:

... it would be difficult for IGIS to concurrently progress more than two full inquiries of a significant nature in a timely way.

That was from the second reading speech by Minister Gray. The government also indicated that there would be a limited number of suitable candidates for delegation, for obvious reasons. Will such persons be drawn from existing staff, or will you be able to expand your staff levels and draw from outside expertise in that process?

Dr Thom: I would anticipate that that person would need to be drawn from the outside. The reason is that currently—leaving aside the person I have got doing the Habib inquiry—I do not have any senior executive officers in my substantive staff, so I think it would be quite unlikely that an existing staff member would be delegated these powers. It would be much more likely that a person would be drawn from the outside.

Senator LUDLAM: There is nothing, obviously, that prevents that from happening?

Dr Thom: No.

Senator LUDLAM: The staff member that we are talking about, relating to whistleblowing, is not on their feet until 1 July.

Dr Thom: They will not be doing that work, and I have actually recruited somebody in anticipation, using existing resources, and they are preparing for it at the moment.

Senator LUDLAM: One piece of legislation that is before us and is fairly topical at the moment is the Intelligence Services Legislation Amendment Bill, which has got some fairly sweeping provisions in it. The Law Council has made a statement in fairly strong language on its effect on your office. I am not sure, firstly, if you are familiar with the bill or whether you are familiar with the submission that I am referring to.

Dr Thom: I do not think I have read the submission you are referring to.

Senator LUDLAM: But you are familiar with the bill?

Dr Thom: Not all the detailed provisions of the bill.

Senator LUDLAM: You have not read it. The Law Council has said:

... the effectiveness of the oversight function of the Inspector-General of Intelligence and Security is seriously undermined because, ultimately, the ASIO Act provides the framework against which that Office assess the lawfulness and appropriateness of ASIO's activities.

Your assessment work is only as good as the benchmarks that you are given to judge that agency's performance against. If the door is open for all sorts of additional activity to be taken by ASIO, it makes it very difficult for you to judge whether or not they are meeting their performance targets or their benchmarks. If you have not had the opportunity to read that submission, I might commend it to you, because the Law Council is generally fairly reticent about using language as strong as that. They have major concerns about that bill. Were you consulted on the bill and were your views sought on an exposure draft?

Dr Thom: We are generally consulted on each piece of legislation. To be honest, given the time lag with some of these things, I cannot recall whether or not I was consulted on an exposure draft.

Senator LUDLAM: Could you please provide us, within a reasonably short time, with some details about how your views were sought and in what manner you participated? Have you assessed the potential impact of this bill on your capacity to effectively oversee ASIO?

Dr Thom: I will take that on notice.

Senator LUDLAM: That is a much more general question than my first one. Do you have anything that you would like to put on the record for us now relating to that bill?

Dr Thom: No.

Senator LUDLAM: I wanted to ask about the inquiry that is afoot at the moment into the matter of Mamdouh Habib, which you have addressed briefly already. You made an announcement that the inquiry began in January 2011. Is that when the Prime Minister requested you undertake the inquiry?

Dr Thom: No, the Prime Minister wrote to me on 22 December, shortly before Christmas, requesting me to undertake the inquiry. I responded at the beginning of January and announced that the inquiry was commencing.

Senator LUDLAM: What was the first date—22 December?

Dr Thom: Yes.

Senator LUDLAM: That was a busy period. You were speaking earlier about some of the funding that has been allocated to the inquiry. Is some of that for the purposes of you or your staff to travel to Egypt, Pakistan or other locations where relevant people might be stationed?

Dr Thom: No, we are not anticipating international travel.

Senator LUDLAM: If you required it, would you be able to?

Dr Thom: Yes, I would have sought funding for international travel had I required it.

Senator LUDLAM: Thank you, Dr Thom.

CHAIR: Thank you very much, Dr Thom and officers, for appearing before us. We will see you at the next estimates.

Proceedings suspended from 15:50 to 16:07

Office of National Assessments

CHAIR: I welcome Minister Sherry, Mr Gyngell, Director-General, and officers. Would you like to make an opening statement?

Mr Gyngell: No, thank you.

CHAIR: We will go to Senator Trood.

Senator TROOD: You have lost some money from your budget; is that correct?

Mr Gyngell: Lost money?

Senator TROOD: Yes. Some of your budget allocations are down in this budget; is that correct, from my reading of that? Is it the efficiency dividend?

Mr Gyngell: That would be the efficiency dividend, which for us is about \$450,000.

Senator TROOD: So, you have given that up?

Mr Gyngell: Yes.

Senator TROOD: I understand from the budget statement on page 420 that your staff numbers are going to increase by three. Is that the case?

Mr Triffett: They are increasing by three. Funding was provided as part of our new building program to take on building managers and so on for our relocation.

Senator TROOD: So, these are not analysts?

Mr Triffett: No.

Senator TROOD: Are they part of your facilities management staff?

Mr Triffett: That is right.

Senator TROOD: Are you fully staffed?

Mr Gyngell: We are fully staffed to the levels that we have budgeted for. There is churn all the time and we have about 10 vacancies at the moment, but that would be normal throughout the year. People leave and we have to recruit people.

Senator TROOD: I wanted to ask for information about some of your external contracts. These are from the Senate order on department and agency contracting. You have four contracts that are of interest to me: Slaidburn for \$500,000; Tjurunga for \$320,000; one with M Burgess; and then another Tjurunga contract for \$380,000, which is for the period 1 January 2010 to 31 December 2010. Can you tell me what they are for?

Mr Gyngell: I will ask Mr Triffett to give you the details.

Mr Triffett: They are specialists that we engage when we cannot find people out there with the expertise that we need that we could recruit in as public servants. They are specialist consultants/contractors that we engage to provide particular services.

Senator TROOD: What are they for?

Mr Triffett: They all provide analytical services.

Senator TROOD: I understand that. Can you tell me specifically what the contracts are for?

Mr Triffett: Slaidburn provide analytical advice to the Director-General on South Asia.

Senator TROOD: South Asia?

Mr Triffett: Yes.

Senator TROOD: You have two Tjurunga contracts, and one for \$320,000. So, it is \$700,000 in total for two contracts.

Mr Triffett: Over a period of—

Senator TROOD: This is the reporting period for the calendar year last year.

Mr Triffett: I think it is over a three-year period. The contract is done for three years.

Senator TROOD: What particular analysis is that for?

Mr Triffett: He has been providing some assistance on cyber.

Mr Gyngell: It is scientific analysis as well.

Senator TROOD: Who are we talking about?

Mr Triffett: His name is Dr Roger Bradbury. He is the principal consultant from that company.

Senator TROOD: Is it cyber scientific?

Mr Triffett: It is a bit of cyber and a bit of scientific, yes.

Senator TROOD: One of those contracts ends in August, according to my information. One of those contracts has been concluded, but the second runs to August 2012.

Mr Triffett: It would have been two or three years.

Senator TROOD: So, he has a continuing role for ONA?

Mr Triffett: Yes.

Senator TROOD: With the other contract for Burgess, is that Mr Burgess or Mrs Burgess?

Mr Triffett: Dr Burgess.

Senator TROOD: What does Dr Burgess do for you?

Mr Triffett: Nuclear proliferation.

Senator TROOD: Is that a specific issue that he was investigating for you?

Mr Gyngell: Continuing analytical advice on nuclear proliferation broadly.

Senator TROOD: Mr Gyngell, just looking at some of the topics—South Asia and nuclear proliferation—one would have thought they would be in the area of the expertise of

the ONA. Do you lack resources in these areas that requires you to go outside the organisation?

Mr Gyngell: The Public Service generally lacks resources in these highly technical areas and we have recruited specialists from outside the regular Public Service stream.

Senator TROOD: Are you unable to recruit people in this area? Have you not tried to do so?

Mr Gyngell: We have recruited these people in this area and they are providing advice on a consultancy basis rather than as ongoing employees in the Public Service.

Senator TROOD: Do you have a need for their services on a more permanent basis?

Mr Gyngell: In all of these cases they are providing that on an almost permanent basis. Most of those are contractors in the office for three, four or five days a week.

Senator TROOD: Obviously you have analysts in South Asia.

Mr Gyngell: We do.

Senator TROOD: Is Slaidburn supplementing that expertise?

Mr Gyngell: Yes, supplementing that other expertise. As you will understand, there is a lot of analytical work to do on South Asia.

Senator TROOD: Who is the principal of Slaidburn? Is there an individual? I can keep on referring to Slaidburn for ease of reference, but I would be grateful if you could tell me whether Slaidburn has a particular area of expertise in relation to South Asia. Is it a unique knowledge that is otherwise unavailable to you?

Mr Gyngell: It is a particular background on Pakistan, but broad knowledge of India and the other countries of South Asia.

Senator TROOD: Can you tell me how many analysts you have in the area of South Asia?

Mr Gyngell: It depends on how you count it, but probably four immediately on military analysis as well as political and economic analysis. There will be other people who will be covering Asia for part of the time, as with some of the economic analysis.

Senator TROOD: So Slaidburn is presumably not Mr Slaidburn, but whoever provides you with that expertise has an expertise not otherwise available to you within the organisation?

Mr Gyngell: Yes.

Senator TROOD: Is Slaidburn likely to be a contractor that you will require over time—continuing, in other words?

Mr Gyngell: I do not see the analytical requirement on South Asia diminishing any time soon.

Senator TROOD: I do not either, which underscores why I am disturbed about the fact that you do not have that kind of level of analytical strength within the organisation.

Mr Gyngell: These are people who are working in the office. That expertise is available to me in exactly the same way as someone employed as a seconded officer from another agency or under the Public Service.

Senator TROOD: I will move on. I have asked you about this before, Mr Gyngell. Can you tell how your building is going and about your assurance that June 30 will be the date when you can walk in the door, which is now, as I am only too well aware, about a month away? Is that still your expectation?

Mr Gyngell: I think I assured you that the owner of the building had told us that he would hand it to us by 30 June, and that we would be likely to move in by September. The owner has now said that he will hand it to us on 31 August, which means that by the time we have had the building security checked and so on it may be the end of September or October. I would certainly hope that by the time of the next meeting of Senate estimates we would be in the new building.

Senator TROOD: What explanation has been given for the delay in giving you access or handing it over?

Mr Gyngell: As I have explained before, it was a heritage building, which encountered many more problems than the building owners and the builders expected at the beginning of the process. The delays were caused by things like the discovery of asbestos and the particular requirements of dealing with a heritage building.

Senator TROOD: Has the delay increased your costs, either in terms of the extra rental that you have had to pay out somewhere else or in relation to the building itself?

Mr Gyngell: No. There have been no additional costs to us and none of the delays have been the result of changes that we have required.

Senator TROOD: You were good enough to provide me with answers to questions on notice. This is question No. 62. One of the items on the notice is advice in relation to the Australian Wheat Board. Can you tell me what the \$78,000 was for?

Mr Gyngell: It was for legal advice in the Wheat Board inquiry.

Senator TROOD: Was that as a result of your being summoned to the Wheat Board?

Mr Triffett: We were subpoenaed.

Senator TROOD: So, that was for representation at the inquiry?

Mr Triffett: Yes.

Senator TROOD: That is all I have.

CHAIR: Thank you very much for appearing before us, and we will see you at the next round of estimates. That concludes the Office of National Assessments. We now call forward Screen Australia. Mr Eccles, would you like to say something?

Department of the Prime Minister and Cabinet

Mr Eccles: In an earlier part of the evidence this afternoon I understand that Duncan Lewis undertook to come back with further information. I have a short paragraph to read into the record if that is okay.

CHAIR: Yes. Would you care to do that now, before we start with Screen Australia?

Mr Eccles: This is relating to earlier evidence that was provided. The National Counter-Terrorism Plan will be updated as required and reviewed by the National Counter-Terrorism Committee at least every three years. The first plan was released in June 2003 and the next in September 2005. Amendments were made in October 2008 to incorporate changes to the

National Counter-Terrorism Alert System. The National Counter-Terrorism Plan is currently being updated by the National Counter-Terrorism Committee with that work being led by the Attorney-General's Department. This review of the plan is due to be completed by 30 June 2011 and will incorporate any changes required as a result of the committee's consideration at its 8-9 June 2011 meeting of the 2011 triennial review of the national counter-terrorism arrangements.

Screen Australia

[16:22]

CHAIR: I welcome the Executive Director of Strategy and Operations and officers of Screen Australia. Ms Cameron, do you have an opening statement?

Ms Cameron: Yes. I wanted to advise the committee that Ruth Harley, our chief executive officer, sends her apologies. She is flying back from the Cannes Film Festival as we speak. It is fair to say that Australian film has been very well represented at the Cannes Film Festival. We had the film *Sleeping Beauty* in the official competition, which is quite an accomplishment for a first time director. The film *Toomelah* was in the Un Certain Regard category. *Snowtown* was in Critics Week and got a Jury Special Mention; and *Bear*, for the short film Palme d'Or. This represents the quality and diversity of the Australian slate. I also wanted to apologise on behalf of Dr Harley.

CHAIR: Thank you for those opening comments.

Senator HUMPHRIES: I read the minister's media release on budget day announcing a \$56 million support package for the film and television industry with some sense of encouragement, but then I discovered that what the minister did not mention in his release was that there was also a significant change in the arrangements for film financing by virtue of \$48 million in savings being achieved by removing the goods and services tax amounts from qualifying production expenditure for the film tax offsets, and by the increasing of the minimum expenditure thresholds for documentaries to \$500,000 from \$250,000. What is the net increase in spending for the film industry as a result of this year's budget?

Ms Cameron: I can come to the second part of that question, and I will ask the department to talk to the first part, as far as the GST measure is concerned and how much money comes back from the GST measure into the Australian Tax Office.

Senator HUMPHRIES: I was not asking about that. I assume that the \$48 million—is that the right figure?

Ms Cameron: The amount of \$48 million is right.

Senator HUMPHRIES: I am not asking any questions about that. I am assuming that is an accurate figure.

Ms Cameron: Yes.

Senator HUMPHRIES: It comes from the budget papers. What is the net figure once increased expenditure and greater clawback from the sector is taken into account?

Ms Cameron: It is an aggregate, so it does not just affect the producer offset. It is the location offset and the PDV. I understand it is \$8 million net in new money.

Senator HUMPHRIES: Is that over four years?

Mr Arnott: Yes, it is over four years.

Ms Cameron: It is probably worth noting that the GST provision, which proposes that GST is not QAPEable—you cannot claim it as qualifying Australian production expenditure—was always a loophole. The industry understood that it was money for jam. They could, on the one hand, claim it back as QAPE and, on the other hand, get it back as a GST input. It was an unintended loophole. It was always going to go. The fact that the industry was able to retain the money within the industry was quite an achievement.

Senator HUMPHRIES: Nonetheless, that is \$48 million that the sector no longer has for producing films.

Ms Cameron: No, it has come back through a raft of measures that the government has made in response to the Australian Independent Screen Production Sector report. That money has come back in a different fashion. I am really happy to take you through all of those measures.

Senator HUMPHRIES: But the announcement by the minister that there was \$56 million for the film and television industry does not accurately state the picture. There is really only \$8 million for the industry once you have taken back the clawback of the GST.

Ms Cameron: The \$8 million is new money. The \$48 million has been repurposed to make life extraordinarily more easy for the industry.

Senator HUMPHRIES: I am not sure the industry quite sees it in that way, but I will accept that version of events.

Ms Cameron: There are lots of measures. We have just done a road show in Melbourne and Sydney talking to the industry. We had 150 people in Melbourne from the industry and 200-plus last Friday at the Dendy Cinema in Sydney. When you do look at the response and what the new packages do provide, there is a lot in there that will be helpful. I take your point about the new money and repurposing, but I am very happy to go through those budget measures.

Senator HUMPHRIES: One of the things that the government has not done which is certainly seeming to vex the industry is to leave the location offset at 15 per cent when there was a seemingly pretty universal call on the government to lift it to 30 per cent in light of the competition that the industry is facing from offshore locations. Do you have any comment on where that leaves the viability of attracting film to this country?

Ms Cameron: Screen Australia has always maintained that the ecology of the sector is important; that it is good to have internationally produced films here, good to have Australian domestic films and good to have a PDV sector. The full ecology of the sector is extremely important. While the location offset only went up to 16.5 per cent in recognition of the GST, the PDV, post digital visual effects, offset did go up from 15 per cent to 30 per cent, so there is a fair bit of encouragement on that side of the fence. It is really tough with the dollar as it is to attract international productions. It is fair to say the industry has been disappointed that they have not been able to secure a greater offset, but the PDV offset going to 30 per cent is going to really give a sector of the industry that Australia is already pretty well known for and well regarded for a bit of an edge and an ability for Australia to stand up and say, 'Hey, here is our point of difference. We are in the PDV sector. We can do this and we can actually get more funding and more productions through that door.'

Senator HUMPHRIES: In the recent film review how many stakeholders called for an increase in the location offset?

Mr Arnott: I cannot give you an exact number, but there were a number of submissions which called for an increase to the location offset.

Senator HUMPHRIES: It was fairly well across the sector; was it not?

Mr Arnott: It was from parts of the sector that represent those parts of the industry that rely on foreign production coming to Australia.

Senator HUMPHRIES: Can I turn to another measure in the budget, and that is to provide for \$2 million over four years for the Australian Bureau of Statistics and Screen Australia to carry out a screen industry survey and deliver the latest comprehensive data on the sector. Can you tell me about that measure?

Ms Cameron: The last ABS study was done in 2006 and 2007 and it has been a long time between drinks, if you like, for the industry to actually have some factual information about employment, the economy, production levels and budgets. Screen Australia has a small research arm which does sample research. It has not got the authority to compel responses and it cannot by any means replace what the ABS has done.

The last survey was done before the introduction of the film incentives, including the producer offset. The idea of measuring producer offsets, its success and its ability to grow against benchmarks has been really difficult. Screen Australia has for the last couple of years asked for reinstatement to the ABS survey. This budget provides us with half a million dollars per annum to reinstate that survey. Topically, I met with the ABS this morning to begin that process. We hope to finalise the scope of the survey by the end of September so that we can have it in field this time next year and have results in 2013. It is quite a bit of lag time, but there is an awful lot of work that has to go in. This is about good public policy, evidence based research so that we can measure policies that are in place and actually take the next steps.

Senator HUMPHRIES: Don't those reasons for the value of this survey, though, underline the lack of wisdom in cancelling the survey in 2006-07?

Ms Cameron: I understand that it was budgetary measures and that the ABS had to make priorities, and our screen production survey did not make the cut.

Senator HUMPHRIES: I am sure that in 2007-08, when the decision was made, it was not characterised as simply a budget cut, it was characterised as something that would be unnecessary or some other language of that sort. I have not gone back and checked, but I am sure—

Ms Cameron: It was before my time—

Senator HUMPHRIES: it was not dressed up in that way. But you concede that this is a necessary feature to understand what is happening in the sector and it will be a benefit in determining what is needed to make sure that the sector ticks along?

Ms Cameron: We think it is critical.

Senator HUMPHRIES: I see that you have had the notorious efficiency dividend increase applied to you as well.

Senator Sherry: It could have been even more, given your last election commitment—another two per cent, I think. That is on top of the existing one.

Senator HUMPHRIES: You would have had a different starting point.

Senator Sherry: A smaller public sector, as I recall.

Senator HUMPHRIES: People did not know they were getting this until the budget. They were certainly told it was not going to happen before this budget. We are a bit surprised. I would like to know what is going to happen to Screen Australia's current activities based on the imposition of this additional dividend.

Ms Cameron: The increase of 0.5 per cent to Screen Australia in 2011-12 represents \$88,000. The overall 1.5 per cent is \$263,000. We are not quite three years old and we have been involved in a comprehensive restructure. We are now still going through an information technology and information management restructure. We are dealing with the efficiency dividend in that context in that we are still putting into place efficiencies within our own organisation. We are dealing with the efficiency dividend in that context, that is, we have a big restructure in mode, anyway.

Senator HUMPHRIES: Can you tell us at this point what the effect will be on your operations, what will have potentially to be reduced and whether it will result in any staffing decreases?

Ms Cameron: No, I cannot tell you the specifics. I can tell you that we have moved from a very difficult IT infrastructure to one that is becoming much more streamlined. We are looking at working smarter rather than losing more heads. We have already come down from something like 290 people from 1 July 2008 when we started to 130. So, we are well and truly down that path. We have a lot more efficiencies to deal with within Screen Australia, anyway. The efficiency dividend is being dealt with in that context.

Mr Eccles: The Office for the Arts is working with all of the institutions to get a clear idea about the efficiency dividend impact that they are going to have so that it can minimise the impact on their core functions. One example is that we have appointed a team of people to pursue shared IT services across the institutions. As you would probably be aware, IT is the major cost driver for small institutions, and very real efficiencies can be realised through collective purchasing of software and hardware, and better approaches to the procurement of IT support. We have a small team that has been established to pursue those. We have also offered to work with any of the institutions to undertake an organisational audit. I think as I mentioned at our last estimates hearing, we undertook an organisational audit of the Office for the Arts with the assistance of former MP Warwick Smith, and we were able to identify a number of organisational ways that we can work more efficiently and still hit the same targets if not exceed the targets. We are very happy to work with all of the institutions across those as well. One of the starting points is—and we can talk about it later—working with the National Gallery, for instance, to get the assistance of some international experts on world's best practice gallery management to see whether there are opportunities for us all to work a little bit smarter.

Senator HUMPHRIES: We will come back to that when we get to those agencies, but I think that many of those agencies in previous estimates committee hearings have said to us quite bluntly they are no longer pursuing efficiencies, they are simply making cuts.

Mr Eccles: That is why we are working with them. I think the focus of our work is on the assumption that there is a high probability that efficiencies can be identified through working with them.

Senator HUMPHRIES: When the broken election promise was announced on 21 April that, despite having promised that the efficiency dividend would remain at 1.25 per cent it was in fact to be increased to 1.5 per cent, following on from the previous broken election promise of 2007 that the dividend would not rise and in fact it rose by two per cent over the 2008-09 financial year, both Senator Wong and then Senator Lundy, who is a parliamentary secretary in this portfolio, made comments about measures that would be taken to protect smaller agencies. Senator Lundy said, 'Today's announcement to apply the efficiency dividend at a portfolio level protects smaller agencies.' That was used by a number of members of the government to argue that this would be a device to cushion smaller agencies from the effect of the efficiency dividend. I was surprised to see when these budget papers were released that the full additional quarter per cent dividend cut applied in every one of the small agencies without exception. How does the announcement made by Senator Wong and Senator Lundy actually translate into a device to protect smaller agencies, in this case Screen Australia?

Mr Eccles: The decision was taken to apply the efficiency dividend at the prescribed rate for each of the agencies, recognising that each of them does very important work and it would not be appropriate to reallocate within those.

Senator HUMPHRIES: But that is what the government said it had the capacity to do by virtue of this announcement.

Mr Eccles: Yes, I understand. In the instance of the cultural institutions, the decision was taken to apply it at the 1.5 per cent for each of them.

Senator HUMPHRIES: But that was precisely what Senator Lundy and other members of the government said would not happen. They said that the smaller institutions could be protected by virtue of the efficiency dividend applying at the portfolio level, allowing—I assume she was implying—the dividend to be absorbed by the parent agency, or partly absorbed by the parent agency, rather than by the smaller agency. If that was not her intention, what was her intention and Minister Wong's intention in saying the smaller agencies would be protected?

Senator Sherry: The witness cannot go to the intention of ministers or parliamentary secretaries.

Senator HUMPHRIES: No, but you can.

Senator Sherry: I was just going to say, in answering the question—if you would just let me answer it—I can make inquiries on their behalf. I am happy to take the question on notice, but it is not for the officer to do that in the case of a minister or a parliamentary secretary's intention.

Senator HUMPHRIES: With the greatest respect, this was an important announcement that the government made on 21 April. You have been a minister in finance and Treasury areas previously and still have a connection there. Surely you are aware of the reason that it was announced, on 21 April, that there would be a device to protect smaller agencies? Why can you not tell me now why it is that the agencies are not being protected?

Senator Sherry: I can make inquiries for you. I am not on the expenditure review committee anymore. I was up until last November, so I will have to make inquiries and take it on notice to see what was intended by the statements, assuming they are accurate.

Senator HUMPHRIES: I can table the media releases now, if you want to see them.

Senator Sherry: I said I assumed they were accurate. I do not have them in front of me so I will take your word for it. I can refer it onto the ministers. I am sure they will look at the *Hansard* and your quotes. But that is the best I can do today, I am afraid.

Senator HUMPHRIES: We have a host of small agencies to examine this afternoon and this evening.

Senator Sherry: I understand that.

Senator HUMPHRIES: All of the small agencies about whom these comments were directed. With respect, this is a threshold issue. We need to know what the story is with respect to this agency before we can examine the others.

Senator Sherry: The story is that the efficiency dividend is applying as outlined. As I say, I am happy to—

Senator HUMPHRIES: We were told it would not be applied.

Senator Sherry: Do not interrupt.

CHAIR: There has been a question put before us. Would you allow the witness to complete the answer, because we do have to wind up. Senator Sherry, you have the call.

Senator Sherry: The first point I would make is that the government has announced and applied its policy with respect to the efficiency dividend, which has been canvassed. I think it is generally well known. Secondly, with respect to the statements/press releases you are quoting from vis-a-vis my colleagues Senator Wong and Senator Lundy—I can only take on notice to ask them whether they have any relevant comment to make about the comments they made about the efficiency dividend vis-a-vis the government's policy outcome in the budget. That is all I can do.

Senator HUMPHRIES: Could I ask you whether you would attempt to obtain an answer for us to this question so that the agencies being examined after the dinner break can be examined, because I want to ask this question of all the agencies?

Senator Sherry: I will get my office to put in a call to their office, but they are not going to be here this evening, as I understand it. I will not be, either. I will put in a call. I will get my office to put in a call to Senator Lundy's office and Senator Wong's office to see if they have anything to add, but I would just point out it is not in accordance with the normal taking on notice procedures. But I try to be accommodating. We will put a call in and see if they have got anything further to add. I do not even know whether they are here. I assume Senator Wong—

Senator HUMPHRIES: I would be surprised if the minister were not here.

Senator Sherry: I was just going to say—you keep interrupting—I assume Senator Wong is somewhere here in estimates, but I am not absolutely certain. We will do our best.

Senator HUMPHRIES: Thank you.

Ms Cameron: I just have to correct one thing that my colleague pointed out to me. When I was talking about staff levels at Screen Australia I said that on 1 July 2008 we had 290. We did not; we only had 190. We have gone from 190 to 130, for the benefit of *Hansard*.

CHAIR: I thank Screen Australia for coming before the estimates today.

Australia Council

[16:49]

CHAIR: Do you have an opening statement?

Ms Keele: No.

Senator HUMPHRIES: I wanted to ask about the national cultural policy that the government announced it was going to develop at the last election, which no-one seems to know much about in subsequent estimates hearings. I understand there is consultation underway on how best to achieve the government's cultural objectives. Is the Australia Council playing a role in the development of the cultural policy?

Ms Keele: I do not think the actual consultation process has begun, but we have had a number of discussions with the department and with the minister about how that will be proceeding, and we expect to play a consultative role.

Mr Eccles: I can give you an update on the national cultural policy either now or a little bit later. It is the core department's—

Senator HUMPHRIES: It might be useful to get that now.

Mr Eccles: As to the national cultural policy, the policy responsibility is being led through the Office for the Arts. I think it is fair to say that over the past six to eight months the minister and senior officers have held a number of discussions with key stakeholders. As I think I mentioned at the last hearing, it is also fair to say that the stakeholders we have met with have been very forthcoming in their articulation of views and aspirations for the arts and culture more broadly. All of these things have shaped some early thinking around the national cultural policy. There is significant preliminary work underway. I chair an interdepartmental committee to advance the policy recognising—and this has been forecast by the minister in a number of speeches to stakeholders—that a cultural policy not only should address the intrinsic value of the arts, but it also has a very strong role to support and underpin broader social and economic objectives as well. It is very important that we work closely across a number of portfolios. I chair the interdepartmental committee and we have met a couple of times.

There is also a number of specific aspects that relate to the broader policy that has been announced. For example, the review that Harold Mitchell is leading of private sector support has been announced. We are also in discussions and consultations with the states and territories and the major performing arts organisations about a way that the funding of the major performing arts organisations can better promote, encourage and foster excellence, and a number of key things will be part of the national cultural policy.

In addition, the minister is on the record through presentations given at a number of fora about the role that the arts can play in underpinning some of the broader education and skills objectives of the government and also the potential of digital broadband as a way to support the arts not only in terms of audience but also in terms of participation. There has been a lot of

work underpinning. We will be working closely with the government on the structures and the precise approach to consultation, noting that there have been on several occasions a commitment to broad consultation.

Senator HUMPHRIES: I understand that the expectation is to produce this policy by the end of this calendar year?

Mr Eccles: It will be developed throughout the year.

Senator HUMPHRIES: That was not my question. The idea is that the policy will be produced and available by the end of this calendar year?

Mr Eccles: The precise timing is something that the government is considering, but that is right. The minister has referred to it in those terms.

Senator HUMPHRIES: I asked about this in the October estimates last year and was told that work was going on. I asked again in February and they said more work is going on. I am told now that even in May of this year there is no formal role for involving the Australia Council. It is still coming down the line. We are cutting it a bit fine, are we not, to start the formal process of work on this presumably by some sort of consultative process with formal input from agencies in the middle of the year?

Mr Eccles: Obviously I cannot pre-empt the decisions of government precisely, but we are well on track.

Senator HUMPHRIES: I will come back to the Australia Council. You have not been asked to make a written submission at this point in time. You are not serving on any committees to help develop the policy?

Ms Keele: No, but we did participate at the departmental level with our colleagues and other agencies around and that is how I expect to be involved.

Mr Eccles: One of the things that I have instituted is to get regular meetings of all the cultural institutions to talk with us, and we talk to them about emerging policy issues. This has been an ongoing discussion point with each of them, and they will play a very meaningful role in the development of the policy and they have in fact played a meaningful role in the development of the thinking today.

Senator HUMPHRIES: The topic of the cultural policy has been raised at these broader meetings, but nothing by way of laying down the shape of the policy or determining planks of the policy has yet been—

Mr Eccles: I do not think that is a fair characterisation. We have spoken in some detail. I have given them a presentation on a possible framework.

Ms Keele: I think the difference is that it is about the framework as opposed to the actual now let us get in and talk policies. Mr Eccles?

Mr Eccles: Yes.

Senator HUMPHRIES: Do you have an officer in the Australia Council whose job it is to prepare input for this cultural policy?

Ms Keele: We have people throughout council who will be involved depending on how it goes and what direction it goes in, who will provide their expertise to develop the policies, yes.

Senator HUMPHRIES: So 'not yet' is the answer?

Ms Keele: Yes, that is right.

Senator HUMPHRIES: In the budget it was announced that the luxury car tax legislation was to be amended to allow public museums and art galleries to import cars free from the luxury car tax. Does that provision apply to the Australia Council?

Ms Keele: No, not that I can see. Maybe I should look into it.

Mr Eccles: I am not sure that the Australia Council collect cars.

Senator HUMPHRIES: Could I ask you what sort of car you drive?

Ms Keele: Is that necessary?

Senator HUMPHRIES: I will not. I am intrigued to know what it means. Yes, that is fine, I will—

Senator Sherry: We might get some clarification at Treasury and ATO estimates next week. I think I am doing that.

Senator HUMPHRIES: It applies to public museums and art galleries. We are seeing some museums and art galleries this evening, so I hope they can tell us what they understand to be the effect on them.

Mr Eccles: Maybe Andrew Sayers might have some insight.

Senator Sherry: It is a tax measure, so it is the Treasury's responsibility.

Senator HUMPHRIES: Maybe the agencies on whom it impacts know what is going to happen with them. We have discussed the efficiency dividend in previous years. The increase in the efficiency dividend applies to the Australia Council, as I understand it.

Ms Keele: Yes.

Senator HUMPHRIES: I understand from what I have been told in previous years at estimates rounds that the Australia Council was able to insulate the recipients of grants from the effect of previously imposed efficiency dividends, but there is a supplementation that the council receives for grants to larger organisations, like the Australian Opera and so on, and you have not had to resort to making cuts to smaller agencies before now?

Ms Keele: We are not making cuts to the agencies. They are actually getting an increase of 0.7 per cent in the coming budget.

Senator HUMPHRIES: But that is a real terms decrease; is it not? It is a real terms cut?

Ms Keele: Well—

Senator HUMPHRIES: Is it 0.7 per cent in real terms?

Ms Keele: It is the net indexing that we get and pass on to them.

Senator HUMPHRIES: To come back to my question, if inflation is running at three per cent or a bit more than that—three per cent—and the funding recipients are receiving 0.7 per cent, they are experiencing a real terms cut, are they not?

Ms Keele: You would come to that conclusion, yes.

Senator HUMPHRIES: Does that apply to the larger institutions that have previously been insulated from those cuts?

Ms Keele: Those 28 organisations, commonly referred to as the major performing arts organisations, receive supplementation to make up for the effect of the efficiency dividend.

Senator HUMPHRIES: That has not changed in this budget?

Ms Keele: No, it has not.

Senator HUMPHRIES: What is the extent of the dollar reduction across the recipient organisations that—

Ms Keele: There is not a reduction. It is important. I just do not want organisations to think they are getting cut when they are not.

Senator HUMPHRIES: It is not a reduction in dollar terms; it is a reduction in real terms, though, is it not?

Ms Keele: Yes, okay.

Senator HUMPHRIES: How much did you have in the last financial year to hand out to those organisations that are not among the 28 exempted organisations?

Ms Keele: I can tell you what the total efficiency dividend is.

Senator HUMPHRIES: That is fine, but it is not what I want to know.

Ms Keele: Yes. I do not think I can answer that off the top of my head.

Senator HUMPHRIES: If you could take that on notice and presumably whatever that figure is, if you add 0.7 per cent to it you will get the figure that you will have for this coming financial year.

Ms Keele: Yes.

Senator HUMPHRIES: I have been told by some organisations that they should expect an increase of 0.25 per cent in their recurrent grants from the Australia Council. Would that be a provision that applies only to part of their grant or would the amount of increase vary from organisation to organisation?

Ms Keele: The increase is 0.7 per cent to triennially funded organisations unless there is some kind of a contract in there, but most of our contracts have no provision for any kind of increase like that at all; we just go out of our way to make that available. Last year the increase was 0.25 per cent and this year the increase is 0.7 per cent, and that is across both the grant categories as well as our triennially funded organisations.

Senator HUMPHRIES: The increase last year was 0.25 per cent?

Ms Keele: Correct.

Senator HUMPHRIES: So, the increase this financial year is actually less than the increase next financial year?

Ms Keele: No, it is actually more, 0.7 per cent instead of 0.25 per cent.

Senator HUMPHRIES: Sorry. Okay. So, the increase last financial year was less than the increase this financial year?

Ms Keele: Yes.

Senator HUMPHRIES: Sorry. Last financial year and next financial year.

Ms Keele: I am beginning to doubt myself. Sorry; it is this year—

Senator Sherry: It is an old trick. We know what Senator Humphries gets up to in the Senate.

Ms Keele: This year the budget—

Senator HUMPHRIES: I am confusing myself at the same time.

Ms Keele: that we are still in, they have experienced an increase of 0.25 per cent. The budget year that is coming up, the increase will be 0.7 per cent.

Senator HUMPHRIES: Right, okay. With a decrease in funding in real terms this financial year and next financial year, there will be an effect on the capacity of those organisations to deliver services. What does the Australia Council understand has been the response of those agencies to that real terms funding reduction?

Ms Keele: This is an ongoing conversation. I mean you get an amount of indexing at an agency and it is decreased by the level of efficiency dividend, so you could make the case that no matter what party or whatever, that formula will always mean you are always having a net, real decline; you are not getting the full amount of the indexing that should be there, or the cost of living. So, there is a lot of practice at not getting out ahead of yourself, supplementing your income if you are an organisation with private sector income, looking at sponsorships, doing things around not just relying on the government grant to run your organisation. So, I guess the point I would make is this is not brand new—we have all had a lot of practice at it—but the stresses with the cost of living are going up and we are working with organisations all the time to have new initiatives like sharing the costs of resources, helping with mentoring, helping with shared internships and those kinds of things, and we will continue to listen and have initiatives like that for them.

Senator HUMPHRIES: Could I just come back to that question about the reduction in funding?

Ms Keele: Yes.

Senator HUMPHRIES: I actually asked you about this at estimates in February. I asked you about the effect of the efficiency dividend on the in globo budget of the Australia Council at that time and you said to me at the time, 'We are down to where we are only partially indexing at this point in time, but that will be the next place that we have to look in terms of making savings.' I said, 'So, of the amount that you allocate to organisations or individuals other than major performing arts organisations which are exempted, how much has the total amount available for those funding decisions been reduced as a product of the efficiency dividend?' You said, 'They have not been reduced at all.' So, you were talking in dollar terms?

Ms Keele: Yes.

Senator HUMPHRIES: Okay.

Ms Keele: Absolutely.

Senator HUMPHRIES: Fine. You have a consultation process with your client organisations as to how they deal with these efficiency dividends. Mr Eccles said before that the department was working with smaller agencies to get best practice, to find ways of being able to develop more efficient ways of doing more with less. Do you have a process like that?

Ms Keele: We have 170 organisations, counting the major performing arts organisations, and have all kinds of programs around. For example, once a year we put on a marketing summit and talk about all kinds of things, from efficiencies clear to new technology. We also have mentoring programs around that help people to look at their organisation and run it and those kinds of things. We have networks where we put people together to get ideas like that. Constantly we are doing those kinds of things, but it has not been a theme that has been in great demand. People like to run their organisation and they do come to us for help and we help them as we can. We have client managers inside the organisation for these organisations and they deal with them on a one-on-one basis and get together. So, if there is a theme around finance, a theme around reporting or a theme around dealing with new tax laws or whatever, we put together whatever gatherings we need to do that and bring in expertise and talk about it. It is not unusual to do that regularly.

Senator HUMPHRIES: There would be—

CHAIR: You have a couple of minutes, Senator Humphries, to wind up, please.

Senator HUMPHRIES: Thank you, Chair. You would detect a large amount of unhappiness about the effective real terms cuts though over this and next financial years, would you not?

Ms Keele: There is a bit of noise about it in the sector, yes.

Senator HUMPHRIES: The effect of the efficiency dividend on your budget is \$390,000 next financial year, \$786,000 the year after, rising to \$1.169 million in 2014-15. Do you expect that those increased dividends will be sustained entirely by cuts to recipient organisations or are there also savings that you expect to make within your—

Ms Keele: First of all, we have not made cuts to recipient organisations.

Senator HUMPHRIES: I am talking in real terms.

Ms Keele: Okay. I just thought I would make that point.

Senator HUMPHRIES: Yes.

Ms Keele: What we will do is what we did this year and look for efficiencies and get as much out of efficiencies as we can. We have a series all the time of naturally finishing programs—lapsing, terminating programs. That will also help us in some ways and then we have our pool of funds for the strategic priorities and we will look to those. So far we have been able to pass on the net indexing and that is what we will have to look at, but we have only done this year's budget in detail so I cannot tell you what will happen out over time.

Mr Eccles: As forecast, we will continue our discussions with the Australia Council and all the others to explore the potential for an organisational audit, for example, or the other things that I referred to earlier just so that we can make sure that everyone has availed of the best expertise in seeing what efficiencies may be possible within their organisations.

CHAIR: Senator Humphries, your final question.

Senator HUMPHRIES: My final question is: do you have any staffing cuts proposed in the coming financial year?

Ms Keele: We have made one redundancy in our director of marketing and that is all we have planned.

Senator HUMPHRIES: Is that voluntary or involuntary?

Ms Keele: Involuntary. Sorry, I am checking on what that means. We made a reorganisational change and have moved that organisation in under another group and that made that position redundant. Yes, it was involuntary.

Senator HUMPHRIES: Thank you.

CHAIR: Thank you to the Australia Council. Thank you for appearing before us. We now move on to National Archives of Australia if I could call those officers forward, please.

National Archives of Australia

[17:10]

CHAIR: Good afternoon. I welcome Dr Stephen Ellis, Acting Director-General of the National Archives of Australia, and officers. Dr Ellis, do you have an opening statement?

Dr Ellis: No.

Senator HUMPHRIES: Thank you, Chair. Does the National Archives of Australia have any cars in its collection?

Dr Ellis: National Archives of Australia does not have any cars other than it might possibly have a few model cars and pictures of cars, but not actual cars.

Senator HUMPHRIES: I do not think they qualify for much of a car tax exemption. Good to know. The effect of the increased efficiency dividend on the National Archives of Australia will be \$218,000 this coming financial year, rising to \$874,000 in the last of the out years; is that correct?

Dr Ellis: That is correct.

Senator HUMPHRIES: What measures will you be taking to deal with that increased efficiency dividend?

Dr Ellis: We will be seeking increased efficiencies in our corporate operations as well as our other operations. We have got a rolling program of reviews of all of our operations internally. They will be conducted on a, as I said, rolling basis. This year we are conducting a review of corporate services and we will be conducting a number of other reviews of other archives operations around the country.

Senator HUMPHRIES: The purpose of budget estimates is to see how agencies deal with the decisions government has made. It does strike me somewhat as if the increased efficiency dividend was as much of a surprise to you as it was to much of the rest of the world on 21 April when it was announced. Would that be a fair statement?

Dr Ellis: I have been in the Public Service for 28 years; it was not a surprise at all. Efficiency dividends have been in for most of that period so I fully expect to have to make it.

Senator HUMPHRIES: So, you cannot really tell us what the impact of that efficiency dividend will be for the coming financial year?

Dr Ellis: The figures are in the, as you describe them, in terms of impacts—

Senator HUMPHRIES: No, I mean impact in terms of your operations. What will change? What you will have to do to accommodate it?

Dr Ellis: We will change the nature of some of the ways in which we deliver our services. For example, we are changing the nature of the way in which we release cabinet records each year; we will release a selection of cabinet records rather than the totality of the cabinet records. We will take measures to ensure that that selection is in response to public consultation and consultation with the media, so that the more important of the records—the records that people are genuinely interested in—are the ones that we expend resources on.

Senator HUMPHRIES: So, you are saying that you are going to reduce the number of cabinet records that you are likely to retain in the collection?

Dr Ellis: Not to retain, no. All cabinet—

Senator HUMPHRIES: Or to have a copy of in the records?

Dr Ellis: To make readily available each year in a proactive way. We would still—

Senator HUMPHRIES: What proportion of cabinet records at the moment are captured in the archives collection?

Dr Ellis: All cabinet records are captured in the archives. At 30 years, or now scheduled under the legislation at 28 years, they become available for public access. Up to the present our practice has been to arrange for all of those records to be issued each year. Because we are dealing with two years worth of records each time and we are addressing a more efficient way of doing that, we are selecting within that group of records those which we will proactively make accessible.

Senator HUMPHRIES: Can I just be clear about that? Does that mean that records that you do not make available in that way will not be accessible?

Dr Ellis: No, they are accessible on request. It is just that they are not readily digitised and put on our website for people to find freely themselves.

Senator HUMPHRIES: Alright. So, how much would you expect to save from a measure of that kind?

Dr Ellis: We have not quantified that particular measure.

Senator HUMPHRIES: What else do you plan to do?

Dr Ellis: As I said, we are looking at all of our activities to find ways in which we can pursue them more efficiently and in some cases that means by improving the information technology that we apply to systems and in other ways it will be by collaborating with other agencies, as our deputy secretary pointed out earlier. We will be pursuing all of those avenues.

Senator HUMPHRIES: Do you expect to cut any staff?

Dr Ellis: Not because of this. We would expect to manage this process through normal attrition and through the general movement of staff that occurs.

Senator HUMPHRIES: A cut does not necessarily sacking anybody; it means a lower staffing establishment. So, you are saying that you do expect a lower staffing establishment.

Dr Ellis: Yes, we are projecting a reduction in average staffing levels.

Senator HUMPHRIES: Do you have any idea how much that would translate to? The sum of \$218,000 a year would translate to what, three or four staff?

Dr Ellis: My colleague, Ms Watson, can answer that in detail.

Ms Watson: Over recent years the average archives ASL has been around the 435; it has been higher, it has been lower. We are predicting a conservative estimate of around 429 for the next financial year, and that is a reduction mainly from some identified reductions from the collocation processes and probably just some delays in recruiting to vacant positions where they are not in priority areas, rather than cuts to staff or long-term reductions.

Senator HUMPHRIES: Can you rule out the cutting of any programs?

Dr Ellis: Absolute programs?

Senator HUMPHRIES: I do not know how you define a program, but I mean you do certain things. You have already indicated that less information would be available on the website, potentially, about cabinet records.

Dr Ellis: We are not looking at cutting programs altogether, we are looking at changing the way in which we deliver those programs.

Senator HUMPHRIES: But having fewer records available on the website could be viewed as a reduction in the quality of that program, could it not? Have you got any touring exhibitions?

Ms Watson: Yes, we currently have four touring exhibitions. Two of those are expected to come off tour over the next two financial years. We are planning one major exhibition next year on the Antarctic in 2011-12 and we would plan to tour that, but that is the only additional tour that we would be planning at this stage.

Senator HUMPHRIES: Do you expect any reduction in either the quality or the quantity, if I could put it that way, of those tours, or any other exhibitions that you are having? For example, a reduced number of locations to which it might go or reduced length of time which it is at certain locations.

Ms Watson: Sorry, I should just clarify that by saying that the exhibition is being planned for 2011-12, obviously subject to funding. We go through Vision Australia for that, so that detail is not available at this stage on locations or the—

Senator HUMPHRIES: Perhaps you could take on notice for me what the accumulative financial impact of the efficiency dividends has been since 2007-08.

Ms Watson: I am happy to take that on notice.

Senator HUMPHRIES: Thank you. You have not formally made any contribution to the cultural policy development either, I assume.

Dr Ellis: Not at this stage.

Senator HUMPHRIES: Has the Prime Minister visited your organisation?

Dr Ellis: I honestly cannot remember.

Senator HUMPHRIES: I am sure if she visited you it would be a very memorable occasion, would it not? You would be—everyone would be keenly—

Dr Ellis: We are knee deep in other things.

Senator Sherry: Which one?

Senator HUMPHRIES: Which Prime Minister?

Senator Sherry: Yes.

Senator HUMPHRIES: I am happy to choose any Prime Minister. When was the last time a Prime Minister visited your organisation?

Ms Watson: I do not believe the current Prime Minister has visited the archives, but we would need to check that.

Senator HUMPHRIES: I see. When was the last time the Minister for the Arts visited your organisation?

Dr Ellis: Yesterday.

Senator HUMPHRIES: Yesterday?

Dr Ellis: Sorry. The Minister for the Arts. Sorry, our responsible minister is Minister O'Connor.

Senator HUMPHRIES: Minister O'Connor?

Dr Ellis: Yes.

Senator HUMPHRIES: He visited yesterday.

Dr Ellis: Yes.

Senator HUMPHRIES: I suppose the Minister for the Arts does not have a reason to go to your organisation.

Dr Ellis: He has every reason. Every Australian should visit the National Archives of Australia.

Senator HUMPHRIES: That is a good answer.

Senator Sherry: How many do, though? How many in this room? Yes, come on, own up.

Senator HUMPHRIES: I visit them regularly.

Senator Sherry: I know you do.

Senator HUMPHRIES: My children go there, too.

Senator Sherry: I have to plead guilty; I have not. I do not think Senator Polley has, either.

CHAIR: I do not recall.

Senator HUMPHRIES: That is all I have.

Senator FIFIELD: Both of you work for the Prime Minister.

Senator HUMPHRIES: On that humbling note I am happy to finish with the National Archives of Australia.

CHAIR: Thank you very much. There are no further questions. Thank you, Dr Ellis and the two officers, for appearing before us today. We will see you next time. We now call the National Film and Sound Archive.

National Film and Sound Archive

[17:21]

CHAIR: Senator Sherry, just for the record, I think there may have been a previous committee I was on at some stage and there was a trip to the National Archives of Australia, but I cannot recall if I attended or not. I do not believe I have. I will go with you.

I would like to welcome the Acting Chief Executive Officer and officers from the National Film and Sound Archive. Is there an opening statement?

Ms Landrigan: No, there is not.

CHAIR: Senator Humphries.

Senator HUMPHRIES: Thank you, Chair. The effect of the enhanced efficiency dividend on your agency, Ms Landrigan?

Ms Landrigan: Yes, I can answer that question. I think over the four years it is about \$1 million.

Senator HUMPHRIES: Yes, \$1.1 million; is that correct?

Ms Landrigan: Yes, \$1.099 million, to be precise.

Senator HUMPHRIES: Close enough. What measures will you take to deal with that enhanced dividend?

Ms Landrigan: We have been in the very fortunate position, I guess, over the last three years since we became a statutory authority of performing really well for those three years. We have been able to slowly increase our staffing numbers over those three years whilst we built our governance areas, our corporate plans, our strategies, our corporate areas—we had to reconstitute after we became a statutory authority—and also deliver or develop our significant online presence. So, I guess what this additional efficiency dividend does to us now is that after three years we need to look closely at our supplier expenses, our discretionary expenditure, our travel and our contractors and consultancies. Those things that we have had a strategy to implement specific projects, we are going to have to review those priorities. I guess the other thing we have been able to do is to gain efficiencies out of technology improvements like other institutions have talked about. We have invested heavily in a new website over the last couple of years, also in a new collection management system and in some important infrastructure for digitising the collection. The other thing we have done is we have recently put on a position to look at generating additional revenue for the organisation through sponsorship and exploring the possibility of a foundation for the organisation. Then, I guess—

Senator HUMPHRIES: Could I just cut you off there?

Ms Landrigan: Yes.

Senator HUMPHRIES: I appreciate you have got lots of things you need to look at and I am sure any diligent organisation would do that. I am really interested in the things that you foreshadow that you will actually do rather than consider doing. You do not have any picture of that at this stage?

Ms Landrigan: Yes, the fourth one I was just about to add is that we will be winding back some of those staffing levels. It will be through natural attrition, though. We have a turnover rate of about 6.8 per cent at the moment, and that has been consistent over the last few years, so we know that we will not be filling possibly up to seven positions over the next financial year.

Senator HUMPHRIES: What is your staffing establishment at the moment, did you say?

Ms Landrigan: The average staffing level at the moment is 205, I think; 205 for 2010-11.

Senator HUMPHRIES: You have touring exhibitions, do you not?

Ms Landrigan: We have a touring program. It is exhibition in terms of delivering screening programs into the region as opposed to an exhibition that you might see from a museum.

Senator HUMPHRIES: Do you anticipate having to review the extent of that touring screening?

Ms Landrigan: We have already been doing that to some extent. I think we will hope to maintain the audience numbers in those programs. What we might have to review over the next 12 months is the number of locations that we go to, and the other initiative that we have implemented this last financial year is using technology to deliver those programs in a different way. We have worked with at least three state based education bodies to deliver the same sort of program into education facilities—schools—which deliver the screening program. We can also deliver a director or an actor involved in that particular film for discussion using video conferencing amongst those schools, so again it is a different form of delivery that we are starting to explore, rather than taking our people and the actors or directors out with us as we visit those regions.

Senator HUMPHRIES: But having an actor or director at the other end of a video conference is a far cry from having them there in the school to talk to and interact directly with the kids.

Ms Landrigan: Yes, face-to-face is definitely different to an experience over the airwaves, but we have got very positive feedback from teachers because I guess we are going from them not able to experience anything to being able to have that discussion with the creators themselves.

Senator HUMPHRIES: Could you perhaps take on notice what your average FTE staff level was in 2007-08?

Ms Landrigan: Yes, I have got 2008-09 but not prior that.

Senator HUMPHRIES: That would be great if you would not mind. Could you also take on notice what the cumulative financial impact of the efficiency dividends has been since 2007-08, please?

Ms Landrigan: Yes.

Senator HUMPHRIES: When was the last time the Prime Minister visited the National Film and Sound Archive?

Ms Landrigan: I do not recall the Prime Minister or any Prime Minister. I have got people here that have been here longer than I. Mr Boden, can you help?

Mr Boden: To my recollection the last Prime Minister that visited the National Film and Sound Archive when holding the office was Prime Minister John Howard.

Senator HUMPHRIES: Approximately when?

Mr Boden: 1998.

Senator HUMPHRIES: And the Minister for the Arts; when was that?

Ms Landrigan: That was in December last year.

Senator HUMPHRIES: Good, holding up the side. We have previously discussed the question of the storage requirements of the archive and particularly storage requirements for nitrate film. What is the current state of play with that storage challenge?

Ms Landrigan: It is still a huge challenge, but I think since you last asked those questions there are two initiatives that we have implemented. The first is we have taken out a lease on an additional site in Baillieu Street in Mitchell, which is just down from our other facilities. That should give us about 1,500 square metres of additional space for the collection. We have taken out a five-year lease, but that has an option to renew, I think five-plus-five. So, we will look to fit that out and move in, I think the plan is, by the end of 2012. That will provide some relief for us at least for the next five years, we are anticipating.

On the nitrate side, we already have the bunker and we have two nitrate containers which we have recently refurbished, but we also just purchased an additional container that we will fit for nitrate. We are fairly confident we have nitrate under control—if you are calling ‘in containers’ under control. We are satisfied that that material is safe and not deteriorating further once in those containers.

Senator HUMPHRIES: How many films can each container hold?

Ms Landrigan: I do not have that answer. Can we take that on notice?

Senator HUMPHRIES: There is no compulsory deposit scheme of course for film?

Ms Landrigan: No.

Senator HUMPHRIES: At what rate are Australian films at the moment being voluntarily deposited with the archive?

Ms Landrigan: With Australian feature films we have inserted ourselves into what we call the deliverables agreements with the film-funding agencies, so we are assured that we will get a copy of every one of those films funded by a federal or state based agency. We aim to collect 100 per cent of those films.

Senator HUMPHRIES: What about other films?

Ms Landrigan: That are not funded by agencies?

Senator HUMPHRIES: That are not feature films that are subject to this agreement.

Ms Landrigan: For any documentaries, feature films, short films or animations that are funded by those agencies we would go for a 100 per cent collection rate. The other side of what we do is that we look to backfill the material that we have not been able to acquire through those sorts of agreements.

Senator HUMPHRIES: At the present rate what proportion of films produced in Australia at the moment are not government funded, approximately?

Ms Landrigan: I do not have the answer to that question.

Mr Boden: Again, it depends on what category you are talking about. If you are talking about feature films, the majority of feature films are usually co-funded productions between federal and state film agencies.

Senator HUMPHRIES: How much are you missing out on by not having a compulsory collection policy?

Ms Landrigan: I think in terms of feature films we are doing very well.

Senator HUMPHRIES: I am sorry?

Ms Landrigan: In terms of feature films we are not missing out on too many. I think it is the independent area that involves us having individual relationships with stakeholders to ensure that material comes into the collection.

Mr Boden: This financial year we set ourselves a target of collecting 100 feature films, which was based on the estimate of funded production from both federal and state agencies. As at the end of April, we have currently acquired 147 feature films.

Senator HUMPHRIES: That is great, but it does not answer the question as to how many you are not collecting because of a lack of a national compulsory collection policy.

Ms Landrigan: We do not have that answer with us, but we can provide it if you would like.

Senator HUMPHRIES: Thank you very much. Have you been asked to provide advice to the government on the effects of an increase in the efficiency dividend on your operations?

Ms Landrigan: Just the dollar amount and, yes, the sorts of things—

Senator HUMPHRIES: Were you consulted about the effect of an increased efficiency dividend?

Ms Landrigan: Yes, we were.

Senator HUMPHRIES: Before the announcement was made?

Ms Landrigan: No, not before the announcement.

Senator HUMPHRIES: With respect, that is not consultation, is it, if you are told what is going to happen? If you were told what you were going to have to wear, that is not consultation. Before the announcement was made were you consulted about the possible effect on your agency of an increase in the efficiency dividend?

Ms Landrigan: No.

Senator HUMPHRIES: I think that is all I have. I note that the member for Banks, Mr Melham, said yesterday in the House, 'I believe it is not necessarily appropriate for the efficiency dividend to operate on those cultural institutions the way it operates in relation to other Public Service bodies.' I assume you would agree with that statement?

Ms Landrigan: I do not think I can answer that. It is government policy and we are here to deal with that policy the best way we can.

CHAIR: I thank the witnesses.

National Museum of Australia

[17.35]

CHAIR: In welcoming Mr Sayers as director, I would also like to put on record our thanks and appreciation to those agencies that have accommodated our changes to the schedule today. Thank you for your cooperation. Do you have an opening statement?

Mr Sayers: No, I do not.

Senator HUMPHRIES: I know that you have at least one luxury car in your collection.

Mr Sayers: Yes.

Senator HUMPHRIES: That is the Bentley from Sir Robert Menzies. I assume that is a luxury car; is it not?

Mr Sayers: Yes, I think the Bentley is a luxury car. I think the 1947 Daimler landaulet could be considered a luxury car.

Senator HUMPHRIES: Whose car was that? What is the significance of it in your collection?

Mr Sayers: That was a car that was specifically brought to Australia for use in royal visits.

Senator HUMPHRIES: What do you understand the effect of the new exemption from luxury car taxes to be on your institution?

Mr Sayers: My understanding is that the new rules will exempt museums and art galleries from having to pay luxury car tax on the importation of any vehicle that falls into the definition of luxury car that happens to be a historic vehicle. For example, if we were to buy the Bentley, say, in the future and import it into Australia, the luxury car tax would not apply.

Senator HUMPHRIES: Can you see the reason the National Museum of Australia would want to import a luxury car?

Mr Sayers: Yes, I think that a luxury car imported by the National Museum would have to be one that has some significance to Australia. Certainly a number of the vehicles in the Museum's collection which we have imported over the years are vehicles that have some particular historic association with Australia. I mentioned the landaulet, which happened to be in Australia, but that was a car manufactured overseas but with a specific connection to Australia's history. Similarly we have, for example, the prototype Holden—not that that would probably constitute a luxury car. Nonetheless, it is a car that has a very significant part to play in the history of Australia. They are the circumstances under which we might import a car that falls in the category of luxury car.

Senator HUMPHRIES: Do you understand that any luxury car you purchase would be exempted from the luxury car tax?

Mr Sayers: My understanding is that the cars that are museum pieces would fit the exemption.

Senator HUMPHRIES: So the director's entitlement to a Rolls Royce would not qualify for that exemption?

Mr Sayers: No, it would not qualify, because it would not be a part of the Museum's collection.

Senator HUMPHRIES: What is the effect of the enhanced efficiency dividend on your budget for this coming year?

Mr Sayers: The total impact of the enhanced efficiency dividend is \$739,000. The increase in the PBS is \$204,000.

Senator HUMPHRIES: What measures do you expect to have to take to accommodate that dividend?

Mr Sayers: We have over the course of the past year reduced our wages bill as a result of voluntary redundancies in order to find the savings to continue to balance our budget. We are

reducing the number and frequency of exhibitions. That is a very large part of our budget into the outyears. So exhibitions will be reduced in number and they will be on for longer. That is one of the impacts, and that is certainly reflected in future years beyond 2011-12.

Senator HUMPHRIES: Is there any specific exhibition that you have planned, the nature of which would change by virtue of this development?

Mr Sayers: I cannot say that was there anything that we were specifically contracted to undertake. One of the impacts is that we are looking very closely at making much more use of our own collection in exhibitions, which I think is a good thing for the Museum, and certainly the exhibitions that we have planned make maximum use of our own collection rather than international loans, for example. So it is making those sorts of decisions about the exhibition program which we have had to do.

Senator HUMPHRIES: You mentioned that you had been reducing staffing. I notice that the CPSU believes there has already been a 5.4 per cent cut in jobs at the museum. Would you agree with that figure?

Mr Sayers: The voluntary redundancies have reduced the Museum staff by 20 positions. I have not done a precise calculation on that. The full staff complement—let me just be precise and then we can work out the figure—is 292. So it would be 20 of 292. I have not done the calculation.

Senator HUMPHRIES: I am not going to bother, because I will get it wrong. This is characterised as an efficiency dividend. Do you believe that that reduction of 20 staff has made the Museum more efficient?

Mr Sayers: I see the efficiency dividend in the total context of the way in which we have to frame budgets at the Museum. The efficiency dividend is not the only pressure on the Museum's budget. There are rising costs and there are a range of factors, such as reduced interest on invested funds and so on, all of which have to be taken into account in framing the budget. I think that all of those elements drive us to find cheaper and more efficient ways of doing things. However, as I indicated at last estimates, the impact of these various pressures on our budget has been to compel us to do two things. One is to look at reducing the number of programs that we offer and the other is that it is compelling us to seek other sources of revenue, other than government revenue, with more vigour.

Senator HUMPHRIES: Seeking additional revenue does not make you more efficient, though. It simply drives you to find other ways of sustaining operations. It is an incentive to get more revenue, but it does not make you more efficient.

Mr Sayers: That is right; it does not per se, no.

Senator HUMPHRIES: I calculate that the effect of the reduction in real terms on your funding is about \$2.4 million over the outyears. That takes into account the effect of forecast CPI and the impact of the enhanced efficiency dividend and the original efficiency dividend and the previous dividends, which have a lag effect on you. I will not ask you to make a calculation about whether that is an accurate figure. You can take that on notice, though, if you would not mind.

Mr Sayers: Yes.

Senator HUMPHRIES: That is quite a substantial reduction over a period of four years. I assume that further staff reductions will have to be contemplated as part of that process?

Mr Sayers: At the moment we are not considering staff reductions at the same level as the just completed round of voluntary redundancies. But, if you look at the outyears and you look at the way in which we are going to reach those targets, we will have to look at every element of the Museum's programs and activities very closely and it may be that there are some things in the future that we simply do not do and that that may have an impact on the staff of the Museum.

Senator HUMPHRIES: When was the last time that the Prime Minister or a Prime Minister or a minister for the arts visited your organisation?

Mr Sayers: I would have to take on notice the first half of the question, because I am not entirely sure when the last time a Prime Minister visited the National Museum was, but I can tell you that the last time the minister for the arts visited the National Museum was for the opening of the exhibition *Not just Ned; a true history of the Irish in Australia*.

CHAIR: An excellent exhibition.

Mr Sayers: Thank you. We think so.

CHAIR: Thank you for appearing before us.

National Library of Australia

[17:56]

CHAIR: Good evening. I welcome the Director-General and officers of the National Library of Australia. Do you have an opening statement?

Ms Schwirtlich: I have no opening statement, thank you.

Senator HUMPHRIES: I think this is your first appearance before the estimates committee in your new role?

Ms Schwirtlich: In my new role, yes.

Senator HUMPHRIES: Have you appeared before in other roles?

Ms Schwirtlich: I have.

Senator HUMPHRIES: So there is no need to hold back on you. You are fully prepared to be mauled in the committee. That is good to know. What will the effect of the efficiency dividend be on the National Library's budget for this and the outyears?

Ms Schwirtlich: Do you mean in terms of impact?

Senator HUMPHRIES: Firstly, in terms of a dollar impact on your budget.

Ms Schwirtlich: It is a total of \$299,000.

Senator HUMPHRIES: For this coming financial year?

Ms Schwirtlich: That is correct.

Senator HUMPHRIES: That rises to \$758,000 in 2014-15?

Ms Schwirtlich: That is the cumulative effect of the efficiency dividend. Plus there will be \$153,000 in capital.

Senator HUMPHRIES: I have a different figure. I understand that the \$758,000 is the effect in 2014-15; that that is on top of \$299,000 next year; \$499,009 in 2012-13; and \$627,000 in 2013-14. The cumulative figure is somewhat higher than that.

Mr Linehan: As to the equivalent figure where we are talking about \$299,000 as the impact for 2011-12, the cumulative impact for 2014 is actually \$911,000, which includes \$758,000 operating and \$153,000 for capital acquisition.

Senator HUMPHRIES: That is right. That is the equivalent figure. That is the further \$299,000. There is a \$299,000 cut in 2011-12, plus a cut of \$499,000 in 2012-13?

Mr Linehan: Are you referring to page 217 of the portfolio budget statements? Just to clarify this, there is an impact in 2011-12 of \$249,000 on operating and \$50,000 on collection acquisition. The cumulative impact in 2012-13 is \$499,000 on operating and a further \$100,000 on collection acquisition, and then it moves to that fourth outyear, 2014-15, to \$758,000 on operating and \$153,000 on collection acquisition.

Senator HUMPHRIES: I make the cumulative effect of enhanced efficiency dividend cuts on the National Library as \$2.133 million over the forward estimates. Is that correct or not correct, when you add the cut in 2011-12 and 2012-13 and 2013-14, et cetera?

Mr Linehan: No. The cumulative impact of the increase in the efficiency dividend is a total of \$911,000 over those four years, and that is on page 217 of the PBS.

Senator HUMPHRIES: That is interesting because that is not the way that other agencies have reported it to this committee. They have taken each of those years as being a figure to be added to the previous year to get you a total cut over the four years of the sum of all of those columns. That is the way in which previous agencies have answered that question. Is that your understanding, Mr Eccles?

Mr Eccles: Yes, that is correct. That is how they have been entering them.

Senator HUMPHRIES: Why would the National Library's budget statement be different?

Mr Linehan: Because the impact that we show in each year is the impact on that budget year of that decision.

Senator HUMPHRIES: That is right. So the effect of the efficiency dividend enhancement on departmental expenses is \$627,000 in 2013-14?

Mr Linehan: Yes.

Senator HUMPHRIES: There is a compounding element of the dividend. The dividend is only enhanced for two financial years, 2011-12 and 2012-13, but there is a flow over effect in subsequent years, isn't there?

Mr Linehan: Correct. If we looked at the operating component the easiest way to explain it is that the half per cent increase in efficiency dividend is roughly worth \$250,000 each year.

Senator HUMPHRIES: It is a quarter per cent increase.

Mr Linehan: It is a half per cent in 2011-12. It is a half per cent increase in 2012-13 and a quarter per cent in the out years.

Senator HUMPHRIES: How is it half a per cent? I thought the government had increased the efficiency dividend. Is this some surprising announcement that you are

springing on us, Mr Eccles? You are increasing the dividend from 1¼ per cent to 1½ per cent, aren't you?

Mr Eccles: That is well beyond my duty statement. You could ask us the effect of the increase in the efficiency dividend from 1.25 per cent to 1.5 per cent in each of the next two years. Is that the question?

Senator HUMPHRIES: First of all, are we sure that it is a quarter per cent increase and not a half per cent increase?

Mr Eccles: Yes. It was 1.25 per cent for this current financial year. It will be 1.5 per cent in the next financial year.

Senator HUMPHRIES: That is not consistent with what Mr Linehan has just said to us. Do you stand by your statement or do you want to correct it?

Mr Linehan: I stand by the statement that the efficiency dividend next year is 1.5 per cent. The year after it is 1.5 per cent and the following two years it is 1.25 per cent.

Senator HUMPHRIES: You said that there was an increase of a half per cent.

Mr Eccles: It depends on what the baseline figure may be.

Mr Linehan: One per cent is the baseline.

Senator HUMPHRIES: It was originally one per cent, that is true, but it was increased to 1¼ per cent some time ago.

Mr Eccles: That is right.

Senator HUMPHRIES: Are you saying that those increases reflect an increase from one to 1½ per cent, rather than 1¼ to 1½ per cent?

Mr Eccles: I do not think that I am. I do not understand the question.

Senator HUMPHRIES: My question is: what do those figures on page 217 of the National Library's budget statement actually represent? It is described as 'Efficiency dividend—temporary increase in the rate'. Most of the temporary increase was from 1¼ per cent to 1½ per cent for each of next financial year and the financial year afterwards. It is not from one per cent to 1½.

Mr Eccles: I am just checking with our CFO. Maybe the two CFOs can confer and make sure that everyone is on a common definition.

Senator HUMPHRIES: Senator Arbib is here now so he will be able to tell us the answer to that question.

Senator Arbib: You are asking what is the Liberal Party's position on the efficiency dividend?

Senator HUMPHRIES: We know what our position is.

Senator Arbib: It is two per cent, isn't it?

Senator HUMPHRIES: We know what our position is because we make it very clear.

Senator Arbib: Your position is two per cent, larger than the efficiency dividend that the government has in place right now.

Senator HUMPHRIES: People knew what we stood for before the last election, but they did not quite know what the government stood for.

Senator Arbib: Are you saying that is not the position of the coalition, a two per cent efficiency dividend?

Senator HUMPHRIES: I am talking about your position.

Senator Arbib: Which would have a larger impact on the agencies.

Senator HUMPHRIES: That remains to be seen.

Senator Arbib: That is right, because it has not been put into place. If Tony Abbott were the Prime Minister there would be a two per cent efficiency dividend in place. That is the commitment you made to the Australian people.

Senator HUMPHRIES: At least we kept our promises.

Senator Arbib: You are not in government, but you made a two per cent commitment which would affect all the agencies that you are raising.

Senator HUMPHRIES: We have had that debate. We have been through this already. The government said that it would maintain the efficiency dividend at 1¼ per cent. It is now 1½ per cent. I think that is what we will be told by the officers, that it is 1½ per cent for next financial year and the year after, which was a breach of the promise that the government made to the people of the ACT. We were also told last month, when this announcement was made, that the dividend would not necessarily apply to small agencies. Apparently, according to these budget papers, it does. I would like some clarification as to what the government is now saying that it is going to do with this efficiency dividend. What is the increase?

Mr Linehan: I can confirm the increase, as shown in our figures, is a half per cent in 2011-12, a further half per cent for 2012-13, a further quarter per cent in 2013-14, and a further quarter per cent in 2014-15. The department might like to answer the consistency of that with other agencies.

Senator HUMPHRIES: Yes.

Mr King: From what I understand, each agency applied the efficiency dividend consistently, so what is in the National Library's account is exactly the same as what is in every other agency's accounts. The department of finance would have checked these amounts and how they were calculated.

Senator HUMPHRIES: I have been asking questions of all the other agencies based on the premise, which I stated, that the figures demonstrated the effect of the increase in the dividend from 1¼ per cent to 1½ per cent and no agency has refuted that assumption. Mr Eccles confirmed that is the basis on which the previous questions were asked. I would like to be clear. Are we talking, in all of these figures, about the same increase? Are they consistent across all the agencies?

Mr King: That is correct.

Senator HUMPHRIES: So is it 1¼ per cent to 1½ per cent or one per cent to 1½ per cent?

Mr King: It is one per cent to 1½ per cent. It was an extra 0.5 next year, 0.5 the next year and then it returns to 0.25 per cent.

Senator HUMPHRIES: I think they might need to correct their evidence to earlier questions.

Mr Eccles: I will review the *Hansard* and we will come back to you on that.

Senator HUMPHRIES: This is on the basis, I assume, that in the last set of published budget figures the dividend was still being described as a one per cent dividend, not a 1¼ per cent dividend. Is that correct?

Mr King: That is correct.

Senator HUMPHRIES: When was the announcement made that it would increase from one to 1¼ per cent? My recollection is that there was an announcement made before the last election.

Mr King: I do not know. You would need to check with the department of finance who has responsibility for those announcements.

Senator HUMPHRIES: We have established that it represents a half per cent increase. We have not established whether each of these figures in these four years, 2011-12 to 2014-15, are separate reductions in outlays for the National Library in each of those years, and therefore you can add the sum of those four columns up to get a total figure for the total reduction in spending over four years from the National Library, or whether there is some different approach being applied.

Mr Linehan: Those figures are the cumulative impact of the increase over the base of one per cent each year, so you would not add them up. In 2014-15 that is a standalone. That is the cumulative impact of increases over the one per cent base in 2011-12 to 2014-15.

Senator HUMPHRIES: What is the effect on the operations of the National Library of reductions of that size?

Ms Schwirtlich: When Dr Cathro spoke to the committee in February he foreshadowed some of the work that the Library would do to position itself to work within its budget. Those actions are in train. I should preface that by saying that we will continue to look at our operations to see if there are ways that we can improve our workflows, systems and methods. We will continue to look at whether there are savings that can be made through cleverer procurement and so on.

Senator HUMPHRIES: I am sure every agency is doing that. I can take that as read that is what is going to happen.

Ms Schwirtlich: As Mr Eccles said earlier, we will also be working with the office on looking at a possible review to see if that might identify cleverer ways of working. Dr Cathro, in February, foreshadowed that the Library would look to reduce its full-time equivalent staff numbers and in the new year we will be looking to work to 427 staff numbers, which is a reduction of 12. That reduction will be achieved through attrition because the average annual turnover of the Library is nine per cent or thereabouts.

Senator HUMPHRIES: Those measures that Dr Cathro described on the last occasion were in response to an efficiency dividend of 1¼ per cent. It is now 1½ per cent for the coming two financial years. Is the same process continuing and expected to produce more savings?

Mr Linehan: The net impact of that extra increase is being managed through expecting a higher interest return next year. We do not expect that increase from 1¼ to 1½ will have any

further impact on the Library as a consequence because we have some extra interest revenue that will offset that.

Senator HUMPHRIES: Interest on what, exactly?

Mr Linehan: Our bank account. As a statutory authority we run our own bank account and we are able to retain our own interest.

Senator HUMPHRIES: May I ask how much the National Library has in its bank account at the moment?

Mr Linehan: A figure in the order of \$50 million to \$60 million.

Senator HUMPHRIES: Could you take on notice exactly what that figure is?

Mr Linehan: Yes.

Senator HUMPHRIES: Presumably that money is there for the purchase of books and other materials that the Library collects.

Mr Linehan: It is there for a range of reasons. A large proportion is that. There is a sizeable portion to cover off employee expenses. As you are aware at the moment, we are completing the Treasures Gallery, so it is to fund some of the uncompleted building works. There are a range of initiatives which that funding will cover.

Senator HUMPHRIES: Is there any extent to which there is a slowing of purchasing by the gallery or a reduction in the total amount of purchasing for the Library which would give you more in your bank account to produce that higher level of interest?

Mr Linehan: There is generally no evidence that there is any decrease in purchasing. I can confirm that the amount in the bank account is \$57 million as at the end of April. We have continued to maintain previous levels of purchasing and indeed, in more recent years, some of that purchasing has picked up, as I said, for projects like the Treasures Gallery, where that has been planned for a number of years.

Senator HUMPHRIES: When was the last time the Prime Minister visited the National Library?

Ms Schwirtlich: Prime Minister Howard visited the National Library some time in 2007-08.

Senator HUMPHRIES: Was that the last visit by a Prime Minister?

Ms Schwirtlich: Yes.

Senator HUMPHRIES: When did your responsible minister, the Minister for the Arts, last visit the library?

Ms Schwirtlich: The last visit made by the responsible minister was by Minister Garrett in 2009.

Senator HUMPHRIES: I would be grateful if you could take on notice what the cumulative financial impact of the efficiency dividends has been since 2007-08. Do you have touring exhibitions from the Library?

Ms Schwirtlich: The Library is planning an exhibition on Patrick White next year to celebrate the centenary of his birth and that exhibition will go to the State Library of New South Wales. The Library is not planning any other touring.

Senator HUMPHRIES: I am happy with that. Thank you.

CHAIR: Senator Moore.

Senator MOORE: I would like to clarify that you are asking for when the last formal visit of these people was rather than who would know when any of these people visited the Library.

Senator HUMPHRIES: It is possible the Prime Minister went to borrow a book at some stage.

Senator MOORE: It is possible. I just want to clarify that it is a formal meeting.

CHAIR: There are no further questions, so thank you very much for appearing before us today. We will now go to the National Gallery of Australia. I remind senators that we will finish for the dinner break at 6.30, so I do not know if we will be able to finish dealing with the National Gallery by then.

Mr Eccles: I would like to make one point. I recall that the minister has met with the chair of the National Library and the CEO quite regularly.

Senator HUMPHRIES: That is wonderful, but not at the Library?

Mr Eccles: Not to date, no.

CHAIR: Thank you for that update.

National Gallery of Australia

[18:18]

CHAIR: I would like to welcome Dr Radford, the Director of the National Gallery of Australia and other officials. Dr Radford, do you have an opening statement?

Dr Radford: No.

CHAIR: Senator Humphries.

Senator HUMPHRIES: You are sustaining a 1½ per cent efficiency dividend over the next and the following financial year. Can you tell us whether the Gallery has determined any ways in which it might cope with that enhanced dividend?

Dr Radford: By attrition, we are seeking to cut our staff numbers by 20 staff and we have reduced the number of exhibitions from the usual 11 or 12 to five. Travel and other areas have been severely cut for the next year.

Senator HUMPHRIES: You say that the number of exhibitions has reduced from 11 to five.

Dr Radford: Yes.

Senator HUMPHRIES: Are we talking about exhibitions in the Gallery?

Dr Radford: At the Gallery, itself, yes.

Senator HUMPHRIES: Do you have touring exhibitions as well?

Dr Radford: The touring exhibitions have been reduced, but not as dramatically as we have at the Gallery because of the National Collecting Touring Organisation, which is the new government funding that has helped with touring shows, and Visions Australia has also helped. We are still reducing it by a couple of exhibitions and not introducing any more, but

we will then allow those exhibition tours to finish and we will not be adding very many more. It is not quite as dramatic in the first year as the actual exhibitions at the Gallery itself.

Senator HUMPHRIES: Can you identify which of the six exhibitions will not be happening next year or the year after?

Dr Radford: It is not so much that they will not be happening as they have been postponed. For example, the National Aboriginal Triennial, which was to take place now and into the new financial year, will not take place until next year.

Senator HUMPHRIES: Is it a quadrennial then?

Dr Radford: Yes. We have postponed exhibitions into the future.

Senator HUMPHRIES: Apart from that, which exhibitions?

Dr Radford: There is also a contemporary Australian print-making show that has gone. Also, our Roy Lichtenstein exhibition that we were planning will not happen until much later.

Senator HUMPHRIES: You mentioned staff attrition.

Dr Radford: Yes.

Senator HUMPHRIES: How many staff have you lost in the present financial year?

Dr Radford: About nine.

Senator HUMPHRIES: I noticed that the CPSU says that 10 per cent of jobs have already gone at the National Gallery. Would that figure be accurate?

Dr Radford: No. We are not looking at 10 per cent, but only about half that figure.

Senator HUMPHRIES: That is what has happened in a forecast year?

Dr Radford: Yes, that is right.

Senator HUMPHRIES: What is your staffing establishment at the moment?

Dr Radford: It is about 255.

Mr Froud: It is just over 260.

Senator HUMPHRIES: So you are expecting to lose about 25 or 26 positions as a result?

Dr Radford: About 20.

Senator HUMPHRIES: Can you take on notice what your full-time equivalent staff level was in 2007-08 and what the cumulative financial impact of the efficiency dividends has been since 2007-08?

Dr Radford: Yes. I know over different governments since I have been there that we have been cut by about \$7.4 million in the last seven or eight financial years, but I do not know that exact figure, so I will give that to you.

Senator HUMPHRIES: You mentioned staff reduction and exhibitions. Is there anything else that you are planning to do?

Dr Radford: Staff travel and general administration have been cut. Virtually every area has been cut.

Mr Eccles: It is important to bear in mind that some of the changes that Dr Radford is outlining are not solely due to the efficiency dividend. There have been broader changes within the Gallery with a lot of capital works and other expenses happening across a whole

line of areas and I think it would be not quite completely correct to attribute all the changes going on in the Gallery at the moment to the efficiency dividend.

Senator HUMPHRIES: I assume at this point in time it is hard to separate what the effect of other changes are on the Gallery's response to the efficiency dividend.

Mr Eccles: I am making the point that, as a number of other agencies have, it is very difficult to look at the efficiency dividend in isolation to a whole range of reprioritising activities that take place in a standard day-to-day basis and it would not be right to assume that the full impact of the changes that Dr Radford is outlining are attributable solely to the efficiency dividend.

Senator HUMPHRIES: I assume that a normal organisation would not reprioritise to reduce staff—

Mr Eccles: No.

Senator HUMPHRIES: unless there was an imperative imposed on them to do that. You do not reduce staff for the sake of it.

Mr Eccles: I am not so sure about that. Sometimes there may be a whole range of other financial issues that are not related to the efficiency dividend that may require a change in priorities.

Senator HUMPHRIES: In that case I will put that to Dr Radford. Are there any reductions in spending, such as on staff, that you have engaged in as a result?

Dr Radford: We have opened a new wing which cost us an extra \$1.2 million to run and of course, that in itself is an expense that we did not have before. We were not absolutely certain how much it would cost to run, but that is roughly what it will be.

Senator HUMPHRIES: You told us on the last occasion that you had not received any additional funding for the fact that you had a significantly larger space to now curate.

Dr Radford: That is not quite true. When you do any building there is always extra built into the budget for the running costs.

Senator HUMPHRIES: You told us that you were covering the whole of that new area with no additional staff, so your staffing establishment was not being increased to accommodate the extra staffing obligations that were being imposed.

Dr Radford: We would have had more attendant staff and increased security staff. There were no extra curatorial staff, admin staff or finance staff, but definitely security staff.

Senator HUMPHRIES: When was the last time the Prime Minister visited the gallery?

Dr Radford: She has visited many times. I think the last time was the Masterpieces from Paris, but she was Deputy Prime Minister then.

Senator HUMPHRIES: Did she open the new wing?

Dr Radford: No, the Governor-General opened the new wing.

Senator HUMPHRIES: Can you take on notice when was the last time a Prime Minister, as Prime Minister, visited the Gallery?

Dr Radford: It would have been Kevin Rudd. He used to come regularly, almost to every second exhibition. That would be the Masterpieces from Paris, the McCubbin and then he opened Monet. He used to come very regularly.

Senator HUMPHRIES: Not all philistines in the government. I am very pleased to see that. That is all the questions that I have for the National Gallery.

CHAIR: I think you will find that there are a lot of members of the government who visit the National Gallery. I thank Dr Radford and the other officials for attending estimates tonight. We will suspend proceedings for the dinner break, after which we will come back with the Department of the Prime Minister and Cabinet, outcome 2: Arts.

Proceedings suspended from 18:27 to 19:49

Department of the Prime Minister and Cabinet

CHAIR: I would like to welcome the Minister for Sport, Minister for Indigenous Employment and Economic Development and Minister for Social Housing and Homelessness, the Hon. Mark Arbib. I also welcome Mr Richard Eccles, deputy secretary, and officers of the department. We are moving on to outcome 2 of arts and culture. 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 specifying the process by which a claim of public interest immunity should be raised. The committee has set Friday, 8 July 2011 as the date by which answers to questions on notice are to be returned. Minister or Mr Eccles, do you wish to make an opening statement on the arts?

Senator Arbib: No.

Senator HUMPHRIES: In the dinner break was it possible to clarify the question about the application of the efficiency dividend on small institutions?

Mr Eccles: I have no further information at this point, other than I think it is important to note that my sphere of responsibility relates only to the Office for the Arts and there are a number of small institutions obviously across several portfolios. As I outlined, for those institutions that are within the Office for the Arts it has been decided that it would be applied at 1.5 per cent.

Senator HUMPHRIES: So your office was told nothing by Finance, Treasury or any other government agency about the exemption, special protection measures or anything else that might result in a reduced need to draw the full efficiency dividend increase from the budgets of those small agencies?

Mr Eccles: No. We were aware of the potential for the flexibility but, as I alluded to earlier, the decision was taken on the basis that each of them has an important body of work to undertake. I outlined earlier the role that we are taking in terms of assisting them. I mentioned the offer of assistance, cofunding reviews, organisation audits and other things. In short, we are aware of the flexibility but the decision was that across the cultural institutions within the Office for the Arts or within the portfolio it would be applied at a standard rate of 1.5 per cent.

Senator HUMPHRIES: You say you were aware of the potential for flexibility.

Mr Eccles: That is right.

Senator HUMPHRIES: How were you made aware of that potential for flexibility?

Mr Eccles: I think it was well known amongst the Public Service. Certainly the secretary of PM&C and I briefed all the heads of the cultural institutions and we took them through the

decision. We also made it clear that, if there were some agencies for whatever reason in a better financial position than the others, they may be able to accept that they could take a larger proportion, but, in the absence of that, the decision stood it would be applied at 1.5 per cent across the agencies.

Senator HUMPHRIES: So if an agency were in a better position to take a larger cut that does not mean that they are saved from the efficiency dividend; it means they actually get a higher efficiency dividend potentially applied to them.

Mr Eccles: It was to be applied at 1.5 per cent. There was no willingness to rob Peter to pay Paul, if you like, unless there was an agency that put their hand up.

Senator HUMPHRIES: So you are saying there was some possibility foreshadowed—

Mr Eccles: That was ruled out by the CEOs—

Senator HUMPHRIES: If I can finish my question, please. So you are saying that there was some flexibility foreshadowed for an agency with a greater capacity to absorb savings to take a larger proportion of savings to allow another agency to take a reduced proportion of the savings that the budget required?

Mr Eccles: That would be a necessary part of utilising the flexibility that I have alluded to. The decision has been made—and I do not know if I can be any clearer—for the cultural institutions to apply it at 1.5 per cent, 1.5 per cent and then dropping in a standard way across the board.

Senator Arbib: That compares to the two per cent that the coalition government—

Senator HUMPHRIES: You can make your political points if you want, Minister.

Senator Arbib: It is an important point. You cannot have it both ways. You are criticising us in terms of the efficiency dividend but you sit there and know full well that your policy and your leader's policy at the last election was a two per cent efficiency dividend. Let us be clear.

Senator HUMPHRIES: That is great. You are in government. Let us talk about your policies.

Senator Arbib: Do you oppose the two per cent efficiency dividend?

Senator Humphries: I believe we ask the questions around here, Minister.

Senator Arbib: I am asking you—

Senator HUMPHRIES: And I am asking your officers.

Senator Arbib: You are making judgment on us at 1.5 per cent when your position is two per cent.

Senator HUMPHRIES: With respect, I have the right to ask officers questions, not have the minister ask me the questions.

Senator Arbib: At the same time as that he is glossing over—

CHAIR: Can I just remind senators that the process at estimates is that the committee puts questions to the witnesses. The witnesses have the opportunity to respond. As we all know, ministers have the right to respond on behalf of the department and the government. Senator Humphries did put a question and the minister is responding.

Senator HUMPHRIES: By asking a question of me. Is that in accordance—

Senator Arbib: I was making a point in response to a question you asked—

Senator HUMPHRIES: You were asking me questions.

Senator Arbib: about the coalition's policy, which I have here, which says two per cent.

Senator HUMPHRIES: I am happy to debate that with you another time, but this is the time allocated in the program for estimates for me to ask questions of officers of this department. If you want to ask me questions, I am happy to have a debate in the chamber with you.

Senator Arbib: It is important that when you ask questions we understand what the coalition policy is because I find it highly hypocritical that you are making criticism of the government.

Senator FIFIELD: Point of order, Chair. The purpose of Senate estimates is for senators to ask questions of the government, of ministers and of public servants in relation to government policy. What Senator Arbib is raising is completely irrelevant to that process.

CHAIR: As I reminded committee members earlier, the process is one where the committee members put questions to the government and to the representatives of the department. If the minister poses a question in responding on behalf the government, I think you will find that yesterday and today there have been political notations, either preambles to questions or in response to some banter. I remind all of those here that the process includes questions and answers or responses and we still have a lot of work to get through tonight.

Senator HUMPHRIES: Mr Eccles, are you saying to the committee that, whatever flexibility might be employed by small institutions in your area of this portfolio, it has to be on the basis that any reduced efficiency dividend hit on an agency has to be made up by an increased hit on another agency within the portfolio? Is that what you are saying to us?

Mr Eccles: I will say it again. The decision was made to apply the efficiency dividend consistently across all the agencies within the portfolio. We were aware of the potential for flexibility but the decision was made on the basis that everyone has important work to do and that it would be applied on that basis.

Senator HUMPHRIES: But you also went on to say that some agencies might be able to deliver more than the required 1½ per cent, which would allow other agencies to deliver less than 1½ half per cent.

Mr Eccles: That is the nature of the flexibility, as I understand it.

Senator HUMPHRIES: But does that mean that the agencies in toto are still required to deliver across the board, on average, the 1½ per cent dividend?

Mr Eccles: That is my understanding of the flexibility that is possible within portfolios. As I said, the decision was taken that it would be applied equally.

Senator HUMPHRIES: Why was that not made clear in either Minister Wong's statement or Senator Lundy's statement?

Mr Eccles: I do not understand that. The senators—

Senator Arbib: You would need to talk to them. You cannot expect an official to speak on behalf of two ministers.

Senator HUMPHRIES: I can expect the official to describe how a policy that those two ministers announced would operate on this portfolio.

Senator Arbib: Senator Humphries, that is not the question you asked and it is impossible for an official to answer a question on behalf of a minister who is certainly not in this room.

Senator HUMPHRIES: I was asking you to indicate how a policy applied but, if you cannot do that, all right. Can I take it that the question that Senator Sherry said he would take on notice is still being taken on notice as to an explanation of how exactly this policy announcement—

Mr Eccles: I will ensure that it is.

Senator HUMPHRIES: I come back to the luxury car tax question that we ventilated before dinner. I understand that the tax is meant to ensure that when a collecting institution, such as a museum or art gallery, purchases a luxury car for exhibition purposes or for collecting purposes the luxury car tax for an imported vehicle does not apply to that institute. I understand that is not about general purpose use of luxury cars by the agencies. I also understand that the measure is meant to have a cost to the budget of about half a million dollars per year. Can you confirm whether that is the case?

Mr Eccles: No, I cannot confirm that. We would have to take that on notice or it might be better asked of the Treasury officials who are responsible for implementing it. I am not sure if we took the opportunity to speak to one of the museum curators to see whether or not they are across it, but I am certainly not across the details and I would rather take it on notice than guess.

Senator HUMPHRIES: This is really a question for the arts portfolio because, as I read the policy as it now stands, on average a half million dollars in dispensation from the payment of tax applies for the next few years. That would imply the purchase of several hundred cars each year by collecting agencies across Australia. I honestly cannot imagine the circumstances in which any museum or art gallery would need to make such a large number of purchases to warrant that kind of sum being in the budget. What I have outlined may well be the way that the tax has been conceived, but I assumed that this agency is the one that will be able to tell us why collecting agencies would see the need to import so many cars.

Mr Eccles: There are collecting agencies outside the Commonwealth government's purview. As I said, I would like to take it on notice. These are details we need to check with the Treasury. Alternatively the questions could be put to Treasury when they appear.

Senator HUMPHRIES: If you could take that on notice to the extent that you can answer it, I would be grateful. Could you also take on notice whether it includes state government agencies, such as the Art Gallery of New South Wales for example. Does it include private collectors acquiring cars for a private collection, such as a private museum of some sort? I assume that in some way this department would have fielded some calls from the collecting institutions sector for such dispensation to be provided. If that is the case, could we have details of any calls that institutions have made on the government for there to be this kind of dispensation?

Mr Eccles: We will take all of that on notice. That is important context.

Senator HUMPHRIES: I come back to the National Cultural Policy. I understand from previous questions that the policy is still in an early stage of development, but that it is still

hoped that the policy will be produced by the end of the year, as the minister has apparently said on a number of occasions.

Mr Eccles: That is right.

Senator HUMPHRIES: I am also aware that a review is being commissioned from Mr Harold Mitchell of the private sector's support for the arts in Australia. This review is expected to be completed by the end of October of this year. Is it reasonable to assume that the Mitchell review will precede the National Cultural Policy?

Mr Eccles: I think it is fair to say that the Mitchell review will certainly inform the National Cultural Policy, but it will be a vital and essential piece of work in its own right. It is all part of the same direction, if you know what I mean.

Senator HUMPHRIES: Would it not make more sense for the Mitchell review to be educated by the National Cultural Policy? Is that not a key piece of information for Mr Mitchell to have at his fingertips in order to determine what the role of the private sector might be in supporting the arts?

Mr Eccles: I think it is fair to say that throughout the period of the Mitchell review there will be a very close working relationship with the Office for the Arts, which is providing support to Mr Mitchell, and he certainly will be informed by the nature of the discussions we are having, and he is having his own independent discussions which will also take into account people's views and aspirations for the arts and cultural sector.

Senator HUMPHRIES: I have some questions about the Indigenous Australian Art Commercial Code of Conduct. Can people at the table answer questions about that or will there be somebody else?

Mr Eccles: Yes, we certainly can.

Senator HUMPHRIES: I understand that the board of Indigenous Art Code Ltd has announced the appointment of Mr John Oster to be the chief executive officer of that company. Is that the case?

Ms Bassar: That is correct.

Senator HUMPHRIES: I understand that Mr Oster was previously the CEO of Desart, a peak body for Indigenous art centres in central Australia. Is that correct?

Ms Bassar: That is correct.

Senator HUMPHRIES: And Desart receives \$1.4 million in government funds, including funding from the Australian government—about half of that is funding from the Australian government. I am led to believe that at the last Desart AGM Mr Oster announced that in 2010 Desart had lost a quarter of a million dollars due to fraud in that organisation. Apparently a staff member under his supervision was responsible for siphoning off funds from that organisation. Can you confirm whether that is the case?

Ms Bassar: I am not aware of that. I would need to take that on notice and find out for you.

Senator HUMPHRIES: Okay. As a follow-up question, if the government was not aware of that fact does it have a bearing on the decision to appoint Mr Oster to that role, given that presumably Indigenous Art Code Ltd will be administering Australian government funds?

Would there be some concern about the lack of governance in the organisation which Mr Oster previously administered?

Ms Bassar: We will look into that whole issue for you.

Senator HUMPHRIES: I also ask you specifically to take on notice whether your organisation was aware of Desart's problems with fraud before Mr Oster was appointed.

Ms Bassar: Okay.

Senator HUMPHRIES: In 2009, Minister Garrett launched a \$17 million Creative Industries Innovation Centre to assist small to medium enterprises in the creative sector to boost productivity.

Ms Bassar: He jointly launched that with Senator Carr, but it actually belongs in Senator Carr's portfolio. It is not in this portfolio.

Senator HUMPHRIES: That is fine. In that case, I shall ask questions in that area. What has been the effect of the promises made in the 2010 election campaign by the government with respect to the arts? I understand that the government promised \$10 million to the Australia Council in additional funding. Is that correct?

Mr Eccles: That is right, and it was included in the recent budget.

Senator HUMPHRIES: Are you aware of concerns in a number of areas that \$10 million is by no means a net figure but is a figure which is substantially reduced in its net effect by other cuts to the portfolio? I quote from the statement put out by the Chamber of Arts and Culture Western Australia in which they identified efficiency dividend effects for the Australia Council over the forward estimates resulting in cuts of \$12 million to a number of arts and cultural organisations over the same period as the \$10 million supposed increase in funding to the Australia Council.

Mr Eccles: Can I just be clear that their suggestion is that the impact of the \$10 million will be lessened because of the efficiency dividend?

Senator HUMPHRIES: I think they are suggesting that it will be entirely negated by the effect of the efficiency dividend.

Mr Eccles: The \$10 million is not subject to the efficiency dividend.

Senator HUMPHRIES: But if the funding is going to the Australia Council and its funding over the forward estimates is being reduced by \$12 million, surely the effect of that is that the Australia Council receives \$10 million extra but gives \$12 million away. It does not have \$10 million extra to spend.

Mr Eccles: No, the \$10 million was provided for fairly clear and specific purposes. As a result of that, \$10 million worth of new activity will take place in the areas that were announced.

Senator HUMPHRIES: Yes, but when the government said it was going to provide \$10 million to invest in up to 150 new artistic works—

Mr Eccles: It will.

Senator HUMPHRIES: Indeed. But would you not be entitled to assume that that was a clear \$10 million of improved funding to the sector, not \$10 million which would be offset by an even greater cut in other parts of the Australia Council's grant program?

Senator Arbib: Senator, if you were in office they would not have got the \$10 million and they would have got \$24 million in cuts.

Senator HUMPHRIES: That is a very poor defence, Minister.

Senator Arbib: It is the truth. We have had the discussions. There is no need to go on about it, but I just make the point.

Senator HUMPHRIES: Can you answer the question, Mr Eccles?

Mr Eccles: I believe I have answered the question. The \$10 million was announced for specific purposes and we have alluded to those. The money will go to address those specific priorities. There are other efficiencies and we will be working the Australia Council to explore, as I said earlier, the means by which we can minimise the impact of the efficiency dividend on their grants programs. We have started those discussions and we will continue those discussions. But, in terms of this specific \$10 million, the announcement was for some specific initiatives and they will be delivered to the value of \$10 million.

Senator HUMPHRIES: *Crikey* summarises the position quite succinctly, I think, with respect to that grant promise when it says:

In the arts portfolio the government delivered on its 2010 election promise for \$10 million over five years in new grants for artists who are at work but the efficiency dividend measures mean the Australia Council is being asked to save \$3.3 million over the forward estimates,. the Australian Film and Television and Radio School will have to find \$1 million, the National Film and Sound Archive \$1.1 million, the National Gallery \$1.4 million, the National Library \$2.1 million, the National Museum \$1.7 million and Screen Australia \$759,000. That is more than \$12 million in funding cuts for cultural agencies over the forward estimates. This year there will be a decrease of approximately \$2.5 million in forecast grants expenses compared with 2010-11.

Mr Eccles: Can you say that last bit again, senator?

Senator HUMPHRIES: Yes, they say:

This year there will be—

I assume by 'this year' they mean 2011-12—

a decrease of approximately \$2.5 million in forecast grants expenses compared with 2010-11.

Is that a fair figure?

Mr Eccles: I do not know. I would need to take the time to have a good look at all the numbers and establish where they came from.

Senator HUMPHRIES: They go on to point out:

Australia Council grants funding will be only 2% above 2010 levels in 2014-15. But CPI is forecast to run at 3% annually, meaning Australia Council support for artists and organisations will fall in real terms — by perhaps as much as 10%.

Is that a fair reading?

Mr Eccles: I am sure that that is what has been said by the *Crikey* journalists.

Senator HUMPHRIES: I am not asking that. I am asking: is that a fair representation of what is happening in arts funding?

Mr Eccles: I would need to have a look at it. It is assuming that the full impact across all those agencies is going to be passed on to external activities. As I mentioned earlier, I and my colleagues are not convinced that there is no scope for some further administrative

efficiencies within those agencies and, as I said earlier, we will be working with those agencies to minimise the impact of the efficiency dividend on community grants programs and outward looking activities, regional tours and so forth.

Senator HUMPHRIES: But we have already been told by the Australia Council that it is factoring in real-terms decreases in funding.

Mr Eccles: At this point in time, yes, and we will continue to work with them to try and minimise the impact that it has on their grants programs to individual artists and to organisations.

Senator HUMPHRIES: Let us be realistic, Mr Eccles. You cannot sustain funding cuts of that order over the forward estimates and not experience cuts in the size of grant programs. It is just not possible, is it? There are not the efficiencies in the Australia Council or any of these other agencies to offset that level of funding decrease.

Mr Eccles: I did not speculate to the contrary at all.

Senator HUMPHRIES: Could I move on to—

CHAIR: Before you do, Senator Humphries, can I just follow on with some questions in relation to those grants? I think it would be helpful for the committee, Mr Eccles, if you could outline to us the sorts of grants that will be fulfilled with that \$10 million. Can you outline the program?

Mr Eccles: Certainly. As to the groups who will be targeted—I will just find the right place in my book.

CHAIR: And can you outline if there are any benefits to young and emerging artists?

Mr Eccles: I think that is a considerable focus. Sally, do you want to go on?

Ms Basser: Yes. There is \$10 million going to funding that will support young and emerging artists. The new program will support up to 150 additional artistic works, presentations and fellowships. It will also assist artists with a disability, artists from non-English-speaking culturally-diverse backgrounds, and artists in regional and remote areas. The Australia Council is at the moment working out the exact development of the program guidelines and that sort of thing. But that is the broad—

CHAIR: What is the time frame for the projected timetable of those programs?

Ms Basser: The funding rolls out over four years, but starts, I think, with \$1 million. I have not got the exact numbers here. It starts with \$1 million next financial year and increases into the out years.

Senator HUMPHRIES: So it is over a five-year period?

Mr Eccles: Yes, that is right.

CHAIR: I just think it is important to have the facts on the record.

Senator HUMPHRIES: Is it also possible that some organisations that receive an increase under this program could also simultaneously receive a decrease in funding, in real terms, by virtue of the efficiency dividend impact on the Australia Council's grant program?

Ms Basser: I think that is a matter for the Australia Council in terms of how they are working that out. It is early days in terms of them working out what the program guidelines are going to be.

Mr Eccles: The final details on how it is going to be administered are being sorted through at the moment. We can take that on notice.

Senator HUMPHRIES: Could I ask about the decision to deny funding under Playing Australia to Co-Opera? I understand that Co-Opera, which is based in the Northern Territory, has been a very successful performance arts company in Northern Australia and that its funding, for the first time in 18 years, has been refused. Is that the case?

Ms Bassar: Playing Australia, as you may be aware, is funded and allocated via a competitive assessment process. No applicant can assume that they are going to be successful every year. In the most recent round of Playing Australia, Co-Opera was successful in being granted \$81,595 to tour the opera *The Marriage of Figaro*. However, it was not successful on another of its applications.

Senator HUMPHRIES: Can you tell us on what basis it was decided that Co-Opera, after 17 years of successful production of arts products in Northern Australia, should be denied funding at this stage?

Mr Eccles: It is independently assessed by an advisory panel. We will be able to provide you with their views on why it was not successful. I do not have that to hand. Obviously there were more applications than funding, and they were not successful for one of their proposals.

Senator HUMPHRIES: Have those reasons been provided to Co-Opera itself?

Ms Bassar: Yes, Co-Opera has been provided with feedback in writing on its unsuccessful application. We have also offered to provide them with more detailed feedback, but so far they have not taken up that offer.

Senator HUMPHRIES: I understand Co-Opera has appealed to the minister to overturn the decision to cut funding. Is that the case? Does the minister have the power to overturn that decision?

Ms Bassar: I would just like to clarify that it is not that their funding has been cut but that they were unsuccessful in a competitive grant application round for one of their applications, but they were successful in the other.

Senator HUMPHRIES: I will rephrase my question, then. Has Co-Opera appealed to the minister to reverse the decision to not fund them for something that they have been funded for over the last 17 years?

Ms Bassar: I understand that they have requested that the minister review the decision.

Senator HUMPHRIES: Has the minister or some other representative of the minister's office met with them?

Ms Bassar: No, not that I am aware of.

Senator HUMPHRIES: Can you tell me whether it is proposed that they will be met with to discuss their appeal?

Ms Bassar: In the first instance we have offered to go through it and provide them with very detailed feedback, which I think is the appropriate step in the first place, and they have yet to take up that invitation from us. I would encourage them to do that. A number of other companies that were not successful have taken advantage of that and have been taken through very detailed feedback, which they have found very valuable. The invitation is on the table for Co-Opera. We would prefer that they come to us first and then, if they wish further feedback

or to discuss that, I am sure the minister's office would be happy to see them. But we would be keen to take them through the feedback in detail first, as per our invitation.

Senator HUMPHRIES: You might understand why they would be reluctant to take up that option. They complained in an open letter on 19 April, which I assume you might have seen. It said:

For more than a week, efforts by the Chair of Co-Opera's Board of Management, Mr Ian Hardy AM and myself—

that is, obviously, the CEO of Co-opera—

to communicate on the matter with staff in the Federal Office for the Arts have been met with aggression and condescension ...

Mr Eccles: I reject that. The logical escalation process in a matter like this, where there is an unsuccessful grant made, would be for the potential grantee to avail themselves with all the information, to accept the feedback and then, if they chose to escalate it, they would do so fully informed of the facts of the matter. I do not believe that there has been aggression or a lack of respect at all shown by the Office for the Arts.

Senator HUMPHRIES: For arguments sake, if a person did encounter such an attitude, to whom would they make a complaint?

Mr Eccles: Me, if there were anyone in the Office for the Arts. And, as I said, I refute it. I would be very happy to hear the facts of the matter.

Senator HUMPHRIES: Have such complaints been made to you in the past?

Mr Eccles: No.

Senator HUMPHRIES: How long have you occupied—I suppose this is a new office, isn't it?

Mr Eccles: Since September 2010, so it would be eight months or whatever.

Senator HUMPHRIES: Have you had other complaints in that time?

Mr Eccles: About—

Senator HUMPHRIES: About the attitude.

Mr Eccles: No.

Senator HUMPHRIES: Going back to the luxury car tax issue—we are obviously very interested in this issue. I think you were taking on notice a number of questions about how that would work. I gather that there are endorsed public museums and art galleries. I have been told that that is the criterion that you need to have in order to be able to gain the exemption. I assume that means private organisations are not entitled to the exemption. If there is a list of endorsed public museums and art galleries, could we have that list, please?

Mr Eccles: We will certainly look into it. If there is one, we will provide it.

Senator HUMPHRIES: If not, what are the criteria to get onto the list—one that is going to be created. Resale royalties—we were told at estimates in October last year that 30 resales had taken place and the government had provided \$1½ million dollars over three years as against \$1½ million over three years to establish the scheme. In February, Mr Eccles, you told us that there had been 467 qualifying resales of artwork totalling approximately \$90,000 in

royalties and you said, 'We are expecting a ramping up.' At this point in time, can you tell me how many resales have attracted the provisions of this scheme?

Mr Eccles: 1,106.

Senator HUMPHRIES: With a total royalty payment of what?

Mr Eccles: \$201,000.

Senator HUMPHRIES: That is a bit more than double since we last discussed it.

Senator Arbib: A ramping up.

Senator HUMPHRIES: Yes. You have to go a long way before it reaches the \$1.65 million we spent establishing the scheme.

Mr Eccles: It is based on the second sale and it does take time.

Senator Arbib: It is still early days though. You said a doubling. Doubling in that period is reasonable.

Senator HUMPHRIES: Doubling off a low base.

Mr Eccles: But it does relate to the second sale and that is an important part to consider, and also the intention of the program is to support those artists. There is a significant focus on Indigenous artists in this policy.

Senator Arbib: It is about 3,106 artists that are registered.

Senator HUMPHRIES: That is great, it is going to be a long time before you have improved on the position. If we simply gave the artists money, we would have saved a lot of heartache.

Senator Arbib: You just cannot give the department a bit of credit. They have done a great job here. Come on, it is ramped up. Exactly what they said has happened.

Senator HUMPHRIES: Minister, the question is whether the scheme itself is the best designed way of helping artists. If we handed out \$1.65 million in grants to artists, we would have got much more immediate and direct benefit to those artists, wouldn't we?

Senator Arbib: The figures speak for themselves and, again, it is the Indigenous artists—

Senator HUMPHRIES: They certainly do.

Senator Arbib: in particular who are benefiting from it. I think it is working extremely well.

Senator HUMPHRIES: We have paid out \$200,000 on a scheme that cost \$1.65 million to set up. I think the figures speak for themselves.

Senator Arbib: You have opposed this scheme.

Senator HUMPHRIES: I think we did actually from memory.

Senator Arbib: I think it is delivering. I can respond to questions Senator Humphries is raising.

CHAIR: You are just a bit snaky tonight.

Senator Arbib: I am not snaky at all. I think it is important that the coalition policy is on the table, especially when he is talking about efficiency dividends that you would actually increase, that is all.

CHAIR: Any further questions, Senator Humphries. We are getting distracted.

Senator HUMPHRIES: Sadly, Chair, although I see the minister is just bursting to find some more interference, I have no more questions.

CHAIR: There are no further questions for arts, so thank you very much Senator Humphries. Thank you very much to the officials. We now turn to outcome 3, which is sport and recreation. I do not think I need to advise the officers of the usual proceedings.

[20:36]

CHAIR: Welcome back from that short break. I am sure, Mr Eccles, I do not have to go through and remind you of the usual procedures. I welcome you and your officers, and Minister Arbib. I assume there is no opening statement, so we will go to Senator Kroger.

Senator KROGER: Thank you. Firstly, I want to go to some general issues to do with departmental spending. I quote from your media release, Minister, on 10 May, which says:

The Gillard Government will continue its strong commitment to Australian sport ... by providing more than \$300 million to support the full spectrum of sport from the grass roots to elite competition.

That is from your media release, Minister Arbib. Can you or the department detail how much of the \$300 million are new spending commitments?

Senator Arbib: This is from the budget?

Senator KROGER: Yes.

Senator Arbib: Can I get a copy of that, just to save me running around, if that is possible?

Senator KROGER: Yes, I am happy to do that. I will just pull it out again. I do not think it needs tabling; it is more for the minister's information, Chair.

Mr Eccles: It is all right; I have it.

Senator Arbib: Senator, in the budget last year, we announced an increase of \$195 million over four years for sport, and there was no further increase in this budget, although we did provide an additional \$43.9 million to the Active After-School Communities program—

Mr Eccles: That is right.

Senator KROGER: Sorry; how much was that, Minister?

Senator Arbib: There was an additional \$43.9 million to the Active After-School Communities program to keep the program operating till December 2012.

Senator KROGER: But there is no projection to cover that after 2012—so that program is only till 2012?

Senator Arbib: That is correct.

Senator KROGER: Any reason why the decision was made to fund it only until 2012 and not on an ongoing basis?

Senator Arbib: It is very important program. I thought it needed to be extended. We worked hard to ensure that an extension was in place and we were able to achieve that extension. At the same time, we are working to improve the program. It will be necessary, over the coming 12 to 18 months, to ensure that children who are participating in the Active After-School Communities program are getting the best opportunity to go on and join local

sporting clubs. One of the limitations with the program at the moment is making the connections with other grassroots sport, club sport. If we want to ensure that kids get the lifelong love of sport which we all know is necessary then we may have to make improvements and changes.

Senator KROGER: There was a departmental review of that program, wasn't there?

Mr Eccles: That is right, undertaken by Ron Harvey.

Senator KROGER: When was that undertaken?

Mr Eccles: It was undertaken earlier this calendar year. It started towards the end of last year—in December. Mr Harvey's report was provided to the department several months ago and that assisted in informing the consideration of government.

Senator KROGER: I presume that has made recommendations for changes to the program, or did it support the current format?

Mr Eccles: I think it is fair to say that the focus of the report, which is still very much a live document, found that the program was very successful. It found that it was an integral part of the landscape.

Senator KROGER: There is no tweaking of the program, no changes that you are making to it?

Senator Arbib: No, the issue about connections to local sporting organisations is definitely one of the issues that he raises. The report says that we can improve on the program by ensuring that the connections are there. While the coordinators on the ground try and work closely with local sporting organisations, Mr Harvey identified that we could be doing better there.

Senator KROGER: That is about the schools having some sort of formal connection with the local cricket club, footy club or whatever. Is that right?

Senator Arbib: Exactly.

CHAIR: I want to ask a couple of questions, simply because the active after-schools program is something that has been so warmly welcomed in the Tasmanian community. I was just wondering if you have some figures about the participation rates, because I have had a lot of good feedback from those on the ground in terms of the extra funding. Could we have some tangible figures?

Senator Arbib: Up to 190,000 kids are involved per semester.

Senator KROGER: What is the distribution of that in schools, though? How many schools are participating? I think it would be interesting to know that number.

Mr Rowe: Approximately 2,000 schools are participating in the program and around 1,300 after school care centres. I do not have detail beyond that because it is administered by the Australian Sports Commission, who are not here to provide detail beyond that, I am sorry.

CHAIR: What about the recommended changes about connecting with other sporting groups within the local communities? As the minister said, it is about developing that lifelong love of sport. If you get kids actively involved, not only are they healthier and more active but they are less likely to get into trouble. Are there some strategies that you can explain to the committee?

Mr Rowe: I can say that the Australian Sports Commission is working on a range of strategies, but I am not in a position to articulate those because I just do not have those details. They are with the Sports Commission.

CHAIR: I get regular newsletters, which is quite beneficial. I do not know if you do, Senator Kroger—

Senator KROGER: No, I don't.

CHAIR: but certainly from the committee's point of view they are very worth while. You actually get invited to go along and participate.

Mr Eccles: We can certainly make sure you are on the mailing list if you want, Senator Kroger.

Senator KROGER: Are these departmental emails?

CHAIR: No, they come from the people who run the programs. They are very good.

Senator KROGER: I would be interested to know about this by state.

CHAIR: Yes, if we could get a breakdown of the state figures, that would be helpful.

Mr Eccles: What we will do is provide you with the general breakdown around the nature of the program and its uptake. As Mr Rowe mentioned, the Sports Commission has significant data about that, so we will make sure that it is presented in a format that makes sense.

Senator KROGER: You mean you are going to keep it simple and sweet?

Mr Eccles: Useful.

CHAIR: It would be useful information for us to have and to be able to promote on our websites and on Facebook and the like, because it is a really beneficial program.

Mr Eccles: That is a good point. We will certainly talk to the commission about that.

CHAIR: That would be really useful.

Senator Arbib: The other issue which they are working on and the Sports Commission is working on, and where this connects, is the national curriculum. There is discussion about the national curriculum and about ensuring that sport is a part of that curriculum. I have made it clear that I believe sport should be part of the national curriculum. Obviously we will be working on those two issues simultaneously because there are great connections.

CHAIR: Are there any plans to incorporate learn to swim campaigns in this program? That is still an area that I feel is underfunded and not part of—

Mr Rowe: There is some swimming involved in the program. I am sorry I cannot give you the detail of how much, but we can take that on notice. There are, of course, some restrictions on access to pools for those schools that do not have pools and have to make arrangements outside of school facilities.

CHAIR: Yes, but there are still too many Australian children that are not learning to swim.

Mr Rowe: Absolutely.

Senator KROGER: Can I go back to a couple of matters in the budget to get some clarification. It says that \$2.8 million over the forward estimates is to be saved from the ASC

through administrative savings. I presume the ASC was subject to an efficiency dividend. Is that saving in addition to the efficiency dividend or is that incorporated in it?

Mr Eccles: It is in addition.

Senator KROGER: In what areas will those savings be made?

Mr Eccles: Again, as the Sports Commission is not here I would be a little reluctant to commit to details on that. It is something we can find out from the commission. We will take that on notice.

Senator Arbib: Yes, we are happy to take it on notice. As it is an agency it is probably best that the CEO provides that information. They were not requested by the committee. We are happy to take it on notice for you.

Senator KROGER: No problem; I did not realise they had not been requested to appear. I have a couple of other matters the directly relate to the ASC so I will put them on notice.

Senator Arbib: We will try and answer if we can; if we cannot we will take them on notice.

Senator KROGER: I will continue to ask, and they can be put on notice otherwise. There are a couple of budgetary matters in relation to the ASC that I will put on notice. Under the program supporting football in the World Cup which is on page 237 of Budget Paper No. 2, it states that this measure is partially offset by administrative savings of \$4.6 million over five years from the Australian Sports Commission. I was wanting confirmation that the total amount of administrative savings from the ASC, on the basis of that, will actually total \$7.4 million.

Mr Eccles: We had better take that one on notice as well.

Senator KROGER: I have a couple of other questions relating to the ASC so I might put those on notice. I have been advised by the Department of Defence that they are working either through the Australian Sports Commission or the Australian Drug Foundation will both in developing a drugs policy for the Defence Force. Have you been asked to provide any input into that?

Mr Eccles: I am not aware of that.

Senator KROGER: It might be the Drug Foundation. The policy that they were looking at developing was the one that is developed for sporting codes, which is why I thought that the Australian Sports Commission might well have had some input.

Mr Eccles: It could well have been ASADA, the Sports Anti-Doping Authority, that they had discussions with. ASADA oversight the regulation of drug testing, the drug-testing regime in sport and the monitoring of athletes. There would be quite a few lessons, I imagine, that could be learnt.

Senator Arbib: There was an article about the use of steroids or performance-enhancing drugs on a military installation. So they may have had discussions with ASADA, given that is one of the areas they deal with. We can check for you.

Senator KROGER: Yes, that would be interesting because I think it is a bit broader than that. It is in relation to the use of alcohol. There was a parallel drawn between the abuse of alcohol in football by a small number and the Defence Force. They were seeking to develop a code that was similar.

Mr Eccles: We could get you some information.

Senator KROGER: That would be very helpful. Minister, you also announced in a press release a review into the administration of football in the lead-up to Australia hosting the 2015 Asian Cup. Is funding for that review in the budget?

Mr Eccles: The review is being undertaken by Warwick Smith. We are working with Mr Smith at the moment. The review per se is not going to cost anything; Mr Smith is doing it voluntarily.

Senator KROGER: Is he? That is very generous of Mr Smith.

Mr Eccles: Yes.

Senator KROGER: How long do you anticipate the review will take?

Mr Eccles: There is no locked-in time frame. We have started having discussions with Mr Smith. The review has commenced. I would imagine that it would be several months, but we have yet to finalise it precisely.

Senator KROGER: I presume you are going to develop terms of reference for the review?

Mr Eccles: Yes, we certainly will. In fact, I believe that the terms of reference have been finalised.

Senator KROGER: Have you got those terms of reference with you or will you take it on notice—

Mr Eccles: We will certainly provide them on notice. We just need to make sure we have the right version.

Senator KROGER: That would be terrific. Will Football Federation Australia be required to contribute to that review process in any way? I would have thought that they might be—

Mr Eccles: Absolutely. They are keen to work in partnership with us. It is going to be an important review into the sustainability of football, and they will be a key partner in this and we will be working closely with them.

Senator KROGER: I just want to go to the Asian Cup a little. For the programs supporting football in the lead-up to the 2015 Asian Cup it is stated that \$23.9 million in funding will be held in the contingency reserve subject to the finalisation of the cost of the local organising committee. Can you explain to me, firstly, what the local organising committee is?

Mr Eccles: Yes. It is a requirement of the Asian Football Confederation that the host nation for the Asian Cup establishes a local organising committee which is a fully owned subsidiary of the local football association. In this instance it will be a company established by Football Federation Australia, and that would be the organisation that the Commonwealth and the states would provide funding to and contract. The states and territories that are impacted are Queensland, New South Wales, the ACT and Victoria as hosts of the Asian Cup. We will work with them and have a contract with the LOC. The precise governance arrangements are yet to be finalised. We are certainly seeking Mr Smith's views as well on the best way that we can influence the shape of the local organising committee so that we can maximise the benefits of the Asian Cup across a whole range of sectors, including tourism, trade and a whole lot of other things that are important in our region.

Senator KROGER: How do you determine the composition of that local organising committee?

Mr Eccles: There are some requirements that the Asian Football Confederation have in terms of size. We are working with Football Federation Australia at the moment. It is really important to bear in mind that this is a partnership between several governments. We are dealing with the state government representations to try and understand how they want to be represented or how they want to be able to have influence and get buy-in on the deliberations of the LOC. So we have been meeting with them over the past several months, and now that the budget has been handed down we are ready to start having those detailed discussions with the FFA. Importantly, we are very keen to hear what Mr Smith says about appropriate governance arrangements.

Senator KROGER: Sure. So, given that you have commenced scoping that, when do you think that that will happen—when will that be finalised?

Mr Eccles: I will just check with Mr Smith—not Mr Warwick Smith; another Mr Smith—to see whether or not there are any specific time frames.

Senator KROGER: I thought Mr Smith was being generous with his services again!

Mr J Smith: I am Jaye Smith, Assistant Secretary, Sport Events and Support Branch. There are no specific time frames for the establishment of the LOC as such. FFA are currently working with the Asian Football Confederation about establishing organising agreements which will set out the time frames for the delivery of key deliverables for the Asian Cup, including when the LOC needs to be established. So we would expect it to be around June that that agreement would be set in place.

Mr Eccles: So we will know more in June about the precise time frames.

Senator KROGER: Ok. Now, the contingency fund that we just spoke of—what is the normal practice in the way in which that will be drawn down? Does that need to be drawn down before the 2012-13 budget? How does that normally work?

Mr Eccles: I would need to check with the department of finance about the precise rules around that. The reason why it is in the contingency fund is that, over the next 12 months or so, we will get a much better idea of what the exact costs are, and that will allow us to access only that funding that is truly needed. I imagine we will have an update around Christmas about what the costs might be.

Senator KROGER: Sure. I will just go back to the after-school program for a moment, because I just wanted to clarify something. In the PBS, on page 159, you have got government resourcing of the Australian Sports Commission falling from \$268 million in 2011-12 to \$248 million in 2012-13 and to \$229 million in 2013-14. Is that difference because of the active after-school program?

Mr Eccles: Yes, that is as a result of the injection of funding over the two financial year periods for that active after-school program.

Senator KROGER: Ok, thank you. All my other questions are in relation to the Australian Sports Commission, so I will put them on notice, Chair. It is better to do that, and then these good people can have an unexpectedly early night.

CHAIR: Thank you very much, Senator Kroger. There are no further questions at this point in time, so thank you very much for appearing before us. Thank you, Minister. We will stand adjourned until 9 am tomorrow.

Committee adjourned at 20:59