



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

FINANCE AND PUBLIC ADMINISTRATION  
LEGISLATION COMMITTEE

**Estimates**

WEDNESDAY, 25 MAY 2011

CANBERRA

BY AUTHORITY OF THE SENATE

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**SENATE**  
**FINANCE AND PUBLIC ADMINISTRATION LEGISLATION COMMITTEE**  
**Wednesday, 25 May 2011**

**Senators in attendance:** Senators Abetz, Adams, Bilyk, Birmingham, Cormann, Faulkner, Ferguson, Fifield, Forshaw, Humphries, Hurley, Joyce, Kroger, Macdonald, Moore, Parry, Polley, Ronaldson, Ryan and Stephens.



**PRIME MINISTER AND CABINET**

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

**Department of Regional Australia, Regional Development and Local Government**

Glenys Beauchamp, Secretary

Stephanie Foster, Deputy Secretary, Policy and Implementation

Geoff Leeper, Deputy Secretary, National Disaster Recovery Task Force

Dan O'Brien, Acting Deputy Secretary, Program and Engagement

**Outcome 1**

Tony Carmichael, First Assistant Secretary, Regional Engagement Division

Judy Jenkins, Acting Assistant Secretary, Regional Development Australia and Office of Northern Australia

Elizabeth Bennett, Acting Assistant Secretary, Local Engagement and Strategy

Robyn Fleming, Acting First Assistant Secretary, Program Delivery Division

Gordon McCormick, Assistant Secretary, Local Government Programs

Karen Lindsay, Acting Assistant Secretary, Program Development and Design

Simon Atkinson, First Assistant Secretary, Policy and Coordination Division

Elizabeth Wilde, Assistant Secretary, Policy Development and Reform

Kirsty Faichney, Acting Assistant Secretary, Strategic Priorities

Bruce Taloni, Acting Assistant Secretary Policy Coordination

Amanda McIntyre, Assistant Secretary, Engagement and Reporting

Megan Lees, Assistant Secretary, Policy

**Outcome 2**

Julian Yates, First Assistant Secretary, Territories Division

Belinda Moss, Assistant Secretary, Territories West

Steve Clay, Acting Assistant Secretary, Territories East

**Corporate Services**

Jamie Clout, Chief Operating Officer, Corporate Services Division

Kym Partington, Chief Financial Officer

**National Capital Authority**

Gary Rake, Chief Executive Officer

**Outcome 1**

Alison Walker-Kaye, Executive Director, Estate

Andrew Smith, Chief Planner and Deputy Chief Executive

**Department of Regional Australia, Regional Development and Local Government  
Committee met at 09:02**

**CHAIR (Senator Polley):** Good morning and welcome to our third day of the estimates hearing. 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 expenditures 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 will begin with its examination of the Department of Regional Australia, Regional Development and Local Government followed by the Finance and Deregulation 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 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 and which I now incorporate in *Hansard*. Officers called upon for the first time to answer a question should state their name and position for the *Hansard* record and witnesses should speak clearly into the microphone. Can I remind people in the room, all of us, to please ensure our mobile phones are either turned off or switched to silent. I would also like to request that if senators wish to table any documents or provide additional information during the proceedings that they please bring a duplicate copy so that copies can be made as quickly as possible for other members of the committee.

The committee will begin today's proceedings with the Department of Regional Australia, Regional Development and Local Government and then follow the order as set out in the circulated program. I will just indicate that we are starting this morning with the National Disaster Recovery Task Force and then we will go back to outcome 1, with general questions.

I welcome the Minister Assisting on Deregulation and Public Sector Superannuation, the Minister for Small Business and the Minister Assisting the Minister for Tourism representing the Minister for Regional Australia, Regional Development and Local Government, Senator the Hon. Nick Sherry and Ms Glenys Beauchamp, secretary of the department and officers. Ms Beauchamp, do you wish to make an opening statement?

**Ms Beauchamp:** Thank you, Chair. No, I have not got an opening statement, thank you.

**CHAIR:** We will now move on to National Disaster Recovery Task Force.

[9.05]

**Senator HUMPHRIES:** Thank you very much, Chair and I appreciate getting the first nod this morning, thank you for that. Could I start by asking about the arrangements that have been entered into place between Queensland and the Commonwealth and Victoria and the Commonwealth with respect to provision of funding under the National Disaster Relief and Recovery Assistance arrangements? I understand that there was some disagreement between particularly Victoria and the Commonwealth about the provision of some \$500 million in funding to assist flood affected communities earlier this year. I understand that the result of that is that a separate agreement has been struck now with Victoria which is different to the

funding arrangement which has been struck for Queensland. Is that the case and if so could you explain how the two agreements differ, please?

**Ms Beauchamp:** We do have national partnership agreements in place with the Queensland government and the Victorian government. They are both very similar documents and both have very similar governance arrangements around the oversight and administration of the substantial amount of Commonwealth and Queensland government money going into reconstruction efforts. Just to clarify, there was not a disagreement around the negotiation process with the Victorian NPA. They have obviously gone through a change of government and were putting in governance arrangements within their government so that took a little longer than the Queensland government. We have got very similar arrangements in place with both Queensland and Victoria.

**Senator HUMPHRIES:** I was looking at the headline in the *Age* 'Anger as flood cash withheld', on 28 April. We do not always believe what we read in newspapers, so I accept your explanation. In what way does the agreement with Victoria differ from the agreement entered into with Queensland?

**Ms Beauchamp:** The elements are substantially the same. Obviously the Queensland flood reconstruction effort is on a much bigger scale. They have set up a separate Queensland Reconstruction Authority so the governance arrangements in Queensland are very different than what is in Victoria. We have had to tailor our relationship to meet the separate requirements of both Victoria and Queensland. Victoria does not have a separate reconstruction authority, something similar to what it set up during the Victorian bushfires, and we are dealing with the lead agency down there in Victoria. Basically the principles and the arrangements through the NPAs are very similar.

**Senator HUMPHRIES:** How does the existence of a reconstruction authority in Queensland affect the way in which the Commonwealth actually makes dollars available to affected communities?

**Ms Beauchamp:** The Commonwealth has a well established process, particularly under the Natural Disaster Relief and Recovery Arrangements, for distribution of funds. What has been different in this process, given the scale of the disasters, was the advance payments made to both Queensland and the Victorian government and therefore a requirement really to put in place I guess more robust arrangements around how those funds were being delivered. Queensland set up a Queensland Reconstruction Authority board on which I am a member representing the Commonwealth, so that is one element that is slightly different than Victoria. I think they have set up that mechanism to give the Queensland Reconstruction Authority particular powers and the like in terms of delivering and implementing the oversight effort.

**Senator HUMPHRIES:** Who performs that role with respect to Victoria? In Victoria's case how is money that is received from the Commonwealth delivered to communities?

**Ms Beauchamp:** One of the line agencies in Victoria is taking the lead and obviously they are involving other agencies as needed through the reconstruction efforts.

**Senator HUMPHRIES:** Did the Queensland government request that the Commonwealth take a seat on its reconstruction authority or did the Commonwealth ask for that to happen?

**Ms Beauchamp:** I am not too sure of the exact details, but it was something that was negotiated through the process of governance.

**Senator HUMPHRIES:** Are the agreements with Victoria and Queensland respectively available for us to see?

**Ms Beauchamp:** I think they are actually publicly available. We could provide those.

**Senator HUMPHRIES:** Thank you very much. Of course there is the National Disaster Recovery Task Force, and there is also the inspectorate, which I understand Mr John Fahey heads up?

**Ms Beauchamp:** Correct.

**Senator HUMPHRIES:** Can you explain the difference between those two roles?

**Ms Beauchamp:** Indeed and I might let Mr Leeper add to what I am about to say. In terms of the oversight, in terms of the value-for-money framework that we put in place through the national partnership agreements, the government decided to set up an inspectorate function, headed by John Fahey, to look at how best those Commonwealth and state dollars should be spent to ensure that they were well targeted and we were actually getting value for money for the dollars. The task force was set up in the department in February to provide a range of functions, particularly to support the secretariat function, to support me on the Queensland Reconstruction Authority board, to support the sub-committee of cabinet; and to support a range of administrative functions. But it was also set up to be the go-to area in terms of the reconstruction efforts. There is a substantial investment by the Commonwealth in these 2010-11 disasters and the government decided to put in place a task force to really oversee and monitor reconstruction efforts. We provide both secretariat support for the inspectorate function and a range of other governance arrangements. We develop those very close working relationships with the state governments, local governments and Regional Development Australia committees to make sure we are doing everything we possibly can to implement the reconstruction efforts on the ground.

**Senator HUMPHRIES:** What does the inspectorate actually inspect? Can it inspect direct recovery delivery services on the ground in both Queensland and Victoria or for that matter other places where Commonwealth dollars have been rolled out or does it only overview in a higher level functions of state governments?

**Ms Beauchamp:** The inspectorate function has got very clear terms of reference which are to look at high value and complex projects. It can look at both the frameworks that are being put in place around value for money, procurement processes that the state governments are administering, but also they have the ability to look at those more high value, complex projects on the ground. I do not know if Mr Leeper wants to add to that?

**Mr Leeper:** The inspectorate is authorised by the respective national partnership agreements so the inspectorate will come into operation only in those two states that have signed a national partnership agreement. The fundamental difference here is that in the past the National Disaster Relief and Recovery Arrangement, NDRRA, worked as an arrears-based, reimbursement model between the Commonwealth and the states. Local governments and state governments incurred expenses associated with disasters and then they presented audited financial statements to the Attorney-General's Department and were reimbursed for those payments and those expenses that they had incurred. The scale of these disasters is fairly well unprecedented. The Commonwealth government's exposure across 2010-11 and the forward estimates is \$8.5 billion for 2009-10 and the current series of flooding and

cyclone events. A judgement was formed that in these circumstances it was important to ensure that arrangements were put in place which increased the Commonwealth's scrutiny of projects before they were commenced.

The inspectorate has two fundamental roles, one of which we are about to close off in Queensland. It is intended to ensure that the way that states approach the contracting and procurement arrangements for the reconstruction projects are reasonably assured to deliver value for money. We are just coming to the closing stages with Queensland of going through that value for money framework.

The processes in Victoria will be a little more lighter in touch, if I can use those terms. The Commonwealth's exposure for reconstruction of infrastructure in Queensland is about \$4.7 billion and in Victoria it is not more than \$500 million, so there is quite a significant scale difference. The inspectorate will take and is taking an upfront view of how Queensland proposes to manage the procurement of these projects. Once the reconstruction effort commences—and it has not yet commenced, Queensland is still in recovery mode—the inspectorate will pick a sample of high profile, complicated projects and will look into those before approvals are given to satisfy themselves that value for money is capable of being achieved.

Then from time to time they will also sample those projects as they are in the process of delivery. It is quite a different approach; it is up front rather than reimbursement and arrears-based, which is how the NDRRA has worked in the past. Of course the average Commonwealth payments under that in the past decade have been in the region of \$300 million to \$400 million a year. Now we are talking about \$8.5 billion over a five-year period.

**Senator HUMPHRIES:** An inspectorate function has not been used before in similar NDRRA situations?

**Mr Leeper:** Not as far as I am aware, no.

**Senator HUMPHRIES:** When you say that projects can be examined for value for money and then audited as they are going through, we are talking about projects to reconstruct damaged roads or bridges or replace schools or whatever it is that needs to be repaired?

**Mr Leeper:** Yes. QRA will manage them under five broad headings: roads, bridges, parks, utilities and one other I think from memory. There are five broad categories. In Queensland every one of the 73 local government areas has been disaster declared. We are advised that between 75 and 80 per cent of the reconstruction spend will be on roads and associated infrastructure. There will be a very, very significant number of projects; it could easily be in the hundreds if not the thousands of separate discrete projects, some of which will be, \$5 million, \$10 million, \$20 million, others may be somewhat smaller.

**Senator HUMPHRIES:** Let us go to a question of what happens when say a road or a bridge has been washed away in a flood. I have spent some time talking to local government bodies in some of these areas and they say to me that the Commonwealth's requirements—and they characterise this as what the Commonwealth says is how its money should be spent—is that if a bridge with three culverts is washed away, then a bridge with three culverts is to be replaced, not an enhanced bridge with a higher level of capacity to withstand future flooding. What flexibility does a body receiving Commonwealth funding have for enhancement or betterment in some places?

**Ms Beauchamp:** There is indeed much flexibility and a lot of choices that local government and the state government can make. When a bridge does get washed out obviously it needs to be rebuilt according to current standards. There is an opportunity for that local government to enhance I guess the performance of that bridge to ensure and mitigate against further damage or future flood occurrences or disaster occurrences. So they do have the choice of doing that.

**Senator HUMPHRIES:** So they could say, 'This bridge has been washed away in each of the last big floods of the last two decades, therefore we are going to replace it with a much bigger bridge that will not be susceptible to that kind of flooding in the future.' They can do that with the Commonwealth's money?

**Ms Beauchamp:** They can do that under the current NDRRA arrangements, under the betterment provisions which Mr Leeper has spoken about, yes.

**Mr Leeper:** The key thing is that the NDRRA arrangements provide for an essential piece of public asset infrastructure to be replaced, should it be damaged or destroyed, at the current prevailing engineering and construction standards. These are the guidelines that the Attorney-General has signed off and these are administered by Emergency Management Australia. For example, a state or a local government may wish to either make better or enhance a single lane bridge by making it two lanes. They could build it as two lanes at the same level or two lanes higher up. Such a proposal would involve replacement, enhancement and betterment. It can get a little complicated but it is essentially a decision for local governments and state governments to make. Were a proposal to be put under category B, betterment, which is replacement of essential public assets, a state or a local government would need to put a business case proposal to the emergency management agency in Canberra and a decision would be taken. Cases can also be put under category D, which is exceptional circumstances for events of unprecedented magnitude, and again those would be assessed on a business case basis by the Commonwealth. These approvals would need to be sought prior to the reconstruction work commencing. That is how I understand the guidelines operate.

**Senator HUMPHRIES:** How flexibly or how quickly can such decisions be turned around? You will appreciate that councils often want to move very quickly to get this infrastructure replaced. I have spoken to a number of councils which have told me flatly that they cannot do it, that they are not allowed to engage in betterment of their damaged infrastructure. Might I say there is a bit of a communication problem here if they can indeed do that? Let us suppose they are aware they can do it and they apply to do it, how long does it normally take for approval to be given and who gives that approval?

**Ms Beauchamp:** It is the responsibility of the Queensland government. The local governments put in applications to the Queensland government, which is administering the reconstruction efforts through the Queensland Reconstruction Authority board. When a proposal is put forward, it is actually up to the Queensland government to progress that as quickly as possible.

**Senator HUMPHRIES:** They can approve the use of the Commonwealth's money in bettering a particular proposal without the Commonwealth having to approve it?

**Ms Beauchamp:** I think the Commonwealth does need to look at the betterment aspect of the replacement of that particular bridge.

**Senator HUMPHRIES:** So it is not just the Queensland government; the Queensland and the Commonwealth governments both have to make that decision.

**Mr Leeper:** Yes. A local government would have a proposal which they put to their state government. If the state government supported it, as I understand the arrangements as they are intended to operate, that would then be put to the Commonwealth and the Commonwealth government under category B would make a decision through the Attorney-General's Department. Under category D I think it is a broader governmental process.

**Senator HUMPHRIES:** What is the typical turnaround time we are seeing in such applications at the moment for a betterment application?

**Mr Leeper:** As far as I am aware only one betterment proposal has ever been submitted under these guidelines in five years, and that is in relation to a swimming pool in a country New South Wales town. Nothing has come forward from Queensland.

**Senator HUMPHRIES:** Does not the fact that nobody has made an application for betterment suggest that there is a problem in people knowing that it is available? I have been told all over the country that the flooding has disclosed clear evidence of a need to upgrade some infrastructure, particularly in regional and rural Australia. All over the place people have been saying to me, 'We really needed to put in a six culvert bridge rather than a three culvert bridge; we need to raise the level of that road or whatever.' Every time I say, 'Why don't you do it?', they say they are not allowed to under the Commonwealth guidelines.

**Ms Beauchamp:** That is certainly not the case; they are allowed to.

**Senator HUMPHRIES:** With respect, Ms Beauchamp, if nobody has applied for a betterment application, it demonstrates people do not know that they can do that, does it not?

**Ms Beauchamp:** The guidelines are fairly clear and have been out there for some time. I think the constraint that might be applying between state government and the local government is obviously the cost. It does cost to put in enhancements to bridges. When bridges and roads are wiped out generally they are being brought up to current standards as well.

**Senator HUMPHRIES:** Yes, but that is not what I am talking about. I realise that if a wooden bridge is washed out we are not going to build a wooden bridge in replacement.

**Ms Beauchamp:** That is correct.

**Senator HUMPHRIES:** They have got to build it to modern standards. But they are talking about betterment—that is, making it more robust and resilient to future flooding. Can I just suggest to you that there is a problem there with local government bodies understanding their entitlement to do that? I have spoken to a large number that say that they want to do it and cannot. How do you communicate that decision to them? Apart from publishing guidelines, do you send the guidelines to each local government body in a disaster affected area?

**Ms Beauchamp:** The local government bodies are well aware of the NDRRA. Based on your—

**Senator HUMPHRIES:** With respect, how do you know that? I would suggest to you the evidence is that they are not well aware of that provision.

**Ms Beauchamp:** Based on your comments, I am happy to take that back and actually talk to the Local Government Association, our Regional Development Australia committees and indeed the reconstruction board. We have certainly not heard of any problems about a lack of understanding of what the betterment provisions are under the NDRRA. I will take that back and make sure that the communication lines are definitely open.

**Senator HUMPHRIES:** Given that we have got different arrangements for approval applying in Victoria from New South Wales, would you say that it is because of the absence of a reconstruction authority in Victoria that it is easier for approval to be given for NDRRA funding to projects?

**Ms Beauchamp:** The framework is exactly the same in terms of the decision-making process around the NDRRA. Mr Leeper did talk about the scale of the reconstruction effort. We are talking about the whole of the state in Queensland. In Victoria, some of the areas are still under water and are still going through the recovery phase. In a sense we need to go through the same decision making processes around reconstruction efforts in Victoria.

**Mr Leeper:** You mention New South Wales. Just on the record, I have spoken at officials level in New South Wales and they indicated quite clearly that they have had what they would consider to be a normal disaster season. The purpose of the National Partnership Agreement is to do a couple of things, one of which is to offer the opportunity for the Commonwealth to make an upfront payment to a state. In the cases of Queensland and Victoria that has been done or is in the process of being done.

New South Wales did not need that level of assistance; nor did they consider that the floods that they have experienced over this season involved any particular exceptional circumstances. From the New South Wales point of view, they just are happy to use the existing arrears based reimbursement model under NDRRA. Victoria is up a level higher than that because of the scale of what they have been through and Queensland is really at the very top level because of the very widespread flooding and cyclone events that they have experienced.

**Senator HUMPHRIES:** I do not quite understand how you can have a reconstruction authority in Queensland between the Commonwealth and the bodies in the state that receive Commonwealth money and for there not to be a different process for approving that money, because it has to pass through the hands of the reconstruction authority to some degree, if not directly as sort of a body to pass on the Commonwealth dollars then at least to approve the projects that the dollars are spent on.

**Mr Leeper:** The advances made by the Commonwealth are held by the Queensland Reconstruction Authority and they are provided either to local government authorities or to state government instrumentalities. The Queensland government has taken a decision that they want to see the flood reconstruction recovery effort coordinated through a single agency. For them, this was a governance and a legislative response to do with the scale of the emergency. The Commonwealth's advance payments, which have been made to the Queensland government, are being held by QRA. Some monies from that advance have already been disbursed to local government authorities. They will manage the funding flow out to local government authorities and to state government departments. QRA is sitting at the head of that triangle drawing together all the Queensland efforts.

**Senator KROGER:** Chair, can I just follow up? For clarification, you said that the Victorian process was one that went through a line agent instead of the reconstruction authority, is that correct?

**Mr Leeper:** Yes, the Department of Primary Industries is the coordinating body of Victoria, and it is a standing and established department of state. Given the scale of what they have experienced, that is a Victorian government choice. Queensland has got a much higher level of activity required to be done and they have chosen to structure things slightly differently on this occasion.

**Senator KROGER:** I appreciate that. I understand the process in Queensland but in Victoria where do you fit in, in terms of approving projects through the department? How does the process actually work there?

**Mr Leeper:** The process is not working because it is prospective. Victoria signed the National Partnership Agreement on 10 May and so we are in the process of putting into operation the administrative arrangements. Victoria will manage the reconstruction and recovery effort in its own way. They will consult the Commonwealth on projects which are over \$5 million in value and the inspectorate may choose to satisfy itself again about value for money in relation to such projects. The Victorian National Partnership Agreement provides that the inspectorate will be consulted on individual projects of more than \$5 million in value out of that amount of damage that I had mentioned before, not more than \$500 million in Victoria. But otherwise as a state they appear to be quite satisfied. It is obviously their business that they can manage this through established departments of state. As I understand it, the Department of Primary Industries will have the lead responsibility.

**Senator KROGER:** Going back, your oversight will only be for those projects over \$5 million that they will then go to you for your sign off on, essentially?

**Mr Leeper:** They would consult the inspectorate through the task force on intended projects of \$5 million or more in cost. The inspectorate may choose to look at some of those projects and they may not. They may not look at all of them; that is a matter for the inspectorate to decide. At this point, Victoria has not brought forward any of those proposals and I would not expect that at this time. Again, as the secretary has pointed out, parts of the state are still in flood mode. Up in the north-west, there is still water on the ground and even the post-disaster recovery works have not been able to commence.

**Senator KROGER:** Thank you.

**Senator HUMPHRIES:** On 10 February in the House of Representatives, the Prime Minister was asked about the process whereby local businesses would be allowed to bid for and participate in the reconstruction of devastated buildings and infrastructure in their own localities. She said that the rebuilding of Queensland, happening as it will through the Queensland Recovery Authority and through local councils, which is appropriate, will take into account the need for local businesses to be engaged with the rebuilding. This is against a background of concern by members, particularly those in Far North Queensland, that there was a failure to support local businesses trying to recover and that most of the contracts for rebuilding were being let to businesses based in Brisbane. What power does the inspectorate or the task force have to enforce that policy that the Prime Minister outlined?

**Ms Beauchamp:** Ultimately it is the responsibility of the Queensland government. The Queensland government has actually set up an office in far North Queensland headed by Mike Keating to ensure that local business are engaged in the reconstruction efforts and that the Commonwealth assistance provided to businesses is actually working on the ground as well through the delivery of grants, loans and other arrangements. So, we have got the relationship with the Queensland Reconstruction Authority, which has an office in Far North Queensland headed up by Mike Keating. We deal directly with those two offices both in Brisbane and far North Queensland.

**Senator HUMPHRIES:** Does the inspectorate monitor what goes on at that office in terms of how it delivers on that promise to support local businesses?

**Ms Beauchamp:** Sorry, is it the inspectorate or the task force?

**Senator HUMPHRIES:** The inspectorate or the task force. Does either body go in and examine the letting of contracts, for example, to see whether a local business has been given a fair shot at winning that work as opposed to business based in Brisbane?

**Ms Beauchamp:** One of the value-for-money criteria that the inspectorate has been looking at, and certainly which the task force is very aware of, is that local engagement on the ground. I personally met with Mike Keating too and heard a number of stories of previous disasters where there was an over-reliance on businesses from the south. I am not too sure how far south it was, whether it was Brisbane or below the border. We were and have been, through the Queensland government, very conscious about ensuring local businesses are supported and used through the reconstruction process. Ultimately it is a decision of the local councils and the businesses themselves but Mike Keating, through the Queensland Reconstruction Authority board, has certainly got his eyes on that. In terms of the inspectorate function, the inspectorate function is looking overall at what frameworks, what procurement processes and what other things are in place to ensure that value for money. If the value-for-money framework is actually looking at local engagement and participation as a key criteria they will certainly be looking at that.

**Senator HUMPHRIES:** I understand the local members up there are in fact collecting information about how many contracts are being let to local businesses as opposed to businesses from outside the region. I can come back in the October estimates and ask for a report on how many local businesses are getting a share of the action?

**Ms Beauchamp:** Okay.

**Senator HUMPHRIES:** Thank you. In relation to small businesses and how this applies to Victoria, have you done projections on how many small businesses you think will be affected and may wish to access the grants of up to \$25,000?

**Ms Beauchamp:** The governance arrangements around assistance for small businesses are being managed through the respective state governments. They have set up their own governance arrangements to help small business. I think Queensland has the QRAA—and I will have to ask Mr Leeper what that stands for—but they have a mechanism to help the financing and loan arrangements around small business, yes.

**Senator HUMPHRIES:** Clearly that in some way feeds into the whole recovery process. Have you been given any projections as they apply to Victoria as to how many primary producers and small businesses may be affected?

**Ms Beauchamp:** We do have information coming through both states around the number of small businesses seeking assistance and the roll out of the assistance that is available, particularly under the NDRRA, yes.

**Mr Leeper:** Senator, as of 3 May in Victoria some 31 category B NDRRA loans have been approved to assist small business owners. Twenty-nine of those were primary producers; two of those were small businesses.

**Senator HUMPHRIES:** Sorry, what is a category B?

**Mr Leeper:** This is an up to \$25,000 grant, I think, and a loan component for those experiencing hardship following flooding events. There are 31 at the present time. What we do not know is what the possible potential eligible population is, that is data we would need to seek from Victoria at some point. The advice I have got is that the flooding events have probably directly impacted about 7,500 people but I am sorry, what I do not have here is how many businesses that might represent. We could seek that information from Victoria if it is important?

**Senator HUMPHRIES:** That would be helpful, thank you. I just wanted to ask a couple of more questions and I will put some others on notice. With the delivery of assistance through the Queensland Premier's Disaster Relief Appeal, does the recovery task force or the inspectorate have any role at all in the way in which that is administered?

**Ms Beauchamp:** No, that is a Queensland government function.

**Senator HUMPHRIES:** Do the Commonwealth bodies though have any role in determining when deciding which particular activities might be supported with NDRRA funding? They presumably look at whether a particular organisation might have received funding from the Queensland Premier's appeal, is that taken into account before funds are allocated.

**Mr Leeper:** The NDRRA arrangements provide assistance to individuals around the actual flooding event in the form of personal hardship assistance payments. They then generally provide grants to small businesses and also provide the funding for infrastructure replacements. We would need to check whether or not there is a checking mechanism between those arrangements and the Premier's appeal. As I understand it, the Premier's appeal is more directly targeted towards households affected by the flooding events who may have had either no insurance or who are under-insured and therefore experienced some financial hardship. I do not think there is any overlap between the two. The Premier's appeal is very much focused to individuals and households. The NDRRA arrangements, whilst they provide some immediate degree of personal hardship assistance, are fundamentally directed towards businesses and recovery of essential public assets.

**Senator HUMPHRIES:** I will put the rest of my questions on notice. Thank you very much, Chair.

**Senator JOYCE:** Seeing as I am here I may as well get these questions out of the way now.

**CHAIR:** The intent was that we would deal with element of the program now so we do not have to revisit. Senator Joyce you have the call.

**Senator JOYCE:** How many staff do you have on the task force, at the moment?

**Mr Leeper:** Approximately 25.

**Senator JOYCE:** Can you provide the costs over the forward estimates as well?

**Mr Leeper:** Those are in the budget papers but I am happy to read them in.

**Ms Beauchamp:** The task force has an approved budget of \$11.5 million over two calendar years, which is three financial years, and that is in the budget papers.

**Senator JOYCE:** Are the members of the Australian Government Reconstruction Inspectorate receiving compensation?

**Ms Beauchamp:** They do receive a per diem rate which was determined by the Remuneration Tribunal.

**Senator JOYCE:** What is that per diem rate?

**Mr Leeper:** There are four members. The chair, Mr Fahey, receives approximately \$1,027 per day of effort. The other two private members, Mr Matt Sheerin and Mr Martin Albrecht, receive \$847 a day, from memory. The fourth member is the secretary of the finance department who, being in receipt of a government salary, does not get a per diem for inspectorate business.

**Senator JOYCE:** How many times has the inspectorate met?

**Mr Leeper:** The inspectorate has met on four occasions and also undertaken a couple of site inspections as well.

**Senator JOYCE:** What were the dates of those meetings?

**Mr Leeper:** 15 February, 10 March, 12 April and 20 May.

**Senator JOYCE:** Were minutes kept?

**Mr Leeper:** Yes.

**Senator JOYCE:** Can we get a copy of the minutes?

**Mr Leeper:** I will take that on notice, if I may.

**Senator JOYCE:** How many rebuilding contracts has the inspectorate assessed?

**Mr Leeper:** At this point, none because the value-for-money framework between ourselves and the Queensland Reconstruction Authority is still being settled. As far as I am aware, no project proposals have been referred by QRA to the inspectorate for assessment. So, there are none on hand at the present time. Queensland is still in recovery mode as I think I have said before.

**Senator JOYCE:** When do you think we will start assessing?

**Mr Leeper:** The Queensland timetable has them moving into reconstruction mode from July or August so my expectation would be that we would start to see projects in the next three to four weeks for assessment.

**Senator JOYCE:** Does any money from that Premier's disaster relief fund go to any of these projects?

**Mr Leeper:** No, not as far as I am aware, no.

**Senator JOYCE:** Just making sure. I suppose the inspectorate has not assessed any projects so we do not know whether it is going to have any milestones. How will they calibrate their progression through doing a job?

**Mr Leeper:** Across the range of projects that I would expect that the Queensland Reconstruction Authority would manage and monitor projects on a milestones basis and also on a rolled up basis. We would get a financial forecast across a financial year with significant milestones for particular projects. The task force will monitor that in conjunction with the QRA and will develop exception reporting so the inspectorate can provide and make some assessment of progress in that area.

**Senator JOYCE:** Has the inspectorate investigated any complaints or issues raised by the public?

**Mr Leeper:** At this stage I am not aware of any complaints being raised. We are in the process of establishing a web presence for the inspectorate including a complaints mechanism so that if such concerns are held an opportunity exists for people to raise them.

**Senator JOYCE:** What high value projects is the inspectorate evaluating?

**Mr Leeper:** At the present time we are not evaluating any. All other things being equal, the scale of a project would make it more likely to be assessed by the inspectorate as the cost goes up.

**Senator JOYCE:** How many times has the inspectorate met with the secretariat?

**Mr Leeper:** The secretariat supports the inspectorate at each meeting. I have other conversations and email conversations with the chair, but I think we have only met formally in that face-to-face mode.

**Ms Beauchamp:** I have also visited some of the disaster affected areas with them. They have been on a couple of trips looking particularly at Brisbane Lockyer Valley and Far North Queensland as well, getting an understanding of the assessment of the damage that has been caused.

**Senator JOYCE:** Ms Beauchamp, when you go up to the Lockyer Valley, what exactly is the process of the meeting? Are you going to sites and making initial assessments of possible rebuilding contracts? What exactly are you doing when you go around there?

**Ms Beauchamp:** The inspectorate have visited local community leaders and councils to gain an understanding of the impact, particularly around public infrastructure assets. As Mr Leeper said earlier, we anticipate, and the Queensland government has provided information saying this, that most of the reconstruction effort will be around roads, both local roads and state roads, and they are also anticipating having a meeting with the Department of Transport and Main Roads in Queensland shortly.

**Senator JOYCE:** In your assessment processes have you been looking at roads also on the Western Downs such as around Dalby?

**Mr Leeper:** The inspectorate has made two inspecting visits, one to the Lockyer Valley, as the secretary said. I also accompanied them when they went to the Cassowary Coast, so from Cairns down to Tully Heads and Mission Beach. They have not at this point been to Western Queensland. We would take advice from the QRA about the time at which that would be most appropriate. I know the QRA has been out there but large areas such as the Diamantina LGA still have significant amounts of water around. At this point it is a bit hard to inspect the actual damage when it is not visible. We would take advice from the QRA about whether it is necessary to go out there.

**Senator JOYCE:** Has anybody made a call to the QRA and said, 'The floodwater has certainly gone from Dalby; it has been gone for about oh, half a year.'

**Mr Leeper:** The inspectorate has been satisfied at this point, having looked at Lockyer Valley and the Cassowary Coast, which are two of the major impact areas. They may form a view about other things that need looking at and from time to time they would go out on the ground and inspect projects in the process of them being reconstructed. At this stage, as far as I am aware, there is no intention to visit places like Dalby.

**Senator JOYCE:** Everybody is aware that Condamine was completely evacuated; one of the first towns in the history of the nation to be totally evacuated was Theodore.

**Mr Leeper:** I am happy to take that up with that QRA.

**Senator JOYCE:** A bell would have to ring somewhere that if they evacuated the whole town possibly you might need to go out and have a look at it?

**Ms Beauchamp:** We are gathering a lot of information through the Queensland Reconstruction Authority.

**Senator JOYCE:** It seems fascinating that the Queensland Reconstruction Authority have not told you to go to Dalby when the place was flooded three times and one of the towns was completely evacuated.

**Ms Beauchamp:** The Queensland Reconstruction Authority members have been there a number of times. Michael Slater has been out and visited most of Queensland.

**Senator JOYCE:** When are they going to tell you to go and have a look as well? Does anybody from your department ever ring them up and say, 'It seems interesting that you have never told us to go and have a look at Condamine'?

**Ms Beauchamp:** We have not been asked to go to Condamine and we have actually got photographic information and evidence from the Queensland Reconstruction Authority board.

**Senator JOYCE:** Has there ever been a discussion held by you, at which you have been present, where someone has brought up the word, Condamine?

**Ms Beauchamp:** Yes.

**Senator JOYCE:** Good. Did they say that you should go out and have a look at Condamine because it was all under water?

**Ms Beauchamp:** I understand that.

**Senator JOYCE:** Did they suggest that you should go there or that they are planning to go there?

**Ms Beauchamp:** I think that in some of these areas the last thing they want is a lot of people coming through their areas. The Queensland Reconstruction Authority board has good robust governance arrangements in place and unless we can add something to the process, we are not inclined to actually go there just to visit. We have got a pretty good understanding of some of the flood affected areas and what is actually being required on the ground.

**Senator JOYCE:** What is your understanding of the roads around other areas such as Dirranbandi which were under water for a long period of time, for months actually?

**Ms Beauchamp:** The Queensland Reconstruction Authority board, in consultation with the Department of Transport and Main Roads in Queensland, has done a very thorough assessment of the local roads and state roads in terms of damage.

**Senator JOYCE:** And reported back to you?

**Ms Beauchamp:** Yes, they are in the process of doing it at the moment and we have organised a meeting of the inspectorate with the department of main roads as well.

**Senator JOYCE:** They are in the process of reporting back to you?

**Ms Beauchamp:** There is information coming through all the time.

**Senator JOYCE:** When will that process be complete?

**Ms Beauchamp:** In terms of the assessment of the road damage? I would have to take that on notice.

**Senator JOYCE:** How many times has the Business Leaders Group met?

**Mr Leeper:** Four times—they met on 24 January, 4 February, 15 February and 15 April. All the meetings were held in Brisbane.

**Senator JOYCE:** All of the meetings were held in Brisbane?

**Mr Leeper:** Yes.

**Senator JOYCE:** Were there any apologies for any of those meetings?

**Mr Leeper:** I would need to check the minutes for each of the meetings. I do not have those with me.

**Senator JOYCE:** Was the chairman at the meetings?

**Mr Leeper:** The meetings are chaired by the Deputy Prime Minister and Treasurer and as far as I am aware, he has attended all of the meetings, yes.

**Senator JOYCE:** So your belief is he has attended all the meetings?

**Mr Leeper:** That is my understanding but I can check that on notice if you wish?

**Senator JOYCE:** I would like you to check that on notice, yes very much. How much in donations has the Business Leaders Group been able to leverage?

**Mr Leeper:** We will have to take that on notice, I am sorry.

**Senator JOYCE:** I am just fascinated as to what exactly this group is doing. Has the Business Leaders Group been able to use their expertise to help with the recovery?

**Mr Leeper:** I have attended one meeting and it is my understanding that the business leaders have all taken the opportunity to use their personal and organisational positions to link either their own companies or their associations with reconstruction and voluntary activity. There is quite a list of things that have been—

**Senator JOYCE:** Can you give me some practical examples?

**Ms Beauchamp:** On the Queensland Reconstruction Authority website, there is a range of areas where it can clearly be seen where the corporates are helping particular community organisations. The Business Leaders Group has actually been able to assist Mick Slater and his group in terms of making those connections. I have not got the exact examples with me, but I can certainly get those from the website.

**Senator JOYCE:** Is there any one that comes to mind?

**Mr Leeper:** The joint forces initiative is one of the major things that the Prime Minister's Business Task Force has been involved in, which is an activity sponsored by the QRA. As at a date in May, there were 178 community organisations registered for assistance on the joint forces website, some 177 corporate donor matches have been achieved and the estimated value of those matches is in the region of \$5 million. An example, I think, would be at Grantham where a new Lucky 7 store has been opened in temporary premises, which were donated.

**Senator JOYCE:** Very good.

**Mr Leeper:** As I understand it the IGA chain donated the contents of that supermarket. It was opened a couple of weeks ago; that is one example. Others include donations by motor vehicle companies of cars which were able to be used by community organisations that had lost those assets during the flooding events. There is quite a long list of them. One example I have in the most recent report is the Bellbowrie Community Kindergarten and Preschool has partnered with Brookfield Multiplex to open a new community kindergarten, which is being managed by Brookfield, with a value of \$275,000. It is all on the website.

**Senator JOYCE:** Ms Beauchamp, how many meetings of the Queensland Reconstruction Authority have you attended?

**Ms Beauchamp:** I have attended four meetings.

**Senator JOYCE:** You have been in apology for?

**Ms Beauchamp:** One.

**Senator JOYCE:** Projects such as the repairs they are continually doing on the Toowoomba Range project after the flood, are they under your considerations with the Queensland Reconstruction Authority?

**Ms Beauchamp:** All of the reconstruction effort coming through the NDRRA, of which the Commonwealth funds, would come through the Queensland Reconstruction Authority board.

**Senator JOYCE:** Have there been discussions about exactly what is going to happen to the Toowoomba Range?

**Ms Beauchamp:** At the moment the Queensland Reconstruction Authority board has focused on: (1) the roads damage; and (2) an assessment around the local governments in terms of the level of assessment damage done for each local government area.

**Senator JOYCE:** So, that means we have been discussing the Toowoomba Range or we have not?

**Ms Beauchamp:** We have not specifically discussed that particular project, but it has come up in a list of the 73 local government areas that have assessed damage so far.

**Senator JOYCE:** In the prioritisation of these issues, it should be front and centre. We had another accident at Toowoomba Range the other week. Has there been any discussions about shuffling it to the front of the list so we can try and make it safer?

**Ms Beauchamp:** The local governments and the Queensland Reconstruction Authority board have assessed billions of dollars worth of damage in all the local government areas and the Queensland government is in the process of prioritising the reconstruction efforts. They do have to go through a process. The local councils need to submit their assessments and

applications to the Queensland government. Then they will come to the Queensland Reconstruction Authority board and then to the Commonwealth for approval.

**Senator JOYCE:** To your knowledge have the councils for Toowoomba and the Lockyer Valley submitted anything on the Toowoomba Range?

**Mr Leeper:** The data we have from the Queensland Reconstruction Authority shows that Toowoomba Regional Council has indicated around \$85.8 million in damage as a result of the flooding events, of which \$78.4 million is damage to roads. In the Lockyer Valley, there is \$210 million of damage indicated, of which all but \$1 million is roads damage. The QRA's prioritisation process for how those roads and other infrastructure are restored, as I understand it, do include a process where the local government authority is consulted about the relative priorities. You would hope, and we would expect, that on the ground views about the relative priority would be reflected.

**Senator JOYCE:** I watch them on the news virtually every night talking about the problems on the Toowoomba Range, having to deal with accidents, having it front and centre of everything from *Stateline* up there to regional news bulletins. Every time I see it I see the mayors talking down the barrel about having to do something about the Toowoomba Range. It seems peculiar that we have not facilitated a better mechanism for dealing with this issue.

**Ms Beauchamp:** As we said earlier, the whole of Queensland is in a recovery and reconstruction phase. There is a substantial amount of work to be done to commence the reconstruction efforts. In this case Mr Leeper said those reconstruction efforts actually start in July or August. They have gone through quite a substantial process of recovery, just getting roads and other public assets up to working order and now they are in the process of assessing those and the local governments putting in their applications. I do not think that local government area has yet put in a formal application. It has done its assessment.

**Senator JOYCE:** That is very important information because if they have not, they are going to be in the barrel, are they not? Chair, that is all my questions on that section.

**Mr Leeper:** Chair, could I just add one point? Senator Kroger asked about grants for small businesses and I gave some figures on loans. Could I also read in that in Victoria, as at 3 May, some 1,219 grants under category C of the NDRRA have been made in Victoria in relation to the flood events, at a total value of \$14.9 million. I think those two components then give a complete answer.

**CHAIR:** Thank you very much, Mr Leeper, for clarifying that. There are no further questions in relation to National Disaster Recovery Task Force. I therefore go back to outcome 1.

**Senator JOYCE:** Forty-nine million dollars has been redirected from RDA funds to the Community Infrastructure Grants program to fund projects in the electorate of Lyne. How were these projects selected?

**Ms Beauchamp:** Those projects were part of the budget process, so they are decisions of government.

**Senator JOYCE:** What does that mean?

**Senator Sherry:** Exactly what she said.

**Senator JOYCE:** So there is no selection criteria for those except that they were evaluated to be in the electorate of Lyne?

**Ms Beauchamp:** Could you clarify? Are you talking about the election commitments?

**Senator JOYCE:** I am talking about the \$49 million that has been directed from the RDA funds to the Community Infrastructure Grants program to fund projects in Lyne. I have asked what the selection criteria for these projects was. You said there was no selection criteria. I am just confirming for the record that the reason these projects have been selected is because they are in the seat of Lyne.

**Ms Beauchamp:** These are decisions for government.

**Senator JOYCE:** In those decisions of government was any contact made with your office about these issues being eminent in their requirements?

**Ms Beauchamp:** If you can point to a particular project then I would be able to provide some further advice.

**Senator JOYCE:** I can point to a number. How about the mid-north coast aviation plan for business expansion and airport access at Taree, Port Macquarie and Kempsey airports?

**Ms Beauchamp:** My understanding is that was included in the commitment to regional Australia and the agreement with the Independents in the post-election period. That has been out there for some time.

**Senator JOYCE:** The local roads and timber bridge replacement package for the Greater Taree City Council?

**Ms Beauchamp:** Similarly, that was the same process.

**Senator JOYCE:** The upgrade of the Bucketts Way at Krumbach, the main regional road between Gloucester and Taree?

**Ms Beauchamp:** All that was made available last September.

**Senator JOYCE:** That is about \$50 million that has come out the RDAF. Is that an amount that has been moved forward?

**Ms Beauchamp:** Moved forward? It has been redirected from the Regional Development Australia fund.

**Senator JOYCE:** Redirected and moved forward or just redirected?

**Ms Beauchamp:** Redirected.

**Senator JOYCE:** I just want to confirm some numbers in the budget. In your additional estimates document I have the total amount of program expenses in your department on program 1.1 as \$990 million between the years 2010-11 and 2013-14. In the budget estimates those expenses are \$855 million over the same period. Can I confirm that you are spending \$135 million less on regional development programs over the forward estimates compared to last October?

**Ms Beauchamp:** Could you give me a specific reference? I am not sure to what document you are referring.

**Senator JOYCE:** I have on the notes that it is on the PAES 2010-2011 PBS page 28, from the budget papers.

**Ms Beauchamp:** Page 28 of the PBS?

**Senator JOYCE:** Yes; Department of Regional Australia, Regional Development and Local Government Program expenses 1.1, noted at the top of the page in the header as DRARDLG Budget Statements. If you go down to total program expenses noted at the bottom of the page—

**Ms Beauchamp:** I do not have the PAES in front of me but I can hopefully provide some information that might help in terms of your questioning. The government has committed \$1 billion to the Regional Development Australia Fund.

**Senator JOYCE:** A billion or less?

**Ms Beauchamp:** Around a billion.

**Senator JOYCE:** Around a billion?

**Ms Beauchamp:** Yes.

**Senator JOYCE:** I cannot help myself; I am interested in the little tens and twenties of millions of dollars.

**Ms Beauchamp:** I might clarify and go through the figures with you. What you see on page 28 of the budget statements is \$300 million worth of funding of that Regional Development Australia Fund. There is another \$100 million that is being provided in 2015-16, which is beyond that forward estimates period. You will also see from the budget papers at page 47 of Treasury's portfolio budget statement and page 76 of Budget Paper No. 3 that the Regional Development Australia Fund also includes \$573 million which is disclosed in Treasury's 2011-12 portfolio budget statement.

**Senator JOYCE:** Is that amount in the forward estimates to be spent, or is that disclosed in the budget papers but not to be spent in the forward estimates?

**Ms Beauchamp:** That is certainly in the forward estimates, and that is dependent on the mining and resource rent tax.

**Senator JOYCE:** Is it going to be spent?

**Ms Beauchamp:** There has been a commitment from the government that \$1 billion will be provided for this fund.

**Senator JOYCE:** I am only seeing \$300 million of it that basically going to be spent. That \$573 million is sitting out there in the never-never really, is it not?

**Ms Beauchamp:** It is certainly in the budget papers.

**Senator JOYCE:** It is in the budget papers, but is the money there for it?

**Ms Beauchamp:** The government has allocated that \$573 million towards the Regional Development Australia Fund.

**Senator JOYCE:** But you have got to get the mining tax through. Without the mining tax, how much are we going to actually spend in regional Australia?

**Ms Beauchamp:** The government has made a commitment to spend \$1 billion in the Regional Development Australia Fund. That is not the only source of funds that goes to regional Australia.

**Senator JOYCE:** Is it not the case, Ms Beauchamp, that you have to rely on the mining resource rent tax to go through? That is correct, is it not?

**Ms Beauchamp:** The government has clearly outlined in the budget papers that that part of the Regional Development Australia Fund is subject to the minerals resource rent tax.

**Senator JOYCE:** What happens if that does not go through? How much is going to be spent in regional Australia?

**Ms Beauchamp:** The government has committed \$1 billion to the Regional Development Australia fund. That is not the only fund and not the only element—

**Senator JOYCE:** From that billion dollars how much will be spent in regional Australia if the mining resource rent tax does not go through?

**Ms Beauchamp:** My understanding and the commitment that my minister has made is \$1 billion.

**Senator JOYCE:** Even if the mining resource rent tax does not go through, you are still going to spend \$1 billion?

**Ms Beauchamp:** That is the commitment that is being made from the government.

**Senator JOYCE:** So I can say right now that if the mining resource rent tax does not go through you are going to spend \$1 billion.

**Ms Beauchamp:** That is a decision for government to make at that time.

**Senator JOYCE:** What does that mean?

**Senator Sherry:** We would presumably make an announcement if the legislation failed, because, as you may or may not be aware, there are many other elements to the package that are dependent on the mining tax—reduction in company tax, a year earlier for small business, the increase in the write-off provision from \$1,000 to \$5,000, et cetera. There are a significant number of budget items that the Treasurer has made very clear, time and time again, are dependent on the mining tax.

**Senator JOYCE:** Why did that money come out of the RDA funding? Why did the money that we sent across to the seat of Lyne come out of RDA funding?

**Ms Beauchamp:** As I said earlier, it was part of the budget process and a decision for government.

**Senator JOYCE:** Initially we had about \$1.4 billion then \$350 million went up to help out with the floods, that was one disaster. Then we sent another \$49 million across to another disaster; that is Mr Oakeshott. Why did we take it out of RDA funding? Because we just decided to?

**Senator Sherry:** The witness has answered your question twice. Let me finish my answer.

**Senator JOYCE:** I am glad you do because it gives me time to prepare for the next question.

**CHAIR:** Senators, Minister, please just proceed in an orderly manner. I reminded committee members yesterday, and I will do it again this morning, hopefully, only once today, that this process is a process whereby committee members put questions to the witnesses and then we allow them to respond. Senator Joyce, you have put a question. If we

allow the minister to respond, then you can eagerly get on to your next question. Minister, do you have a response?

**Senator Sherry:** Yes, thanks Chair. The witness has answered the question twice. Senator Joyce put it a third time. It was a process of government, a decision of ministers. I can take it on notice and see if I can get any further information for you about that from the ministers.

**Senator JOYCE:** Basically, confirm this to be the case: there was a \$1.4 billion fund, \$1 billion of that has been provided to the Regional Development Australia Fund, \$573 million of that is subject to the passage of the minerals rent resources tax. What I am saying is correct, is it not?

**Ms Beauchamp:** That is correct.

**Senator JOYCE:** That is all I wanted you to say, Ms Beauchamp. So, if we do not pass the minerals resource rent tax, because it is subject to it, then really what we are left with is \$300 million to \$400 million in that fund, is it not?

**Ms Beauchamp:** These are decisions governments make in the budget context.

**Senator Sherry:** If that were to come to pass, the government would obviously make some form of announcement after considering yours and others rejection of the mining tax. We do not know.

**Senator JOYCE:** Why would you make a statement that it is subject to the passage of the minerals resource rent tax if it is not subject to the passage in the minerals resource rent tax? Which horse is the government riding on this?

**Senator Sherry:** I have already referred to a range of measures that are dependent on the minerals resources mining tax.

**Senator JOYCE:** In the actual estimates of the money to be spent in the next three years, none of that \$573 million is getting spent, is it, Ms Beauchamp?

**Ms Beauchamp:** As our portfolio budget statements indicate, there is a substantial amount of money to spend over that first four years.

**Senator JOYCE:** I now want you to tell me exactly what is left in the RDA fund.

**Ms Beauchamp:** We have not spent any of the RDA fund yet.

**Senator JOYCE:** You have not spent any of the RDA fund?

**Ms Beauchamp:** The government has made an announcement about committing \$1 billion to the Regional Development Australia Fund. We are in the process of the first round of that, which is assessing applications for the first \$100 million.

**Senator JOYCE:** That quote that I had before from your department's website about it being dependent on the minerals resource rent tax, none of that is in the budget to be spent in the next three years. When we talk about \$1 billion we are really talking about \$300 million, because that is all that is really in the budget estimates to be spent, is it not?

**Ms Beauchamp:** I am not sure what the question is.

**Senator JOYCE:** In your budget papers, in your forward estimates the actual money that is spent is not \$1 billion; most of that money is just held aside, held over into the future.

**Senator Sherry:** The forward estimates is the future, so you are arguing about something that we agree on.

**Senator JOYCE:** Good; you can answer the next question for me. In what year do we spend that \$573 million?

**Senator Sherry:** I am happy for the witnesses to answer.

**Senator JOYCE:** I thought you would be happy for them to answer that.

**Senator Sherry:** Of course I would. I am the representing minister; why would I not be?

**Senator JOYCE:** Very good, jolly good show, off you go.

**Ms Beauchamp:** The guidelines are out for the Regional Development Australia fund. It is clear in terms of the priorities and how that money will be spent. As I said earlier, the \$573 million is included in the Treasury's appropriation at this stage.

**Senator JOYCE:** What year?

**Ms Beauchamp:** In 2012-13 there is \$285 million and in 2013-14 there is \$288 million.

**Senator JOYCE:** So we are looking at roughly \$560-\$573 million, something like that?

**Ms Beauchamp:** That is correct.

**Senator JOYCE:** So that is it and that is where it is going to be spent. But that is subject to the minerals resource rent tax, so if we do not have the minerals resource rent tax we are going to get a statement from the government saying that what they have actually put on their website was not actually correct; it was not subject to the minerals resource rent tax and they were going to spend it in any case. If you are saying that we are going to have a statement from the government at that point in time, why have you put on your website:

Of this, \$1 billion that has been provided to the Regional Development Australia Fund (with \$573 million of this being subject to the passage of the Minerals Rent Resource Tax)—

if it is not subject to the passage of the mineral resource rent tax?

**Senator Sherry:** I do not see the inconsistency.

**Senator JOYCE:** I do.

**Senator Sherry:** You might, but I do not.

**Senator JOYCE:** You have just said you are going to make a statement about whether you spend it or not, which obviously means it is not subject to—

**Senator Sherry:** No, do not verbal me. What I did say in response to a question about whether the minerals resource rent tax would pass or not was that if it did not pass, there was a range of expenditures contingent on that. The measures we were discussing were company tax, small business tax break and a range of other expenditures that are part of that package. Obviously if the tax did not pass, the Treasurer or the Prime Minister or whoever would make a statement or some sort of comment, that would be pretty obvious I think to anyone.

**Senator JOYCE:** If the minerals resource rent tax is not passed and you still spend the \$573 million, what will happen to the surplus?

**Senator Sherry:** This is neither Treasury estimates nor Finance estimates. What I would urge you to do is pass these budget measures and pass the mining resource rent tax as well. You are very good at urging us to go back into surplus earlier but you are not quite so good when it comes to passing revenue or cutting expenditure measures.

**Senator JOYCE:** Will any of the government's election commitments be funded from the RDA fund?

**Ms Beauchamp:** No, that \$1 billion is subject to a separate process.

**Senator JOYCE:** Tell me about that process.

**Ms Beauchamp:** What would you like to know?

**Senator JOYCE:** I want to know how that assessment process is going to work.

**Ms Beauchamp:** We actually called for applications. I will just get you the details here. Round one of the process opened on 3 March and applications closed on 13 May and we are going through the assessment process at the moment.

**Senator JOYCE:** What if there is a congruence between what is in the application process and what is a budget promise in any case?

**Ms Beauchamp:** I beg your pardon?

**Senator JOYCE:** What happens if one of the applications is something that was in the budget in any case?

**Ms Beauchamp:** If something was in the budget and it was included in their application, that is subject to another source of funding, so it would not be considered as part of the Regional Development Australia fund.

**Senator JOYCE:** So you would then say that you do not have to worry about that because you have already got it covered; that is already in Auslink, you do not have worry about funding it through that because it is already in Auslink.

**Ms Beauchamp:** There certainly will not be any duplication of effort, and we will be talking with all the other agencies, state and territory governments and local governments to ensure these are actually additional projects, not something that is being funded from other sources.

**Senator JOYCE:** I notice also in the budget statements that it looks like your staff are going to increase from 241 to 332. What are these extra staff going to do?

**Ms Beauchamp:** The government has provided extra resources for the department. It is only a brand new department, this being our first year in. There are some key elements in terms of delivering the commitment to regional Australia that need to be delivered and we have been funded to deliver those. In addition, there are two elements that my minister has been very keen that we enhance our capacity on. One is around engagement, our regional presence across Australia and working closely with the 565 local governments and 55 Regional Development Australia committees and state governments. That is getting out there, understanding what is going on and providing a gateway of information coming back to the Commonwealth in partnership with the states and territories. So there is an amount of funding that has been provided to enhance what I call our engagement strategy.

We have also been provided a small amount of funding and additional staff to look at enhancing our program administration capacity, particularly as we have just spoken about the \$1 billion to the Regional Development Australia fund. Obviously there is some key regional policy work that also needs to be done that the government is committed to in this area and we are also enhancing functions around that, not to mention just setting up a department of

state does require resources to meet our obligations under the Financial Management Act and the Public Service Act.

**Senator JOYCE:** So we have got basically 332 staff to look at \$1 billion fund; is that basically it?

**Ms Beauchamp:** Sorry, could you repeat that, please?

**Senator JOYCE:** You will have 332 staff to administer this \$1 billion fund? I might have got that wrong.

**Ms Beauchamp:** Page 26 of our portfolio budget statement talks about 332 staff to deliver the whole of outcome 1, which includes regional development functions, local government functions and a range of other things. Some of the things that are included in that outcome can be found on page 27 in terms of delivery of a number of programs—not just the Regional Development Australia fund but things like the East Kimberley Development Package, the regional and rural research and development grants, the community infrastructure grants, the Northern Australia Sustainable Futures Program and the natural disaster recovery work that we spoke about earlier. So those 332 people are our estimate of all of the people, including corporate people, which we attribute to this outcome. This outcome is only one of two outcomes in the department that we are responsible for.

**Senator JOYCE:** Are those 332 people seen as full-time occupied in that process?

**Ms Beauchamp:** As you will see from the budget papers, it refers to an average staffing level which refers to a 12-month budget figure. Obviously, when you are managing people and leading people, the figures go up and down in terms of full-time equivalents, part-time, contractors and the like. That is the average staffing level for the 12 months.

**Senator JOYCE:** For the size of the budget, is that typical amongst other departments?

**Ms Beauchamp:** We are probably very different than many other departments. There are some big service delivery departments and there are other policy departments. We are a new department. The government has made some very big and strong commitments to regional Australia, particularly through the agreement with the Independents, and we have been resourced to assist the government on delivering those commitments.

**Senator JOYCE:** The money that is going to Lyne goes whether we pass the mining resource rent tax or not, does it not? It is definitely going there, is it not?

**Ms Beauchamp:** That is correct.

**Senator JOYCE:** What other money is definitely going whether we pass the mining resource rent tax or not?

**Ms Beauchamp:** You will see those figures included in our portfolio budget papers that you spoke about earlier.

**Senator JOYCE:** Yes, so how much?

**Ms Beauchamp:** In relation to?

**Senator JOYCE:** What is going to be expended in the form that is to be expended in Lyne whether we pass the mining resource rent tax or not? We have got the \$49 million that is going off to Lyne; what other amounts have we got that are definitively allocated to certain electorates right now?

**Ms Beauchamp:** The only element subject to the mining and resource rent tax is that element and the two figures I spoke about earlier.

**Senator JOYCE:** \$573 million?

**Ms Beauchamp:** That is correct.

**Senator JOYCE:** When we go back from that, we have got approximately \$427 million. Of that \$427 million, the \$49 million for the seat of Lyne is not included in that amount, is it? That is away and beyond that amount?

**Ms Beauchamp:** Sorry, I am not understanding your question.

**Senator JOYCE:** Does that \$1 billion in the fund which includes the \$573 million include the \$49 million that is being sent off to Lyne?

**Ms Beauchamp:** I will have to clarify the actual figure you are talking about, but apart from those two figures I gave earlier everything else here in the budget papers has been actually appropriated to the department.

**Senator JOYCE:** Can you actually tell me where in Australia this money is to be spent?

**Ms Beauchamp:** Which bit of money?

**Senator JOYCE:** Not from the \$573 million but from the amount that is not included in that \$573 million from your \$1 billion fund—I imagine it is \$427 million?

**Ms Beauchamp:** If you are referring to the Regional Development Australia fund, which is only part of our budget, that is subject to a merit selection process and I cannot at this stage say exactly where that will be spent. As I said, we are going through the assessment process at the moment.

**Senator JOYCE:** The merit selection process did not apply to the money that went to Lyne, did it?

**Ms Beauchamp:** As I said earlier, they were election commitments. The ones that you specifically raised were election commitments.

**Senator JOYCE:** Have you got any other election commitments in any other seats that you can nominate apart from those ones that I nominated for you?

**Ms Beauchamp:** There are a number of election commitments the government made which we have been given responsibility to administer.

**Senator JOYCE:** Give me an example—maybe if there are any in New England. I would really like to know about any in New England?

**Ms Beauchamp:** There have been a number of election commitments made under the Community Infrastructure Grants program. We are administering 80 of those projects. I have not got the exact details of every specific election commitment, and they span a number of agencies, but we have been given responsibility to administer 80 of those under the Community Infrastructure Grants Program.

**Senator JOYCE:** Can you give me an amount and an electorate for any of them?

**Ms Beauchamp:** I cannot give you an amount by electorate, no, but I can give you an amount that appears in the budget papers around the community infrastructure grants program.

**Senator JOYCE:** For any of those 80 projects can you say that it is in the seat of Corangamite and it is \$50 million or \$20 million or \$200?

**Ms Beauchamp:** I could probably give you that but I would have to take it on notice. I have not got that here in front of me unless one of my colleagues has that.

**Senator JOYCE:** Little old me can nominate three from the seat of Lyne, so have you got any big ones out there?

**Ms Beauchamp:** There are some big ones out there like the Townsville entertainment centre.

**Senator JOYCE:** The Townsville entertainment centre? Did that go through a merit selection process?

**Ms Beauchamp:** As I said earlier, these were election commitments so we will assess these projects around value for money but they were commitments made some time last year.

**Senator JOYCE:** Was that the same with the ones in Lyne? Were they commitments made some time last year before the election? Were they election commitments?

**Ms Beauchamp:** The ones that you actually spoke about and referred to are the ones that were included in the agreement with the Independents in that post-election period.

**Senator JOYCE:** That is post-election commitments?

**Ms Beauchamp:** So they were to be prioritised under a range of funds and the budget has now appropriated funds for those projects.

**Senator JOYCE:** Do you know of any other prioritised ones from the seat of New England?

**Ms Beauchamp:** Sorry, I have not got that information in front of me.

**Senator JOYCE:** Do you know of any?

**Ms Beauchamp:** Not off the top of my head.

**Senator JOYCE:** So, we have got prioritised ones for Lyne but, to the best of your knowledge from where you are the moment—and I note that you will probably take it on notice—you cannot think of any for New England?

**Ms Beauchamp:** We have got 80 projects under the Community Infrastructure Grants program and I cannot name all of those off the top of my head. They would go across a range of areas across Australia.

**Senator JOYCE:** You are going to select them on a merits based process though, are you not?

**Ms Beauchamp:** Sorry, these were election commitments.

**Senator JOYCE:** Right. Prior or post, because we seem to have two types of election commitments.

**Ms Beauchamp:** They were election commitments. The other projects that I did refer to I was very specific around saying the three projects that you specifically mentioned were in the post-election period.

**Senator JOYCE:** Those post-election commitments are very interesting ones. Do you know of any other post-election commitments in any other seats?

**Ms Beauchamp:** There are a number of projects to be prioritised in relation to the agreement with the Independents—the commitment to regional Australia. I have not got that in front of me, but I would have to do a reconciliation between that and what is in the budget.

**Senator JOYCE:** So in these post-election commitment prioritisations—this is a wonderful form of words—do you know of any post-election commitment prioritisations in the seat of New England?

**Ms Beauchamp:** I am sorry, I just cannot recall off the top of my head exactly all the details.

**Senator JOYCE:** Does anybody else know of any post-election commitment prioritisations in the seat of New England?

**Ms Beauchamp:** That have come in the budget.

**Ms Flemming:** In the budget two separate projects are identified but I am not sure you would classify them as post-election commitments. One is the Karumba seawall project and the other is the Riverstone football and sporting precinct.

**Senator JOYCE:** That is post-election?

**Ms Flemming:** They are separate identified projects in the budget together with three election commitments, Mariners sporting campus and Townsville entertainment centre.

**Senator JOYCE:** The Townsville entertainment centre was prior to the election.

**Ms Flemming:** That is correct, they are the separate ones.

**Senator JOYCE:** I am really interested in the post ones because what I am basically working out is that you did a deal with the Independents; I can quote the three you have got in Lyne and I can tell you how much the amount of money is. I just want to know how much the amount of money is for these post-election prioritisations for the seat of New England.

**Ms Beauchamp:** Can we take that on notice? As I mentioned, we are administering 80 of the projects under the Community Infrastructure Grants. I would like to do that reconciliation between what was in the agreement and what has been appropriated.

**Senator JOYCE:** Are those three—

**CHAIR:** Senator Joyce, if you could just allow the witness to complete a question and then at the completion of Ms Beauchamp's response we will be taking our morning tea break. Ms Beauchamp, you have the call, did you have anything else?

**Ms Beauchamp:** I was just saying that we would be very happy to take it on notice and do a reconciliation in terms of what is in the agreement, the commitment to regional Australia, and what out of that agreement has been appropriated through this budget. As I said earlier, it covers a number of agencies, not just ours. I think to give a fulsome answer to Senator Joyce I would have to take that on notice.

**CHAIR:** Thank you.

**Proceedings suspended from 10:29 to 10:46**

**CHAIR:** Welcome back. Ms Beauchamp, you have found some further information for us so I will give you the call and then we will go to Senator Joyce.

**Ms Beauchamp:** Thank you, Chair. Senator Humphries asked earlier on if he could have copies of the national partnership agreements for Queensland and Victoria under the disaster

recovery arrangements. I can table those but I also wanted to say that these documents are both publicly available on the internet at [federalfinancialrelations.gov.au](http://federalfinancialrelations.gov.au).

**CHAIR:** Excellent. Is it the wish of the committee to have those documents tabled? It is so ordered. Thank you very much.

**Senator JOYCE:** The Lyne \$49 million did not go through any meritorious process, did it?

**Ms Beauchamp:** As I said earlier, those were decisions of government.

**Senator JOYCE:** Which do not go through a meritorious process?

**Ms Beauchamp:** They are not subject to a merit selection process but they are assessed by the department in terms of value for money.

**Senator JOYCE:** So that is a merit based process?

**Senator Sherry:** That is not what she said. You keep trying to distort the response of the witness.

**Senator JOYCE:** I am not distorting anything.

**Senator Sherry:** You keep going back over and over the same area again but it is your time that you want to waste, it is up to you.

**Senator JOYCE:** For any of those 80 projects that you have talked about, you are not aware of any association with any of those projects to any electorates?

**Ms Beauchamp:** We do not normally collect information by electorates. I can provide to you today a list of the 80 projects if that might assist. I have actually asked officers to pull that together.

**Senator JOYCE:** I might ask the officers myself. Is the Bolivia Hill upgrade in those 80 projects?

**Ms Beauchamp:** I would have to take that on notice.

**Senator JOYCE:** Take the Tenterfield bypass on notice as well; actually take on notice if any of those 80 projects are in New England. Are you aware if any conversations have been had from your department where people have suggested that an election commitment that was made might like to be applied through a separate fund such as the RDA fund?

**Ms Beauchamp:** Sorry, Senator I do not understand your question.

**Senator JOYCE:** I will ask again. Do you know of any election commitments where the proponents have subsequently been asked to apply for funding through a competitive grants program such as the RDA fund?

**Ms Beauchamp:** I will have to take that on notice. I am not personally aware.

**Senator JOYCE:** You are not personally aware? Are you aware, Mr O'Brien?

**Mr O'Brien:** No, I am not aware of any projects. I am sure the potential applicants are encouraged to apply to the fund.

**Senator JOYCE:** Because I am aware of it.

**Mr O'Brien:** That is not commonplace.

**Senator JOYCE:** That you can receive an election commitment and then say, 'I know that is an election commitment but where we want you to apply for that money is in the RDA fund

because we have got a little bucket of money there and we can flick some of that money out to you so that we can fund our election commitment through that process.'

**Mr O'Brien:** We are certainly not aware of any treatments like that.

**Ms Beauchamp:** The government has been very transparent in terms of the allocation of appropriation for election commitments. The process around the Regional Development Australia fund is a merit selection process and is currently out through the assessment process.

**Senator JOYCE:** Who does the merit selecting?

**Ms Beauchamp:** We are in the process of assessing those against the criteria outlined in the guidelines.

**Senator JOYCE:** Who is the board that does it?

**Ms Beauchamp:** There will be a board; that has not been announced yet.

**Senator JOYCE:** What qualifications will you need to have to get on this board?

**Ms Beauchamp:** I think you probably need a good mix of skills required to assess projects for the Regional Development Australia fund. You would probably want someone with regional experience, state based experience, a good understanding of local government, Regional Development Australia committees and what actually works on the ground.

**Senator JOYCE:** Would they be people who could be on a council?

**Ms Beauchamp:** Possibly, yes. As I said, the minister has not made any announcements yet, it is still under consideration.

**Senator JOYCE:** Could they possibly be people from state politics?

**Ms Beauchamp:** If they have got the requisite skills and experience and as a panel or as a board that might be the case.

**Senator JOYCE:** Could they possibly be people from federal government?

**Ms Beauchamp:** I am not in any position to say who or what or what background they might be. As I said earlier, the minister has not made the announcement around who will support him in providing advice on the selection process.

**Senator JOYCE:** When they make that selection process they will probably select it in a different manner to which they selected those programs in Lyne?

**Ms Beauchamp:** I really do not think I have got anything further to add than what I have already said around those particular projects that you have raised.

**Senator JOYCE:** How many SES staff are employed in the department? Of the extra 91 staff you are employing over the next year, how many will be SES?

**Ms Beauchamp:** I think we have a complement of 24 approved positions at the moment. I will just get my brief on that. Yes, we have 24 approved SES positions. They are not all substantively filled. We are going through recruitment processes for a number of those.

**Senator JOYCE:** The government has provided to the department an extra \$49.8 million over five years. What will that money be spent on? This is from Budget Paper No. 2.

**Ms Beauchamp:** The \$49 million over five years is going to be spent in a number of areas and I raised a few of those in my previous answer around our engagement functions, our

policy functions and enhancing our program management. We will be using that to staff the department, to provide whole of government advice and regional advice around a number of issues that are being progressed by government. There are also a number of other initiatives including the establishment of the regional development policy centre and the support for the new standing council on regional development. As I mentioned, some of those funds were being used for the task force and also we will be looking at how we can actually help other agencies and the government's agenda around key policy issues. That is primarily how those funds will be spent.

**Senator JOYCE:** Obviously your initial estimates of the size of this department were under estimated because you have got yourself another \$49.8 million?

**Ms Beauchamp:** The size of the department is not something that we had control over in the machinery of government changes. There were a number of functions transferred into the department from the Attorney-General's Department and the Department of Infrastructure and Transport. Since the government has made a number of announcements around the commitment to the regional agenda we have gone through a budget process. We have put our case forward, which has been subject to budget deliberations, on what we think we need to deliver on all of those commitments the government has made.

**Senator JOYCE:** Do you have an efficiency dividend as part of your budget?

**Ms Beauchamp:** All agencies have an efficiency dividend applied.

**Senator JOYCE:** What was it, 1½ per cent, two per cent?

**Ms Beauchamp:** The efficiency dividend for 2011-12 is 1.5 per cent, for 2012-13 it is 1.5 per cent again and for 2013-14 and the forward estimates after that it is 1.25 per cent per annum.

**Senator JOYCE:** This \$49.8 million is over the next five years so is that actually making you get bigger or smaller?

**Ms Beauchamp:** It will make us get bigger.

**Senator JOYCE:** Bigger by what percentage?

**Ms Beauchamp:** I have not got the exact figures in terms of percentage but we will go from a budget of around \$29.2 million to \$67.1 million over the five years. I do need to clarify those numbers. The specific figure you asked for is what is the increase in the department's resources in a percentage term? I could give that to you in a dollar term.

**Senator JOYCE:** Give it to me in a dollar term and I will see how good my maths are.

**Ms Beauchamp:** For 2011-12 the departmental appropriation will increase by \$29.2 million.

**Senator JOYCE:** From what base?

**Ms Beauchamp:** From \$38.1 million.

**Senator JOYCE:** That would be looking awfully like around about a 70 per cent increase?

**Ms Beauchamp:** Up to \$67.1 million. If I can just clarify as well, that \$38.1 million really is for a period of the life of the department, so it applies to nine months of the year. You

would have extrapolate that figure from the \$38.1 million to a 12-month figure to get a real comparison but it has certainly gone up from the \$38.1 million to the \$67.1 million.

**Senator JOYCE:** Good luck to you but it seems a little bit counterintuitive to the efficiency dividend.

**Ms Beauchamp:** There are a number of commitments that the government has made around the whole regional agenda. It went through a budget process and it was decided that the funding would be appropriated to help the government deliver on its commitments.

**Senator JOYCE:** Is that efficiency dividend incorporated in that extension by \$29.2 million?

**Ms Beauchamp:** No, the figures I just gave you were for the 2011-12 year and the efficiency dividend is actually incorporated into the budget papers and included in our portfolio budget statements.

**Senator JOYCE:** How do you work out an efficiency dividend when you are actually getting bigger? How do you work an efficiency dividend into something that is actually growing? Do you add numbers on and then just take them off and say that is the result? How does it work?

**Ms Beauchamp:** In general terms the government allocates a budget to an agency and the government, through the budget process, determines an efficiency dividend from that, which is then taken from the departmental funding.

**Senator JOYCE:** That is about a 76 per cent increase. When they allocated you the extra \$29.2 million did they incorporate into that \$29.2 million an efficiency dividend taking it back by 1½ per cent?

**Ms Beauchamp:** I will have to clarify with my chief financial officer that the \$29.2 million actually incorporates the efficiency dividend, so that is the bottom line.

**Senator JOYCE:** Is that right?

**Ms Beauchamp:** I will ask my CFO to come forward.

**Ms Partington:** The new policy proposals are based on the finance costing template that is issued by cabinet and by the department of finance for use in ordinary policy proposals.

**Senator JOYCE:** Is the \$29.2 million extension incorporated in the efficiency dividend of 1½ per cent?

**Ms Partington:** Over the forward estimates period, the costing model includes the efficiency dividend.

**Senator JOYCE:** Therefore they basically announce that you will get extra money and then they take some away, is that how it works?

**Ms Partington:** The efficiency dividend is applied in accordance with the costing model, yes.

**Senator JOYCE:** In your own words, tell me how that works when I am actually sending you money. How do I say you are getting bigger but you are getting smaller in the same breath?

**Ms Partington:** When we do the estimates, we do the estimates adjustments. If there is a change in the efficiency dividend, an additional formula gets applied to adjust the efficiency dividend in line with the finance template.

**Senator JOYCE:** What does that mean?

**Ms Beauchamp:** Basically, the bottom line is that we are getting bigger. In the process of getting bigger, we have had to incorporate an efficiency dividend in the order of the percentages I outlined earlier.

**Senator JOYCE:** Good luck to you. There seems to be a lot of things that are being avoided here: the merit based process for the assessment of the programs and line; the efficiency dividend for the assessment of the department itself. There seem to be a lot of rules that just seem to be put aside for this. You seem to be paying an exceptional cost, and good luck to them, to keep the Independents on side.

**Ms Beauchamp:** If I could take issue with what you just said, the department takes its obligations and rules and financial management responsibilities very seriously. I will be administering and leading the department in accordance with the rules that apply to all public servants and to all agencies. In relation to the efficiency dividend and the money that is applied, the same rules have been applied to us as have been applied to every other agency, whether it has new budget funding or less. The government has outlined a very ambitious regional agenda, not just in relation to the commitment to regional Australia agreement. There are a range of other measures that the government has asked us to deliver on its behalf that require additional funding.

**Senator JOYCE:** We have gone through this. You state the word 'ambitious', but then we put the caveat on it of the mining resource rent tax for \$573 million, which takes it from ambitious to \$300 to \$400 million. We have dealt with that. I will actually touch base. There is no doubt about it; the bureaucracy around regional Australia is getting bigger, but the delivery of funds to regional Australia is something entirely different, as to whether that is making any changes. I will go to some of the documents that come to mind that come under the minister's statements of regional Australia. For instance, part of the Australian Antarctic Division seemed to make its way into a document about regional Australia. Do you see the Australian Antarctic Division as part of regional Australia—Mawson, Davis? They are very regional Australia.

**Senator Sherry:** Are you talking about the boats?

**Senator JOYCE:** I am talking about the Australian Antarctic Division.

**Senator Sherry:** Down in Hobart?

**Senator JOYCE:** Yes.

**Senator Sherry:** That is part of regional Australia.

**Senator JOYCE:** It is?

**Senator Sherry:** Tasmania. Tasmania is regional.

**Senator JOYCE:** So Hobart is part of it?

**Senator Sherry:** Yes.

**Senator JOYCE:** I need you on the record for that. Hobart is part of regional Australia?

**Senator Sherry:** Tasmania is in regional Australia.

**Senator JOYCE:** Good, Hobart is part of regional Australia. Thank you very much, Minister.

**CHAIR:** Senator Joyce, can I just remind you and the minister that talking across each other does not enhance the ability to record these proceedings through *Hansard*. I remind you to allow each other to complete your answers.

**Senator JOYCE:** That is fair enough. I just find it interesting when a capital city becomes part of regional Australia.

**Senator Sherry:** I was trying to clarify what part of the Antarctic area you were referring to before we started getting a bit excited. Were you referring to the base in Hobart, the centre or the bases in Antarctica?

**Senator JOYCE:** As long as we are on the record. What about the road around Perth Airport? Is that part of regional Australia as well?

**Senator Sherry:** We have had a discussion about that. It has been answered. It is on the record.

**Senator JOYCE:** That it is, Minister?

**Senator Sherry:** It has been answered.

**Senator JOYCE:** That it is, or that it is not?

**Senator Sherry:** It has been answered.

**Senator JOYCE:** Aren't you capable of giving an answer?

**Senator Sherry:** Yes, we have given one.

**Senator JOYCE:** So what is it—is it part of regional Australia or not?

**Senator Sherry:** We have discussed this matter; I think it was at the previous estimates hearing.

**Senator JOYCE:** Can you confirm it?

**Senator Sherry:** It was quite a long discussion.

**Senator JOYCE:** So you can confirm that it is part of regional Australia, the road around Perth Airport?

**Senator Sherry:** I have answered it, Chair, and I am not going to go back to that.

**Senator JOYCE:** You are embarrassed about answering it, Minister; that is what it is. Hobart is part of regional Australia.

**CHAIR:** Senator Joyce—

**Senator JOYCE:** The road around—

**CHAIR:** Senator Joyce—

**Senator JOYCE:** Perth is part of regional Australia.

**CHAIR:** Senator Joyce and minister! We have conducted these hearings in the usual manner of having the process of asking questions and having them answered. It is not helpful to *Hansard* or committee members if we continue to speak over the top of one another. There is a process, I have reminded you, and I would like to think that I will not need to do that

again. I know we get enthusiastic about these estimates, but Hansard does have to record these proceedings, and I do not need to remind you that the public takes a great interest in the estimates process. Senator Joyce.

**Senator Sherry:** I was just finishing my answer.

**Senator JOYCE:** What is the largest allocation to regional Australia?

**Senator Sherry:** Chair, can I finish my answer?

**CHAIR:** Sorry, Senator Joyce, my mistake, the minister had not finished completing his answer. We will allow him to do that, and then you will get the call again.

**Senator Sherry:** I was just going to say, I made it very clear that Tasmania is part of regional Australia. I am very proud to represent that region and that state.

**Senator JOYCE:** And capital cities are part of regional Australia?

**Senator Sherry:** It has been well canvassed.

**Senator JOYCE:** Why can't you answer it?

**Senator Sherry:** It has been well canvassed.

**Senator JOYCE:** It almost a character fault; it is bizarre. We have determined that capital cities are part of regional Australia, because Perth is and Hobart is. Is there anywhere that is not part of regional Australia?

**Ms Beauchamp:** The ministerial statement, Investing in regional Australia, is about providing a first instalment on how you might categorise Commonwealth expenditure for regional and non-regional areas. We have left it to agencies because agencies quite rightly need to define and use a definition of regional Australia that most closely fits with the needs of their policies and programs. For example, you will have the environment department looking at natural resource management areas and catchment areas that might be very different from the Department of Health and Ageing or Education looking at the provision of their services. What the government has provided in the ministerial statement is a first instalment in terms of how we might approach spatial accounting. The department is providing a leadership role to see what we can do around in providing and developing some consistency across agencies over the next little while. So we will be working on refining the spatial accounting model and coming up with a more consistent approach on how we define regional and non-regional areas.

**Senator JOYCE:** Is there any part of Australia that is not part of regional Australia? Any part?

**Ms Beauchamp:** As I said, these issues are going to be worked through.

**Senator JOYCE:** Is Sydney part of regional Australia?

**Ms Beauchamp:** Under our portfolio, we actually administer services on behalf of all Australians that cover both capital cities and non-capital areas. We are in the process of trying to provide some consistency in approach on how we actually tackle spatial accounting for the purposes of defining what is regional and what is not regional.

**Senator JOYCE:** I am fascinated with the deliberations over spatial accounting. Are you able to tell me that Sydney is not part of regional Australia?

**Ms Beauchamp:** In the document that I referred to, from the department's point of view, we have looked at defining 'regional' for the purposes of this particular statement, which does require further refinement, as those areas outside the major capital cities, and that is very clear and transparent in that ministerial statement.

**Senator JOYCE:** Perth is not outside the major capital cities, and neither is Hobart. In fact, Perth is the biggest recipient of a so-called regional allocation of funds.

**Ms Beauchamp:** I guess you have pointed to one of the complexities in terms of a definition. When you look at the provision of infrastructure and services, where they are placed and who actually benefits is something that we need to work through. A range of functions, whether they are universities or health services, are located in major urban areas that do provide access, services and support for people in regions.

**Senator JOYCE:** I have no doubt that the Sydney Opera House assists the delivery of a format for regional arts, so can we refurbish the Sydney Opera House on a regional grant?

**Ms Beauchamp:** I cannot make a comment on that.

**Senator JOYCE:** Do you not think it is obvious that if people find that Hobart is part of regional Australia, and Perth is the biggest recipient of funds under regional Australia, and we cannot say on the record that the Sydney Opera House is not part of regional Australia, that 'regional Australia' as a term means nothing?

**Senator Sherry:** That is your assertion, that is your argument, that is your claim.

**Senator JOYCE:** I have proved it.

**Senator Sherry:** I do not think you have proved anything. The officer has attempted to answer your question. We are going around in circles. We had this debate last time.

**Senator JOYCE:** No, I have proved the point. It is on the record. What I have got is on the record; it suits me fine. I might turn again to those 80 election commitments. Will those commitments be able to satisfy the guidelines under the community infrastructure grants program?

**Ms Beauchamp:** Yes.

**Senator JOYCE:** Is there scope within these guidelines for the projects to miss out, even though they were an election commitment?

**Ms Beauchamp:** I do not understand your question. The community infrastructure grants program has funded a range of election commitments.

**Senator JOYCE:** How much is the total project value of those 80 election commitments?

**Ms Beauchamp:** The department is responsible for implementing and delivering 80 of the 2010 election commitments, with a value of \$183.4 million.

**Senator JOYCE:** In the guidelines, it says:

... the Minister will consider the recommended and ranked projects and make a decision whether each project will make efficient, effective and ethical use of public money as required by Commonwealth legislation and whether any risk management strategies will need to be imposed as a condition of funding based on the assessment and risk analysis undertaken.

If they fail these tests, it is quite possible that some of those 80 projects will not get funded.

**Ms Beauchamp:** We will be working with the proponents to provide that assessment under the Financial Management Act in terms of meeting those risk management and achievability requirements.

**Senator JOYCE:** But that statement on behalf of the minister clearly states that if they do not tick the box of efficient, effective and ethical use of public money—and I can see why we did not do the Lyne ones under that—they will not be approved. Is there any consideration that any of those projects do not currently tick the box of efficient, effective and ethical use of public money?

**Ms Beauchamp:** It is probably too early for us to say that. We are going through that assessment process with the proponents at the moment.

**Senator JOYCE:** What do they mean by the ethical use of public money? What does that statement actually mean?

**Ms Beauchamp:** That it is used for ethical purposes.

**Senator JOYCE:** What is an ethical purpose?

**Senator FIFIELD:** One that is not an unethical.

**Ms Beauchamp:** It is a very broad question. It is the proper use of public funds for ethical purposes.

**Senator JOYCE:** Would it be ethical to send \$49 million up into the seat of Lyne to keep the Independents on side; is that the ethical use of public money?

**Ms Beauchamp:** As I said earlier, the government has made decisions around the funding of particular projects under this program and other programs.

**Senator JOYCE:** I just want to know whether, under your definition of 'ethical', that fits in, or whether that is another definition, a bit like regional Australia—that it can be anywhere?

**Ms Beauchamp:** We will be looking at the specific projects to see that they do pass the test around ethical and proper use of government funds.

**Senator JOYCE:** If they do not?

**Ms Beauchamp:** If they do not, they will not be funded.

**Senator JOYCE:** So some of those 80 projects might not get funded?

**Ms Beauchamp:** We have to look at the achievability and all the other criteria that you outlined to ensure that they actually can be delivered.

**Senator JOYCE:** Would you like to have those three projects in Lyne put under the microscope?

**Mr O'Brien:** They will be assessed against the same criteria.

**Senator JOYCE:** The ones in Lyne?

**Mr O'Brien:** Yes, in terms of value for money and project viability. We are working closely with the proponents.

**Senator JOYCE:** Ethical use of public money?

**Mr O'Brien:** Correct.

**Senator JOYCE:** It sounds like 'ethical' is a bit like 'regional'. Does the department plan to spend the balance of the five-year fund—that is, \$700 million—in its fifth year; that is, 2015-16? This is the Regional Development Australia fund.

**Ms Beauchamp:** As you would be aware, having a pipeline of projects for infrastructure normally starts out slower upfront and builds up over the course of the five-year period. As we have outlined for the planned expenditure under the Regional Development Australia fund, we will be doing all we possibly can to deliver on the government's commitments.

**Senator JOYCE:** In the budget we have only \$301 million allocated of the \$1 billion Regional Development Australia fund in the forward estimates. Why is only \$301 million allocated in the forward estimates?

**Ms Beauchamp:** As I mentioned, funding has been allocated in accordance with our portfolio budget statements through this portfolio. I also mentioned that the two figures around the 573 have been appropriated through the Treasury portfolio over two years and, outside of this forward estimates period, I did talk about the \$100 million in 2015-16.

**Senator JOYCE:** So the \$700 million that is in its fifth year: does that include that amount?

**Ms Beauchamp:** I am not sure where you get the \$700 million from.

**Senator JOYCE:** You have \$1 billion in the Regional Development Australia fund; you have \$301 million of it allocated in the forward estimates, and you have \$700 million that is actually in there—that is in the fifth year, 2015-16.

**Ms Beauchamp:** I have a slightly different calculation.

**Senator JOYCE:** PBS page 28.

**Ms Beauchamp:** Yes. As I pointed out, you would also look at the Treasury portfolio. For example, in 2013-14, there is \$100 million in our budget but there is also \$288 million in Treasury's budget. In 2014-15, there is \$50 million in our budget; in 2012-13, there is the \$100 million, plus the \$285 million in the Treasury portfolio. Then in 2015-16, there is a further \$100 million.

**Senator JOYCE:** Okay. Have any of the projects put forward by the 55 RDA committees been the same projects as election commitments made by the Labor Party at the last election?

**Ms Beauchamp:** I am not too sure. I will have to take that on notice. The election commitments are something that the department was not engaged with through the election process. I am not too sure who the government engaged with in determining those election commitments. I am not too sure who they actually consulted.

**Senator JOYCE:** So you are taking that on notice.

**Mr O'Brien:** Can I just clarify the question?

**Senator JOYCE:** Have any of the projects put forward by the 55 RDA committees been the same projects as election commitments made by Labor at the last election?

**Mr O'Brien:** Are you talking about the applications for the RDA funding?

**Senator JOYCE:** Yes.

**Mr O'Brien:** We are not in a position to know that at this stage. We are assessing all of the applications that were received on 13 May. We are going through an assessment process now.

**Ms Beauchamp:** As I said earlier, there will be no duplication of projects. If an election commitment is funded out of a different appropriation, it certainly will not be funded out of the Regional Development Australia fund.

**Senator JOYCE:** Are you aware of any applicants that missed out due to the difficulties with the lodging process?

**Ms Beauchamp:** Not that I am aware of.

**Senator JOYCE:** We have had a couple of phone calls to our office stating that they tried to apply; however, due to difficulties with the lodging process, they were unsure whether their applications will be included. They were advised that they would have an answer within five working days, which was last Friday, 20 May. Have all applicants been notified if their application was successful?

**Mr O'Brien:** Yes. There were difficulties in terms of applications being lodged, but we took measures to make sure that all applicants had the opportunity to lodge their application.

**Senator JOYCE:** Were you aware of that, Ms Beauchamp?

**Ms Beauchamp:** I was aware that there was a flurry of activity towards the closing time on the applications. As you would be aware, some of these are infrastructure projects, with large files, and some had difficulty at the production end in terms of proponents. We had difficulty in accommodating them all through the one portal at the one time. So we put measures in place so they could email their application in addition to providing an egrant lodgement. We provided a bit more flexibility to accommodate those who were having difficulty lodging their application at the last minute. I am aware that there was an absolute flurry of activity around COB on Friday, 13 May.

**Senator JOYCE:** During the election, the Labor Party went out of its way to say that the \$2 billion it had committed to Queensland out of the Regional Infrastructure Fund would pay for the Mackay ring-road. Are you aware of the Mackay ring-road?

**Ms Beauchamp:** Those questions should be put to the Department of Infrastructure and Transport.

**Senator JOYCE:** On the fact that a lot of this money seems to have been dissipating in studies and going elsewhere, isn't that issue of concern to you or isn't it part of your purview?

**Ms Beauchamp:** The administration of the Regional Infrastructure Fund is the responsibility of the infrastructure and transport department.

**Senator JOYCE:** One of the things that have been pointed out to us about these guidelines is that, when they were initially published, they stated that the applications closed at close of business on 13 May 2011. No time zone was indicated. Some time later the guidelines were updated to say that the applications closed at 4.59 pm Eastern Standard Time. Is that correct?

**Mr O'Brien:** Yes, that is correct.

**Senator JOYCE:** Why did it change?

**Ms Flemming:** We had 'close of business' in the original guidelines and we opened as part of the assessment process a frequently asked questions process, which is standard for processes, and in that process applicants sought clarification for time. We provided that clarification in that process.

**Senator JOYCE:** Did you send out an email telling everybody about the change?

**Ms Flemming:** No, we did not. It was in the frequently asked questions.

**Senator JOYCE:** Do you think it is possible that, because you did not send out an email, some people missed out?

**Ms Flemming:** I am not aware of anyone who has missed out at this stage.

**Senator JOYCE:** We have basically touched base with what is going to happen with that \$573 million of the \$1 billion RDA fund if the mining tax is not passed. Do you have a contingency process as to what happens if it is not passed and you do not get the \$573 through?

**Ms Beauchamp:** They will be decisions for government.

**Senator JOYCE:** So that would mean that some things that have been approved would have to be unapproved? Some projects that were going to be approved would have to be withdrawn, wouldn't they?

**Ms Beauchamp:** As I said, it is important to develop a pipeline of projects that can be funded. The government will make decisions in 2012-13 around that element of the fund.

**Senator JOYCE:** The mining tax revenue is in the budget, isn't it? It is; I know it is.

**Senator Sherry:** That is my understanding. It is not Treasury's or Finance's case.

**Senator JOYCE:** The allocation of expenditure from that mining tax revenue, that \$573 million, would also be in the budget, wouldn't it? And it is. You have pointed out where it is.

**Ms Beauchamp:** I think I have pointed out exactly where it is in the budget.

**Senator Sherry:** It is true of many other things.

**Senator JOYCE:** Except the carbon tax, which is not in the budget.

**Senator Sherry:** A bit like the GST. Until the parameters are finalised—but that is a discussion for another day and another estimates.

**Senator JOYCE:** If you put one in, you put the other in, one would think. It is from those same two items that you have nominated that those moneys would be withdrawn if the decision is made by the government to withdraw them?

**Ms Beauchamp:** Sorry, which two?

**Senator JOYCE:** The two amounts that you gave me that added up to \$573 million, whichever one it was; they are the two amounts that will be withdrawn if the government makes a decision to withdraw the funding because the mining tax was not passed?

**Ms Beauchamp:** Sorry; the government may not make that decision. That decision will be made at that particular point in time, balancing up, as governments normally do, a range of other things that happen in the budget process.

**Senator JOYCE:** Why would the minister make a statement that is contingent on the mining tax if it is not contingent on the mining tax?

**Senator Sherry:** We have been over this, Senator.

**Senator JOYCE:** I am just curious. Why would the minister make a decision that is contingent on the mining tax if it is not contingent?

**Senator Sherry:** A range of measures have been announced in the budget that are part of the mining tax package.

**Senator JOYCE:** I turn now to some infrastructure on Christmas Island.

**Ms Beauchamp:** That is in a different outcome, Chair.

**CHAIR:** What we agreed to do is go to outcome 1. I have given some latitude in terms of general questions, but I intend then to go through each of the dot points in program 1.1 to give other senators the opportunity to ask questions.

**Senator JOYCE:** I will go back to where we were. Obviously we have had the conjecture about what is regional. It is not conjecture; regional is anywhere in Australia. We have dealt with the conjecture of what is ethical; ethical is apparently sending money to Lyne. Is there anything under this application that can be applied for, anything at all? What projects are ruled out?

**Ms Beauchamp:** Under the Regional Development Australia Fund?

**Senator JOYCE:** Yes.

**Ms Beauchamp:** It is very clear in terms of the guidelines that have been put out who can apply and what sort of projects and criteria will be covered.

**Senator JOYCE:** What are the predominant projects that are being applied for?

**Ms Beauchamp:** We are currently going through the assessment process. It is probably inappropriate to describe some of the applications that have come in. I just do not have that detail to hand.

**Mr O'Brien:** We are certainly not in a position to describe the projects at the moment.

**Senator JOYCE:** No, just generally. What sort of things do they apply for? Are we talking about parks, roads, hospitals?

**Mr O'Brien:** In terms of the guidelines, the types of projects that funding is not available for include projects that are delivered and supported through other government programs and initiatives; projects that are designed to support or replace the existing administrative costs of applicants—for example, operational costs, wages, vehicle lease and so forth—projects that are likely to have an ongoing operational cost where a demonstration of funding to support those ongoing operational costs is not provided; the provision of services and ongoing support activities; projects that have been funded under the NDRRA; and larger projects requiring the contribution of more than \$25 million for the Australian government. That is what could not be funded.

**Senator JOYCE:** So a project over \$25 million is ruled out?

**Mr O'Brien:** Yes, in terms of the ask of this fund, the limit is \$25 million.

**Senator JOYCE:** If I said I wanted to build a bridge, could I put in an application for that—a bridge over a river connecting roads on either side?

**Mr O'Brien:** Yes, potentially.

**Senator JOYCE:** What about if I just wanted to build a road?

**Mr O'Brien:** Local roads are not part of this.

**Senator JOYCE:** I could build the bridge but could I build the road?

**Mr O'Brien:** I will check on that. Sorry; local roads are eligible. I can correct that.

**Senator JOYCE:** So I could build a bridge, and I could build a road; what about a new tip at a local council—could I do that?

**Mr O'Brien:** Potentially, yes. We are looking for maximising community benefit, and social cohesion is a key element of that.

**Senator JOYCE:** What about a dental clinic?

**Ms Beauchamp:** The program, as Mr O'Brien has pointed out, provides a very flexible approach in terms of local governments and other proponents coming forward with projects that they feel will enhance the regional development aspects of their areas. Where we might consider they would be more appropriate for other sources of funding, we will also look at that. With respect to that particular example that you just gave, there might a regional health fund that would better support that particular proposal.

**Mr O'Brien:** If I could just put the filter over the types of projects, we are trying to encourage projects that are involved in skilling Australia, lifting productivity, maximising the opportunity of broadband, sustaining our environment, social inclusion, and water and energy efficiency.

**Senator JOYCE:** Maximising the opportunity of broadband?

**Mr O'Brien:** Yes. That is clearly set out in the guidelines.

**Senator JOYCE:** Maximising the opportunity of broadband? So I could use money out of the RDA Fund to do basically what the NBN was supposed to do?

**Ms Beauchamp:** I think it looks at the opportunities. Local government and regions can look at the opportunities for the applications side of the NBN rollout.

**Senator JOYCE:** How does the potential for election commitments to miss out on funding comply with the Prime Minister's statement in the House on 20 October? We went through that discussion on 'ethical' before—what is efficient, effective and ethical?—and the Prime Minister stated:

I do commit to keeping the promises at a local level that Labor and Labor candidates made at the last election, including the promises we made in the electorate of Denison. The reason I am able to say that with confidence is that during the election campaign we had a proper process of costing, which means we understood the costs of the promises that we were making. We made proper provision for them and we made proper provision for them in a context where the budget is coming back to surplus in 2012-13 and where across the election campaign our promises were matched by offsetting savings. Consequently I can say yes to the member for Denison with a degree of confidence.

That seems to be counter intuitive to the other statement which is that you are going to run those programs over a rule that will deal with efficient, effective and ethical use of public money.

**Ms Beauchamp:** I do not think that is contrary. Obviously what happens through the election period is not something the department has been involved in. My observation is that some projects and programs go through the normal charter of budget honesty process. What

we are looking at are the guidelines for the community infrastructure grants program--whether they can be achieved, whether they are an ethical use of money, whether they meet the requirements of the Financial Management Act, whether they are viable and whether they will meet all the planning guidelines in that particular area. So we do go to these projects at a level of detail that is a bit further than the charter of budget honesty process. I see them as complementary rather than contradictory.

**Senator JOYCE:** Are we funding the 80 projects or not?

**Ms Beauchamp:** The government has made a commitment and it is in the budget papers that we will be funding a range of election commitments. The department is responsible for administering 80 of those election commitments.

**Senator JOYCE:** So you are funding them?

**Ms Beauchamp:** The government has funded those. The government has provided funding for those projects.

**Senator JOYCE:** It has provided the funds for those projects. Does that mean—

**Ms Beauchamp:** The government has allocated the budget for those particular projects, yes.

**Senator JOYCE:** That means you are funding them?

**Ms Beauchamp:** If they meet the requirements of the guidelines. It may be that the proponents look at more efficient, effective delivery of those particular projects. The government has allocated a budget. With all projects, particularly around infrastructure, you need to look at exactly what cost those projects can be delivered for, but there has been an initial assessment around the anticipated budget. The government has made those decisions and we will go through the community infrastructure grants process—the criteria that you referred to earlier.

**Senator JOYCE:** Just so that I am clear, the money has been appropriated but there is no guarantee that they necessarily will be funded because they have not passed the criteria, set out by the minister, of ethical and effective use of public funds. Is that how it works?

**Ms Beauchamp:** The government has allocated a budget for these particular projects. What we have developed is a series of program guidelines to help us and to help government and others that oversight this program to say that they have been put through a filter to ensure they are achievable, that they are value for money, and that government is actually getting what it committed to.

**Senator JOYCE:** And all of those 80 projects have already done that and passed that test, have they?

**Ms Beauchamp:** No. I said a bit earlier that we are early in the process. We have developed the guidelines and now we are in the process of working with the proponents of those projects to assess them against those guidelines.

**Senator JOYCE:** How can the Prime Minister tell the member for Denison that everything is fine, and that all the commitments will be made, and they will stick to all of their promises, when you are telling me that that is not necessarily the case?

**Ms Beauchamp:** As you would be aware, the budget outlines planned expenditure for government.

**Senator Sherry:** I am sure the member for Denison would want the moneys allocated and overseen in the way in which the witness has indicated.

**Senator JOYCE:** We have two completely different views. We have the Prime Minister saying that the Labor Party will honour all its commitments, especially the commitments to the member for Denison. We have the department saying that these things have not all been approved yet because we have not put the rule of the ethical use of money over it. So we have two completely contradictory—

**Senator Sherry:** They are not, Senator.

**Senator JOYCE:** Why?

**Ms Beauchamp:** They are definitely not contradictory comments. As you know, particularly with infrastructure projects, there are levels of contingency, for example, that are built in to the implementation of those projects. We are looking at what they can be delivered for within the environments that they are being allocated—is it achievable, are we getting value for money, are they going through an appropriate procurement process to deliver value for money? The government has made a budget allocation and we are now looking at a much finer level of detail around assessing those particular projects with the proponents.

**Senator JOYCE:** Okay. Yes or no: is there a guarantee that those 80 projects will be funded? I know you have put the money aside; we have that worked out. Those 80 projects that are noted in that document, will they be funded and built, created? Yes or no?

**Ms Beauchamp:** They will be going through—

**Senator Sherry:** Sorry, just before you go on, you cannot tell a witness how to answer a question. She can answer it in her own words.

**Senator JOYCE:** Okay, answer it in your own words.

**Ms Beauchamp:** As I have said earlier, we have program guidelines for this particular program. We know what the government's intent is here. We are making sure that the project will deliver what the government's commitment was in a value-for-money framework and that it is ethical expenditure. We will work with the proponents to ensure that happens.

**Senator JOYCE:** I have always found that yes is a very easy answer to give, but no takes far longer. Are you going to have a cost-benefit analysis on each of these projects?

**Mr O'Brien:** We assess value for money and we assess the risk.

**Senator JOYCE:** So you will?

**Mr O'Brien:** We assess value for money and the risk.

**Senator JOYCE:** What happens if they fail that cost benefit analysis?

**Ms Beauchamp:** We will be working with the proponents to ensure the government gets the best value for money for these projects that it has committed to.

**Senator JOYCE:** So that means some of them could get knocked out?

**Ms Beauchamp:** Based on the experience of the past, and my experience in administering infrastructure projects, we will work very proactively with the proponents of these projects to ensure that they can meet the requirements that the government is quite rightly after in terms of value for money, that we have appropriate risk management projects in place, and that they are achievable at the local level.

**Senator JOYCE:** It seems like the Prime Minister's answer was a lot more decisive than that.

**Ms Beauchamp:** Sorry, Senator, I am trying to be as helpful as possible.

**Senator JOYCE:** The Prime Minister just said that they are going to get funded.

**Senator Sherry:** It is not up to the witness to go to the Prime Minister's answer. Are you asking a question or are you making a political point?

**Senator JOYCE:** Okay, I will make it a question. Do you believe that the Prime Minister's answer was far more decisive than that when she said that they were going to get funded?

**Senator Sherry:** We will take that on notice. It is a silly question, to expect the witness to go to a question like that.

**Senator JOYCE:** We are not going to get answers.

**Senator Sherry:** You obviously came into these estimates with a total lack of preparation of effective questions.

**CHAIR:** Senators!

**Senator JOYCE:** When we come up with quotes from your boss and it is completely and utterly at odds with what you are telling us now, that is not a lack of preparation. I must admit, it does not take long to prepare against the sort of rubbish that you guys dish up.

**CHAIR:** Senator Joyce, can I just remind you that running commentary is not helpful to this process. It is a question-and-answer process. I would just remind all senators.

**Senator JOYCE:** I respect your admonishment. In fact, I hand over to my good friend and colleague.

**CHAIR:** Ms Beauchamp was trying to make a point, so I give you the call before I go to a member of the committee.

**Ms Beauchamp:** I was just going to point out the normal part of the budget process where the government allocates a budget. When we report in our annual report, we report expenditure against the budget. Sometimes the actual expenditure is not exactly the same as the budget. In a sense, that is the sort of analogy I can make around the budget process.

**CHAIR:** We are dealing with outcome 1, and we are staying within the program.

**Senator IAN MACDONALD:** Thank you very much, Madam Chair. I enjoyed Senator Joyce's commentary and questions. I found it very useful, contrary to your statement.

**CHAIR:** I will just remind you, Senator Macdonald, and others that I am in the chair, and I do not think it is helpful in the deliberations of this committee if we have running commentary or diatribe.

**Senator IAN MACDONALD:** I have been in another estimates committee, and if any questions I ask have already been asked by Senator Joyce or other senators, let me know and I will desist. What will this department's role be in relation to the Regional Sponsored Migration Scheme?

**Ms Foster:** We will work with the Department of Immigration and Citizenship, who have responsibility for delivering that program, and we will ensure that we seek regional input to inform the way that that program is rolled out. We will work in partnership with them.

**Senator IAN MACDONALD:** Have you had input into the scheme announced in the budget so far?

**Ms Foster:** Yes, I believe one of my officers did. I did not personally.

**Senator IAN MACDONALD:** The budget papers show that there are 16,000 places available for employer sponsored programs under the Regional Sponsored Migration Scheme. Will this department be the principal advisor on where those 16,000 places are to go?

**Ms Foster:** The responsibility for delivering that program will be with the department of immigration and we will work in partnership with them.

**Senator IAN MACDONALD:** I appreciate it is with the department of immigration. Is it the case that it will be principally your department that determines where the need is, or where the opportunities are, or will Immigration actually make those assessments?

**Ms Foster:** Ultimately, the responsibility will lie with the department of immigration. Obviously the questions about how they would do that should be addressed to them. As I said, we will work with them, including providing input from regional sources into their process of consideration.

**Senator IAN MACDONALD:** Has your department done work on where we could place some of those 16,000 in regional Australia?

**Ms Foster:** We have just begun discussions with the department of immigration in response to this budget measure.

**Senator IAN MACDONALD:** Some \$4.8 million is being contributed to implement initiatives that would encourage migration into regional Australia. Is any of that money going to your department?

**Ms Foster:** I do not believe so. Could you give me the source for the funding?

**Senator IAN MACDONALD:** Page 259 of Budget Paper No. 2.

**Ms Foster:** That money is allocated to the department of immigration.

**Senator IAN MACDONALD:** So none of it is going to you? I can see it is allocated to them. Are you getting any additional funds from any source as your contribution to this program?

**Ms Foster:** We receive funds through the budget to assist us in our core functions, which include working with other agencies on programs with a regional focus. So we have been funded to undertake that work with the range of portfolios that we work with on regional issues.

**Senator IAN MACDONALD:** The budget paper says:

This measure will also encourage migration to regional areas by allocating the highest priority for processing visas to applications made under the Regional Sponsored Migration Scheme and the Regional (Residence) visa.

As to the prioritising of where those immigrants will go, are you saying that your department to date has done no substantive work on where that might be?

**Mr Atkinson:** Perhaps I could help. The measures in the budget paper are demand driven so it is about employers accessing the international labour market. The prioritisation talked about here is prioritising the processing of those applications for regional Australia.

**Senator IAN MACDONALD:** So your department is not going to have any role—is that what you are saying? It is entirely employer driven?

**Mr Atkinson:** In terms of the administration of the applications, we will not have a direct role. Immigration coordination is part of that, and that will link with regional education jobs and skills coordinators out of the DEEWR portfolio, which is another regional measure, as well as input from RDAs. It is about increasing community engagement and awareness of the opportunities from the increases in the Regional Skilled Migration program.

**Senator IAN MACDONALD:** Will you be doing any work on whether the social and other infrastructure is sufficient in parts of regional Australia to handle increased migration to those areas?

**Ms Foster:** We will work with the range of agencies who will contribute to helping make this initiative come to fruition. So, there will be consideration by the relevant agencies, as part of this process, of the infrastructure and the services in the regions.

**Senator IAN MACDONALD:** Do you know if you will have any input into, or is the department consulted on, the question of how you will keep migrants in regional areas? One would imagine that, for some of them at least, having got into a regional area on a priority scheme, they would quickly head to one of the already overcrowded capital city areas. What strategies will the department be involved in that would keep those immigrants in the regional areas?

**Mr Atkinson:** These are sponsored migration programs, so it is directly linking the migrant with a specific job in the particular location. In terms of the broader issues around internal migration, I think that is a question for the relevant department.

**Senator IAN MACDONALD:** I am sure it is, but I was interested to know if you had any input into the strategy on, firstly, getting them there; secondly, keeping them there; and thirdly, making sure that there is sufficient social and other infrastructure to enable them to be based there.

**Ms Foster:** A large number of our RDAs have identified growth as a priority for them. There is good interaction within communities about how to bring together strategies, as Mr Atkinson said, to encourage and support regional migration.

**Senator IAN MACDONALD:** Thank you for that. Could you just give me a summary of the RDAs' advice in this regard, which you just mentioned?

**Ms Foster:** Certainly.

**Senator IAN MACDONALD:** Last estimates, we spoke about the Cooperative Research Centre for Remote Economic Participation, and I acknowledged then and do now that it is not your department, but you did get me an answer, for which I thank you. Is your department a partner or contributor or sponsor to that CRC? Do you have any input? Do you finance projects of any sort?

**Ms Foster:** I do not believe we are. I can check that and verify it.

**Senator IAN MACDONALD:** So you are not funding any of the projects that CRC might be involved in?

**Ms Fleming:** We are a participating partner. We provide \$100,000 a year for the next three years under the Northern Australia Sustainable Futures program, but we are not funding

any particular research projects at this stage. That is our contribution to the strategic research directions. We work as part of a member of that steering committee to look at the broad range of research that that body might do.

**Senator IAN MACDONALD:** Okay, so \$100,000 annually?

**Ms Fleming:** Correct.

**Senator IAN MACDONALD:** And you are on the steering committee?

**Ms Fleming:** Correct.

**Senator IAN MACDONALD:** Do you do that yourself, Ms Fleming, or is someone from your branch on it?

**Ms Fleming:** A representative from my branch is on that steering committee at this stage.

**Senator IAN MACDONALD:** There have been some budget cuts in the CRC program. This is again a question for that department. From your understanding as a member of the controlling committee, are those budget cuts likely to impact upon this particular CRC in which this department has a financial stake?

**Ms Fleming:** I am not directly aware, but we could take that on notice.

**Senator IAN MACDONALD:** Thank you. That would be good if you could. Again, thank you for your answer to question no. 11, where I raised the issue of the Green Hills dam on the Gilbert River. You said that the department is an observer on that Gilbert River infrastructure profile working group. Can anyone give me an update on what that working group is doing, how far it has advanced?

**Ms Fleming:** Yes. The working group is developing at the moment an investment profile, as I understand it, that will assess private sector interest in a proposal to develop a 14,000-hectare irrigation district near Georgetown through the capture and storage of surface water, often referred to as the Green Hills dam. So there is a body of work. It is a Gulf Savannah Development, and it is being assisted through the Queensland Department of Employment, Economic Development and Innovation. As you are aware, we are an observer on that working group.

**Senator IAN MACDONALD:** Thank you for that. That sort of confirms what you said in writing. I just wonder if there has been any update since that came in on 15 April. Has there been any more recent activity that you are aware of?

**Ms Fleming:** Not that I am aware of. They are still working through the investment profile assessment.

**Senator IAN MACDONALD:** Could you give me an update on the East Kimberley Development Package?

**Ms Fleming:** Yes.

**Senator IAN MACDONALD:** In response to question no. 12—and again I thank you for the response—I was asking in the last estimates about the \$44 million of projects that are not yet tendered. I was told they are tendered but have not yet started. The answer to my question on notice was that all projects have now been tendered. Can you tell me about that? Who has been engaged to do those projects?

**Ms Fleming:** I would have to take that on notice, but I might be able to get you an answer to that in this session.

**Senator IAN MACDONALD:** Is there anything more generally you can tell me about that?

**Ms Fleming:** I think last time we spoke we said that five projects had completed. We now have seven projects completed. When we last spoke, John Holland had been contracted to undertake the work in Western Australia for 10 of the major Western Australian government projects around the education precinct and hospital upgrade. It is my understanding that work has now commenced on those particular aspects of the project. In the social housing area we now have 23 houses completed, 43 under contract and a further 34 in the tender process. So, there is good progress continuing to be made, but as you are aware, flooding in that area has affected and impacted some of the smaller projects such as those in the Warmun community, and we are liaising with that community and the Western Australian government around how we will take forward the four projects that we have in Warmun.

**Senator IAN MACDONALD:** Could you remind me what the project was there?

**Ms Fleming:** There are four projects. There is an early learning centre, an aged care and health facility, and there are some environmental services that we were providing around the tip in that community.

**Senator IAN MACDONALD:** Just to refresh my memory, the Commonwealth is providing the money to the Western Australian government, who is project managing these social infrastructure projects?

**Ms Fleming:** There are 29 projects. There is a range of projects that are under a partnership agreement with the Western Australian government, there is a range of projects that are dealt directly with the Shire of Wyndham East Kimberley, and then there are two or three Indigenous funded projects that the department directly manages.

**Senator IAN MACDONALD:** The Western Australian government's contribution was for hard infrastructure in channels, roads and in the opening up of new land. Do you have knowledge of how that project is going, or is that something that the Western Australian government keeps to itself?

**Ms Fleming:** I could take that on notice and update for you on the Ord expansion.

**Senator IAN MACDONALD:** At the last estimates, when talking about the North Australian beef industry study that was announced at the beginning of this year, working groups and the standing committee were due to meet after last estimates, and an outline of the study was to be released. Has this study now been released, and what are its objectives?

**Ms Fleming:** The beef strategy that we spoke about at the last estimates is actually a project that will be probably continued over more than one year. The working group has met and the states and territories and the Commonwealth have agreed the scope of the project. We anticipate an industry forum meeting in June, and we are continuing to liaise with the industry. We do not have any draft reports at this stage. It is still in the early stages of its life.

**Senator IAN MACDONALD:** Do you have details of who is the working group?

**Ms Fleming:** I would have to take that on notice.

**Senator IAN MACDONALD:** Could you do that, please?

**Ms Fleming:** Certainly.

**Ms Beauchamp:** I might be able to help in terms of a broad sense of who is on the working group. It includes the department; state and territory government representatives from Western Australia, Queensland and the Northern Territory; the Department of Agriculture, Fisheries and Forestry, which has the portfolio lead on this, obviously; and an industry representative from the Red Meat Advisory Council.

**Senator IAN MACDONALD:** Does it include other organisations like AgForce Queensland and perhaps cattle and landowner organisations, and Indigenous input?

**Ms Beauchamp:** I do not think they are actually on this working group, although they would be engaged through the Northern Australia Ministerial Forum infrastructure, but I could take that on notice.

**Senator IAN MACDONALD:** Thank you. Last estimates we talked about the Cairns plan, and I said, 'At the last estimates you told me that the Cairns plan was due for release in January 2011. Has it been released?' I was told then, 'No, the plan is still being finalised.' Could you give me an update on that? Has it been released now?

**Mr Carmichael:** No, we are still working on that plan. An interdepartmental committee or IDC has been established to bring a Commonwealth view. We are working closely with the state government and with the local RDA and local governments in that region, but it has not been finalised.

**Senator IAN MACDONALD:** I was told first of all that it was to be released in October or November last year, and then I was told it was to be released in January.

**Ms Beauchamp:** To clarify: the reason for the delay is the impacts of the floods and cyclone in Far North Queensland. We are actually engaging with our National Disaster Recovery Task Force and relooking at the initial work that was done on that with the local community.

**Senator IAN MACDONALD:** I accept that. You would be surprised how much those floods and cyclones have to answer for. They are being used as a regular explanation for why things are not being done. You would be aware that the Cairns economy is in great difficulties. Unemployment is perhaps the worst in the nation. It would almost seem that we are a few years too late on the Cairns plan. It might have been useful in trying to address the current difficulties. What is the main aim of the plan?

**Mr Carmichael:** The Queensland government also invested earlier this year more than \$100 million in economic diversification strategies. We wanted to ensure that anything the Commonwealth did was complementary. They are looking at the implementation of those and doing reviews and evaluations. We are looking closely at that work, working closely with DEEDI, which is the relevant portfolio. The issues, in terms of agriculture and a high Australian dollar, are impacting, as you would be aware, on the Cairns economy, so the sorts of activities that we are exploring are things that would be complementary to tourism particularly. It is known that the future of tourism is going to be problematic with a high Australian dollar, so there is a range of things and negotiations going on with the Cairns community and with state and industry partners around what are the future sensible investments for that Cairns region.

**Senator IAN MACDONALD:** Did you say the Queensland government is spending \$100 million on the Cairns plan?

**Mr Carmichael:** They made investments earlier this year of more than \$100 million as I understand it. That is what the Queensland department has informed us.

**Senator IAN MACDONALD:** It only needed \$20 million to provide a guarantee for the Cairns ship works, and they could have been building air warfare destroyers now rather than destroying an industry which has been in Cairns for 50 or so years. It seems to be a strange choice of priorities. We are spending \$100 million on what—make-work programs? Do you know what the \$100 million is for? With the

**Mr Carmichael:** It went to things like establishing or building on the aviation maintenance facilities they have in that region, particularly on Dash 8 aircraft; looking at fly-in fly-out logistics support for New Guinea and northern and Western Australia; and looking at education and training options, because a lot of the unemployed people need to be retrained and upgrade their skills for emerging industries. So there are investments in training that the Queensland government has made.

**Senator IAN MACDONALD:** I do not want to question you about decisions the Queensland government might have made; that is not within your remit anyhow. But you do have an involvement in the Cairns plan? I think you said you are on the working group.

**Mr Carmichael:** We have a key role with the Cairns plan, yes.

**Senator IAN MACDONALD:** You do have a key role?

**Mr Carmichael:** Yes. But just so that you know, there are a number of Cairns plans. A number of groups have been working—the local council, the Regional Development Australia committee and other groups. We are trying to bring together a number of things so that they make sense, so they are integrated, and that they have long-term benefits. We are doing a lot of economic modelling and analysis on what the sensible additional investments are, building on what has worked and assessing what has been invested in, because there have been investments over a period of a couple of years. We have gone back a number of years, some three or four years, over the range of investments that have happened. We want to look carefully at what has worked and build on what has worked but obviously not reinvest in things that have not borne fruit. That takes a little bit more time to assess. Certainly the floods and cyclones have impacted and changed the dynamic there. As the secretary said, that is why we have had to re-examine and look at other alternative strategies for Cairns.

**Ms Beauchamp:** The minister and I and others went up to Townsville last week and met with a number of leaders, including some from James Cook University and some of the business leaders. They are looking at Cairns in the context of a Far North Queensland strategy, so tying together Townsville, Mackay, Cairns and Mt Isa, and looking at what they can actually do to diversify their economy, and what opportunities, for example, might come from the rollout of the NBN. James Cook University has been in particular looking at the concept of rural technology villages and getting a number of innovative proposals up there. We are looking at Cairns in the context of that Far North Queensland strategy.

**Senator IAN MACDONALD:** Have Cairns tourism operators indicated to you that one of their difficulties, as well as the Australian dollar and the bad image from the cyclone, is a lack of flexibility in their workplace relations with their staff? Has that been raised as an issue?

**Ms Beauchamp:** I have not heard it personally being raised as an issue, but Mr Carmichael may have.

**Mr Carmichael:** That is part of the advice we are getting from our Queensland department. They will be some of the things that feed into our considerations.

**Senator IAN MACDONALD:** I would certainly hope you are hearing that. You can have many hundred million dollar strategies or whatever they are, and plans and assessments, but what Cairns needs is some actual tangible assistance. A more flexible workforce is certainly one thing that all of the tourist industry wants, but certainly it is desperately needed in Cairns. So I would hope that that is on your radar for you to advise the federal government on.

**Ms Beauchamp:** We might actually take up that particular observation with the Department of Education, Employment and Workplace Relations.

**Senator IAN MACDONALD:** Thanks for doing that. I would be very surprised if they have not heard that from the tourism department and from the tourist industry and others, but certainly another line of approach would not hurt. That would really do something.

Mr Carmichael, you probably would be aware that the Cairns construction industry is in diabolic trouble. With the cyclones in nearby Tully, Mission Beach and Cardwell, there is a huge amount of building work required to be done, both to government buildings and to private buildings. Yet I am being told that a lot of the work is going to southern contractors and not to the Cairns construction industry, which, as I say, is in diabolic trouble. Has that come across your radar at all?

**Ms Beauchamp:** These issues were raised earlier by Senator Humphries. I took on board, as I am a member of the Queensland Reconstruction Authority board, to take those back to the board and ensure that the value for money framework, which has been developed and includes community engagement and supporting local businesses, is actually being implemented in those areas.

**Senator IAN MACDONALD:** That would be great. Value for money, of course, is not just: 'Can you build this house for \$100,000 as opposed to \$120,000?'; it is also a question of what unemployment means to the Townsville region and what social problems that causes et cetera. It is something that needs to be done, and I am pleased that Senator Humphries did raise that.

Are there any other strategies that the government has considered that might address the unemployment factor in Cairns, apart from make-work schemes that are good for a little while but really do not have a lasting contribution? Has anything been looked at? Has any thought been given, for example, to promoting or reforming the Cairns shipbuilding industry that, as I say, existed for 50 years? At was destroyed when Senator Faulkner, who has left, having got the Cairns industry down to Newcastle for the big announcement, was told the day before that the Queensland government had rubbished them and was not going to give the \$20 million guarantee needed. So ended a shipbuilding industry that had been very supportive of Cairns for a long time. I hear that Adelaide is struggling to meet its shipbuilding contracts for defence work. Is anyone perhaps promoting reinvigorating the Cairns shipbuilding industry with some work for Australian Defence shipbuilding, which seems to be rather large at the moment?

**Ms Beauchamp:** I think these are probably things that we need to consider through our IDC, and working with the Queensland government, obviously, and seeing what other initiatives we can inject into the process with the jobs and skills package as an example. But I think the key focus, particularly from the government's point of view, is that economic diversity in regions, and that is why we went up there last week to see what local leaders think about where those opportunities might be. We will certainly take that shipbuilding issue back with us and talk to the Queensland government.

**Senator IAN MACDONALD:** That would be good. Thanks very much for that. There may be reasons why that cannot be done, but they need to be explored. Perhaps you could assist, with respect, by getting a few details of what problems the Department of Defence is in with the contracting in Adelaide. I do not know if I have any Adelaide colleagues here—it is not that we want to take the very lucrative work off Adelaide, but if Adelaide is struggling, as I read in the papers, perhaps this might be an opportunity if we could come forward with some facts and figures and details that might enable some work to be done, if not on the warfare destroyers, then on other projects that are being funded for the defence forces.

I turn now to the Office of Northern Australia. Has there been any change in staffing since we last met? Last time there were five positions in Townsville and three in Canberra, and one who, at the time of the last estimates, was floating around Brisbane.

**Ms Beauchamp:** There have been no changes at the moment, but, as I was explaining to Senator Joyce earlier, we have additional funding in the budget context for the department. One of our priorities is to enhance our regional presence, and we will be looking at growing the numbers in regional Australia, and Townsville could be an opportunity to do that as well, particularly if we do want to focus on that Far North Queensland strategy.

**Senator IAN MACDONALD:** The Office of Northern Australia is another name for a regional branch of your department. Do you still have regional branches of the department around Australia?

**Ms Beauchamp:** We do have a regional presence, but I am keen to look at how we have that presence in most states, including coverage of that northern Australia area.

**Senator IAN MACDONALD:** You do have a branch in every state capital, or you used to in the old days?

**Ms Beauchamp:** I do not think we have a branch in every state capital, no. For example, we do not have a presence in Melbourne, but we have a number of staff in Bendigo.

**Senator IAN MACDONALD:** That is good to hear. I think Senator Adams was telling me that you do not have one in Perth—is that right?

**Senator ADAMS:** That is Regional Development Australia for the committee.

**Ms Beauchamp:** We do have, as a department, a number of people assisting with the administration of the Indian Ocean territories, located in Perth.

**Senator IAN MACDONALD:** In your territories role?

**Ms Beauchamp:** Yes. I should say that I am actually trying to bring them all together to say that we speak as one voice; we are here for regions, whether they are in the territories division, whether they are in the Office of Northern Australia, or whether they are in the

Bendigo office. So how can we actually work together as a department rather than these separate businesses?

**Senator IAN MACDONALD:** I do not want to get offside with my Western Australian colleagues, but I like your Bendigo example. If you are looking at a new arrangement in Western Australia, perhaps you should look at Geraldton or Kalgoorlie or Albany or even Kununurra rather than the capital city as a regional department.

**Ms Beauchamp:** I think we actually have a part-time person in Kununurra.

**Senator IAN MACDONALD:** Yes, you have, or so you have told me in the past. Do you have an office in Darwin?

**Mr Carmichael:** Yes, we do.

**Senator IAN MACDONALD:** Does it mainly deal with territories or regions?

**Mr Carmichael:** It is a regional development. It is part of my division dealing with regional engagement.

**Senator IAN MACDONALD:** Is it part of the Office of Northern Australia, or is the Office of Northern Australia just a name?

**Mr Carmichael:** The Darwin office supports the Office of Northern Australian functions, yes. It plays a key role with the Office of Northern Australia.

**Senator IAN MACDONALD:** Is there anyone with a specific title in northern Australia? Is there a departmental head of the Office of Northern Australia?

**Mr Carmichael:** That would be my role. I manage the Office of Northern Australia. We have state teams. We have a team for every state in Australia, and we have an Office of Northern Australia office, and I manage all of those. We have a Queensland state team, for example, as well as a Northern Territory team and an Office of Northern Australia team.

**Senator IAN MACDONALD:** Do you have any representation in Cairns?

**Mr Carmichael:** No, not at this point.

**Senator IAN MACDONALD:** Rather than go through them: you have some representation in Townsville, some in Darwin, and a part-timer in Kununurra; do you have anything else in the northern part of Australia?

**Mr Carmichael:** Not at this time, but we are looking at how we support our activities nationally; there will be additional staff appointed into regional areas, but it is not finally decided yet where those places will be.

**Senator IAN MACDONALD:** I refer to the Northern Australia Sustainable Futures program. When is the next Northern Australia Ministerial Forum?

**Mr Carmichael:** It is in the next couple of months, and it is likely to be in north-west Australia.

**Ms Beauchamp:** In July.

**Senator IAN MACDONALD:** Is there a date in July?

**Mr Carmichael:** Yes, 28 July.

**Senator IAN MACDONALD:** In Broome? Kununurra?

**Ms Beauchamp:** Port Hedland.

**Senator IAN MACDONALD:** Is there an agenda out for the Northern Australia Ministerial Forum yet?

**Mr Carmichael:** Not yet. There is an officials level group working and, after the meeting in Darwin late last year, there has been a lot of activity in bringing together the agenda. The officials are working at this time putting an agenda together and progressing the work that was agreed in December last year.

**Senator IAN MACDONALD:** Have you told me the work that was agreed in December last year? Have I received that in previous estimates?

**Ms Beauchamp:** I think we might have gone through the key areas that the Northern Australia Ministerial Forum focused on around infrastructure, investment priorities, water, energy, Indigenous employment and opportunities to improve service delivery. We have already heard a bit about the beef industry. So there are key areas of focus for the Northern Australia Ministerial Forum, and we have set up a number of mechanisms now to progress work in those areas.

**Senator IAN MACDONALD:** Is the standing committee on regional facilitation the group that is supporting the ministerial forum?

**Ms Beauchamp:** Sorry, I am not aware of that standing committee. Is that its actual name?

**Senator IAN MACDONALD:** I am reading off a document under your Northern Australia Sustainable Futures program. I think I must have got this off the website. It says: 'Northern Australia Sustainable Futures program component, (1) Northern Australian Ministerial Forum, (2) Standing Committee and Regional Facilitation.'

**Ms Fleming:** There is a standing committee supporting the ministerial forum. I think the regional facilitation role is just a broader function of that standing committee.

**Senator IAN MACDONALD:** Is that the same group that Mr Carmichael was speaking about?

**Ms Fleming:** It is the bureaucrats that support ministers who participate in the forum.

**Senator IAN MACDONALD:** So that is the group that Mr Carmichael was speaking about?

**Ms Fleming:** Yes.

**Ms Beauchamp:** Sorry, the group that Mr Carmichael was talking about was a working group, which is a subgroup of the standing committee. I know it sounds very bureaucratic, but we could provide a diagram.

**Senator IAN MACDONALD:** Perhaps you could get me a diagram if that is possible, on notice. Is the Northern Australia Indigenous Sustainable Development Forum a forum that meets once or once a year, or is it an ongoing group with a strange name?

**Ms Fleming:** The formation of that forum is still with the minister to announce. That is a matter under consideration for the minister. We anticipate an announcement shortly on that.

**Senator IAN MACDONALD:** Could you make sure the committee is alerted to the announcement when it has been made?

**Ms Fleming:** Certainly.

**Senator IAN MACDONALD:** 'Community based planning: addressing barriers and opportunities to collaborative community participation'—I am just going through this list, which we have either got off the website or which you have given me, under Northern Australia Sustainable Futures Program, and this is No. F. Can you tell me briefly what that does?

**Ms Fleming:** Some of these projects will only commence this coming financial year, 2011-12, and the community planning project is one of those. The forum in its meeting in December created priorities around the beef and the infrastructure projects. If it would be helpful, I would be happy to take it on notice and provide an update on all of those projects for you.

**Senator IAN MACDONALD:** Is there specific money in the budget for any of these, or have they just come out of the general departmental—

**Ms Fleming:** No, it is in the budget, and it is known as the Northern Australia Sustainable Futures Program.

**Senator IAN MACDONALD:** So all of these projects come out of the—

**Ms Fleming:** It is a \$6 million program over three years, and they are subparts of it. I am happy to provide you with an update on each of those.

**Senator IAN MACDONALD:** Okay. You will get me an update on all of them, but do I take it that work really has not started? I see that it states, 'Partnership with the CRC for Remote Economic Participation.' We spoke about that earlier.

**Ms Fleming:** The forum has met the standing committees; the beef and the infrastructure projects are well advanced. ABARE has already been commissioned to do work on the infrastructure project with the department of resources. With respect to the building markets and environmental land management services, we are out for tender at the moment for that work. As to the partnership for CRC, we have made the first payment, but the water and community planning projects will commence in 2011-12.

**Senator IAN MACDONALD:** 'Mosaic agriculture in northern Australia: assessment of sustainability and prospectivity', with CSIRO and industry partners—where is that at?

**Ms Fleming:** I think CSIRO have commenced some of that work. That is part of the beef strategy. But I would have to take a specific update—

**Senator IAN MACDONALD:** So that is all part of the beef strategy?

**Ms Fleming:** Correct.

**Senator IAN MACDONALD:** We spoke about the Green Hills dam on the Gilbert River. Are you aware if the department or any other agency of government—and I was speaking with Mr Deegan in Infrastructure Australia in the other committee before I was here—is looking at any other water storage projects apart from the East Kimberley? Apparently you are on the working group for the Green Hills dam?

**Ms Fleming:** It is my understanding that the department of environment has a water futures program, but I would have to take on notice the direct correlation between that program and our work. I understand that members of the Office of Northern Australia have had some discussions with SEWPaC around the direction of that water futures assessment program, as I believe it is called. I would prefer to take it on notice.

**Senator IAN MACDONALD:** Did the Office of Northern Australia receive any particular budget support for the Cyclone Yasi recovery?

**Ms Fleming:** No, we do not deal with disaster recovery.

**Ms Beauchamp:** That is all being managed under the task force that we spoke about earlier today. We did talk about the natural disaster reconstruction efforts. Most of the recovery and reconstruction efforts around Yasi are being managed through the NDRRA arrangements, of which the Commonwealth government and the Queensland government are partners.

**Senator IAN MACDONALD:** Infrastructure Australia has spoken about a study from Townsville to Mt Isa and all of the mineral opportunities and other opportunities there, including ports. Is this department having an input into those projects?

**Mr Carmichael:** We are working with the Queensland department that is taking forward a lot of that work in that mineral province across that region—I was in Gladstone last week with Minister Stirling Hinchliffe, who has responsibility—and working closely with that portfolio around with the range of opportunities in that region.

**Ms Beauchamp:** Underneath the Northern Australia Ministerial Forum, infrastructure is one of those five priorities I spoke about earlier. We are working with the Department of Infrastructure and Transport and the Department of Resources, Energy and Tourism, and I am working with my colleagues to develop an infrastructure plan or infrastructure strategy. We are also engaging with Michael Deegan from Infrastructure Australia through that process. So we are working together to see what the infrastructure needs are for Northern Australia and the priorities, in consultation with the states and territories as well.

**Ms Fleming:** The ABARE project that I spoke about under the infrastructure umbrella project has agreed to terms of reference that will look at that corridor as part of its modelling, but we are still to do a bit more work on the scope of that particular part of the project. Infrastructure Australia is on the steering group for that study, together with the department of energy and resources.

**Senator IAN MACDONALD:** Could I just ask one more question before lunch, and that may finish me?

**CHAIR:** If that will finish you, I will oblige.

**Senator IAN MACDONALD:** Bearing in mind that Senator Adams has questions.

**CHAIR:** We will continue on afterwards, but we will come back after lunch for that.

**Senator IAN MACDONALD:** Is anyone from this department aware of and involved in any discussions on what is called the Iron Boomerang project? It does not ring a bell?

**Ms Beauchamp:** No.

**Mr Carmichael:** Is that the Queensland project?

**Senator IAN MACDONALD:** No, I think it is Gina Hancock Rinehart's original concept, but it is about taking iron ore from the west coast to the east coast and taking coal from the east coast to the west coast by some sort of railway line across the top of Australia. Infrastructure Australia are aware of it, and I understand that the Queensland government is doing a bit of work on it too. Again, it is something that perhaps would be useful for this department to keep an eye on as well.

**Mr Carmichael:** We are working with the Queensland government. They are about to release their own infrastructure strategy for the state. They will be consulting on that over coming weeks, and we will be clearly involved with that. As to the Northern Australia Ministerial Forum, that project has not surfaced yet. Maybe that is an opportunity for all three of the jurisdictions that we are working with across Northern Australia to raise that as an issue, but it has not been raised formally yet.

**Ms Beauchamp:** It will get picked up in the ABARE work that Ms Fleming spoke about.

**Senator IAN MACDONALD:** I hope Senator Sherry will pass on to Mr Crean how helpful I have been with a lot of my suggestions for his portfolio in this area.

**CHAIR:** I think we will now take our lunch break, after which we will be continuing with outcome 1.

#### **Proceedings suspended from 12:33 to 13:35**

**CHAIR:** The committee will resume. We are continuing with program 1. Senator Adams.

**Senator ADAMS:** I would like to come back to questions on notice that I asked last time and to continue on about Regional Development Australia committees and vacancies. I did speak about someone who had applied and they have still—it was nine months last time, and that was in February—not received any notification of their application being received and also of any ministerial appointment that might have come, and there is still a vacancy on the book. I would like to talk about the nine Regional Development Australia committees in Western Australia. My first question is, how many committees do not have their full complement of members?

**Mr O'Brien:** In Western Australia?

**Senator ADAMS:** In Western Australia. I am specifically talking about the nine committees in Western Australia.

**Mr Carmichael:** We normally acknowledge anybody who puts in a registration of interest. Normally, if somebody registers an interest in being on a committee, they would get a response within a week or so. In terms of the employment process, we have canvassed chairs. This is a new process that Minister Crean has put in place where we now consult chairs about vacancies so we can be sure of the sort of people they require. Maybe it is somebody with business links or somebody with community links that they do not have on the committee. We seek their advice on that. Unfortunately, that has slowed up the process, but it has involved chairs in that process. Then it is a negotiation. In the case of Western Australia, where we do not have to formally consult with the Western Australian minister, but we do as a matter of courtesy, there is some time taken to consult with Minister Grylls around the appointment processes. Those vacancies are in hand. We do have people, and over the coming weeks we should be able to make announcements about who those people are.

**Senator ADAMS:** That was your stock standard answer last time—‘within the coming weeks’. That was in February. We are now in May.

**Senator Sherry:** It is the minister’s call. You cannot criticise the public servant like that. I will find out from the minister what the issue or delay is, but that is the best we can do, I am afraid.

**Senator ADAMS:** I am just worried about the process. I think it is unfair. We have very committed and highly credentialed people applying. To me it is pretty rude if they are not even given an acknowledgment of receipt of their application, which has happened in this case again.

**Senator Sherry:** I will pass on your concerns to the minister.

**CHAIR:** We will go to program 1.1.

**Senator JOYCE:** I have been made aware of the assessment of the 80 projects. One project, the New Farm Neighbourhood Centre, is a \$10,000 project. Do they have to comply with the same processes? For instance, there is the \$8 million for the lighthouse at Yamba. Is there any way that we can reduce the compliance costs? Because obviously a \$10,000 project is not going to get very far if they have \$7,000 worth of compliance to try to get it up. How do we deal with excessive compliance costs?

**Ms Beauchamp:** Is this in terms of the compliance process?

**Senator MOORE:** This is about the compliance expectations; in other words, so we do not get figures like that \$7,000.

**Ms Fleming:** Could I confirm that this is the Community Infrastructure Grants Program that we are talking about?

**Senator JOYCE:** Yes.

**Ms Fleming:** In terms of the assessment process—value for money and risk—we have a range of processes that we go through that are scalable commensurate with the size of the program. We do not put someone who has a \$5 million program through the same process as someone that has a \$10,000 program. In terms of assessing value for money, we look at whether they have gone to the market. If they have gone to the market we take that as a sign of value for money, because they have tested the market, and then we talk to the proponent about their implementation plan and we work through whether there are any risks. We also look at the proportional part of the program. It might be that we are contributing \$10,000 to a \$10,000 program or that we are contributing \$1 million to a \$200 million program. It depends on the project that we are funding and the proportionality as to how we make those assessments.

**Senator JOYCE:** Have you had complaints about onerous compliance requirements for small projects?

**Ms Fleming:** I have not had any complaints to date from the proponents. We visited all proponents around the guidelines. To my knowledge we have not had a formal complaint.

**Senator JOYCE:** How do we determine the cost-benefit analysis for a small project, for instance, the \$10,000 New Farm project?

**Ms Fleming:** I think as we mentioned earlier, for the election commitment grants we assess value for money and risk, consistent with the ANAO recommendations. That is not the same as a cost-benefit analysis.

**Senator JOYCE:** Are you aware of this New Farm Neighbourhood Centre?

**Ms Fleming:** I do not have the details of that particular project to hand.

**Senator JOYCE:** Where is it?

**Ms Fleming:** In New Farm. I have not seen it. It is opposite New Farm Park. It is a community centre in Brisbane.

**Senator JOYCE:** That poses another question. Is a New Farm centre in Brisbane in regional Australia?

**Ms Fleming:** These are election commitments.

**Ms Foster:** The department administers a number of programs across Australia. The Community Infrastructure Grants Program, for example, has projects across regional Australia and in urban areas.

**Senator JOYCE:** What is the actual terminology for the bucket of money we are funding the \$10,000 New Farm project from?

**Ms Fleming:** It is called the Community Infrastructure Grants Program. It is one of the grants that meets the election commitment. Usually some of them are individually named, similar to Better Regions.

**Senator JOYCE:** I can assure you our office has had complaints about onerous compliance costs. You might want to check the record, because I find it unusual they would complain to us but not have complained to you. Maybe that is the case, but I would find that unusual.

**Ms Fleming:** I am happy to do that.

**Ms Beauchamp:** I find that very surprising, given this is a program that is to be rolled out in 2011-12. We have only commenced the process for assessment and just settled the guidelines. It would be good to have details of the complaints around those compliance costs, given that we are in the very early stages of implementation.

**Senator JOYCE:** I think what they said to us was that it was going to cost a few thousand dollars to try to put together the process of getting money for a \$10,000 grant.

**Ms Fleming:** I am happy to look into it.

**Ms Beauchamp:** It would be good to know the details.

**Ms Beauchamp:** In a response to program 1.1, I think I promised Senator Macdonald an idea of the governance arrangements as they apply to the North Australian Ministerial Forum. I would like to table that for the committee's information.

**CHAIR:** Do you wish the committee to have the document tabled? So ordered.

**Ms Beauchamp:** In that context, I would like to make a slight correction to something that Ms Fleming said in terms of the membership of the infrastructure priorities working group, which you can see in this diagram. I think she mentioned that Infrastructure Australia may have been a formal member. Infrastructure Australia is not a member. It is an organisation we work closely with under that infrastructure working group.

**CHAIR:** Thank you for that information. We will move on to program 1.2. Local Government.

**Senator JOYCE:** Where are we at with recognition of local government?

**Ms Foster:** Within the department we have a small team working on that process. We have been working closely with the Attorney-General's Department and also stayed in touch with FaCHSIA as they progress the constitutional recognition of Indigenous people. We are

on track to complete that process. As the government has said, I think the Prime Minister noted that she would make announcements about how we would take forward the recognition of local government in the first six months of 2011, and we expect that to be the case.

**Senator JOYCE:** Is it all envisaged to be part of the same referendum as Indigenous recognition?

**Ms Foster:** That decision has not yet been taken.

**Senator JOYCE:** It is not going to succeed unless it is.

**Ms Foster:** That decision is yet to be taken.

**Senator JOYCE:** As a concept at this point, is it still just a brief amendment of section 96?

**Ms Foster:** The government does not yet have a position on exactly what form that constitutional recognition would take. That will be part of the process that plays out between now and the holding of the referendum.

**Senator JOYCE:** As to correspondence with the local government authorities throughout the nation, they are widely supportive of you still at this point?

**Ms Foster:** As you may be aware, the Australian Local Government Association has been taking the lead in terms of engaging with individual local governments. Their advice is that by and large the local government sector is supportive of this.

**Senator JOYCE:** Are you aware of any areas of concern? Have any areas of concern been brought to your attention?

**Ms Foster:** Not at this stage.

**Senator JOYCE:** We know there is no point going down the path of a referendum unless the referendum succeeds. I am on the record saying I support the government's position and a number of other people are as well. I am very mindful of the fact that I want it to succeed. I want to make sure that we, as much as possible, have presented an approach that brings success. Therefore, have we tried to quell the concerns that have been raised by some—and they might be warranted—that this is an assault on state government sovereignty.

**Ms Foster:** The process that will play out over the rest of the year will actually involve widespread consultation. As you know, the federal government committed \$250,000 to ALGA last year to assist them to build support within the local government sector, and they have a campaign running over the course of this year. As I said, when the government announces how it will take the process forward, that will include very significant consultation so that we can air both the options for constitutional recognition, for example, how the question gets asked, what form it would take, and what sorts of issues the various stakeholders would raise, so that we can deal with those.

**Senator JOYCE:** As to the expenditure of that \$250,000, what have they actually been doing with that money to try to build their case?

**Ms Foster:** My understanding is that they have developed what we might call a toolkit, or packages of materials for local governments to use in selling the case for constitutional recognition within their communities. As you know, the strategy has been that the local governments are in the best position to generate the support at a community level.

**Senator JOYCE:** Has that been distributed across the nation?

**Ms Foster:** That is right.

**Senator JOYCE:** Who is getting it, just local councils?

**Ms Foster:** ALGA has been working through the local councils.

**Senator JOYCE:** Does it give you the capacity for feedback, in terms of the information that is being sent out?

**Ms Foster:** Yes, I am sure it does. I do not have details of the feedback to hand, but we can follow up and see what we have.

**Senator JOYCE:** How many booklets/pamphlets have gone out?

**Ms Foster:** ALGA is the federal body of each state local government association, as you know. The program was designed around ensuring that every local government had these materials.

**Senator JOYCE:** You must have required outputs when you handed over \$250,000. What were the outputs you were looking for?

**Ms Foster:** In broad terms, the outcomes we were looking for were to support ALGA in their strategy of providing information and generating support at a local level. We did not seek to constrain them in how they actually deployed that money.

**Senator JOYCE:** I know they would not, but what stops them from just putting on a conference and having a great big shindig down the Gold Coast?

**Ms Foster:** We work with ALGA to ensure the sorts of activities they were proposing were useful in the campaign they were running.

**Senator JOYCE:** Can you table for us the information they gave you as to the sorts of activities they were proposing?

**Ms Foster:** I do not have it to hand, but I can do that on notice.

**Senator JOYCE:** But to your knowledge, it was that they will send out a brochure?

**Ms Foster:** I think it is more sophisticated than a brochure, but let me take that on notice and get the details.

**Senator JOYCE:** Under local government—a review of Financial Assistance Grants was announced in the 2011-12 federal budget. What will be the terms of reference for that review?

**Ms Foster:** As you say, it was announced in this budget, so we are just working up the details of how that review will take place and what the terms of reference will be.

**Senator JOYCE:** When will we actually start seeing some of that information?

**Ms Foster:** The review is scheduled to be completed for the 2013-14 budget.

**Senator JOYCE:** Will local government be involved in the scope of that review?

**Ms Foster:** I would imagine so, yes.

**Senator JOYCE:** Will the issue of the quantum of funding be included in the review?

**Ms Foster:** I would expect so.

**Senator JOYCE:** Will state distributions and council distributions be part of that review?

**Ms Foster:** Those things all make sense, but I cannot say definitively yes or no, because we will have to develop the terms of reference and have those endorsed.

**Senator JOYCE:** Could you explain what the national assessment framework being conducted by the Australian Centre of Excellence for Local Government involves?

**Ms Foster:** Which aspect of the centre's program are you asking about?

**Senator JOYCE:** The Australian Centre of Excellence for Local Government, ACELG. Can you explain what the national assessment framework being conducted by the Australian Centre of Excellence for Local Government involves? What is this national assessment framework?

**Ms Foster:** That is not ringing a bell with me in terms of the programs that the Centre of Excellence for Local Government runs but let me seek some advice from my staff and see if anyone who is here with us can help point me to the right area of their efforts. We will do that while you ask the next question, if you like.

**Senator JOYCE:** The next two questions are about the national assessment framework. I might put them on notice. What will the government do if the assessment finds that a council or group of councils is falling behind? When will the questionnaire be made public? That must be part of the assessment framework. What is the future of the Australian Council for Local Government?

**Ms Foster:** I think the minister has said that his intention is to continue with the Australian Council for Local Government.

**Senator JOYCE:** Will the council meet in June?

**Mr O'Brien:** No.

**Senator JOYCE:** Do you have an alternative forum to be convened by the federal government?

**Senator Sherry:** I do not think a date has been set.

**Ms Beauchamp:** We are working through those issues with the minister at the moment.

**Senator JOYCE:** With respect to road funding, why has the government decided to continue with special Financial Assistance Grants to South Australia for roads?

**Ms Foster:** The South Australian roads supplementary funding recognises that within the distribution to states for local roads South Australia did not have an adequate percentage of that funding, and the supplementary funding recompenses South Australia for that.

**Senator JOYCE:** Can't you just fix the anomaly for the special grants?

**Ms Beauchamp:** That sort of issue will get picked up in the review of the Financial Assistance Grants program.

**Senator JOYCE:** When will the government pay the first instalment of the expected 2011-12 local government Financial Assistance Grants of \$536.6 million to local councils so they have immediate use of the funds as per the 2011-12 budget?

**Mr O'Brien:** I think it is during June.

**Senator JOYCE:** What is the cost to the Commonwealth of bringing this payment forward insofar as interest foregone?

**Ms Foster:** We do not have details of the interest foregone.

**Senator JOYCE:** Why did the government bring this money forward? Was the government approached by any councils to bring the money forward?

**Ms Foster:** The government brought the money forward in order to provide additional flexibility for local governments, particularly in the context of the disasters that had affected so many of the local government areas over the summer period.

**Senator JOYCE:** Does the government plan to do the same thing next year—bring money forward?

**Ms Foster:** I do not believe the government has made a decision on that.

**Senator MOORE:** I have a general question about Women in Local Government, a very active organisation. Do they receive any funding?

**Ms Foster:** Yes, I am not sure I have the details here with me.

**Senator MOORE:** That is fine. I will put that on notice.

**Ms Foster:** But we have supported them in various ways, particularly last year during the Year of Women in Local Government. We supported some of their activities to engage over that year. We also provided a number of scholarships for women to participate in the first course that the Centre of Excellence for Local Government is running with ANZSOG. I think we sponsored about—

**Senator MOORE:** It is being run now, isn't it?

**Ms Foster:** It is shortly to be run.

**Senator MOORE:** But during this year some time?

**Ms Foster:** Within the next couple of months. I think the Commonwealth funding has sponsored something in the order of 10 women to participate in that course.

**Senator MOORE:** If I actually put this on notice, can we get some details of that process? I would imagine the scholarships go to regional women to allow them to come into such a process. But I will put that on notice and we will get a bit of a report on it.

**Ms Foster:** Certainly.

**Senator FERGUSON:** I just want to ask some questions in relation to Norfolk Island and the current proposals. Mr Yates, you may be the best one to answer this question; if you want to handball it, well and good. On page 37 of Program 2.1 we see, amongst other things, Norfolk Island financial assistance for the year 2010-11 has been revised to \$6.4 million. There is then no allocation of funds in the forward estimates for the next forward four years. Is the department of the view that Norfolk Island will be self-sufficient for those coming four years?

**Ms Beauchamp:** The \$6.4 million particularly relates to the year 2010-11. We are working in partnership with the Norfolk Island government around a number of reforms. Depending how we go with the review and the implementation of those reforms, we will then provide the opportunity for advice back to government whether additional funding is required or not.

**Senator FERGUSON:** Are you of the view there would not be additional funding required?

**Ms Beauchamp:** I think we need to go through a process with the Norfolk Island government. There are a number of strands to the reform agenda.

**Senator FERGUSON:** There certainly are a number of strands; I understand that. Has the government received a request from the Chief Minister for additional funding immediately to cover some of their outstanding liabilities and the expenses that may be expected in the coming year?

**Ms Beauchamp:** That \$6.4 million actually does apply and respond to the request from the Chief Minister.

**Senator FERGUSON:** The most recent request?

**Ms Beauchamp:** I would have to ask Mr Yates about the most recent request, but certainly that responds to the requests we have seen for this financial year.

**Mr Yates:** The Norfolk Island Chief Minister has written to the minister seeking further support next year. That request is still being considered by the government. As the secretary has noted, we are working in partnership with the Norfolk Island government. No decisions have been made for future years.

**Senator FERGUSON:** What is the total amount of money that has been requested for the coming year?

**Mr Yates:** The Chief Minister indicated that on their initial estimates it was in the order of \$9 million, but that was an initial estimate when they had not yet finalised their budget processes. I am aware that they have not finalised their budget processes internally yet so there is not a definitive figure for next year on the table.

**Senator FERGUSON:** The department obviously is aware of the serious economic conditions that currently exist on Norfolk Island. There is no allocation of monies whatsoever for the next four years for financial assistance and yet in this first year we have the Chief Minister requesting \$9 million. In order to keep some sort of integrity in the government's budget you would have thought at least there was some provision, because they have required assistance for a number of years now in each and every year.

**Mr Yates:** They have only received formal funding assistance in the current financial year. As I say, the future financial years are still under consideration by government.

**Ms Beauchamp:** It is really important, in terms of working through a number of reforms with the Norfolk Island government, that we can see some progress made against those reforms to make the Norfolk Island government more sustainable. I think both the Norfolk Island government and the Australian government have that objective in place, but that is subject to a number of reforms that need to be implemented on Norfolk Island.

**Senator FERGUSON:** What are the objectives that are in place?

**Ms Beauchamp:** The objective around putting Norfolk Island on a more sustainable financial footing does require a number of reforms to be implemented by the Norfolk Island government.

**Senator FERGUSON:** Your program objectives state:

Fostering the connectedness of the isolated communities of external territories to the broader Australian community by delivering services and contributing to economic and social sustainability.

What does that really mean?

**Ms Beauchamp:** It is particularly important that we look at ensuring all Australian citizens have access to services and an environment that contributes to the economic and social sustainability of their regions.

**Senator FERGUSON:** It would appear that the only sustainable industry on Norfolk Island in the past has been tourism. I am wondering whether the department, together with the Norfolk Island government, has looked at what the prospects are for tourism, say, in the next six months. Is there any indication of the forward bookings and the figures for the next six months?

**Mr Yates:** We do not have that data in detail. That is information collected by the Norfolk Island government. The general trend for tourism for some years has been downwards. We have provided, in terms of promoting tourism, assistance in the current financial year to support the Norfolk Island government to renegotiate its airline contract. Those negotiations are underway. In fact there have been some more this week. Because that is between the Norfolk Island government and our airline, I cannot comment on their progress, but that is an indication of the type of support that we have provided. The Commonwealth makes a direct investment in one of the principal tourism assets on Norfolk Island—the Kingston and Arthurs Vale Historic Area. Over the past few years the Commonwealth has invested some \$12 million directly in that particular asset, which this year achieved World Heritage nomination. That was done with considerable Commonwealth support.

**Senator FERGUSON:** I am going to leave questions in relation to the historic areas to Senator Humphries, but it would appear to me that if tourists are not coming to the island it will not matter how much money they spend on Kingston and Arthurs Vale Historic Area—the whole of the heritage area. Does the department expect that a renegotiated contract will enable the airline to run at least at a neutral figure? Do you think they will be able to overcome the \$4 million to \$5 million a year loss that the airline is currently operating under?

**Mr Yates:** That is the objective of the Norfolk Island government. It is their contract. We have provided some technical assistance to help them in those negotiations, but that is very much a matter for their government. I know they are very keen to bring the airline to a break-even or preferably a profit situation.

**Senator FERGUSON:** So, when you are talking about delivering services and contributing to economic and social sustainability, helping them renegotiate an airline contract is one of the issues. Can you give me some others? The problem is with tourism being the only industry on the island of any consequence—or it has been in the past—people on the island and people from outside of the island wonder where this economic sustainability could come from. What else are we doing?

**Mr Yates:** Another major area directly supporting that is the Commonwealth's contribution of the funding to resurface the runway at the airport so that it could remain open. I believe the figure there was in the order again of some \$11 million to \$12 million provided through a loan. To date the Commonwealth has largely agreed with the Norfolk Island government to defer loan repayments.

**Senator FERGUSON:** When you go through the program of expenses, you have services to the Indian Ocean territories, which have remained constant; the Kingston and Arthurs Vale Historic Area, which remains constant, and none of that is actually helping provide economic

sustainability if people are not going there. You have the ongoing finance for the Office of the Administrator. Blind Freddie could tell you that they are going to require financial assistance and yet there is absolutely no provision for it in any of the forward estimates.

**Ms Beauchamp:** As we said earlier, there is a reform agenda to be pursued in partnership with the Norfolk Island government. We have had people over there from the Department of Finance and ourselves looking at their financial situation. For the first time they have opened up their books, in a sense. They need to review the public service and the administration issues on the island. There are a number of issues around land, industry and business we are looking at and working with the Norfolk Island government to see how they can improve their financial situation. So the airline contract and the tourism issue is one element of that reform agenda. There are a number of other different elements where there are opportunities for reform that we are currently in negotiation with the Norfolk Island government on.

**Senator FERGUSON:** We are aware of the reforms, but I do not see any of those reforms that look like they are going to provide an economic balance for the community or any economic assistance. They are mainly framework things. I will come to those later. The second point in your project objective is safeguarding Australia's national strategic interest in the external territories. What are the strategic interests?

**Ms Beauchamp:** Like most regions, we have an interest in ensuring the needs of citizens are looked after right across Australia. Our strategic interest is maintaining the economic opportunities of particular regions, including Indian Ocean territories and Norfolk Island.

**Senator FERGUSON:** When I think of strategic interests, I think of a far broader definition than that. Strategic interests are both revolving around foreign affairs and defence issues—a whole range of things—but they do not seem to get a mention at all. We have an island sitting out on its own in the middle of the ocean. Is that part of the strategic interest?

**Ms Beauchamp:** From a whole-of-government point of view, yes, that would be.

**Senator FERGUSON:** I want to go on to the road map, which has been circulated widely and belatedly, I might say, on Norfolk Island. When we were there as a committee only a few weeks ago the most common complaint was the timing of the delivery of this road map for people to consider. They were expected to make a decision and did not get the road map publicised until only a week or two before decisions had to be made. On what basis was it circulated to the whole of the community?

**Mr Yates:** The road map was quite widely distributed by the Office of the Administrator and the Norfolk Island government once it was signed by the minister and the Chief Minister. There was a public meeting chaired by the Chief Minister that I also attended—I do not actually have the exact date; it was some little time ago—where the road map was described to the community by the Chief Minister and the reasons for it. They were invited to make comments on it so that the views of the community could be taken into consideration.

**Senator FERGUSON:** If they are going to be taken into consideration, it suggests that the contents of the road map are negotiable. Are they?

**Mr Yates:** The road map is an approach to the sorts of reforms that are needed. Comments are still being collated by both the Norfolk Island government and the Office of the Administrator, so I actually have not seen the comments that have come from it. The Australian government has not yet determined what sorts of modifications to self-government

would be done. There is still considerable discussion to be had between the Australian and the Norfolk Island governments on the reforms.

**Senator FERGUSON:** So you are suggesting that the contents of the road map are negotiable?

**Mr Yates:** The road map is as it is. It is when and the type of decisions that are made. The road map does not specify detail about modifications to self-government.

**Senator FERGUSON:** No, it does not, but it does specify a lot of other things. What elements of the road map are non-negotiable? I guess that is the best way to put it. Which elements are non-negotiable?

**Mr Yates:** The easiest way I can probably describe that is to use what the minister was saying on the island. If the community of Norfolk Island—and under their self-government arrangements they took responsibility for all of their own fundraising—is to participate in the Australian tax system with the benefits that that brings, they need to participate in the tax system. For example, if they were to become able to get Medicare assistance or the broader social security assistance, they would need to participate in the tax system.

**Senator FERGUSON:** So, that is non-negotiable?

**Mr Yates:** I think that is the position that the minister stated publicly; that if you are to receive the benefits, you need to be part of the tax system. This comes from the foundation of Norfolk Island's self-government in that they were to raise their own funds and hence they do not pay Australian tax.

**Senator FERGUSON:** I am not suggesting I disagree with that approach, but generally if documents are put out for what they call community consultation—in my view it was not consultation that was required, it was information; many people were simply not aware what the ramifications of the road map were. So information was more important than consultation. When do you expect the decision on the road map to conclude?

**Mr Yates:** It is very hard to give a precise answer, because it is a negotiation. Our minister is keen to progress the reforms as fast as is practical, but he has also made very clear in public statements on the island that he wants the community to go with him.

**Senator FERGUSON:** I can understand that, but there are some dates in that road map, one of which of course is removing restrictions on Australians starting new businesses in Norfolk Island, and on self-funded retirees migrating to Norfolk Island, which has a start-up date I think of 1 January next year.

**Mr Yates:** Those were the indicative dates in the road map. Those discussions are still underway with the Norfolk Island government.

**Senator HUMPHRIES:** What is the status at the moment of the road map negotiations? In whose court is the ball for a response? As Senator Ferguson indicated, the road map has been circulated belatedly to the community there and they are now looking at it. Is the Australian government expecting a formal response from the Norfolk Island government to the road map?

**Mr Yates:** The next stage is for the community's comments to be collated and considered by both governments.

**Senator HUMPHRIES:** So, both governments will do that. How is the Australian government assessing what the community on Norfolk Island thinks about the road map?

**Mr Yates:** By looking at what they say, identifying themes and looking at issues that they have raised and how they might be dealt with.

**Senator HUMPHRIES:** Raised through the public meeting? Raised through, what; email comments?

**Mr Yates:** Principally through the written responses to the request that was made at the public meeting. Obviously we took notes of the comments raised at the public meeting. I had a senior officer on island two weeks ago who had a wide-ranging set of meetings with community groups to explain the status of things to understand their views. Those will all be fed into the discussions.

**Senator HUMPHRIES:** How many written comments have you had from people on island?

**Mr Yates:** I have no information on that yet. I would have to take that on notice.

**Senator HUMPHRIES:** Yes.

**Ms Beauchamp:** Our department also contracted Deloitte Access Economics to conduct a census and survey to look at indeed the exact community profile when considering tax arrangements or access to services as well. That census and survey was undertaken during March. There was a number of community information sessions on that and the results of that will then be fed in to better understand how we might improve and what some of the metrics might be around improving the long-term economic sustainability of the island.

**Senator HUMPHRIES:** To emphasise what Senator Ferguson was just saying, the powerful impression I think the whole committee came away with when it visited the island a few weeks ago was that people are desperately short of information about what the road map means. There was some goodwill towards the idea of a greater integration of the island's taxation and other systems with the Australian one, but everybody was saying, 'What does it mean for us? If we pay tax we have not paid before, how much tax do we pay? What do we do with existing business obligations?' There were all sorts of questions like that. If I might suggest from this side of the table, I think an investment in explaining that more clearly to individuals and people on the island with concerns would be a very good move to make.

**Mr Yates:** I do appreciate that feedback; it is very useful. We have also published a series of fact sheets that attempt to describe how the Australian system works. It is difficult til we get, if you like, some more detail on what the modified self-government might look like to give individually worked examples. We certainly understand the need to keep the community engagement and information exchange in both directions working.

**Senator ADAMS:** The fact sheets were very confusing for people who do not understand how tax systems work. With the fine print I found it just was not a user-friendly document. It really needs to be explained properly with a more common-sense approach and not a bureaucratic one. It was just too bureaucratic. People were bringing it up and saying, 'What does this mean?' You had to look yourself and think, 'I have to try to explain this in much more simplified terms.' The print was far too small and too hard, so people did not read it.

**Mr Yates:** I got similar feedback on it from my senior officer who was there. The strategy we are looking at is appointing a local tax agent with some funding support from us to provide people with individual explanations to deal with that.

**Senator FERGUSON:** I and the rest of the committee could not speak highly enough about the work being done by the administrator, who has a great empathy for the island. I understand that his term is due to expire at the end of the year and I hope the government sees fit to leave him there until this difficult era in Norfolk Island's life is satisfied and until the decisions are made and taken. I think he really is a bit of a key. Not everybody on the island loves Owen Walsh and the work he is doing, but most do. Is Norfolk Island considered part of remote and regional Australia?

**Ms Foster:** I think we would simply describe it as a self-governing territory of Australia.

**Senator FERGUSON:** That means when they apply for—

**Senator Sherry:** Similar to the ACT. Are we rural and remote?

**Ms Foster:** What I am trying—

**Senator HUMPHRIES:** Remote, yes.

**Senator Sherry:** It depends on what your definition of 'remote' is.

**Ms Beauchamp:** I would consider the Australian citizens on the island as being in regional Australia.

**Senator FERGUSON:** When it comes to applying for funds under certain areas—and buckets of money—such as funding for remote and regional Australia, the excuse for knocking back a lot of applications seems to be the fact that they are a self-governing territory and they are not part of remote and regional Australia. The biggest concern that I have—and I think my colleagues share it—is that a lot of the things that are proposed in the road map do not actually occur until 2013 and 2014, and by that time half the islanders will be broke. They are currently eating into savings because the business community has nobody going through the shops. I went there 20 years ago for the first time and you had to line up at a cash register. Now some of them are lucky to see two people in their shops a day. I asked a question about forward bookings, and you said you did not have all the information. We were told that some of the hotels, motels and the accommodation places had less than five per cent forward bookings for the next three months. Their savings will only last so long. That is why there is a certain amount of urgency required. I must say that I am very concerned to see there is no forward funding. Without the government adhering to the request of David Buffett for immediate funding, I am not sure there will be anything there for the road map to serve by the time they finish, because it will be too late. I will leave it for now, because I know Senator Humphries has some questions on Kingston and Arthurs Vale Historic Area, and I have a couple I want to ask at the end.

**Senator HUMPHRIES:** In relation to the KAVHA arrangements, I understand that a review was initiated in 2008 into the management, operation and administration of KAVHA, and that has now been delivered. Can you indicate what the status of those recommendations are at this point?

**Mr Yates:** Yes, that is the Ayliffe report. The report has been delivered to both governments. Its current status is that we are waiting for some advice from the Norfolk Island

government on their views about those recommendations. No decisions have been made within the Australian government about the appropriateness or not, apart from I think we clearly understand that the current arrangements need to be put on a stronger foundation in terms of their governance.

**Senator HUMPHRIES:** The board that manages KAVHA at the moment is jointly appointed by the Norfolk Island and federal governments, as I understand it, and the heritage maintenance of the area and so forth is also jointly funded. Is it funded in equal parts by the two governments?

**Mr Yates:** The broad approach is equal funding. The KAVHA funds break-up are divided into areas of relative interest where the Australian government pays 100 per cent of the funding for the areas of greatest interest. Unfortunately you will not see this in the PBS; there is just the single figure there. I can take on notice the break-up of the figures and how the funding works. It is relatively complex between the two governments, and I think this is one of the areas that I would like to see on a better footing.

**Senator HUMPHRIES:** Picking up on what Senator Ferguson was saying about the importance of tourism to Norfolk Island because it is basically its only industry, what concerns me is that—possibly because the two governments are expected to contribute equally to the conservation and maintenance of that area—we have what I think would be regarded as a reprehensibly small amount of money being invested in an area of almost unparalleled historic importance to Australia. Of course, bearing in mind that Kingston was established in the same year that Sydney was established and is a far more complete historical record of that settlement than Sydney is today, it is immeasurably important, and the funding in the out years for that area is not much more than \$1 million. I have not been able to find out how much is invested in areas such as Port Arthur in Tasmania and other areas of arguably less historic value to the Australian community. Can I suggest to you that it is critical that the value of that area and the need to invest in it not be dependent on an agreement with the Norfolk Island government, given the parlous finances of that government at this point. When do we expect to see an announcement of outcomes from that review?

**Mr Yates:** Just a quick note on the funds in the forward estimates. My quick arithmetic has it as well over \$2 million over the period, as just the Commonwealth's contribution to Kingston and Arthurs Vale.

**Senator HUMPHRIES:** I am looking at the table on page 37 of the PBS.

**Mr Yates:** That is correct. Norfolk Island, Kingston and Arthurs Vale next year is \$598,000—\$610,000, \$616,000 and \$621,000, for the out years.

**Senator HUMPHRIES:** Where else is that money from?

**Mr Yates:** That is the Kingston and Arthurs Vale Commonwealth contribution.

**Senator HUMPHRIES:** So, \$598,000 with an approximately matching contribution by the Norfolk Island government?

**Mr Yates:** Approximately. Because they have not settled their budget, I would like to take the break-up of the funding on notice.

**Senator HUMPHRIES:** Twice \$600,000 is \$1.2 million. It is not \$2 million.

**Mr Yates:** But over the forward estimates.

**Senator HUMPHRIES:** We are not talking about over the forward estimates. I am talking about an annual investment in an area of unparalleled importance in Australia's history.

**Mr Yates:** Sorry, I misunderstood you. I thought you were talking about the Commonwealth's contribution over the forward estimates.

**Senator HUMPHRIES:** It would seem to me that that is inadequate in terms of an investment in an area as important as that. I am not an archaeologist or a historian so I am not going to swear to it, but I would ask you to consider how much we invest in other areas of lesser historical importance, such as Port Arthur, in Australia. I understand there is an ongoing Australian government investment in that area. Perhaps Senator Sherry knows a bit more about that.

**Senator Sherry:** There is, but I would be cautious about describing something as being of lesser historical value.

**Senator HUMPHRIES:** I am not making otiose comparisons.

**Senator Sherry:** Relative historical value. And I do not deny the historical value of Norfolk Island.

**Senator HUMPHRIES:** No, I am not trying to suggest that Port Arthur is less important, but I am saying that there is probably no more important extant historical site from the point of view of the early settlement of Australia than Kingston. It is certainly the oldest. Nothing remains of that era in Sydney, which was established in the same year, and I do not think you can exaggerate the importance of the Kingston and Arthur Vale area. I just think there is an underinvestment in that, but I will come back to that in future estimates committees. Could I ask about a different subject, and that is the provision of legal aid on island. I assume that the arrangements with Norfolk Island have historically been the same as for other Australian states and territories; that is, that both the Commonwealth and the state and territory governments contribute to the costs of running a legal aid facility for each community?

**Mr Yates:** To my knowledge, from the Territories Division we do not make any contribution to Norfolk Island's legal aid. There have been special one-off payments made for the Patton murder trial in years past, but as a self-governing territory that raises its own funds, legal aid is primarily their responsibility. I have to note that I am not familiar with the details of the legal aid funding managed by the Attorney-General's Department. I can only say that in the Territories Division we do not pay legal aid on Norfolk Island.

**Senator HUMPHRIES:** I will pursue that with them.

**CHAIR:** Senator Adams, on the same issue.

**Senator ADAMS:** It is on Norfolk Island, but on the topic of the hospitals and health. We have just had a very disturbing message regarding hospital staff possibly not being able to be paid in the future. I would like to know about the \$6 million that has been forwarded to Norfolk Island. Does the Commonwealth government make stipulations as to how that will be spent, or is it up to Norfolk Island to allocate what goes to each area?

**Mr Yates:** We have established agreements between the Norfolk Island government and the Australian government governing the payment of the funds. There are two agreements. The first one is for the initial round of funding and then when the Australian government agreed to a second tranche in the current financial year, a second funding agreement was

signed that had the effect of amending the first one. Those funding agreements list a range of things that the funds are able to be spent on, stipulate an acquittal process and seek the Norfolk Island government's commitment to a range of reforms. The starting point is trying to improve their financial management systems within government, to give but one example. There are agreements negotiated between the two governments that stipulate the range of things that the funds can be expended on.

**Senator ADAMS:** Are the hospital management and running of the hospital services part of that? Do you stipulate X amount for that?

**Mr Yates:** That is a piece of technical detail, so I will need to locate that specific thing or I can take it on notice.

**Senator ADAMS:** I have just been given a figure of \$92,000 a month to go to the Norfolk Island hospital. Unfortunately, as Senator Ferguson has stated, there is desperation in trying to get more funding to carry on in the different areas on the island. The staff are paid every second Thursday and may not be paid in their next pay, so that really concerns me. I would like to know what checks are made by the department on where the funding goes, because this is fairly serious stuff.

**Mr Yates:** It is. I do not have the specific information as to staff possibly not being paid, but through the funding agreements we have an active process of managing where the funds are going and an acquittal process to demonstrate to us that they have gone to the place that it is meant to go to.

**Senator ADAMS:** The other part that concerns me is with the roadmap measuring the transition to social security and Medicare by 2013-14. It is 2011 at the moment. We have people there unable to go to specialist appointments on the mainland. Things are pretty grim. One area that I am very keen about is breast screening. The women are not getting access to breast screening at all because they cannot afford the airfare to get off the island to go to Queensland Health to be screened. There are a lot of issues with the health service. They have great professionals working there, but the services that other Australians can actually access these people cannot and have no hope. It is a really difficult area. As you would be aware, they are fundraising for the hospital, but if everything goes according to plan Medicare is not going to come into being until 2013-14, so I think that we have a huge problem there.

**Mr Yates:** As I mentioned, the roadmap's time frames are subject to discussion between the governments. The Norfolk Island government, under the self-government arrangements that they adopted in 1979, is responsible for health care on the island.

**Senator ADAMS:** I am fully aware of that, but the health fund is just about completely depleted. There are people there that are not accessing services because they cannot afford it. They have to come up with \$2,500 worth of medical services before they are eligible for the fund, and the cost to join the fund is \$650. If you do not have an economy and your businesses are going down, it is becoming a desperate situation. That is the reason that I am raising these issues now. As a former health professional I am very concerned with the information that I was given when I was on the island a few weeks ago. They are doing their best to try to raise funds to build a new hospital, but the reason for us asking, as part of regional or remote Australia, is whether they can become eligible for the Regional

Development Australia Fund. Currently they cannot, but if they come in under the Medicare system, will they be able to?

**Ms Beauchamp:** That is one of the reasons why the government wants to pursue the reforms in the roadmap as a matter of urgency. We want to put in place responsibilities, services and support that are available to other Australian citizens. The government has seen fit to provide \$6.4 million upfront to the Norfolk Island government in 2010-11. As Mr Yates said, we will be working as expediently as we possibly can to try to get the roadmap reforms implemented as quickly as possible.

**Senator ADAMS:** The costs of the airfares at the moment are just ridiculous, and of course that is really the barrier to tourism. Tourists can go anywhere else for a quarter of the amount of money.

**Ms Beauchamp:** There has been a lot of work done around looking at the airline contract and going through the books on that. We have had expertise in there working with the Norfolk Island government around renegotiating that contract.

**Mr Yates:** I can answer your question on the specifics of the funding. I have found the relevant page. The first funding agreement that formed part of it for hospital operating costs agreed on a monthly payment of \$93,000 and from May, this month, a further \$80,000 into the healthcare fund. The second funding agreement added for the healthcare fund to assist on a revenue side of things a further \$146,000 a month and another \$77,000 and \$120,000 to assist with other health and pension costs. That is why I am saying it is slightly complex. The table does not have a total for that particular line, but in broad terms this month we are assisting Norfolk Island government, expressly for public health and welfare, in the amount of \$497,000 and next month, \$553,000.

**Senator ADAMS:** That is very good to hear. Thank you very much for that.

**CHAIR:** Senator Ferguson.

**Senator FERGUSON:** I have been listening to what you have been saying about the roadmap and the hope that it can be finalised. If there is agreement reached between the Norfolk Island government and the Australian government by the end of this year—I would hope that it is before that—once the commitment is given to come on to our non-negotiable position on the taxation system, is there any reason why social welfare and Medicare could not apply to the island residents immediately rather than waiting until 2013?

**Ms Beauchamp:** They will be decisions for government once we get to that point, and there is no point in speculating on what might or might not happen.

**Senator FERGUSON:** I cannot impress enough the urgency of something happening. One of the objectives is:

... delivering to the residents of non self-government Territories services of a comparable nature and standard to those delivered to equivalent mainland communities.

We go out of our way to deliver some of these services to outback communities in Northern Australia and some remote Aboriginal communities. We have promised we will do it in two years time. For health and social services it is almost immediate. When you hear of one chap that I spoke to whose daughter was working for \$7 an hour, that simply is not comparable to other Australian citizens, which is what they are, so I cannot stress enough the urgency.

I have a question in another area. In talking about the KAVHA area that Senator Humphries mentioned, have any changes to the use of heritage buildings within the Kingston and Arthurs Vale Historic Area been contemplated? I am talking about the Legislative Assembly, the island government offices or Government House. Have there been any changes contemplated for the use of any of those buildings?

**Mr Yates:** There have been changes made to the use of a number of the buildings over time and I have had some discussions with the site manager about some of the buildings—not the specific ones that you are referring to—as a matter of how we make better use of those from a heritage viewpoint. There have been no formal discussions at the KAVHA board level or with the Norfolk Island government about the buildings that you are referring to.

**Senator FERGUSON:** Let me be more specific because it was stated to me by a person on the island. Have you contemplated any changes in the use of Government House as a residence for the administrator?

**Mr Yates:** The current administrator, through his own choice, is living in what was the servants' quarters. I have expressed a view to him that he could live in the main part of the house which, in my personal opinion, is a better part of the house to live in. Yes, at that sort of level, there has been that type of discussion.

**Senator FERGUSON:** But not requesting the Administrator to move out so that the whole of Government House can be used for visitation purposes or for official functions only?

**Mr Yates:** We certainly have not raised that with him. I have had people express that view to me, but in terms of Mr Walsh, no, not at all.

**Senator FERGUSON:** It was not him that spoke to me either.

**Mr Yates:** I have suggested to Mr Walsh that he could use a different part of the main part of the house, but he has chosen to live in the other part.

**Senator FERGUSON:** I have seen what happened on Christmas Island when the administrator was moved out of the official residence and moved into another place. It virtually became a shell for a long time. I have not been there for a couple of years.

**Mr Yates:** It is being used.

**Senator FIFIELD:** Serco might have their eyes on it.

**Senator FERGUSON:** I think it would be a retrograde step because it is so much an integral part of the island community in their day-to-day life, including the fact that that is where Mr Walsh lives. I think it would be a retrograde step if there were any change in the usage of Government House.

I presume that you are aware of the cost-of-living pressures on Norfolk Island and the wage level structures?

**Mr Yates:** Yes, that is correct.

**Senator FERGUSON:** I know that we are talking about trying to find economic stability for Norfolk Island, but is it the government's or the department's belief that Norfolk Island, as a community, can ever survive without government support from the mainland, from the Commonwealth? I might add that no other Pacific community does.

**Ms Beauchamp:** I am certainly not in a position to express my own opinion here. As we progress the reform agenda there will be issues that the government will need to make and issues for the Norfolk Island government to consider, so I would not like to speculate on what might or might not happen.

**Senator FERGUSON:** I will not be asking questions about Norfolk Island anymore, but I do have a tremendous interest in what happens there and have had for 20 years. I would like to reiterate that the Administrator needs to be there until these problems are sorted out, because he has intimate knowledge of it. The other thing is that I believe, in the long term, apart from the fact there are really urgent requirements, people are hurting so badly. There are not many Australian citizens under the pressures that they have on Norfolk Island right now with no prospect of improvement. I have to say that. There is no immediate prospect of improvement because of the tourism situation. I certainly wish you well and I think, in general terms, the roadmap is a good one.

**CHAIR:** Are there any more questions on Norfolk Island?

**Senator ADAMS:** I have an issue that I would like to raise.

**CHAIR:** I would like one moment before we go any further. I wanted to put on the public record our thanks to Senator Ferguson. This is his last estimates with us. He has made a contribution to this committee over a long period of time and we wish him well. Senator Adams.

**Senator ADAMS:** Superannuation was an area that was raised and the minister is here, so he might be able to help me due to his former portfolio. There are a lot of self-funded retirees living there. Of course, they have no super and they are wondering if there is any way that they can get into a super scheme if and when changes are made in the Australian taxation system?

**Senator Sherry:** I am not familiar with the details of the roadmap and what is involved in the tax superannuation environment. Obviously, the other issue, of course, is the age pension. I am not aware of the details there.

**Senator ADAMS:** There is nothing there. It was raised with me that it was something that they were very concerned about and how it would work. I am not a super expert, so I thought I would ask the question here.

**Mr Yates:** That is an important one that we are aware of. I cannot give you an answer to that at the moment, but we are very much aware that it is a part of how it works with the tax and social security system, that individuals will need to have a way of understanding that. This is a part of our thinking about getting a tax expert on the island who can provide people with that sort of individual advice. That is one of the difficulties, because every individuals' circumstances are different. This is some of the feedback that we have had. We need to find a way to assist them to access some tailored advice.

**Senator ADAMS:** Thank you.

**CHAIR:** We have dealt with outcome 2 and I thank the officers. I now call the National Capital Authority.

#### National Capital Authority

[14:49]

**CHAIR:** I would like to welcome Mr Gary Rake, Chief Executive Officer of the National Capital Authority. Officers called upon for the first time to answer a question should state their name and position for the *Hansard* record. I remind all witnesses to speak clearly into the microphone. Mr Rake, do you have an opening statement?

**Mr Rake:** No, I do not have an opening statement.

**CHAIR:** We will go straight to Senator Fifield.

**Senator FIFIELD:** You may be aware that on 31 May there will be a briefing in Parliament House. An email came around to members of the House a few days ago about a Head of House briefing, and the topic was Planned Cities: The National Capital; presenter, Professor Don Aitkin, Chair, National Capital Authority. This is the description of the event. It states: 'Successful planned cities are rare. They need substantial quantities of vision, plan and will. This briefing will look at other planned cities and show how each has been affected by the crucial factors and then return to Canberra, which is the most successful continued planned city in human history.'

That is a very big claim. I know Senator Humphries is about to launch himself across the table at me, but in deference to Senator Ferguson, I think Colonel Light, who was the surveyor of Adelaide, might have something to say about that. As a parochial Melburnian, Melbourne is another great planned city and I think the people of Versailles, Brasilia, St Petersburg and Washington DC may also have some different perspective. I would be interested to know—and I am very open minded here—the basis upon which that claim is made that Canberra is the most successful continued planned city in human history, and if that is the view of the National Capital Authority.

**Mr Rake:** It is certainly the view of the Chairman of the National Capital Authority. The chairman will be making a presentation as part of the occasional lecture series for the House of Representatives and I believe he has another one booked for the Senate.

**Senator FIFIELD:** I was about to say that we were starting to feel neglected.

**Mr Rake:** Please do not, because there is enough to go around. In the context of planned capitals, the chairman will be talking about planned national capitals and so, in that regard, we see no reason to doubt the brilliance of Australia's other state and territory capitals. Canberra is, of course, doubly impressive because it is also the capital of the ACT. The chairman will look at some of the other planned capitals around the world. The ones that we look most closely at are Brasilia, Ottawa and Washington. Along with Canberra, they are recognised as the world's four deliberately contrived and planned-in-advance capitals, rather than capitals that emerged and commenced organically. In that comparison the professor will look at some of the issues that have arisen in those other capitals and refer back to Canberra as a positive experience. We do not have some of the problems that exist in those other deliberately planned capitals. I would encourage you to go along and listen to the rest of his argument.

**Senator FERGUSON:** I think what he meant was that they spent more time planning Canberra than all the others put together.

**Senator FIFIELD:** That may well be so.

**Mr Rake:** We have stuck to the plan more than the others.

**Senator STEPHENS:** I would like to make the point, having just come back from Brasilia, that there is planning and there is planning!

**Mr Rake:** One of the lessons to be learnt from Brasilia, with respect to our colleagues there, is the outcome that we can experience on ground if we establish a great plan and do not stick to it.

**CHAIR:** Senator Fifield.

**Senator FIFIELD:** There is another more recent planned capital, in Burma. People who read the stars told the generals that it was a good idea to shut down their current capital, move their other capital inland and start from scratch.

**Senator FIFIELD:** I am wondering what criteria are taken into account when determining a successful, continuing planned city. Do you purely look at the physical planning, the physical manifestation of the city, or do you look at other issues such as taxation? Is it really the physical layout and functionality?

**Mr Rake:** In answering this I will have to separate the organisation's views from the content of Professor Aitkin's speech, only for the point that he is also a statutory official and it would be unfair for me to speak entirely on his behalf. In undertaking our own evaluation we look at the basis for the preparation of the plan—what were the motivations and the ambitions—and then in evaluating its success, how reliably did we forecast the needs of the future and how adaptable the plan is going forward. Here in Canberra, we are able to see some elements of Griffin's original work, in particular in and around this place, the central national area, the national triangle, where his work is robust. He has established a beautiful place for us to house the Australian capital, the place where we express our democracy, hold our memories and commemorate service and sacrifice. Those ideals are also able to be applied in a modern environment, take account of our increased knowledge about environmental factors and guide the future development of the outer parts of the city as well.

**Senator FIFIELD:** Would you look at issues such as property prices, as to whether they are particularly high and whether that is something that goes to making something a successful, continuing planned city?

**Mr Rake:** In a continuing planned city, yes. In a planned national capital there is a slightly different focus that we need to take. We need to think about those elements of the national interest that are peculiar only to the national interest. I would argue that things like affordability and reliability of transport are of interest to every city, whether they are small towns, regional cities, state capitals or national capitals. We would collaborate on those, but we would not take the lead because it is not a need peculiar to a national capital.

**Senator FIFIELD:** The claim that you would make as opposed to Professor Aitkin or the authority is that Canberra is the most successful, continuing planned national capital city in human history, whereas Professor Aitkin says that it is the most successful, continuing planned city in human history, which is a bigger claim.

**Mr Rake:** It may be a shortened version of the overview. He may mean the national capital.

**Senator FIFIELD:** I am sure I and Senator Ferguson will relax slightly because we know that there is no direct comparison being made to Adelaide and Melbourne, given that they are not national capitals. It should be an interesting briefing. Thank you.

**CHAIR:** Senator Faulkner and then we will go to Senator Humphries.

**Senator FAULKNER:** I have read over a number of years about a proposal for First and Second World War memorials at the lake end of Anzac Parade. Are you aware of that?

**Mr Rake:** Yes.

**Senator FAULKNER:** I do not want you to interpret my questions as supporting the proposal, but I am interested in knowing the current status of that proposal.

**Mr Rake:** National memorials in Canberra are approved in location and character, so placement and design, by the Canberra National Memorials Committee and the proposed memorials for World War I and II have been approved by the Canberra National Memorials Committee for both their location and character or design. There are two further statutory approvals required. One is an approval by the National Capital Authority under the Australian Capital Territory (Planning and Land Management) Act and one by the minister responsible for environment under the Environment Protection and Biodiversity Conservation Act. Neither of those approvals have yet been given, but in recommending to the CNMC that they approve the location and character, the National Capital Authority has effectively stated that it is willing to give works approval under our legislation, subject to any as yet unknown technical deficiency, and I am not aware of there being any.

**Senator FAULKNER:** Is that a way of saying that they are likely to be built?

**Mr Rake:** The only element I cannot comment on is the EPBC, the heritage approval, but if that were to come through they would have all of the approvals that they need to be built. The proponents are responsible for raising the funds for the memorial, and I understand that their estimated cost is about \$25 million. They have no publicly stated commitment of funding from any party as yet.

**Senator FAULKNER:** If approvals are given, how long are they extant for?

**Mr Rake:** The Canberra National Memorials Committee puts a time limit on the site reservation, and the current reservation is through to 31 December 2013.

**Senator FAULKNER:** Does that mean building work would need to commence by that date?

**Mr Rake:** They would have to have made substantial progress. It would have to be a real and viable project. I think they would have to demonstrate that they have made good progress towards raising the funds and that they have been through the remaining statutory approval processes. The proponents, in early April, announced that they would bring forward their referral under the EPBC Act and I believe they are planning to lodge that during June 2011, so we would know within the next few months, in all likelihood, whether they have gained all of the necessary statutory approvals.

**Senator FAULKNER:** I have assumed, but can you tell me if this is right, that one memorial is on one side of Anzac Avenue and the other is on the other side; is that correct?

**Mr Rake:** That is correct, although those memorials are not on the avenue themselves. They are on Rond Terrace, but their placement would be either side of the alignment of Anzac Parade.

**Senator FAULKNER:** How far away from Anzac Parade are they?

**Mr Rake:** It would be approximately 100 metres. Anzac Parade intersects at the lake end with Parkes Way and there is then a grass space before a red gravel area and the lake. These would be built either side of the grass area, the Rond Terraces

**Senator FAULKNER:** Are they effectively between the vehicular roundabout and Lake Burley Griffin; would that be correct?

**Mr Rake:** That is correct.

**Senator FAULKNER:** Is that a reasonable layman's way of describing their location?

**Mr Rake:** Yes, that is very accurate.

**Senator FAULKNER:** Have the plans for these memorials been on public display?

**Mr Rake:** They have been on public display. They were on public display for a period after the announcement of the winning design. The design was selected through an open, and I believe international, design competition, although it was won by an Australian architect. The winning design was announced here in Parliament House in early 2009. The plans and in fact some models of the proposed memorials were on public display thereafter.

**Senator FAULKNER:** The issue is not without controversy, not so much around the design of the proposed memorials although there may be controversy about that—I am not aware of it—but there is certainly controversy around the question of whether it is appropriate to have such memorials given the pre-eminent consideration of the Australian War Memorial itself as a memorial to those that fought and died in the First and Second World Wars. That is true; isn't it?

**Mr Rake:** It is true that those concerns exist. To provide a full answer, there are concerns being raised within the community about the commemorative intent and whether it duplicates the War Memorial. There are concerns about the design. There are also concerns about the location. But on the commemorative intent we have put the view that it is the proper domain of the Australian parliament, represented by the Canberra National Memorials Committee, to decide the commemorative intent of any national memorial and that it is also proper for that committee on behalf of the parliament to approve the location and character of national memorials.

**Senator FAULKNER:** Do you effectively service the memorials committee?

**Mr Rake:** Until early 2008 we provided secretariat service to the Canberra National Memorials Committee and my predecessor was also a member of that committee. The full membership of the committee allows for a range of parliamentarians, a number of officers of Commonwealth agencies or departments and at full membership to local residents of the ACT. Those positions are not currently filled and have not been filled in the life of the CNMC. At the moment—

**Senator FAULKNER:** Which positions, the local residents?

**Mr Rake:** Those of ACT local residents. The current secretariat to the CNMC is provided by the Department of Regional Australia, Regional Development and Local Government, although the National Capital Authority has asked to resume secretariat responsibility. We think that, given our role in preparing advice on the planning development of the national capital, it is appropriate for us to continue that role.

**Senator FAULKNER:** Perhaps I should ask the department then what the current membership is of the committee.

**Ms Beauchamp:** The positions that constitute the current membership are the Prime Minister, the Minister for Regional Australia, Regional Development and Local Government, the Leader of the Government in the Senate, the Leader of the Opposition in the Senate, the Leader of the Opposition in the House of Representatives, myself, the Secretary of the Department of Veterans' Affairs and, as we mentioned, two ACT residents to be appointed by the Governor-General.

**Senator FAULKNER:** Is it one of these committees that never really meets?

**Ms Beauchamp:** I cannot comment on that. We have only been in existence for a short time—

**Senator FAULKNER:** Someone should be able to. Mr Rake, I appreciate that you have only recently become secretary of the department. I accept what you have said absolutely. But I assume someone there can assist us in relation to how it goes about its work. I think it is a bit like the Historical Memorials Committee, isn't it?

**Mr Rake:** Correct. It is not a committee that meets regularly but proposals for national memorials do not come up that regularly either, so they—

**Senator FAULKNER:** When you say it is not a committee that meets regularly, when did it last meet?

**Mr Rake:** On 15 March 2010. Is that where the site extensions were considered?

**Mr Yates:** That is correct.

**Senator FAULKNER:** Where did it meet?

**Mr Rake:** Here in Parliament House.

**Senator FAULKNER:** Do you know who attended the meeting?

**Mr Rake:** If you will bear with me, I think I do. I apologise, the last meeting was 22 June 2010. At that meeting the Hon. Brendan O'Connor MP as Minister for Home Affairs; Senator Eric Abetz, Leader of the Opposition in the Senate; Mr Roger Wilkins, Secretary of the Attorney-General's Department who were then the responsible department providing secretariat; and Mr Ian Campbell, Secretary of Department of Veterans' Affairs.

**Senator FAULKNER:** What is a quorum for the committee?

**Mr Rake:** A quorum is three.

**Senator FAULKNER:** Any three?

**Mr Rake:** Any three.

**Senator FAULKNER:** The reason I ask of course is that so many of the members, for example the Prime Minister and the Leader of the Opposition, I think everyone understands how busy people who hold those positions are. Are there meetings held using any other mechanisms except face-to-face meetings?

**Mr Rake:** The ordinance does not currently allow for meetings to be held other than in person. It would be worth noting that both the department and the National Capital Authority are keen to work on some proposed working arrangements for the committee, and one of those would be to enable decisions to be taken on the papers rather than a face-to-face

meeting. That would enable some of the busier members of the committee to also express a view. As I mentioned, the National Capital Authority is keen to be back involved with the secretariat and advisory roles for the committee.

**Senator FAULKNER:** Why was the Minister for Homes Affairs there?

**Mr Rake:** He was the minister responsible for territories—

**Senator FAULKNER:** As minister for the territories—

**Mr Rake:** he was the responsible minister.

**Senator FAULKNER:** Is that minister formally a member of the committee?

**Mr Rake:** Yes, and in the current environment that would be Minister Crean.

**Senator FAULKNER:** Does the responsibility for chairing the committee fall to that minister? Who is the chair—

**Mr Rake:** In practice it has been chaired by that minister. I believe if the Prime Minister attended the Prime Minister would be chair.

**Mr Yates:** That is correct. The practice recently has been for the minister responsible for territories to chair it.

**Senator FAULKNER:** How often has a Prime Minister attended these meetings?

**Mr Rake:** I am sorry, I only have a record of attendees back to 2007, but across six meetings since 2007 there has not been a Prime Minister or opposition leader in attendance.

**Senator FAULKNER:** This is not a surprise. As I mentioned, both the Prime Minister and the Leader of the Opposition have a range of other responsibilities.

**Mr Rake:** Correct, and it has been identified for a while that it is a limitation, and hence the department's initiative in progressing moving to being able to make decisions on the papers.

**Senator FAULKNER:** Is the department having a look at how sensible the composition of the committee is if a lot of the attendees actually cannot ever play a role or front? That is the point of—

**Mr Rake:** There is no lack of will in those members. We have—

**Senator FAULKNER:** I am not suggesting there is, but we all know there is a range of committees around the place. The Historic Memorials Committee is a classic example. It has not met in about 90 years. It is a bit hard to get—

**Mr Rake:** That is right.

**Senator FAULKNER:** We eventually established that in this very room some years ago. This is not dissimilar in a sense. This committee has met but it is not dissimilar in the sense that it is pretty hard to get some of the membership together. In other words, how sensible is the membership? Is anyone having a look at that in the review?

**Ms Beauchamp:** Yes, we are. Obviously in partnership with Mr Rake at the committee's last meeting committee members agreed on a number of issues about amending the National Memorials Ordinance 1928 to modernise it and improve the operations of the committee. We are looking at how do we make it more workable?

**Senator FAULKNER:** The membership of the committee was established in 1928 effectively, was it?

**Mr Rake:** Unless it has been revised since then.

**Senator FAULKNER:** I am asking has it been revised since 1928? Obviously the individuals, the Leader of the Opposition and the Prime Minister, are different individuals from whom they were in 1928. I think we understand that. But the positions ex officio were identified by ordinance then, or named in the ordinance then?

**Ms Beauchamp:** I would have to take that on notice.

**Mr Yates:** We would have to take that on notice. I do not have a copy of the ordinance with me to see if it has been amended since 1928.

**Senator HUMPHRIES:** I will bring a non-philistine voice into the debate about the national capital—

**Senator FAULKNER:** Are you suggesting I am a philistine?

**Senator HUMPHRIES:** The jury is out on you. I was referring really to other people at the table.

**Senator FAULKNER:** If you were referring to members of your own political party, I think you are right—

**Senator HUMPHRIES:** I know I am right.

**Senator FAULKNER:** I have been called a lot of things, but a philistine is one of the more generous things, I can assure you.

**Senator HUMPHRIES:** I will take your word for that. Could I ask you about the article that appeared in the *Canberra Times* a few days ago—in fact, it was Monday this week—about, as you say, the morale at NCA at the moment and the position of the organisation to deliver important functions to the Australian and the ACT communities. You make the comment about the NCA having been researched to death, or studied to death, and you mention that there was some uncertainty which was disempowering the organisation as a regulator. Can you explain what you meant by those comments, please?

**Mr Rake:** If I may start by correcting the public record, this article was based on a speech that I gave at a conference last week. The attendees of the conference were a range of leaders from within government, business and the community sector. I was asked to speak about the role of the NCA and our efforts to improve our engagement with the community. Given the audience, very senior leaders, I was asked to give a warts and all account of how the NCA has managed to rebadge itself from an organisation about which some in the community had doubts in our sincerity when we went out with public consultation. People still may have doubts about some of our decisions but they believe that we are honest when we engage with the community.

I made four points and only one of them has been reported in this article. I said that government agencies should not engage with the community unless they are sincere in their intentions; the community is smart enough to see through it. That you should use your best people first: those who are genuinely willing to engage with the community, those who have a good knowledge of their subject matter and those who have a calm disposition. I use the term 'safe hands'. I said that you should also seek to develop the skills of your people who are

willing to engage but who may need professional development, help with their public speaking skills, for example, Finally, I did say that you should try to identify whether there are any people in your organisation who do not genuinely believe in engaging with the community, that if you want to create a culture that end to end is committed to engaging with the community you will need to stop them from sabotaging the process. It was a lesson from a chief executive to other chief executives. It is unfortunate that only that final point was reported without any of the context. I would record unreserved admiration, support and confidence in the staff of the NCA. We have an organisation that is committed end to end in having meaningful engagement with the community.

I turn to the comments I made here about our role. Dr Allan Hawke is currently looking over the reviews of the NCA and helping to prepare advice for government. It is true that there are developers and other parties in this city who regularly threaten the NCA with political approaches if we do not cede to their wishes when we exercise our regulatory powers. Our officers stand firm but we are hopeful that when Dr Hawke finishes his review we will have clarity around the Commonwealth's involvement in the national capital.

I did not say that there was a morale problem in the NCA, and I deny that that is the case. We have got an incredibly strong and motivated team and they work hard every single day.

**Senator HUMPHRIES:** Were you effectively taken out of context when you were paraphrased as saying that internal sabotage with uncertainty is killing the NCA?

**Mr Rake:** Correct. I was giving a lesson and advising people to protect against sabotage, not saying that sabotage was occurring. I have written a letter to the *Canberra Times* asking that they publish it to correct the record. To date they have not published it. I hope it will appear tomorrow.

**Senator MOORE:** When was that?

**Senator HUMPHRIES:** The 23rd, Monday.

**Mr Rake:** Monday of this week and I—

**Senator MOORE:** We hope that they have still got time.

**Mr Rake:** I sent a letter to them on Monday afternoon. We spoke to their chief of staff yesterday. We are very hopeful.

**Senator HUMPHRIES:** But you are directly quoted here as saying 'uncertainty about our future is disempowering us as a regulator'; I assume that—

**Mr Rake:** That is what I mean by some proponents in the city seeking to bully us into making decisions. But we have a very important regulatory role and we stand firm. But again, in the context of the people that I was speaking to, it was a reference to the need for leaders to understand their role and to be ready to stand firm and have some uncomfortable discussions with people if need be.

**Senator HUMPHRIES:** The article makes reference to the inquiry by the National Capital External Affairs Committee in 2008 which led to *The way forward* report. It is a matter of record that many of the recommendations for better integration of the planning roles of the National Capital Authority and the ACT planning function have not been implemented. I understand from previous reports that there is still a negotiating process between the two

levels of government which as yet still has not produced any outcome. Has any progress been made since the last time you reported to a parliamentary committee about this?

**Mr Rake:** Discussions between the NCA and the ACT government have not yielded a unified or an agreed position as yet. That is part of the reason for the government asking Dr Hawke to look at this. The National Capital Authority on behalf of the Australian parliament has an inherently different interest from the ACT government in looking at the city. There are some elements on which, due to those different interests, we will never be able to agree. In effect the Commonwealth government will need to make a decision and act as an arbiter. In that regard they are seeking advice from Dr Hawke. But the National Capital Authority has looked at the recommendations of the joint standing committee and we think that many of them are sound. We agree that after 23 years of self-government there is room to improve the relationship. There should be a rebalancing. We have put some new views to Dr Hawke and they are, as I have been quoted here, 'trying to improve the efficiency of the system by having more black, more white and less grey'. At the moment there is a lot of grey where people do not quite understand how the Commonwealth and the ACT systems interplay, particularly in planning, and we think there is room to clarify that. I believe that will be welcomed by the ACT government.

**Senator HUMPHRIES:** You would agree that, whatever its recommendations, this review ought to lead to decisions about the role of the NCA within the planning of the national capital which gives it some certainty after a period of some uncertainty.

**Mr Rake:** Yes, we hope for certainty after a period of uncertainty. As I have said, although they have only quoted since 2007, I did say earlier the National Capital Authority and the role of the National Capital Authority have been reviewed numerous times in the past 15 years under governments of both persuasions and it is because it is a complex problem. It is not related to the politics of either the Australian government or the ACT government, but more to that duality of interests and the need to find an appropriate balance.

**Senator HUMPHRIES:** Can I turn to the slightly related issue of the situation of Lake Burley Griffin at this point in time? In the last month or so there have been a number of articles written about water quality in the lake. This is a reiteration of an ongoing issue which has been exacerbated by the flooding in December when a large amount of sewage was washed from Queanbeyan down into the lake. As some of the commentaries noted, there have been a number of occasions in recent years preceding the flooding of December when the lake has been closed because of algal blooms. Is there anything that can be done by the NCA, if appropriately resourced, to eliminate or minimise the number of such occasions when water quality is so poor that the lake cannot be used?

**Mr Rake:** The options at the bottom of the pipe at the bottom end of the catchment of that part of the catchment are pretty limited. But we have recently had the University of Central Queensland who have some specialists in particular in blue-green algae look at the physical properties of the lake. We have some possible treatments that might help improve the situation. We are just asking for a peer review at the moment. One of the options is to look at circulating the water within the lake, particularly during the summer months, so that we do not get stratification of different temperature and acid levels.

**Senator HUMPHRIES:** Giant paddles in the water sort of turning the water around.

**Mr Rake:** Yes, they are floating turbines that draw water from the deeper parts of the water body and circulate it. The explanation that has been given—and I will keep it as quick as possible—is that water coming down the river is high in a bound form of a phosphate nutrient. When it hits stratified water that is low in oxygen and slightly more acidic than the water above, the phosphate becomes unbound and it is available as a food source for blue-green algae. If we mix the water we interrupt that stratification and the phosphate may stay bound for longer and be less available to blue-green algae. We hope that might reduce the number of closures for blue-green algal contamination.

The other reason for closing the lake from time to time is high levels of dangerous bacteria, and they tend to relate more to rain events. We have an established record that a moderate rain event washes primarily animal faecal material from around the catchment and it stops in the lake and we get a spike for two or three days. Then occasionally there are larger problems and they relate to sewerage treatment plants that exist upstream of the lake.

**Senator HUMPHRIES:** Going back to that first issue of turbidity, you were saying that the University of Central Queensland has sort of suggested this as a solution and that that idea is being peer reviewed at the moment?

**Mr Rake:** Yes, I have asked ACTEW. In fact, the ACT water body has a suitably qualified person within their team who has agreed to look over that report for us. ACTEW themselves use a similar mechanism on both Googong Dam and Cotter Dam. What we are hoping they will be able to do is tell us whether the properties of the lake look like the properties of the water bodies that they were experiencing problems with. If that solution were recommended we could implement it within our existing resources; we would not need supplementation.

**Senator HUMPHRIES:** Are these floating turbines or are they—

**Mr Rake:** They are floating solar powered turbines. They are about the size of the swimming pontoons that we have at the swimming beaches on Lake Burley Griffin, so they are not the sort of thing that should cause an obstacle for boating users. They are not going to increase our electricity bill. They are a low maintenance item. They are also used on Warragamba Dam in the Sydney catchment.

**Senator HUMPHRIES:** Do you have any idea of how many we would need on the lake to effectively aerate or stir the water up in the lake?

**Mr Rake:** No, not a firm number, but it is estimated three to six. We would probably start with a trial of one or two in an area of the lake where we have a reliable dataset so that we can then test over a summer and see whether we are getting a meaningful improvement rather than just relying on an anecdotal, yes, this was a good season and we did not have too many closures. I would rather have some firm data to guide it.

**Senator HUMPHRIES:** One of the issues in December was that the sewage treatment works at Queanbeyan which date from the 1930s basically broke down and I understand flushed 50 million litres of untreated sewage into the lake. The maintenance of sewage treatment works in Queanbeyan obviously are not responsible to the NCA or the Commonwealth for that matter, but it would seem to be unacceptable that the heart of the national capital should be at the mercy of ageing facilities in that area. Are you aware of any proposals to upgrade or make safe those sewage treatment works in Queanbeyan.

**Mr Rake:** I should correct some misreporting in the media. The 50 million litres was partially treated sewage. The release occurred from one of the treatment ponds outside the main plant and it was the bank of the pond that collapsed. It was partially treated. It was not fully treated but it certainly was not untreated. I have had strong representations from Queanbeyan City Council that we be accurate with our facts there.

**Senator HUMPHRIES:** It still needs to be fixed; doesn't it? It is still a problem.

**Mr Rake:** It still needs to be fixed. Council does have some funds available, as I understand it, to maintain that plant but they acknowledge that it is also an old plant. They have of their own initiative I believe engaged a consultant to look at a range of upgrade options, and they range from increasing the reliability of the current plant through to replacing it with a plant of basic but modern technology and onwards to a plant of the most up-to-date technology which may even enable reuse of treated water within the city. But there is a range of costs there and I am not in a position to know exactly what advice has been given to the council on those options.

**Senator HUMPHRIES:** But we really cannot protect the quality of the water in the lake on a long-term basis unless something is done about that sewage treatment works.

**Mr Rake:** No, that is right. To be absolutely clear, no single party is responsible for all of the water quality problems in the lake and no single party can fix it by themselves. We need the National Capital Authority; the ACT government, who control a lot of the catchment within the territory; Queanbeyan City Council; and perhaps even Palerang Council for some of the upper reaches of the Molonglo and the farmland, to come together and look at a range of measures to improve water health across the catchment that will have a wide range of benefits for the city—the national capital—Queanbeyan city, the smaller communities and rural communities up that catchment and, of course, Lake Burley Griffin will be one of the main beneficiaries. But we all need to come together.

The ACT Legislative Assembly recently passed a motion asking for the ACT Commissioner for the Environment to look into the health of the catchment. We will very happily cooperate with that inquiry. I do not believe that she has a jurisdiction to mandate our appearance. We will very happily provide all of the data that we have and we will cooperate to every extent because there is a great benefit for the national capital in it.

**Senator HUMPHRIES:** I understand that some of the mine residue from Captains Flat can from time to time end up in the lake by virtue of the configuration of the catchment. Is that a serious problem?

**Mr Rake:** Our water quality testing has not confirmed any serious risk from that mine, and our water quality testing is sufficient to pick it up if it were a concern for us.

**Senator HUMPHRIES:** The NCA put to the National Capital Committee some time ago that it was continuing to deal with a substantial reduction in the maintenance budget that existed prior to the decisions made in 2008 to sustain fairly serious cuts to the NCA. What would you say is the present capacity of the NCA to accommodate essential maintenance of the parliamentary triangle, in particular, with the maintenance budget with which you currently operate?

**Mr Rake:** We focus on allocating our resources to keep the public areas safe, to protect against any damage or potential loss of key national assets and we have adequate resources to

do that work. With land management, it would not matter how large our bucket was, I could spend every dollar probably many times over, so we prioritise the work very carefully. We have adequate resources to keep the public areas safe and to appropriately maintain and protect against damage of key national assets. We have recently re-let a number of our maintenance contracts and we have delivered some good efficiencies. For the first time in a long time, a fortnight ago I received a letter of compliment about the pruning of hedges outside the John Gorton Building along Kings Avenue. That surprised me, but I am very happy to receive it.

**Senator HUMPHRIES:** I have no further questions.

**CHAIR:** Does anyone have any further questions of the National Capital Authority?

**Senator IAN MACDONALD:** I do.

**CHAIR:** Senator Macdonald.

**Senator IAN MACDONALD:** The 2011-12 portfolio budget statement on page 62 states that the NCA is going to have its funding reduced by \$590,000 over the next four years. Is that correct? Am I reading that right?

**Mr Rake:** Which line are you on there?

**Senator IAN MACDONALD:** It is on page 62.

**Mr Rake:** All agencies are subject to the efficiency dividend. We have identified productivity measures within the organisation that will enable us to deal with the efficiency dividend without any cutback to our programs.

**Senator IAN MACDONALD:** Does your staff remain the same at 52?

**Mr Rake:** No, our staff does not remain the same. One of the areas where we are able to make efficiencies without impacting on our program delivery at all is within our corporate services area. With the retirement of a couple of officers I have elected not to replace positions, so by natural attrition we have reduced our staff number by two. I am very comfortable that that will not have any impact at all on our program delivery.

**Senator IAN MACDONALD:** You must have been very inefficient before if you could get by with two fewer staff and yet you have just been carrying two who obviously were not needed in the last 12 months.

**Mr Rake:** I think that would be an unfair slight against those officers.

**Senator IAN MACDONALD:** It is not against the officers; it is against you or your organisation. I suspect that is even unfair.

**Mr Rake:** There are always ways for us to improve our use of technology to improve our efficiency, for example, in our handling of correspondence. Rather than maintaining as large a records team, one of the positions that I will be doing away with is my own executive assistant because in years gone by senior officers would rely on manual movement of correspondence, so I would have someone who would collect my mail, open it, allocate it into files and give me guidance on how to deal with it. These days that is dealt with electronically. In my inbox I get a beep that tells me that new formal correspondence has been written, has already been stored in our electronic record keeping system and electronically I can record the comments that I would like to make to whomever I am delegating the work and hit another button to delegate the electronic correspondence. All of that is tracked in perpetuity and we do

not need people to move paper around anymore. We have been working on that system for about 18 months. I must confess that I have been one of the slower ones within the organisation to fully use it, but I am now up to speed and we are able to save some money.

**Senator IAN MACDONALD:** I was going to say that computers were not discovered on 1 July 2012. The fact that you have not been able to do that before suggests perhaps that you have not been as efficient. I would like to clarify that by saying that I am not really saying that. What I am saying is that there must be a limit to the extent to which your organisation can keep losing that sort of funding and not impact upon the obligations which you have as the National Capital Authority. Just to be clear, I am not criticising you, your staff or anyone, but simply asking the question. You are manfully, or personfully, accepting the reduction that you have been given and trying to make the best of it, but you surely cannot keep doing this and provide the same things by you answering your own correspondence instead of someone else.

**Mr Rake:** It has been a useful efficiency. All I am happy to deal with at the moment is the efficiency that I face for the next financial year. We have dealt with it. We have found a genuine efficiency. We will face the next challenge when we need to.

**Senator IAN MACDONALD:** So it will not mean that your trimming of the hedges around the John Gorton Building is going to be less frequent?

**Mr Rake:** We have a commitment to our program responsibilities: planning the capital, fostering an awareness of the capital and enhancing and maintaining the capital. Those will be the last things that we will make changes to. I am very comfortable with our approach to dealing with the efficiency dividend this year.

**Senator IAN MACDONALD:** On notice could you indicate to me what you might be planning for next year, the following year and the following year as you deal with this?

**Mr Rake:** We will keep seeking new innovations. I do not yet have all the answers, in the same way as 12 months ago I was still handling correspondence manually; I am now handling it electronically. I do not know what innovations my team will help me discover next year. I am happy to take it on notice, but at the moment I do not yet know the answer.

**Senator Sherry:** In that case you will not get an answer for at least a year. You will have to wait.

**Mr Rake:** I would be happy to talk about it next year.

**Senator IAN MACDONALD:** It will probably be more than a year because you will have to type out the thing yourself rather than getting your personal assistant to do it for you.

**Senator FAULKNER:** You will have it in two years.

**Senator IAN MACDONALD:** So it is all cool, you will lose \$590,000 over four years and handle it?

**Mr Rake:** Correct.

**Senator IAN MACDONALD:** That is all I have with the NCA.

**CHAIR:** If you have no further questions, we will go to Senator Stephens.

**Senator STEPHENS:** I have a quick question. Can you bring us up to date with the immigration bridge project?

**Mr Rake:** The immigration bridge proposal as it was is terminated. The proponents of that group have set themselves a new target—a project that they are now calling Immigration Place. It will be a landscape based commemoration to the contribution of migrants to Australia. They have also put their proposal to the Canberra National Memorials Committee and have a site close to the National Archives, the East Block, allocated for a landscape treatment. There is currently no design for that proposal. It would have to go back to the Canberra National Memorials Committee to have a set of competition design guidelines approved and then it would go out for an open design competition, probably an international design competition, and ultimately a second decision would need to be made by the Canberra National Memorials Committee. The bridge is no longer. Immigration Place is the current version of that project.

**Senator STEPHENS:** Is there any sense of a time line around that process that you have just described?

**Mr Rake:** No. The proponents do not have a firm time line. They are currently working on design guidelines that they would like to submit back to the CNMC. I imagine that they would like to get it into CNMC later this year, so within 2011 I would expect to see design guidelines in and probably a commencement of a competition fairly soon thereafter.

**Senator STEPHENS:** Thank you.

**CHAIR:** I would like to thank the officers for appearing before us. That concludes Prime Minister and Cabinet. Senator Macdonald.

**Senator IAN MACDONALD:** I would like to seek the indulgence of the committee. I thought this was an issue for nation building in the infrastructure department, but I have just asked the question and they have said that it is the regional department. The secretary may not have the relevant officers here, but I would like to raise this, on notice.

**CHAIR:** If you want to put questions on notice—

**Senator IAN MACDONALD:** It will take me two seconds to alert the secretary.

**CHAIR:** Go ahead.

**Senator IAN MACDONALD:** There was an election promise of \$4.7 million in federal funds to construct the Magnetic Island walkway. Perhaps you do not have it immediately in front of you. As I said, the infrastructure department said it would be your area. If you do not have it could you take on notice if that funding has been allocated in this budget and, if not, when it might be, bearing in mind the commitment by the Prime Minister to meet all election commitments?

**Ms Beauchamp:** I will take that on notice. My apologies, Senator.

**CHAIR:** We will take our break and return at 3.55 when we will go on to Finance and Deregulation.

**Proceedings suspended from 15:40 to 16:00**

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

Senator Penny Wong, Minister for Finance

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

Mr David Tune, Secretary

**Outcome 1**

Mr David Martine, Deputy Secretary, Budget Group

Mr David Nicol, First Assistant Secretary, Budget Policy and Coordination Division

Mr Peter Saunders, First Assistant Secretary, Strategic Policy Division

Mr Stephen Clively, First Assistant Secretary, Government and Defence Division

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

Mr David de Carvalho, First Assistant Secretary, Social Welfare Division

Mr Stein Helgeby, Deputy Secretary, Financial Management Group

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

Ms Lisa La Rance, Acting Assistant Secretary, Cash Management Branch

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

Ms Sharon Ong, Assistant Secretary, Superannuation Branch

Mr Jonathan Hutson, First Assistant Secretary, Superannuation Administration Reform

Dr Greg Feeney, Assistant Secretary, Funds Branch

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

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

Mr Lembit Suur, First Assistant Secretary, Financial Framework Division

Ms Julia Sisson, Acting Assistant Secretary, Financial Framework Policy Branch

Ms Susan Page, Deputy Secretary, Deregulation Policy Division

Mr Peter McCray, First Assistant Secretary, Deregulation Policy Division

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

**Outcome 2**

Mr Rick Scott-Murphy, Acting Deputy Secretary, Asset Management and Parliamentary Services

Mr Andrew Smith, Acting First Assistant Secretary, Property and Construction Division

Mr John Edge, First Assistant Secretary, Government Business, Special Claims and Land Policy

Ms Stacie Hall, Assistant Secretary, Government Businesses Advice Branch

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

Mr Phil Smith, Assistant Secretary, Insurance and Risk Management Branch

Mr John Grant, First Assistant Secretary, Procurement Division

Ms Laurie Van Veen, Assistant Secretary, Communications Advice Branch

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

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

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

### **Outcome 3**

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

Mr Keven Whitton, Acting Assistant Secretary, Entitlements Policy

Mr Greg Miles, Assistant Secretary, Entitlements Management

Mrs Kim Baker, Assistant Secretary, Client Services

Ms Yvette Sims, Assistant Secretary, Accountability and Reporting

Ms Maree Faulkner, National Manager, COMCAR

Mr Jason Ford, Acting National Manager, COMCAR

### **General**

Ms Jenet Connell, Deputy Secretary, Chief Operating Officer

Mr David Yarra, Chief Audit Executive

Mr Michael Burton, First Assistant Secretary, Chief Financial Officer

Mr Graham Fry, First Assistant Secretary, Chief Information Officer

Mr Stephen Taylor, Acting First Assistant Secretary, Corporate Services

Mr Michael Nelson, Assistant Secretary, HR Services

### **Australian Electoral Commission**

Mr Ed Killesteyn, Electoral Commissioner

Mr Paul Dacey, Deputy Electoral Commissioner

Mr Kevin Kitson, First Assistant Commissioner

Mr Paul Pirani, Chief Legal Officer

Ms Rachel Harris, Chief Finance Officer

Mr Pablo Carpay, Assistant Commissioner, Roll Management Branch

Ms Marie Neilson, Assistant Commissioner, Elections Branch

Dr Cheryl McRae, Assistant Commissioner, Strategic Capability Branch

Ms Kathy Mitchell, Assistant Commissioner, Education and Communications Branch

### **Future Fund Management Agency**

Mr David Neal, Acting General Manager and Chief Investment Officer

**ComSuper**

Mr Richard Bridge, Chief Governance Officer

Mr Peter Cormack, Chief Executive Officer/Commission for Superannuation

Mr James Peterswald, Chief Operation Officer, APS Schemes

Mr Chris Ramsden, Chief Financial Officer

Ms Danni Woods, Executive Manager, Communications

**Australian Reward Investment Alliance**

Mr Peter Carrigy-Ryan, Acting Chief Executive Officer

**Medibank Private Ltd**

Mr James Connors, Senior Government Advisor

Ms Catherine McGovern, General Manager, Government and Public Affairs

Mr Michael Sammells, Chief Financial Officer, Finance and Corporate Services

[16:00]

**CHAIR (Senator Polley):** I welcome the Minister for Finance and Deregulation, the Hon. Penny Wong, Mr Michael Sammells, Chief Financial Officer, and other officers. 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.

**Medibank Private Ltd**

[16:01]

**CHAIR:** We will begin with Medibank Private. Minister or Mr Sammells, do either of you have an opening statement?

**Senator Wong:** No, thank you.

**Mr Sammells:** I am happy to open with a few words. On behalf of George Savvides, our managing director, I would like to express his apologies. He is overseas on business at the moment and could not be here today. We would also like to acknowledge Ralph Hunt, the former Minister for Health in the Fraser government, who passed away on the weekend. He happened to be Medibank's first ever member. So, there is a piece of our history that has passed away, unfortunately.

The business of Medibank is performing well in what is at times a challenging marketplace. We are well on the way through a journey of transforming ourselves from purely a private health insurance business to a genuine health company, with both health insurance and health solutions. Our core private health insurance division continues to perform strongly across our two brands of Medibank and AHM, where we have over 3.7 million residents insured and have a good strong overseas visitors and overseas students business.

Like any funder of health care services, we face the challenge of an ageing population and the pressure on outlays. We are really pleased to be able to advise that again in terms of managing our premiums and costs, we have delivered a premium increase that has been less

than the industry average for the past four years, including this year. Our health solutions division continues to develop, which is a product of organic growth and acquisitions during the past three years, offering a combination of face-to-face and telehealth based services that we think are quite unique.

It is interesting to note how the business of Medibank has changed over the years with our workforce expanding from just under 2,000 people in private health insurance to over 4,500 people now, with 1,300 clinical staff. We operate those clinical staff over 60 clinics across the countryside in a whole range of services and that integration is going really smoothly. We are happy with progress and will continue to reform our business and play a key role in servicing our members and our customers. Without further ado, I am happy to take any questions.

**CHAIR:** Thank you and welcome. Is this your first estimates?

**Mr Sammells:** I have been a couple of times previously.

**CHAIR:** Senator Cormann, you have the call.

**Senator CORMANN:** When we last met, Medibank had not paid the \$300 million special dividend. Have you paid that now?

**Mr Sammells:** We will be paying that next month.

**Senator CORMANN:** So in June, just in time for the end of the financial year?

**Mr Sammells:** That is correct.

**Senator CORMANN:** What about your regular dividend this year? Was that about \$85 million?

**Mr Sammells:** We declared a dividend for the last financial year of \$81 million and that has been paid.

**Senator CORMANN:** When do you normally pay that?

**Mr Sammells:** We typically pay an interim dividend in the May-June time period and a final dividend in the October time period.

**Senator CORMANN:** When do you make the determination as to how much the interim and the final dividend is going to be?

**Mr Sammells:** The interim dividend is typically decided around this time period, an April-May time window, and the final dividend is declared once we complete the finalisation of our annual accounts.

**Senator CORMANN:** What determination have you made about the next interim dividend?

**Mr Sammells:** We have a prevailing dividend policy that prescribes that approximately 50 per cent of our net profit after tax is payable in a dividend. Our board and shareholders are going through the process of formalising that for the interim dividend. That process is in train as we sit here now.

**Senator CORMANN:** What is your profit expectation? What is your expectation in terms of 50 per cent of net profit after tax in dollar terms?

**Mr Sammells:** We are not in the business of providing profit forecasts, unfortunately.

**Senator CORMANN:** Is that because you are not publicly listed? You are a for-profit publicly owned company.

**Senator Wong:** Is that a question?

**Senator CORMANN:** No, I am just asking. If you were publicly listed you would have to provide these sorts of profit forecasts, would you not?

**Mr Sammells:** The answer to that question is, yes, but we are not, so we do not.

**Senator CORMANN:** So, you do not because you are owned by government?

**Mr Sammells:** No. We are not under a continuous disclosure requirement under the ASX rules. We release our profit results on an annual basis, once our accounts are approved. Typically in September each year we would make a public announcement of results. That has been our custom for the history of Medibank.

**Senator CORMANN:** You are acting consistently with the rules and regulations, and I understand that, but I observe that even though you are a massive for-profit company, because you are a government business enterprise your disclosure requirements are less stringent than those that apply to publicly listed companies.

**Senator Wong:** People do not buy shares.

**Senator CORMANN:** There is still a value attached to it. Madam Chair, I was pursuing questions. I am happy to have a discussion with the minister.

**Senator Wong:** You were not pursuing a few questions. You were making a range of statements.

**CHAIR:** Senator Cormann has been in and out of this committee, but I have explained the process previously in terms of how we operate in estimates. We ask questions and we wait for the answers. It is not helpful to have political debate or dialogue before and during questions. The call is with you, Senator Cormann, if you have a question.

**Senator CORMANN:** The value of Medibank Private is, of course, a matter of public interest. Minister, I have asked questions about this to the Department of Finance and Deregulation before and the answer that I got back after they took it on notice was that 'the department does not disclose the value of individual government business enterprises as such' and 'valuations are commercially sensitive'. I do not understand why they are more commercially sensitive for Medibank than they would be for any other for-profit company that has to comply with these sorts of disclosure requirements as a publicly listed company. Why would you be reluctant to reveal what the commercial value of Medibank Private is on your books?

**Senator Wong:** I assume that was a question to me.

**Senator CORMANN:** I have asked the question to you, yes.

**Senator Wong:** Chair, I take your direction to us both not to be too political.

**Senator CORMANN:** That was not political.

**Senator Wong:** Can I finish? I listened to your question.

**CHAIR:** Senator Cormann, you have put the question and you have made your statements. Allow the minister to respond.

**Senator Wong:** Senator Cormann, if you make a range of assertions in your questions that we do not agree with then obviously, on behalf of the government, I am going to respond to that. If you have questions regarding the answer provided by the department to the question on notice, I would ask you if we could deal with that when the departmental officials are here. That was a response, from memory, that the Department of Finance provided to you, so I am happy to deal with it if we could wait for the Department of Finance, which is after this.

**Senator CORMANN:** I was asking the question of you and I would like you to provide an answer now.

**Senator Wong:** You cannot do that. Who do you think you are saying, 'I would like you to provide the answer now'? I have asked you, quite courteously—

**Senator FIFIELD:** We can ask questions.

**Senator Wong:** I do not mind that. I dislike being spoken to like that.

**Senator CORMANN:** I would like you to provide the answer, because I want to ask some more questions of Medibank.

**Senator Wong:** I am asking, as a matter of courtesy, as is usual practice, if you are addressing questions relating to the department and the department's actions that you ask them in the appropriate place.

**Senator CORMANN:** I am asking questions about the value of Medibank. I can well understand that Mr Sammells is in a difficult position where he cannot assist me, but I am asking you as the shareholder minister, you as the representative of the owners of Medibank, why it is that you are not prepared to disclose what the commercial value of Medibank Private is?

**Senator Wong:** I will take it on notice until the department arrives, because I think it is not unreasonable for a minister at the table, if asked about a question on notice provided a different agency than the one sitting next to them, to ask that that be dealt with at the appropriate time in the agenda.

**Senator CORMANN:** This is not a question for the department; it is a question for the government. I note that, as the minister, you are not prepared to answer the question.

**Senator Wong:** I am going to take issue with that. That is not my answer. You do not verbal me.

**Senator CORMANN:** What is your answer?

**Senator Wong:** I have just taken it on notice and I will answer it when the department is before the committee, as is appropriate.

**Senator CORMANN:** Mr Sammells, obviously when we last met, Mr Savvides was able to assist us in terms of what the expectations were in terms of final dividends. He gave us a figure of approximately \$85 million and it came in at \$81 million. What is the expectation in terms of the regular dividend that Medibank would be expected to pay in the next financial year?

**Mr Sammells:** It will equate to 50 per cent of our full-year profit after tax, which is a number that we will not have a final view on until we have completed our annual accounts in August-September.

**Senator CORMANN:** Unlike Mr Savvides, who was able to tell us last time that it was about \$85 million, have you now changed your policy on that?

**Mr Sammells:** No, not at all. What I am saying is that we are not in the business of providing profit forecasts and, therefore, on that basis, it is incredibly difficult for me to answer your question and provide a dividend forecast. I would point out that there are 37 health funds in the sector, of which there are 36 that do not disclose profits on a half-year basis or through the course of the year. Hence to do so would probably be disadvantaging ourselves, which is why we have that position.

**Senator CORMANN:** So, the \$81 million dividend was for the 2009-10 financial year?

**Mr Sammells:** That is correct.

**Senator CORMANN:** So, that was 50 per cent of after tax profits, was it?

**Mr Sammells:** That is correct.

**Senator CORMANN:** So, whatever the dividend is for 2010-11 that will come on top of the special dividend, the \$300 million dividend, which is payable in 2010-11?

**Mr Sammells:** That is correct.

**Senator CORMANN:** So, would the proportions be very different from the fifty-fifty that would be your ordinary dividend proportions?

**Mr Sammells:** Yes. The way to think about it is that the routine dividend policy is a product of paying 50 per cent of net profit after tax for any one given year. That \$300 million special dividend is a special one-off dividend on top of that regime.

**Senator CORMANN:** What will be the overall dividend payment to the Commonwealth if you put the regular dividend and the special dividend together, in proportional terms, as a percentage?

**Mr Sammells:** As a percentage of what?

**Senator CORMANN:** As a percentage of your profits in 2010-11? Are you going to be paying your regular dividend?

**Senator Wong:** I suspect that is a different way of asking the question that Mr Sammells said that he cannot answer. For the reasons that he has outlined, he is not answering questions about profit. You then ask him what percentage this will be, which is essentially the same question.

**Senator CORMANN:** I am asking what the percentage of both the regular and special dividend are going to be. I am not asking him what percentage the special dividend is going to be of the overall profit. I am asking what the total dividend is. He has told me that the regular dividend is going to be 50 per cent of profits after tax, so what is going to be the overall dividend payment? Is it going to be more than your profits after tax?

**Mr Sammells:** It is hard for me to say because, firstly, we have not completed the financial year and, secondly, it is asking me to try to provide you with a forecast of what the full-year profit is going to be.

**Senator CORMANN:** Let me ask the question differently, and I am not trying to be cute here at all. Will part of or all of the \$300 million in special dividend come out of your capital reserves or will it come out of your operating profit after tax?

**Senator Wong:** That is the same question.

**Senator CORMANN:** It is not the same question.

**Senator Wong:** It is. I admire your creativity in approaching it in a whole range of ways, but essentially you are seeking that Mr Sammells give you a profit forecast. That underpins all of the questions that you are asking and he has answered that question.

**Senator CORMANN:** What was your declared profit in 2009-10?

**Mr Sammells:** It was a profit of \$380 million before tax. It was about \$260 million after tax.

**Senator CORMANN:** So, \$260 million after tax and your regular dividend in 2009-10 was \$81 million. A special dividend of \$300 million on top of it in that year would have caused you to have to go into your reserves.

**Mr Sammells:** The way to think about it is the fact that Medibank has a really strong balance sheet and that after payment of the routine dividends and after payment of the special dividend of \$300 million Medibank remains in a strong and sound capital position that has a capital that is sufficiently in excess of the prudential minimum that provides future security to member benefits. I think that is probably the most important point to make.

**Senator CORMANN:** I am sure that Medibank is in a strong capital position and it is, of course, a capital position that has been accumulated over many years courtesy of a lot of members of Medibank Private. In order for you not to have to draw on your capital reserves to pay the \$300 million special dividend it is fair to say that your profit in 2010-11 after tax would have to be higher than it was in 2009-10, because if it is the same then you will have to draw on your capital reserves that were accumulated by members of Medibank.

**Mr Sammells:** In essence, I understand what you are saying. The way I look at it is that our capital reserves are there and the business of running a strong and successful business in any given year adds to the value of those reserves, which provides the ability to pay the special dividend of \$300 million, as requested by the shareholder, and maintain strong capital and balance sheets.

**Senator CORMANN:** When you say you understand what I am saying, what you are saying is that I am right. It stands to reason that if you had a profit of \$260 million after tax and you pay \$81 million in regular dividends, that leaves another \$179 million. If you pay a \$300 million dividend on top of that, that would be \$120 million out of your reserves. Unless your profit, after tax, in 2010-11 is higher than what it was in 2009-10, you would have to draw on your reserves. That is a completely factual and logical conclusion of what you have been telling us.

**Senator Wong:** That is not a question.

**Senator CORMANN:** I am asking him to confirm what I am suggesting.

**Senator Wong:** That is your proposition. That is not a question.

**Senator CORMANN:** Is that right?

**Mr Sammells:** There are a whole range of timing issues there. The reality is that we have the reserves to fund the dividend. We have the reserves to maintain the financial security of the fund moving forward. That is where we are.

**Senator CORMANN:** So, you have the reserves to fund the dividend?

**Mr Sammells:** Yes. That is correct.

**Senator CORMANN:** You talked to us about this year's premium rise. Have you had any feedback from your members about the premium increases this year?

**Mr Sammells:** We are really pleased that we are able to deliver a premium increase that was lower than the industry average. It is the fourth year in a row that we have been able to achieve that. I think our members get the benefit of that. It is fair to say that members do not like premiums going up at all, but given the challenges of an ageing population and the challenges of growing health expenditure, I think members understand that our increase was quite modest compared with that of many other funds.

**Senator Wong:** If you are a member or a customer of Medibank Private, this is your opportunity to tell Mr Sammells what your view is.

**Senator CORMANN:** I regret to say, and I think Mr Sammells well knows, that I am a member of a different fund. I will not do any competitive advertising. Have you made any provision in your costings, when putting your rate change application together, about things like the mooted change in the private health insurance rebate, tax payable, dividends payable and capital reserve targets? Can you talk us through, beyond your expected utilisation and so on, what factors went into your rate change application other than your normal expectations in terms of claims experience moving forward?

**Mr Sammells:** The primary driver is claims experience. We have been quite consistent with that. For every dollar that we collect in premiums 86c in the dollar is spent on health services. Regardless of the dynamics around us, that is the principal driver, and I expect that will remain the key driver of price changes into the future. Through that we have all the other factors that you have described that we take into consideration, but in terms of relative weighting of those measures, benefit outlays and health service expenditure will remain the dominant force in price changes.

**Senator CORMANN:** You would expect that. Obviously your claims expense is your most significant expense and it is your primary driver, but you concede that there are other drivers such as the mooted changes to the Private Health Insurance Rebate, your requirement to pay tax and to pay dividends and to continue to build your capital reserves?

**Mr Sammells:** All those factors are taken into account in any given year. The rate process invites you to look forward into the foreseeable future to try to understand what the future looks like. Based upon that there is a whole raft of decisions to be made.

**Senator CORMANN:** What does the special dividend of \$300 million do to your expected rate change requirements into the future?

**Mr Sammells:** The point would be that it has had in essence no impact on prices. I think the evidence of that would be the fact that, whilst it is not paid until next month, it was declared quite a long time ago. So at the point of putting in a rate change we had all of that information, and we have increased our prices by lower than the industry average.

**Senator CORMANN:** So, that special dividend is funded by past surpluses, which are going to reserves?

**Mr Sammells:** It is funded in part by that capital base; that is true.

**Senator CORMANN:** What are your current capital reserves? You are going to laugh, because you think that I am going to ask the same question a different way.

**Senator Wong:** Surprise me.

**Senator CORMANN:** What are your current publicly disclosed capital reserves? I am sure there is something that you can share with us.

**Mr Sammells:** We have total reserves of about \$2 billion to \$2.2 billion.

**Senator CORMANN:** You need to be reasonably transparent with the regulator on your capital reserves and so on, do you not?

**Mr Sammells:** We are absolutely transparent with the regulator.

**Senator CORMANN:** I am not asking you some sort of national secret, am I?

**Mr Sammells:** No.

**Senator CORMANN:** The minister was getting a bit worried that I was trying to be sneaky and get another one in that would put you on the spot.

**Senator Wong:** I was observing your persistence. We spent quite some time on these same issues at the last estimates.

**Senator CORMANN:** I am very interested in these matters.

**Senator Wong:** You clearly are. You are very happy to continue to traverse the same ground.

**Senator CORMANN:** I am very interested in how these things develop. So, it is \$2.2 billion. What is your regulatory minimum requirement in terms of your capital reserves?

**Mr Sammells:** Now you are asking for information that is not publicly available. The regulator understands that information. That is their formula. We run a prudential capital policy that provides for the minimum required under the capital adequacy and solvency requirements. We have a buffer that sits on top of that, which any responsible private health insurer would have, and ultimately that is their prevailing capital policy. Whilst you can look at our balance sheet and derive, as I said to you, that we have about \$2 billion to \$2.2 billion in total reserves, the value of the minimum requirement is not publicly available information.

**Senator CORMANN:** Maybe you need to take this on notice. I am very confident that Mr Savvides has shared this with us in the past. A figure of about \$800 million to \$1 billion above the minimum requirements, in terms of regulatory requirements, springs to mind as a figure that Mr Savvides has mentioned in the past. I can understand why you would be a bit more cautious and that maybe Mr Savvides feels that he is more at liberty to share some of these things, but you might want to take that on notice to see whether you can assist the committee any further. Have you made any further asset acquisitions since we last met in February?

**Mr Sammells:** No, not at all.

**Senator CORMANN:** Are there any that are currently being considered that you can share with us?

**Mr Sammells:** No.

**Senator CORMANN:** I am going to make the minister smile again, because I asked about this last time, too. Have you had any discussions with the government since we last met about a possible partial privatisation of Medibank Private?

**Mr Sammells:** No, not that I am aware of. Ownership is a question for the government and not for Medibank in any case.

**Senator CORMANN:** What I am asking you is whether you have had discussions, and that is something that only you can answer.

**Mr Sammells:** The answer is, no, to that question.

**Senator CORMANN:** Minister, if you want me to ask the question later then I can do that, but just to be completely clear about the government's policy, do you remain committed to full public ownership of Medibank Private?

**Senator Wong:** That is correct.

**Senator CORMANN:** So, there are no plans to sell any part of Medibank over the next four years?

**Senator Wong:** Our government has no such plans.

**Senator CORMANN:** Thank you. That is a direct answer to a direct question.

**Senator Wong:** It is the same old question you asked me last time.

**Senator CORMANN:** Last time we had some commentary from the minister for health, who was mooting a partial sale. We will get to that. Would your current membership numbers be public information? Roughly how many of your members would currently have hospital cover?

**Mr Sammells:** I could not quote the exact number. I think we have 3.7 million resident members all up, of which the very large majority of those have hospital cover.

**Senator CORMANN:** When you say a 'very large majority', is that 80, 85 or 90 per cent?

**Mr Sammells:** I will have to take that one on notice.

**Senator CORMANN:** How does your most recent growth in membership compare with historical trends?

**Mr Sammells:** The number of members at Medibank has been growing by 1½ to 2 per cent. That has been quite consistent for the past couple of years.

**Senator CORMANN:** So, there has been no change?

**Mr Sammells:** No material change.

**Senator CORMANN:** What does that mean?

**Mr Sammells:** Some years it will be 1.4 and other years it will be 1.7. It is in that bandwidth of 1½ to 2 per cent. It has been quite consistent.

**Senator CORMANN:** What action have you taken to prepare for the mooted changes to private health insurance rebates?

**Mr Sammells:** What we would do, business as usual, is continually work away at providing members as much value as we can through our core products. More recently we have been increasing our level of health management services that we are offering to members through our product suite. We have launched a new product suite in the market

earlier this year, and a range of other services that are designed to improve that ongoing value proposition of the private health insurance product. For us, that is pretty much a business as normal activity and we will continue to pursue it.

**Senator CORMANN:** Are you looking at focusing on offering cheaper hospital products that may be available for those members who wish to downgrade their level of cover?

**Mr Sammells:** We have realigned our new product suite earlier this year to provide members with a really clear choice as to what level of cover they are looking to buy. They can buy everything from a very basic hospital product through to our premium product that covers everything, and on the way through there are three tiers of products that they can choose. Members can make a really transparent selection.

**Senator CORMANN:** Are you aware of the Deloitte research which has projected that 1.6 million people over five years will drop their private health cover?

**Mr Sammells:** I have seen that research in the public domain.

**Senator CORMANN:** And 4.3 million would downgrade their cover? What is Medibank's assessment of that research?

**Senator Wong:** That is not a question for Mr Sammells.

**Senator CORMANN:** It goes directly to their core business.

**Senator Wong:** No, it does not. You can reasonably ask Mr Sammells, as you have been, about their planning and their approach to any possible changes in their operating environment for the reasons that you outlined, but what you are asking him to do is to comment on someone else's work and give an opinion. That is not a matter for him.

**Senator CORMANN:** Let me assist the minister. Mr Sammells, have you done your own research inside Medibank Private or have you commissioned any research of your own into the impact of proposed changes to the private health insurance rebate on your membership?

**Mr Sammells:** We have not commissioned any customer based research.

**Senator CORMANN:** Have you done your own internal research?

**Mr Sammells:** I would not call it research.

**Senator CORMANN:** What would you call it?

**Mr Sammells:** Some internal modelling, which is always fraught with difficulty, because the core change that legislation contemplates is means testing the rebate to income. As you may well appreciate, the income level of our members is not data that we hold. With the best will in the world our actuaries do some work on this stuff, but it is not a perfect science, as you would understand.

**Senator CORMANN:** Modelling is never a perfect science and actuaries always have to go on the basis of the best available information. Consequently some conservatism comes into their conclusions. With all of those provisos, what does your internal modelling show in terms of the impact of the proposed changes in private health insurance rebate on your membership?

**Mr Sammells:** Our best educated guess to ourselves, with all the caveats that I will talk about, that is, it is a guess, an educated guess but it is a guess all the same, would be that potentially approximately one per cent of members may in fact lapse on their product and give away private health insurance as a result, and there may be another cohort of members

who may, as you have already suggested, try to downgrade their product and go from our top hospital to a medium hospital-type product. That is the sort of thinking that we have. I would really like to think that those members who are impacted should this legislation be passed look seriously and evaluate their private health insurance product and hopefully see enough value to retain it.

**Senator CORMANN:** Of course, that is always the aspiration. But you say one per cent of your membership would lapse and then others would be expected to downgrade. Do you have a percentage on how many you would expect to downgrade?

**Mr Sammells:** I think my best guess there would be somewhere in the range of about 2½ per cent of the membership might downgrade their product in some way, shape or form.

**Senator CORMANN:** You said your membership is about 3.7 million, most of whom have hospital cover. So one per cent would be about 37,000; 2½ per cent would be close to 70,000, and that is just Medibank, is it not?

**Mr Sammells:** I would express caution about those numbers, though. That 3.7 million is really lives under cover rather than policies held. If I take the example of a family membership, they might have one hospital policy, but there will be a husband, wife and kids on that policy. If I were to translate percentages to policies I suspect about 15,000, being that one per cent number, may in fact decide to give away their policy, and a further 38,000 potentially might consider downgrading, but as I have said—

**Senator CORMANN:** That is in terms of policies, but of course we are interested in people. You said one per cent of your members and roughly 2.5 per cent of your members, and that is presumably taking into account that some policies are single policies and other policies are family policies. You would have made assumptions around all of these elements, would you not?

**Mr Sammells:** That is correct, yes.

**Senator CORMANN:** When did you do that research?

**Mr Sammells:** It is not research. It is internal work. Over the past probably six weeks or thereabouts.

**Senator CORMANN:** We have a tax forum later in the year, which is not a summit, and so your modelling is not research. I understand. When did you conduct your internal modelling?

**Mr Sammells:** Over the past six weeks.

**Senator CORMANN:** So that is quite fresh off the press, then; quite recent?

**Mr Sammells:** Yes.

**Senator CORMANN:** Did anyone within the government or a department or an agency recommend or direct or ask you to conduct this sort of modelling?

**Mr Sammells:** No, it is purely of our own volition.

**Senator CORMANN:** But have you communicated that research to the government?

**Mr Sammells:** No, we have not.

**Senator CORMANN:** Well, now you have.

**Mr Sammells:** Absolutely.

**Senator CORMANN:** How many resources do you allocate to this internal modelling, which is not research?

**Mr Sammells:** I have a team of actuaries. This is just part of the work that they would normally do. It is not like we have added new resources or a new team. This is a business-as-usual activity for us.

**Senator CORMANN:** As you have pointed out, the research was not able to take into account income levels of Medibank members, so you would not be able to tell how many of your members fall into a tier 1, 2 and 3?

**Mr Sammells:** No.

**Senator CORMANN:** Would it be fair to say that your estimate is a conservative estimate, because you have not been able to overlay the actual financial impact?

**Mr Sammells:** If I look at general publicly available data from the tax office, for example, and I take the view that our population of members is not dissimilar to the average of the Australian population, I suspect about—I do not know—15 per cent to 20 per cent of our members may fall within the bandwidth of impacted people. But as a matter of fact, as we do not have that data, I cannot say who may fall within which tier of the change.

**Senator CORMANN:** Are you able to provide a copy of your modelling in relation to the impact of the private health insurance rebate changes?

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

**CHAIR:** Thank you, Mr Sammells and officers, for appearing before us. We will see you in the future, no doubt.

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

[16.36]

**CHAIR:** We will commence with Program 1.1 this afternoon and then move into consecutive programs and relevant portfolio agencies either tonight or tomorrow as circulated in the program. Officers and senators are familiar with the rules of the Senate governing estimates hearings. If you need any assistance the secretary has copies of those 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. Do you have an opening statement?

**Mr Tune:** Could I just ask a question about a matter of process? If we are dealing with Outcome 1 tonight, I have a lot of people from the other outcomes here. If they are going to be tomorrow, I wonder if they can be excused, unless there are general questions that might cut across all of the outcomes.

**Senator Wong:** We are just trying to avoid every outcome here in the next room. Obviously they are here tomorrow. We are just questioning whether or not we will have general questions across all outcomes so we have to keep everyone here or whether we are going to—

**CHAIR:** We will be dealing with general questions and then we will be going program by program under the dot points as outlined in the program.

**Senator Wong:** Perhaps you can let us know when general questions are over and we will send everyone but outcome one away. Is that all right?

**Senator FIFIELD:** There are about eight or nine colleagues who have questions for finance. There may be general questions, so we will just have to suck it and see.

**Senator Wong:** Sorry?

**Senator FIFIELD:** We do not necessarily know the exact areas that each and every one of them want to ask so we might just—

**Senator Wong:** We are just trying to be economical with people's time.

**Senator FIFIELD:** I appreciate that. I am just trying to give you the lay of the land from our side. General questions may go for a while.

**CHAIR:** The way we have worked thus far is that we deal with general questions, which could go for some time, but then we will be going through dot points just so that it is easier for us to keep track of where we are at in the program. We will be able to give you a better indicating after the dinner break.

**Senator CORMANN:** I might just start off by asking some questions to you, Minister, in relation to the government's assertion about strict physical rules, which are supposed to include the commitment to offset new spending with commensurate savings. I refer you to table 3 on page 314 of the Budget Paper No. 1. If you look at the 2011-12 financial year, which is of course the budget that we are looking at and that the parliament is voting on, the net impact on the budget as a result of policy decisions since MYEFO is in fact minus \$2.6 billion. That is right, is it not?

**Mr Tune:** For 2011-12, that is correct.

**Senator CORMANN:** The 2011-12 is of course the budget that we are dealing with. That does not quite the match the commitment to offset new spending with commensurate savings, does it?

**Senator Wong:** We have done so over the budget period. If you look at the net budget impact of policy decisions in the line which is about two-thirds of the way down that table, you will see it is some \$5 billion over the forward estimates.

**Senator CORMANN:** That is the \$5.1 billion?

**Senator Wong:** Correct.

**Senator CORMANN:** But of course the \$21.6 billion worth of savings, as it says in Budget Paper No. 1, actually includes about a third—I think it says there—of new taxes, tax increases and other revenue measures; does it not?

**Senator Wong:** If we are going to have this argument about savings, you better stop talking about your \$50 billion worth of savings if you believe that there should be no revenue measures.

**Senator CORMANN:** I am not suggesting there should not be revenue measures, but I note that the Treasurer in his budget speech talked about \$22 billion worth of savings without the proviso that was included in the budget papers, which was dutifully reported in the press as \$22 billion worth of spending cuts. In fact, on the front page of the *Financial Review* it said there were \$22 billion worth of spending cuts. Of course, \$6.2 billion of that are revenue

measures, including \$1.7 billion for the flood levy. If you exclude new taxes, tax increases and other revenue measures to the tune of \$6.2 billion, your net budget impact of policy decisions over the forward estimates is actually a net increase in spending, is that not right?

**Senator Wong:** We use the same definitions of savings that you have used in both government and opposition. If you are asking me whether or not I think it is a sensible fiscal position to remove a tax expenditure for sound policy reasons—well, that is our position. It is a sensible thing to do.

**Senator CORMANN:** I think you have taken the spin on how you sell new taxes, tax increases and other revenue measures to quite a unique level.

**Senator Wong:** If you want to talk about spin, I think the most extraordinary example of spin is that the alternative Treasurer, the shadow Treasurer, asserts \$50 billion in savings, which comprises an \$11 billion black hole and—

**Senator CORMANN:** According to you.

**Senator Wong:** No, not according to me. According to—

**Senator FIFIELD:** A point of order, Chair.

**Senator Wong:** I am responding to a proposition—

**CHAIR:** There is a point of order before the Chair. Your point of order?

**Senator FIFIELD:** It is going to be an extremely long night if the minister at the table treats this estimates hearing as though we are in question time. This is not question time. This is an estimates hearing. We ask questions and those on the other side of the table give answers.

**Senator Wong:** On the point of order—if I am accused of spinning and other such political statements in questions, I am going to respond to them and refute them. If you want simply to ask questions, I am happy to play by a pretty strict rule book, but it is pretty hypocritical of opposition senators to include a whole amount of political rhetoric and accusation in their questions and then not like it if they get a bit coming back.

**CHAIR:** On the point of order, I remind all committee members and the witnesses that the process is asking questions and then having the opportunity to respond. As I have expressed earlier today and yesterday, if there are political statements made in questions and assertions made, you have to expect that those at the witness table are going to respond to those. It is a matter of how committee members want to use the time available to them. I would suggest that we continue on with the processes outlined under the standing orders.

**Senator Wong:** I was just making the point that, if the opposition wants to perhaps be more honest about their savings, I am happy to have that discussion. It might be helpful for you to look at the table facing that table, which is on page 315. This really relates to a test that the shadow Treasurer mentioned, which was to look at whether government spending as a proportion of the economy rose or fell. If you look at that table, you will see that the government spending or payments as a proportion of GDP over the forward estimates fall to 23.5 per cent of GDP. That is a fall of one percentage point over the forward estimate period. So, effectively the size of government in terms of the size of the economy is smaller. My recollection is that the average over I think the last decade preceding the global financial crisis was 24 per cent, but I will check that.

**Senator CORMANN:** We are going to get to that, but I am just going to stick to my own roadmap in terms of questions. When deciding on savings, is it true that the department provided a list of options above and beyond the \$21.6 billion?

**Senator Wong:** If you have been through a budget process, of course, in the ERC process, or any government budget process, a range of matters are considered by that subcommittee of cabinet.

**Senator CORMANN:** I noted in the *Sydney Morning Herald* the day before the budget that you had to stand up to the Prime Minister to get some of your savings up. Could we have a list of the savings where Minister Wong won the battle and the proposed savings where the Prime Minister won the battle, the things that got into the budget and the things that did not.

**Senator Wong:** This Prime Minister has always been acutely aware of the importance of fiscal responsibility and has carried that commitment through all her decision making, if I may say, far more economically and fiscally responsibly than her counterpart.

**Senator CORMANN:** But it was you who went to the media the day before the budget to say that at times you had to stand up to the Prime Minister in order to get a lot of tough decisions made. Where did you lose? Which savings did you take from your department into the process and the Prime Minister overruled you and said, 'No, Minister, this is not going to happen.'

**Senator Wong:** I would make two points. Firstly, I would invite you to look at what was actually said by me in that article. Secondly, the decisions of the government are reflected in the budget papers.

**Senator CORMANN:** So, you did not tell the *Sydney Morning Herald* that you had at times to stand up to the Prime Minister?

**Senator Wong:** The decisions of the government are in the budget papers.

**Senator CORMANN:** The headline '... Wong labours hard for cuts' and 'has at times had to stand up to the Prime Minister ...' is wrong?

**Senator Wong:** I do not write headlines. Do you write headlines?

**Senator CORMANN:** I am sure you enjoyed the headline. I am sure you like to be presented by a tough finance minister standing up to the Prime Minister, but I want to know how successful you have been. Did you take \$21.6 billion worth of savings to the Prime Minister and get them all through or did you take \$30 billion and the Prime Minister overruled you on about \$9 billion worth of savings? Or did you take \$50 billion worth of savings and she more than halved it? How tough and effective were you in standing up to the Prime Minister? You gave that indication, clearly, to a journalist that that is what you did. How successful have you been in standing up to the Prime Minister?

**Senator Wong:** The government has made its decisions. They are in the budget papers.

**Senator CORMANN:** How many savings did you take into the process beyond the \$21.6 billion?

**Senator Wong:** Other than simply to try to make a political point, you are not seriously using an estimates hearing to try to suggest I should be talking to you about the entirety of the ERC process; are you?

**Senator CORMANN:** No, not the entirety. I do not want the entirety. All I want is the savings.

**Senator Wong:** This is not a serious line of questioning and you know it. That is why you are smiling and smirking the way you are.

**Senator CORMANN:** You are smiling. I am just smiling back.

**Senator Wong:** I am just saying that you are not using this estimates—

**Senator CORMANN:** I am just smiling back—

**Senator Wong:** If you have no questions about the budget—

**Senator CORMANN:** That is great.

**Senator Wong:** If you have no serious questions about the budget I am sure all of us would like—

**Senator CORMANN:** These are—

**Senator Wong:** If I can finish? If you have no serious questions about the budget and just want to perform, then frankly there is plenty of work I can do and I am sure there is plenty of work the officers can do.

**Senator CORMANN:** But the finance minister of the Commonwealth went to the media the day before the budget trying to demonstrate how tough she was, suggesting that at times she had to stand up to the Prime Minister. We have a budget with \$21.6 billion in savings. I want to know whether that is a reflection of your toughness or whether that was all you were able to get past the Prime Minister?

**Senator Wong:** And I have said the decisions of the government are reflected in the budget papers. I am not going to engage in this.

**Senator CORMANN:** So, you took more than that \$21.6 billion worth of—

**Senator Wong:** I am not going to engage in this.

**Senator FAULKNER:** Don't be modest, Senator Wong.

**Senator CORMANN:** I agree with Senator Faulkner. You should just say that you took a much bigger list of spending cuts to the Prime Minister.

**Senator FAULKNER:** Senator Wong is really tough—okay. Hold the front page, I am sure another headline will be written about this.

**Senator CORMANN:** Indeed. What percentage of the savings are actually funding deferrals? We have \$6.2 billion worth of savings that are new taxes or tax increases. Which of the savings, rather than spending cuts, are deferrals in funding into later years?

**Mr Tune:** I do not think we have that number. We will take that on notice.

**Senator Wong:** Do you want us to disaggregate this and give you some sense of how much was deferral?

**Senator CORMANN:** I want to know how much of it is spending cuts.

**Senator Wong:** If you are not spending it in the year, that is a spending cut.

**Senator CORMANN:** If you just defer it, then it is cash-flow management really.

**Senator Wong:** Why don't you tell us what you are asking and we will take it on notice.

**Senator CORMANN:** Exactly. We know that \$6.2 billion was new taxes, tax increases or revenue measures. So, that leaves another \$15-plus billion. How much of that was actual cuts in spending where the spending is not expected to ever happen again? How much of it is a deferral into the out years or later years, into years beyond the budget, but where the expenditure is still actually going to happen? That is what I am getting at.

**Mr Tune:** I understand your question. I do not have that number with me so we will take that on notice.

**Senator CORMANN:** In the budget papers it states that the face value of total stock of Commonwealth government securities by 30 June is expected to reach \$192 billion.

**Senator Wong:** I am sorry, if we are going to do budget papers can you take us to where you are reading from?

**Senator CORMANN:** Budget Paper No. 1, page 713, and there is table I think in section 9. I do not have the page. You would remember, though, what the face value of total stock of Commonwealth government securities would be by 30 June—\$192 billion by 30 June?

**Senator Wong:** I think I have answered that question previously.

**Senator CORMANN:** The current limit is \$200 billion. The thing that you have not answered—and I am just trying to have another crack at this—is that given it is expected to be \$192 billion by the end of June, when will you reach the current limit of \$200 billion given that you are borrowing about \$135 billion?

**Mr Tune:** You really need to talk to the Australian Office of Financial Management about that one. They will be in charge of that issuance and they will have the timing and so forth. We are not in a position to answer that, I am sorry.

**Senator CORMANN:** I will ask them, but is that not something that you track? There is currently a debt ceiling—

**Mr Tune:** We do not track it day by day, no. AOFM will.

**Senator CORMANN:** But AOFM—

**Senator Wong:** It is within the Treasury portfolio.

**Senator CORMANN:** So, Finance does not keep any track of this?

**Mr Tune:** No, issues around the management of debt are the responsibility of the Treasury and the Office of Financial Management.

**Senator CORMANN:** That is interesting.

**Senator Wong:** It is the same division of responsibilities that would have existed under you.

**Senator CORMANN:** Treasury advised last year that \$10 billion of stimulus spending was to be outlaid in 2011-12. Are you able to provide us with a detailed breakdown of the spending?

**Senator Wong:** In which program?

**Senator CORMANN:** Stimulus spending in 2011-12.

**Mr Tune:** We will need to take that one on notice as well.

**Senator CORMANN:** You do not know?

**Mr Tune:** Not the detail of it, no. It is basically the remainder of those programs that are in the stimulus package, like some of the infrastructure programs, the remainder of the BER and those sorts of programs. But I will get you a breakdown.

**Senator Wong:** In terms of completion or projects committed, I think the figure is about 97 per cent. But we will see if we can assist with anything further.

**Senator ABETZ:** I will not go into descriptors about whether the budget is tough or indifferent. What I do want to do is get a handle on the exact figures. Is it correct, Minister, as claimed by you on 11 May that the net save across forward estimates is only \$5 billion?

**Senator Wong:** The \$5 billion number is the one I was just referring Senator Cormann to at page 314 of Budget Paper No. 1.

**Senator ABETZ:** It is \$5.819 billion?

**Senator Wong:** It is 189.

**Senator ABETZ:** So, we are agreed on that.

**Senator Wong:** That is the net of what we call measures—

**Senator ABETZ:** The net save position is about five and a bit billion dollars?

**Senator Wong:** That is right.

**Senator ABETZ:** Is it a fact that total expenses across the forward estimates are approximately \$1,560 billion?

**Mr Tune:** That would be about right. I am just adding them up roughly.

**Senator ABETZ:** Is it a fact, therefore, that this budget will save about \$5 billion out of about \$1,560 billion?

**Senator Wong:** I think a point should be made in terms of the figures I gave to Senator Cormann. If you look at what is occurring and you look at page 315 in Budget Paper 1 you will see a reduction in the size of government as a share of the economy—a reduction to 3.5 per cent.

In terms of real growth and expenditure—and you would know from your experience a range of government programs grow at different rates; for example, many of our income support payments are indexed—we have a cap on real growth and expenditure of two per cent. We better that in this budget over the forward estimates period. We have on average a one per cent per annum growth. That compares with the last five Costello budgets, with a 3.7 per cent per annum real growth. In fact, the last time a government restrained growth and expenditure to this extent is somewhere in the 1980s.

**Senator ABETZ:** My question was: is it a fact, therefore, that this budget will save about \$5 billion out of about \$1,560 billion?

**Senator Wong:** The net budget impact of policy decisions over the forwards is five and a bit billion dollars, yes.

**Senator ABETZ:** Out of a total budget over the forward estimates of expenditures of \$1,560 billion?

**Senator Wong:** I have not—

**Senator ABETZ:** Mr Tune has indicated that is right.

**Senator Wong:** I have not added those up. Are looking at the figures between 2011-12 to 2014-15 of payments?

**Senator ABETZ:** I think we have agreed, have we not, that the total expenses across the forward estimates are approximately \$1,560 billion.

**Mr Tune:** If you want to measure it that way, that is correct. But the other way of thinking about it is as a percentage of GDP, when you add the measures and the forward estimates variations.

**Senator ABETZ:** I am sure there are lots of other ways of dealing with it.

**Mr Tune:** That is the normal way of looking at it.

**Senator ABETZ:** I am just dealing with the raw figures. Does \$5 billion out of \$1,560 billion equate to about 0.32 per cent or, to put it another way, a saving of about 32c for every \$100 the government is spending over the next four years?

**Mr Tune:** I do not have a calculator with me, so I cannot confirm those numbers.

**Senator ABETZ:** But you would not deny them either, would you?

**Mr Tune:** I am just not commenting on that point. Unless I calculate them myself, I cannot confirm or deny.

**Senator ABETZ:** So you just are not going to comment on them?

**Mr Tune:** I beg your pardon?

**Senator ABETZ:** So, the secretary of finance cannot assist us in relation to whether a saving of \$5 billion over the forward estimates, out of a total expenditure of \$1,560 billion, equates in rough terms to a saving of 32c of every \$100. That will be well received, I am sure, Mr Tune, by lots of Australians, that the secretary of the department of finance is unable to confirm that for us.

**Senator Wong:** Senator Abetz, I am not sure you should be speaking to a senior public servant in that way. I invite you, the Leader of the Opposition in the Senate, to perhaps reflect on demonstrating a slightly better standard.

**Senator ABETZ:** They have a duty to respond.

**Senator Wong:** If I can finish, the secretary has made two points. Firstly, that is not the usual way in which these numbers are reflected in the budget papers—and that is not how Mr Costello would have reflected numbers in the budget papers. Secondly, you are not putting anything other than a calculation to Mr Tune and he does not have a calculator. You are effectively asking him to calculate something utilising an approach that is not the way in which it is reported in the budget papers.

**Senator ABETZ:** If it is such a difficult task, Mr Tune, you can take it on notice. If you could come back with a calculation after dinner, that would be very helpful.

**Mr Tune:** I am not saying your figures are wrong. I am just saying I cannot confirm 0.32 because I do not have it in front of me. But you are probably in the ballpark; that was my point.

**Senator ABETZ:** If you could do that calculation for confirmation purposes and tell us after dinner, I would be much obliged.

**CHAIR:** Senator Ronaldson, you have the call, with some general questions.

**Senator RONALDSON:** I have some follow-up matters for Mr Martine and Mr Tune around the Department of Veterans' Affairs, the War Memorial and the informal inquiry that we talked about in February. If you remember, when I asked you when contact was made between the Secretary of the Department of Veterans' Affairs and Mr Tune, we were told that it was in September. You subsequently wrote to the department secretary and said that it was basically his problem. Can I confirm that you wrote to the secretary of this committee on 1 March clarifying several matters of evidence and that, following a letter from myself to the chairs of both this committee and the Defence, Foreign Affairs and Trade committee, another amendment was made whereby Mr Martine apparently clarified that it was in June rather than September? I would assume that Mr Martine was in no doubt about his evidence when he gave it here and when he left the building and did not seek to clarify that at all at that stage.

**Mr Martine:** That is correct. At the time I gave the answer, it was my recollection that it was October, and it was subsequent to the hearings that I was reminded that it was in fact during June, when Mr Tune was on leave.

**Senator RONALDSON:** When?

**Mr Martine:** June.

**Senator RONALDSON:** Yes, but when were you reminded?

**Mr Martine:** As far as I can recall, it was certainly well after the hearings. I cannot remember exactly when it was, but I recall that—

**Senator RONALDSON:** Who brought it to your attention?

**Mr Martine:** I think it would have been my staff. It may have been late March.

**Senator RONALDSON:** It was after you had received my letter, was it not—when I requested contact? Otherwise, how would it have been brought to your attention?

**Mr Martine:** I think that is correct.

**Senator RONALDSON:** So, your staff had heard the evidence. It is fair to say, while I have not experienced it on that side—I hope to do so shortly—you have staff who go through evidence and your staff would have been aware of these matters. It was a highly sensitive issue, so presumably people were listening and there was no need to clarify.

**Mr Tune:** One of the issues here was that it was informal, so records of phone calls and so forth are not kept. That creates a bit of an issue in terms of tracking it down. As soon as we were aware—

**Senator RONALDSON:** With great respect, that was not the issue. The issue was that no-one who had heard the evidence from Mr Martine's department or his offices thought that the evidence he gave was in any way incorrect. You and I well know how politically charged this was and what a sensitive issue it was. What I am asking is: was there contact from the Department of Veterans' Affairs in relation to this matter?

**Senator Wong:** To which matter?

**Senator RONALDSON:** In relation to the quite substantial difference between September and June.

**Mr Tune:** I think there was. I have a recollection of a discussion with Ian Campbell, the secretary of the department. I cannot recall when, but it was after our hearing when he raised

it with me. Because I was, as Mr Martine has said, on leave at the time, it did not ring any bells with me at the time. When we realised that and Mr Martine checked with his staff, we realised there had been—

**Senator RONALDSON:** What date did the secretary of the Department of Veterans' Affairs contact you?

**Mr Tune:** As I said, I cannot recall.

**Senator RONALDSON:** Can you take that on notice?

**Mr Tune:** I cannot recall. It was a discussion. I have no record of it. I am just saying I recall a discussion.

**Senator RONALDSON:** With the greatest respect, I actually do not think that is good enough. There is no explanation. You have sort of flicked off a letter and said, 'We are changing the evidence from September to June.'

**Mr Tune:** With respect—

**Senator RONALDSON:** Just let me finish and then you can have your go. So, it is only when this matter has been brought to your attention via a letter to the chair of this committee and a letter also sent to the chair of the Defence committee that this has been altered. The question of when these discussions took place is absolutely fundamental to the process involved in extra funding for the Australian War Memorial. I would find it very hard to believe that you do not have some record of your conversation with Mr Campbell in relation to clarifying evidence, given that he no doubt told you he had given contrary evidence to the Defence committee when I questioned him in relation to that matter.

**Mr Tune:** I consider what we have done to be the right thing. Once we realised we had made an error, we rectified it and wrote a—

**Senator RONALDSON:** No, you did not realise it. I told you that you had, and that is what you responded to. Mr Martine just acknowledged that. So, are you telling the committee that you actually had a phone call from Mr Campbell prior to this and then did not do anything about it?

**Mr Tune:** We confirmed that and we changed the record accordingly. I think we did the appropriate thing to change the record accordingly.

**Senator Wong:** I can understand that you want an explanation of this. Obviously a lot of evidence is given in these estimates, and when this became something that was apparent to the secretary, he outlined how the department sought to respond.

**Senator RONALDSON:** Do you think it is appropriate that this matter was clearly not picked up by Mr Martine, Mr Tune or their staff and was only responded to, altered, after I had written to the chair, Senator Polley, and Senator Bishop in relation to it? The letter was received in March and, from recollection, the clarification was made on 5 June. I find it difficult to believe that the conversation with the secretary and Mr Tune was held in late March and that prompted the clarification. I want to know when the discussion between Mr Tune and the secretary of the Department of Veterans' Affairs was held.

**Senator Wong:** You have asked a range of things there. The first was essentially: do I think it is good enough? Obviously we always strive to make sure that any errors in evidence are corrected as soon as possible. What I would say to you is that this is a very hardworking

department that does an enormous amount of work and it is not always humanly possible to make sure every single issue at estimates is picked up in the time frames you might seek. But the second point I would make is that you can press Mr Tune on his conversation with the departmental secretary. I think his evidence—and he can correct me if I am wrong—is that he recalls having a conversation but he cannot recall precisely when. That is a truthful answer from him and there is little point in his taking it on notice because he is not sure he has a record. You may say that that is not good enough, but I think those are the circumstances. It is not that surprising. Perhaps you have a photographic memory, but if I were asked to provide every date on which I had a conversation with somebody I would have difficulty in accounting for them.

**Senator RONALDSON:** Mr Tune wrote on 13 April to Ms McDonald, the secretary of this committee. He said:

Dear Ms McDonald, Thank you for your letter of 31 March.

The letter of 31 March was following my letter to the chair asking for clarification between the two secretaries of the departments. He continued:

Thank you for your letter of 31 March regarding evidence given by the Department of Finance and Deregulation at the additional estimates hearings of Tuesday, 22 February 2011. I understand my department provided a number of minor corrections—

I do not think they are minor, I have to say—

on Tuesday, 5 April 2011, including clarification of evidence that you sought.

And there was just one line with Mr Martine's evidence changed. I assume, Mr Martine, you still acknowledge that the clarification resulted from the letter from Ms McDonald to you following my request for clarification from the two chairs?

**Mr Martine:** I cannot recall the sequence of events in terms of my correcting the record and whether it was before or after your letter of 31 March. It may well have been after 31 March.

**Senator RONALDSON:** The clarification was not given until 5 April.

**CHAIR:** You have asked a question, Senator Ronaldson. I yet again remind those participating in these estimates that, if you put a question, you should allow the witness to complete before asking your next question. All we are doing is eating up valuable time. Mr Martine, you were in the process of responding.

**Mr Martine:** I think I finished, Chair.

**Mr Tune:** Can I just say that, if we have messed up, I apologise for that and I will have a look at the process and try to ensure that it does not happen again. I am not trying to say there was not a stuff-up or a mess-up by us; there may have been. We were in the middle of a budget process and things may have slipped between the cracks. I cannot say that they did not, and, if they did, I apologise for that.

**Senator RONALDSON:** I drew this to the attention of the Secretary of the Department Veterans' Affairs, Mr Ian Campbell, within say a week. And I do not think it was a week. There was only a week of additional estimates in February, so I presume it was a couple of days. Given the sensitivities, that contact had been made reasonably quickly by him and that

you acknowledged that you received a phone call, if I had not sought clarification through the two chairs in late March would you have actually clarified this evidence?

**Mr Tune:** Because I cannot recall when the conversation with Mr Campbell took place, I cannot give you an answer.

**Senator RONALDSON:** So, you would not have a file note of the discussions in March between yourself and Mr Campbell?

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

**Senator RONALDSON:** Then where was the file note—and can you provide that to the committee—about the informal discussions which you say were in June, not September? They are the same informal discussion. On what basis does Mr Martine change his evidence from September to June on the back of informal discussions, of which presumably there is not a record either, but apparently there is no knowledge of this formal discussion?

**Mr Tune:** When we became aware that it was June, I was not around, as I mentioned earlier, and we went back and thought about it. Reminded where the discussions took place, it sort of pieced it together and, yes, it was June rather than September.

**Senator RONALDSON:** What evidence did you have to change? You have acknowledged that the evidence given to this committee is importance evidence, the truthfulness of which, I presume, you would pursue to the greatest lengths.

**Mr Tune:** I would agree, yes.

**Senator RONALDSON:** So, did you have a file note that indicated the informal discussions or did you just respond to the request from Mr Campbell to change the evidence from September to June?

**Mr Martine:** I did not have the conversation with Mr Campbell in June. Mr Campbell called the acting secretary at the time. I clearly remember that conversation because I remember the acting secretary calling me to raise the issue of a review of the War Memorial. It was my recollection at the hearings in February that that was in September, but subsequent to that, as we have been discussing, when it was brought to my attention that Mr Tune was actually on leave in June, not September, it was very clear in my mind that the conversation that I had with the acting secretary was in June, not September.

**Senator RONALDSON:** And that is solely the basis on which you have changed your evidence?

**Mr Martine:** Yes, I remember very clearly the discussion I had with the acting secretary, and it was while Mr Tune was on leave.

**Senator RONALDSON:** Thank you, Chair.

**CHAIR:** Senator Faulkner had a question on the same issue.

**Senator FAULKNER:** Mr Tune, I suppose the principle behind this is the issue of agency protocols in relation to correction of evidence. You would be aware, I assume, that it is not uncommon for agencies—in fact, it is very common—to have to correct evidence that is provided before estimates committees. You would be aware of that?

**Mr Tune:** I am.

**Senator FAULKNER:** Yes. It is common; it is always—

**Senator RONALDSON:** Can we move on from this Dorothy Dixier?

**Senator FAULKNER:** It is not a Dorothy Dixier.

**CHAIR:** Senator Faulkner has the call.

**Senator FAULKNER:** I think you will probably appreciate it if you listen, if you are able to; you might learn something.

**CHAIR:** Senator Faulkner, just put your question.

**Senator FAULKNER:** Thank you, Chair. I would like to do that without interruption if possible. There has been some interjection about suggestions that this is not common. I would get a significant number of email messages each estimates round from agencies correcting evidence provided at the table by witnesses. I will also say that it is normally quicker than what has occurred here. Having said that—

**Senator RONALDSON:** Why don't you put this in your book. Do you have a question?

**Senator FAULKNER:** Yes, I do have a question; you might be interested in it and you might not.

**CHAIR:** Senator Faulkner has the call.

**Senator FAULKNER:** You can leave, Senator Ronaldson, if you are not interested. You have asked your questions.

**CHAIR:** Senators will stop interjecting and allow Senator Faulkner to complete his question so we can move on with the answer and then go back to someone else.

**Senator FAULKNER:** Given that you are aware of this background, firstly, are you satisfied with the adequacy of the department's protocols? Secondly, does the protocol acknowledge the importance of any corrections—I believe it should, by the way—to be provided as soon as an agency becomes aware of them?

**Mr Tune:** We do not have a formal protocol written in that sense, but we do have a process whereby people review their evidence. I certainly do that. I read the transcript and look at it and think, 'Have I got that right?', and go back and check a number if I have to and confirm it in my own mind, and officers do that of their own accord as well. If we have made a mistake in the evidence, we do have a process whereby we pool that together and write to the committee as soon as we can, because we do take very seriously what we provide to the—

**Senator RONALDSON:** The answer to your question is no, there are no protocols.

**CHAIR:** Senator Faulkner has the call. Senator Ronaldson, you are not assisting the hearings.

**Senator FAULKNER:** I am not sure whether there are any formal written protocols in government.

**Senator RONALDSON:** Any formal ones.

**Senator FAULKNER:** No, I am not sure whether there are any formal protocols in any agency; are you? You might know of it. I am not aware of any. There are, nevertheless, protocols in dealing with these matters that I think are well understood throughout the Commonwealth. Is it your insistence as secretary that that occur as quickly as possible? You are apprised of the importance of that?

**Mr Tune:** If there is an issue, people generally draw it to my attention. Sometimes we would leave it for a little while; we know there might be a couple more, and so rather than write six letters we might write two letters, one letter or something like that. That is the judgement you make at the time.

**Senator FAULKNER:** Thank you for that. I found that very interesting.

**CHAIR:** Senator Humphries.

**Senator FAULKNER:** You think I am going to write a book about estimates?

**CHAIR:** Senator Humphries, I gave you—

**Senator RONALDSON:** I fear you will.

**Senator Wong:** These are all budget questions. Are we still in general questions?

**CHAIR:** I am trying to listen to the minister. We are still in general questions.

**Senator Wong:** These are all budget questions now, which I am fine about, but I just wondered if we are only doing budget questions.

**Senator FIFIELD:** Senator Humphries has a general question, then Senator Abetz, and there might be one more person after that with a general question.

**Senator Wong:** Thank you.

**CHAIR:** Senator Humphries, you have the call.

**Senator HUMPHRIES:** My question might appear to be about a fairly mundane matter at one level, but I think it is a—

**Senator FAULKNER:** Colleagues from your own side of the table will object to something they claim is mundane.

**CHAIR:** Senator Humphries, continue.

**Senator RONALDSON:** Senator Faulkner is interrupting, Chair.

**CHAIR:** Senator Humphries, ignore the interjection and ask your question.

**Senator HUMPHRIES:** I can make a mundane question exciting, I am sure. The department of finance issues members and senators with a mobile telephone. I understand that the requirement that comes with each—

**CHAIR:** Senator Humphries, that is moving on to outcome 3, which is tomorrow. This is general questions relating to the budget. We will get to outcome 3 tomorrow.

**Senator Wong:** If it is only a short question—

**CHAIR:** Minister, can I just say that there is going to be, I would suggest, a number of questions relating to that.

**Senator Wong:** I was just going to say, if I may, that we are happy to deal with it. I think we have people here to deal with that. The only issue would be that, if there is a very lengthy process, you might want to consider doing it tomorrow because there are always questions in this outcome.

**Senator HUMPHRIES:** It is really a question on notice, I would have to say.

**Senator Wong:** We will see whether we can assist.

**Senator HUMPHRIES:** The phone that members and senators are issued with comes with a requirement to refresh the password every 15 minutes. I have been told informally that that requirement is one that has been imposed not by the department but by the Defence Signals Directorate. If I can have confirmation of that I can, with confidence, ask questions of that agency next week when it comes before the Foreign Affairs, Defence and Trade committee.

**Mr Tune:** That is my understanding, but I will confirm it for you. I should be able to do that very quickly.

**Senator HUMPHRIES:** Thank you very much.

**CHAIR:** I think you will find, Senator Humphries, that that has been a regular question at estimates since we have had the Blackberries.

**Senator HUMPHRIES:** Okay.

**CHAIR:** Thank you. We are going to Senator Abetz.

**Mr Tune:** It is a DSD requirement. I have just had that confirmed.

**Senator HUMPHRIES:** Thank you very much.

**CHAIR:** Senator Abetz, you are dealing with outcome 1, in general.

**Senator ABETZ:** I have cross-portfolio unanswered questions relating to *Shannon's Way* advertising, which I asked about at the October estimates and the February estimates. We still do not have an answer. I am wondering what the explanation for that is because a considerable period has elapsed. I think they are questions 14(a) to (k) that were taken on notice during a hearing on 19 October 2010.

**Senator Wong:** Could you give us a minute?

**Senator ABETZ:** Yes.

**Senator Wong:** This will come up in outcome 2. Would you allow me to have a look at that overnight? This is a question on notice that has not been answered, so I will just track that down.

**Senator ABETZ:** Yes, it is from the transcript of the October estimates.

**Senator Wong:** Yes. If you can leave that with me, I undertake to get back to you.

**Senator ABETZ:** It is for outcome 2. Thank you.

**CHAIR:** I take the opportunity to remind officers to put their nameplates at the front of the table to assist Hansard and committee members. Thank you. Senator Ryan.

**Senator RYAN:** I would like to turn to some regulation issues and the Office of Best Practice Regulation. Minister, I will address the questions to you, but obviously the officials may be in a better position to answer. I know the annual report lists departments that undertake regulatory activity and compliance—and I will get to that in a second—but does the office publish a list of all the agencies of the Commonwealth that exercise what might be broadly described as some regulatory function? I note that you do tend to list by misbehaviour rather than by capacity. Do you have a list of all the agencies that undertake regulatory activity, whether it be subordinate regulation or the different forms of instruments?

**Mr McNamara:** No, I do not think we have a list as you have described.

**Senator RYAN:** I am relatively new to this area, so please feel free to inform me otherwise. When people are complying with the rules set by the office, do they notify you of their compliance? Obviously you keep a record of their compliance or otherwise.

**Mr McNamara:** Yes. We are not just keeping a record of non-compliance; we are recording compliance as well. Our annual report will list all agencies that have complied with the requirements over the financial year.

**Senator RYAN:** Does that list statutory authorities separately or under the departments to which they are related?

**Mr McNamara:** We do this by agency. We do not distinguish between whether they are statutory, independent or not. It is more by portfolio in terms of how we are actually reporting in our annual report.

**Senator RYAN:** I will be able to find such a list simply by looking at the annual reports, which will show, presumably since at least 2008, when the office was created in its current form, effectively a time series of the agencies that were active in this space?

**Mr McNamara:** Yes, there is a time series.

**Senator RYAN:** I would like to explore, if I could, the issue of exceptional circumstances for the purposes of an exemption from RIS requirements. Is that a power that can only be exercised by the Prime Minister declaring exceptional circumstances?

**Mr McNamara:** Yes.

**Senator RYAN:** Are there any criteria that you are aware of? I appreciate that the Department of the Prime Minister and Cabinet might have some, but are there any in the department of finance for the exercise of that?

**Mr McNamara:** No.

**Senator RYAN:** Are you provided with written reasons for the exercise of exceptional circumstances exemptions by the Prime Minister?

**Mr Tune:** The Prime Minister would write to the portfolio of the minister who has requested an exemption.

**Senator RYAN:** Are they published?

**Mr Tune:** No, they are not.

**Senator Wong:** The fact of.

**Senator RYAN:** But the reasons themselves are not?

**Mr Tune:** No.

**Senator RYAN:** Have they been asked for before? Is there a reason why they would not be supplied if I put those questions on notice?

**Senator Wong:** There may be a reason. If you wish to put them on notice, that is your right.

**Senator RYAN:** The point I am making is that there is no cabinet type blanket exemption with respect to these that I am unaware of.

**Senator Wong:** They may be cabinet in confidence.

**Senator RYAN:** I appreciate that.

**Senator Wong:** I suggest that rather than dealing in the abstract and in the hypothetical that if you want to put that on notice then we will take it.

**Senator RYAN:** I take your point. I am just checking. There is no exemption for these particular documents as a specific category that I am unaware of. If they are cabinet documents, that makes sense and I understand that, but I have not missed an exemption for the provision of these documents that is specifically related to these documents and not related to one of the other criteria that are exempted?

**Mr Tune:** No. As the minister said, they may be cabinet in confidence.

**Senator RYAN:** The last annual report lists the legislation that was granted ministerial exemption for 2009-10. Do you have a current list of those that have been granted this exemption for 2010-11?

**Mr McNamara:** Yes. All exemptions are on our website. Under the new system that applied from July last year, when the measure was announced, if there is a PM's exemption associated with it, that goes up on our website.

**Senator RYAN:** How long would the delay be? Would I be thinking a day or could there be a reason that it might be a month between the Prime Minister writing to a minister, granting an exemption and it appearing on the website?

**Mr McNamara:** It depends on the gap between the decision and the announcement of the policy. That is usually reasonably short.

**Senator RYAN:** Is that a matter for the government to decide upon with the announcement?

**Mr McNamara:** Yes.

**Senator Wong:** It may simply be that is the time frame around the decision making.

**Senator RYAN:** I appreciate that. I am trying to clarify where the line from the office and the department to the minister is actually drawn.

**Mr Tune:** If there is an exemption given there is still a requirement to undertake a post-implementation review within one or two years of the proposal being implemented, so it does not escape the net completely.

**Senator RYAN:** That is quite a convenient segue to another question that I had, so I will just change the order. There was an exemption for the NBN legislation, was there not?

**Mr Tune:** Yes.

**Senator RYAN:** That is subject to a post-implementation review which is required within one to two years of proposals to grant an exemption?

**Mr McNamara:** It is required within one to two years of implementation of the regulation, so not of announcement of the decision.

**Senator RYAN:** When does the two years expire on that?

**Mr McNamara:** In terms of the PM's exemption it will be from when that regulation is actually implemented. I would have to take that on notice in terms of when we determine that essentially it has been implemented.

**Senator RYAN:** Do you start the clock at that point?

**Mr McNamara:** Yes. We start the clock once we have made a judgment that it has actually been implemented.

**Senator RYAN:** This was a significantly large piece of legislation. There is more than one regulation, or more than one regulatory regime, that will be the result of it. I imagine some have not been promulgated as yet. Presumably you would start the clock from the promulgation or activation of the first element of regulation that arose from that legislation.

**Mr Tune:** There may have been a number of regulation impact statements relating to different aspects of the announcement. As you would appreciate, it was a large announcement so it might have been broken down.

**Senator RYAN:** Even with the size of it, it is extraordinary that it was exempted from pretty much any third party oversight. That is why I am chasing this matter up. Obviously I am interested in when the clock started or how you would calculate when the clock started.

**Mr Tune:** All I am saying is that there might be part A, B, C, D and E and each of those will be implemented at a different time, and therefore the clock will start at a different time even though they are all related to NBN.

**Senator RYAN:** Given that it was prime ministerial exemption for a very large piece of coat hanger legislation—with lots hanging off it—do you effectively have multiple clocks running?

**Mr Tune:** We would in that situation if there were multiple RISs around it.

**Mr McNamara:** Essentially, what we determine and what requires post-implementation review is what would have been required in the area at the time, so the scope of what is in the post-implementation review, including the different topics within it, would determine what would have been required in a RIS at the time.

**Senator RYAN:** So can you take on notice when you think that two years expires for various RIS elements of this particular legislation?

**Mr McNamara:** Yes, I can take that on notice.

**Senator RYAN:** At the end of that two-year period, if the government continues with its approach to not want scrutiny of this particular legislation, can the Prime Minister issue another exemption?

**Senator Wong:** I try not to interrupt you because you are usually fairly reasonable, but I do not think that you can say that we do not want scrutiny of it. I accept that there was, in exceptional circumstances, exemption in relation to those parts of that legislation which would otherwise have required it, but I do not think that you can suggest that the NBN, as a project, is not the subject of a very substantial amount of public oversight through the parliament.

**Senator RYAN:** I would suggest that, with respect. The Productivity Commission cannot look at it.

**Senator Wong:** You have a joint committee of which some of your members and senators are members. You have the Senate estimates process. You have the publication of the plan.

**Senator RYAN:** And hundreds of pages of amendments tabled on Thursday afternoon with amendments to amendments being drafted down—

**CHAIR:** Senator Ryan, I will just remind you to allow the witness, and in this case it is the minister, to complete her answer and then you can ask another question.

**Senator Wong:** If you want to talk about amendments at the last minute, I can recall a very large number of amendments—I cannot remember how many hundred it was—to the WorkChoices legislation that I got with some 33 minutes notice prior to the debate in Committee commencing. I simply make the point that there is a lot of scrutiny of this project, as there should be, both before Senate estimates and also before the parliamentary committee which has been established, in addition to the documentation which the company has published.

**Senator RYAN:** Thank you. I will move on to the question that I was asking. That was my preamble. If, at the end of that two-year period, the government determines that it does not want to go through what effectively is a RIS type process, can the Prime Minister issue another exemption or are they compelled to go through this post-implementation review?

**Mr McNamara:** There is nothing in the system at present that allows the Prime Minister to grant an exemption from the post-implementation review.

**Senator RYAN:** So it is inevitable that this will happen in some form with the various regulatory schemes under the legislation?

**Mr McNamara:** Yes.

**Senator RYAN:** I would like to turn to the OBPR annual report. Please correct me if I am wrong—I note that one of the departments that did not publish an annual regulatory plan was the department of finance.

**Mr McNamara:** That is right.

**Senator Wong:** You need to talk to Mr Tune about that.

**Senator RYAN:** Minister, I am surprised you are not more upset; it is in your title. The department for whom you brought in this agency from the statutorily independent Productivity Commission has not published its own annual regulatory plan. How do you, in all good faith, face up to other departments and demand theirs when you have not done your own?

**Senator Wong:** I am going to await Mr Tune's response.

**Mr Tune:** I do not have an answer at the moment, but I will check it out.

**Mr McNamara:** At the start of the year it may be the case that departments can choose that they do not need to do an annual regulatory plan because they are not going to make any regulatory decisions or be involved in any regulatory decisions in the coming year.

**Senator RYAN:** That would be a touch odd for the Department of Finance and Deregulation, would it not?

**Mr McNamara:** No. As a department, in terms of regulation that impacts directly on business and the not-for-profit sector, there is not a lot within the finance department.

**Senator RYAN:** If we take a broader sense, the guidelines that you set up for government procurement have a pretty significant impact upon business.

**Mr McNamara:** They can.

**Senator RYAN:** Particularly if the government is your client. There is the payment of bills.

**Mr McNamara:** In terms of how the RIS system works and what we are looking for in annual regulatory plans, we do not generally capture the procurement system and regulation under the procurement system simply because of the nature of that regulation. That regulation relates to the price that essentially the government is getting for a service and how it operates in terms of purchasing.

**Senator RYAN:** I understand that. I am wondering if Mr Tune has someone who can, at some point during this discussion, provide an answer why the department did not. I can move on if you are looking, Mr Tune.

**Mr Tune:** I am not looking for the answer. I am looking for the fact that we did not publish one, which I have found. I will need to take on notice why we did not. There is hardly any regulatory activity. I do not deny that we do have regulatory activity, but there is not much that we do, if any, that requires a RIS. I would not say that we never do, but it is not that often. Mr McNamara has mentioned that it could well have been the case, in early 2009, that there was an expectation that we would not be doing anything in that area.

**Senator RYAN:** Mr Tune, I am surprised, with all due respect, that you cannot provide an answer for this, as opposed to just taking on notice as to why this plan was not provided. Like you said, there may be a very simple reason, but there also may not and this is the only opportunity that I have to ask you these questions until October or November.

**Mr Tune:** I will come back to you before the end of the hearing.

**Senator RYAN:** Is the office provided with written reasons as to why agencies are not providing ARPs? The department of finance was not the only one.

**Mr McNamara:** Generally, no. It is more a case of an audit type thing where we will write to the agency and say, 'Under our previous regime have you published this?', and we will get the answer back essentially of, 'Yes, here's the link to it', or, 'No, we haven't', and then that is what we put in the annual report.

**Senator RYAN:** Sometimes they might provide reasons though. I do not know. I am putting that to you.

**Mr McNamara:** No, not generally.

**Senator RYAN:** So it would be a one liner. 'Dear Mr McNamara, I'm sorry I haven't done my homework. We haven't done an ARP.'

**Mr McNamara:** There are generally more reasons for non-compliance on RIS matters than non-compliance on annual regulatory plans. That is one of the reasons why we have changed the system, this year, where we publish all the annual regulatory plans online on our new website, so we think we have 100 per cent compliance this year because we have essentially been a bit more proactive. It is part of the previous system where we made an assessment after the year on what happened where now we are at the start of the financial year actually asking for those documents and that has increased compliance with the process.

**Senator RYAN:** Under the new system would I expect that in your next annual report, if there was such a table, there would be no ARP published?

**Mr McNamara:** Yes, that is right. In our next annual report I expect to have no non-compliance because all the annual regulatory plans are up on our website now.

**Senator RYAN:** Can you take on notice whether you were provided any reasons for non-compliance by the agencies listed on page 26 of the 2009-10 annual report, which are the Australian Securities and Investment Commission; the Department of Education, Employment and Workplace Relations; Families, Housing, Community Services and Indigenous Affairs, and whether you were provided any answers by your own department?

**Mr McNamara:** Yes. I can take that on notice.

**Senator RYAN:** I accept that it would be odd getting a letter from your boss explaining why he has not complied with your rules.

**Mr Tune:** That is an important point, not that I want to try to divert it. There is an important point about the independence of the OBPR and the department that we guard quite jealously.

**Senator RYAN:** I appreciate that.

**Mr Tune:** Mr McNamara operates independently of me.

**Senator RYAN:** I understand that and I was going to get to that, but he is inside the department.

**Mr Tune:** He is inside the department.

**Senator RYAN:** There is not a statutory guaranteed independence at all?

**Mr Tune:** No, that is right. There is an independence there.

**Senator RYAN:** This might be a time to talk about that. I am familiar with your statement to the Senate, Minister. Can you explain to me how inside a department you can guarantee independence of, effectively, a division or an office? Is it akin to a division of the department in a structural sense?

**Mr Tune:** For the purpose of the organisational chart it is a division of the department, yes.

**Senator RYAN:** Mr McNamara, do you report directly to the minister?

**Mr McNamara:** No, not really. I would not say that I report directly to the minister. I report through the deregulation group, through Ms Page and Mr Tune, to the minister.

**Senator RYAN:** So you report through the group and the secretary of the department to the minister?

**Mr McNamara:** Yes.

**Senator RYAN:** How is that different from a division? The word that you are using, Mr Tune, is 'independent'? How is that different from another division?

**Mr Tune:** In the sense that I do not take a role. There is nothing to stop me taking a role, but I do not take a role and my predecessor did not take a role in directing OBPR in the views they should put in terms of making judgments about RISs that are put forward by agencies, including my own if I was doing them.

**Senator RYAN:** Is that a discretion available to you?

**Mr Tune:** It is, yes. It is implicit rather than explicit. I agree with that.

**Senator Wong:** The explicit commitments are the ones that I have made in the parliament.

**Senator RYAN:** I appreciate that, as I have mentioned.

**Senator Wong:** Which I do not have, I am afraid.

**Senator RYAN:** I do.

**Senator Wong:** I am very pleased that you have an interest in this, but I would have to say that this is not one of the areas that I anticipated would be first up or of a significant focus.

**Senator RYAN:** People have said that about me before, but I am assuming you are being more kind about it.

**Senator Wong:** I was being genuine.

**Senator RYAN:** I just want to explore this.

**Senator Wong:** This was a decision made by my predecessor in terms of bringing OBPR into the department.

**Senator RYAN:** I appreciate that and I know that you have made the statement in the Senate—

**Senator Wong:** Correct.

**Senator RYAN:** which was similar to the one made by your predecessor in the House. Have you directed Mr Tune or do you have a capacity to direct Mr Tune in this regard? Does your statement to the parliament constitute a direction to the secretary to not exercise these discretionary powers and have this implicit independence?

**Senator Wong:** I would have thought that, under our system of parliamentary democracy, if the accountable minister makes a statement in the parliament then the secretary of the relevant department would ensure that he complied with that in terms of how he approached the matter. It is a significant thing.

**Senator RYAN:** I appreciate that. I wanted to clarify it because Mr Tune made it clear that it was a secretarial discretion. So when these decisions on these issues are coming up through the department, Mr Tune, you are obviously cc'd or you see the briefs before they go to the minister.

**Mr Tune:** No, I do not. I see them either simultaneously when they go to the minister or afterwards.

**Senator RYAN:** So you have no capacity to engage with their development or you cannot, for example, exercise oversight over the office and suggest helpfully—I am not alleging anything else other than what may be helpful—the tweaking of briefs or recommendations or with your corporate knowledge that that might not be the best way to go. It is completely within the hands of Mr McNamara's group.

**Mr Tune:** I can, but I do not do so. I have the power, but I respect the statement that has been made by the minister that we treat the OBPR as independent.

**Senator RYAN:** Mr McNamara, as an executive director, do you report through a deputy secretary to Mr Tune?

**Mr McNamara:** I report through Ms Page.

**Senator RYAN:** Ms Page, does your attitude reflect that of Mr Tune?

**Ms Page:** Yes.

**Senator RYAN:** Minister, there have been a number, with the BCA being one of them, that have talked about their wish for, in some ways, the office to be put back into the Productivity Commission, to be a statutory reflection of the independence that has been outlined here. Have you had any submissions or requests to reinstitute that since you have been finance minister?

**Senator Wong:** Yes. They are public. I think the BCA have made that view public.

**Senator RYAN:** They have and I was wondering whether they or other groups had approached you about that?

**Senator Wong:** We have an engagement, obviously, not just with the Business Council but with other members of the business community on a whole range of matters, deregulation being amongst them. That has been raised publicly by the Business Council. I think it was raised with my predecessor and the government took the decision that it did for the reasons we have articulated.

**Senator RYAN:** That was a nice segue.

**Senator Wong:** It was not intended to be a segue, it was intended to be an answer.

**Senator RYAN:** Sorry, the issue was a segue from where I was earlier because of one of the answers. I would like to refer to the office's annual report where it outlines that Treasury did not comply with the Australian government's best practice regulation requirements in 2009-10 and lists the legislation for which RISs were not prepared at the decision making stage. Are all the reasons provided by Treasury available publicly on the website?

**Mr McNamara:** No. On our website we will only say that the regulation required a RIS and a RIS was not provided to us, so an adequate RIS has not been prepared and we will name the agency, but we do not provide the reasons why there is no RIS. The agency may have a reason, but we do not publish that reason.

**Senator Wong:** It is open to you to put that to the relevant agency.

**Senator RYAN:** I can. Mr McNamara, can you provide to me on notice—and I will put some more in writing on this—of all the 15 proposals that came from Treasury for which RISs were not prepared, how many did they provide reasons for? You have said that on occasions they do not provide reasons, they just do not comply. I would be interested in knowing how seriously the Treasury takes this and whether or not they actually went to the trouble of explaining to you why they did not comply?

**Mr McNamara:** They will have formally responded. The process we have in putting the annual report together is that I write to each secretary and essentially say this is our findings for the financial year. I cannot recall if Dr Henry wrote back, but if it was not Dr Henry I think someone senior from Treasury wrote back outlining their views on the outcome for 2009-10, so we would be able to provide some answers out of that correspondence.

**Senator RYAN:** Again, presuming there is no other exemption applying under the public interest immunity claim, am I missing something here as to why those documents would not be publicly available or available if I asked for copies of those documents?

**Senator Wong:** Again, let us not do it in the abstract. If you want to put that on notice we will consider that.

**Senator RYAN:** The question I asked was not whether I could get them all. The question I asked was, again, have I missed something here?

**Senator Wong:** I am not going to prejudice any argument we may or may not make. I do not particularly have a view on that yet, but I am not going to get into having that argument in the abstract. If you put it on notice we will consider that. Obviously, if we assert a reason to not provide I am aware of the view that you are putting and the standing orders.

**Senator RYAN:** Has the office received a direction with respect to applying a one-in, one-out approach to regulation with respect to its feedback to the departments or in implementing that Labor election commitment of several years ago?

**Ms Page:** That is not a matter for OBPR. That is matter of regulatory management policy.

**Senator RYAN:** Which would be the department?

**Ms Page:** Which is the department's responsibility.

**Senator RYAN:** Mr Tune, have you received such a direction?

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

**Ms Page:** Mr Tune issued a direction in the form of a finance circular.

**Senator RYAN:** I am assuming the direction started from the minister and cascaded down.

**Ms Page:** The government made a decision early in 2009 about a one-in, one-out policy and it was given effect through a secretary circular from the finance department early in 2009.

**Senator RYAN:** With the 12,000 regulations that have come in since, we might need to recirculate that circular. How does the department measure the government's progress in reducing regulatory burden? What metrics do you use?

**Mr Tune:** We do not have metrics per se in that sense. We look at it in its totality, so we look at the work that has been done with the states around the deregulation priorities and the competition priorities that are set up by COAG, on which we take a very strong role in trying to coordinate and push forward. We set up a number of ministerial partnerships where the finance minister works with another minister in another agency to work through a particular set of regulatory burdens that we think have scope for rationalisation. We form a partnership with the other agency via the ministers and try to work through that. I will give you an example, which is of visa requirements in DIAC. We have a ministerial partnership around that where we are working towards that over a period of time. It is quite a complex area and not easy to push ahead on, particularly given the circumstances that have been faced in more recent times, but there is some scope there over time—it will not be tomorrow, but over time—to rationalise that. We take that practical approach to things.

**Senator RYAN:** I would describe that as a process or input based approach. Businesses, particularly with the regulatory burden upon business, may not have the same faith in groups of public servants getting together being the measurement of how the government is going on its deregulation agenda, as opposed to some sort of actual metric. So you do not have a metric? You do not have a metric in terms of the cost burden or the cost to the taxpayer that you use to measure the success of the government's deregulatory policy?

**Senator Wong:** I could refer you to the work that is occurring in the COAG process.

**Senator RYAN:** The COAG process kills more trees than anything else that goes on in this country with the amount of paper that it produces.

**Senator Wong:** Frankly, there have been 27 priority deregulation reforms that were identified through the Seamless National Economy, a national partnership agreement. To date, 13 of those have been completed, so significantly more than occurred under you.

**Senator RYAN:** Yet you walk in the front door of a small business and they say the paper burden is going through the roof. Input measures are not what matters.

**Senator Wong:** I am sure you might want to recall how much paperwork you imposed with the GST on small business, particularly in the initial stages of implementation.

**Senator RYAN:** I look forward to you making changes.

**Senator FIFIELD:** We are still waiting for rollback.

**Senator Wong:** I am not sure that was the policy that we went to the election on, but I do recall that. There has been a lot of work done in the Seamless National Economy, as I said, with the national partnership agreement. Thirteen of 27 reforms have been completed. I would acknowledge the work of Senator Sherry on that who has a particular interest and is the minister assisting me on deregulation. I have to say that it is not easy. There is always talk about alleviating the regulatory burden across governments at all levels and all political parties and, as Ms Page I am sure can attest, there is a lot of detailed and sometimes laborious work to try to get agreement across state governments about reform.

**Senator RYAN:** A government can choose not to impose new burdens.

**Senator Wong:** We have implemented a process around that which is robust and far more stringent in terms of gate keeping than that which we inherited. Can we do better? Every government can do better on this. The history of all governments is that they can do better. I am pleased that we have achieved some of the reforms. As I said, it is 13 out of 27 in the SNE, Seamless National Economy. We are working hard to continue those.

**Senator RYAN:** Thank you for that.

**Mr Tune:** I might ask Ms Page if she can talk about measuring the impact and the reduction of burden on business. We do try to measure that.

**Senator RYAN:** You are a mind reader because I was about to head there.

**Ms Page:** The main metric that is used in Australia and internationally is reduced costs on business in Australia and also on the not-for-profit sector. There are a range of ways of doing that. There are various activity based models. We have a model in Australia called the business cost calculator, which is what OBPR uses. There is another model which is used in some states and internationally called the standard cost model. There are arguments about the applicability of both, but you can certainly model the reductions in the cost to business of not having to go through particular administrative and compliance processes. They are typically the type of costs that are used here and internationally to measure change.

**Senator RYAN:** I understand that when using, for example, the standard cost model, is it true that the departments are not required to compare different regimes and basically take the lowest cost option? Would that be an accurate description, that discretion to not take the lowest cost option is available to the department?

**Ms Page:** In relation to the RIS framework, the agencies are required to demonstrate a range of options which Mr McNamara can describe to you. The minister is not obliged to recommend the one with greatest net benefit to the community. But most regulation impact assessment processes around the world do not seek to favour necessarily the lowest cost model; most governments regulate on the basis of greatest net community benefit. It measures cost to business, but most governments, including the Australian government, weigh that against the overall cost to the community. Invariably there are greater benefits to the community as a whole. The purpose of the RIS process is to document the cost to business and to enable the decision makers to make an on-balance judgment about the extent to which those costs are necessary or unnecessary.

**Senator RYAN:** It does not really help when the biggest pieces of legislation in the last couple of years all get exempted though, does it?

**Ms Page:** As Mr McNamara has described, I think those decisions are subject to post-implementation reviews within 18 months to two years, so there is a way of testing—

**Senator RYAN:** It is the classic case of closing the gate after the regulatory horse has well and truly bolted, I would put to you.

**Senator Wong:** I am not sure that is a question.

**Senator RYAN:** When departments are looking at different costs and community net benefit they would presumably have consideration of different options within the department. They would presumably have a formal process whereby there might be a higher cost for this one but this one is considered to have greater community benefit for whatever other externalities or costs they take into account. Is that a fair characterisation—

**Senator Wong:** It depends on the policy.

**Senator RYAN:** Would you consider it to be good regulatory practice to consider different options?

**Ms Page:** I might ask Mr McNamara to explain what the RIS requirements are, because they really set out what the government requires in terms of choices.

**Mr McNamara:** Generally most RISs will have a range of options within them that could have very different costs and very different benefits. Essentially what we are looking for in most RISs is all feasible options—within reason, as you do not want RISs of 400 pages with every available option—but we are looking at the live policy options within a RIS. That is essentially what it should be examining: what are the live options within the policy space that the problem is looking to try to address? And we try to outline the costs and benefits of each option, and that includes quantifying business compliance costs.

**Senator RYAN:** In your annual report you list a sort of compliance with best practice regulation requirements, do you not?

**Mr McNamara:** I am sorry?

**Senator RYAN:** Your report on compliance with what would be described as best practice regulation?

**Mr McNamara:** Yes.

**Senator RYAN:** When would we expect the next annual report to be released in the normal course of events? I do not have the date of when the last one was?

**Mr McNamara:** In the normal course of events it is probably late November or early December, but this year's report will be slightly different to previous years because most of the information on the current financial year is on our website currently so—

**Senator RYAN:** That would presumably mean that it is easier—

**Senator Wong:** It is so transparent.

**Senator RYAN:** Maybe you could release it before the next round of estimates. Commit to that, Minister.

**Senator Wong:** Most of it is on the website, as Mr McNamara just said.

**Senator RYAN:** That is the point I am about to get to. That means that presumably it would be easier to compile because there would be less information that you would need to compile with the annual report.

**Mr McNamara:** The difficulty we are going to have in the sense of the annual report is that we have also got to report under the old system as well as the new system.

**Senator RYAN:** Will you still be reporting on compliance with best practice regulation?

**Mr McNamara:** Yes.

**Senator RYAN:** It has been on a downward trend for the last few years. The numbers that I have in front of me are that in 2007-08 it was 90 per cent; in 2008-09 it was 85 per cent; and in 2009-10 it was 84 per cent.

**Mr McNamara:** That is right.

**Senator RYAN:** What reasons would you provide for the backward slide in compliance with what you measure as best practice regulation?

**Mr McNamara:** I think I answered previously on this that there has been a range of reasons that compliance has fallen over that period of time, and one of the key catalysts to actually reforming the RIS system that we now have in place from July last year was to try to increase compliance by essentially changing the system in a way that allowed it to follow the policy process a lot more closely, which made it more useful and influential in the policy process but also made it a lot easier to comply with. It is still early days in terms of the new system but I am hopeful that we can increase the influence of the system as well as the compliance of the system.

**Senator RYAN:** I hope the compliance rises, not just the number of compliances that comes out at the end.

**Senator Wong:** So do I—across government. I think Mr McNamara's point about influence is an important one. It is not just that people should comply—they should—but the benefit of the process, I hope, is about better decision making. And some of the engagement between line departments and the OBPR, we hope, is assisting in that process. It should not just be a tick-a-box approach that we think about; the public policy objective is better decision making and a consideration of those matters which the RIS require you to consider. That is the more important end point. I am not trying to obfuscate here. Cultural change is not quite the right term but it is a way of trying to alter or improve our decision making undertaking—

**Senator RYAN:** You probably need some cultural change because it has been going backwards ever since you came to office. In terms of compliance, the Prime Minister issuing an exceptional circumstance would be counted as compliance; would it not?

**Mr McNamara:** Yes.

**Senator RYAN:** In terms of how you count the compliance, is it really just counting the legislative instruments effectively? I am not quite sure whether the NBN bill is a much bigger one than the tax law amendment bill No. 16 that might not have been complied with. Treasury did not comply with a few of those. Is it really a counting exercise?

**Mr McNamara:** No, we do actually look at the decisions as such, especially under the new system, which is a bit more about announcements. We actually will look at the different elements of the announcement. You could have a package of announcements but you will need RISs on different elements of it, so that is what we would be looking at. It may end up in one bill but—

**Senator RYAN:** Do you count the regulatory events, for lack of a better way of putting it?

**Mr McNamara:** Under our new system, yes, that is how we do that. You can get various elements. The banking package is an example of that, where there are quite a number of measures and the RIS requirements are on the individual measures not on the package itself. Equally, though, we are flexible enough in the way that things operate that people may just do one RIS that is quite large and cover multi stages or they may do six separate RISs—

**Senator RYAN:** Do you take that into account? I would not want there to be greater compliance because six RISs of 50 pages each have become one ream of paper RIS.

**Mr McNamara:** No, we are flexible in the sense that essentially we want the key regulatory elements that are going to impact on business or the not-for-profit sector reflected in a RIS. As to how that is done, the system does allow flexibility.

**Senator RYAN:** Do you basically decide how to deal with that?

**Mr McNamara:** We will determine whether it is compliant but generally we work with the agency to see what is the best way forward. Is it to have a larger RIS? Is it to have a series of smaller RISs? We will not generally dictate which approach to take. We normally work with the agency and just make sure that the requirements are met at the end of the day one way or the other.

**Senator RYAN:** Would it be fair to say that because of the diversity of issues you are dealing with you do not have any specific criteria as to how you make those decisions?

**Mr McNamara:** No, it is case by case. As I said, we will work more with the agency to see generally what they want to do and we will make suggestions. Sometimes it will be better to go one way or the other given the topic. Often we will try to influence that in terms of what we think will be most useful for the decision maker ultimately. If that RIS is ending up in cabinet in the end, what will ministers find the most useful in terms of format and approach?

**Senator RYAN:** Is it the case that you effectively publish the best practice handbook to actually guide your decision making on that—

**Mr McNamara:** Yes.

**Senator RYAN:** so if I read that and got across it I would have an understanding of how your interaction with other agencies would go?

**Mr McNamara:** Yes. In our new handbook we have outlined in a series of boxes what we actually do internally, so we provide a bit more transparency over the process internally to finance. That has been quite useful in again trying to interact better with agencies because they understand what we are looking for, not just if you like, 'Here are the rules—here is some more of the interpretation of the rules'.

**Senator RYAN:** That is all I have.

**Senator Wong:** I am not sure if anybody has ever asked Mr McNamara that many questions, so I am sure he enjoyed it. Thank you for that.

**Senator RYAN:** I might not be here later on, Mr Tune, for the answer that you might be able to get me, but I will endeavour to come back tomorrow.

**Mr Tune:** Okay.

**Senator RYAN:** Chair, if the answer from Mr Tune about why the department did not provide a plan provokes me to ask another question or two, I would appreciate the latitude of the chair because I cannot ask it now in the absence of an answer from the secretary.

**Senator Wong:** We will not have a problem with that.

**CHAIR:** I think we can accommodate that.

**Senator CORMANN:** In table three of the budget financial statements, Budget Paper page 9-5, there are provisions there of the forward estimates for sales of non-financial assets.

**Senator Wong:** It is in statement nine, at the top of the page.

**Senator CORMANN:** Statement nine, table three, yes, page 9-5. There are provisions there over the forward estimates for sales of non-financial assets. The estimates are \$383 million for this year, \$1.3 billion next year and then in 2012-13, \$4.9 billion. Why is there a \$3.5 billion jump in 2012-13? What is that?

**Mr Tune:** It is a commercial-in-confidence issue, so I cannot go any further with it. It does relate to a sale of an asset.

**Senator CORMANN:** Are you planning the sale of an asset in 2012-13? It is a significant jump. Next year it is \$1 billion more than this year and then it is going to go up another \$3.5 billion. What about the \$1.3 billion in 2011-12? What is that?

**Mr Tune:** The same thing.

**Senator CORMANN:** Is there an asset that is about to be sold but you cannot tell us what it is?

**Mr Tune:** There is a statement from Senator Conroy that I can point you to dated 24 June 2010 that talked about the government's aims to auction the digital dividend spectrum in the second half of 2012. That is what it relates to, but I cannot go further than that in terms of the numbers that are in this document.

**Senator CORMANN:** We have not gone anywhere yet. The numbers are there and you are now telling me that there is the big jump in the outyears. It goes back to \$352 million. So what is causing the jump relates to the sale of the spectrum; does it?

**Mr Tune:** That is correct.

**Senator CORMANN:** Freed up by the move to a digital spectrum?

**Mr Tune:** Correct, a digital dividend.

**Senator Wong:** But we cannot comment on the quantum.

**Senator CORMANN:** Sorry?

**Mr Tune:** We cannot comment on the quantum

**Senator CORMANN:** Okay, you cannot comment on the quantum but is there anything that is out of the ordinary in the figures.

**Senator Wong:** I would ask you to be aware of the evidence Mr Tune gave in relation to commercial-in-confidence. Officers are not going to be able to give you information that might lead to disclosure of such matters.

**Senator CORMANN:** What have I asked that is beyond what I can ask?

**Senator Wong:** I am inviting you, given it is the federal budget, to understand what the officers have said.

**Senator CORMANN:** I understand very well what the officers have said, but what I see is that in—

**Senator Wong:** I was hoping you might take a responsible approach. I suppose that might be—

**Senator CORMANN:** I am very responsible, but you have got a budget that happens to have a significant increase in cash held in 2012-13, the year that we happen to be going into an early surplus supposedly, and you have a \$4.9 billion asset sale when all of the other years it is \$383 million, \$352 million, \$179 million. So it seems to be a fortuitous sale of a non-financial asset that seems to be fortuitously well timed.

**Senator Wong:** Is that a question?

**Senator CORMANN:** Yes.

**Senator Wong:** It is not a question; it is an assertion.

**Senator CORMANN:** You stop me in my tracks when I ask you questions because you are so worried about what I might ask.

**Senator Wong:** I would not have thought I was frightening enough to stop you in your tracks.

**Senator CORMANN:** You are not frightening but you are well capable of stopping me in my tracks when asking a question.

**Mr Tune:** Can I just explain—

**CHAIR:** Can I just interrupt at this point in time? I do appreciate that you have mutual respect for each other but it is not helpful for estimates. Mr Tune, have you got something to contribute?

**Mr Tune:** Yes, if I may, Chair. The timing is of course related to the rollout of the digital-TV situation. When that is completed, you bunch the spectrum together for that, then you would have this free spectrum that you can then sell. So it is related to that; it is not related to any other thing about being fortuitous.

**Senator CORMANN:** Leaving the digital rollout to one side for a moment, I will go back to the question that I asked before the minister interrupted me. Is there anything else in that

figure that is not business as usual when it comes to the sale of non-financial assets other than what relates to the digital rollout?

**Mr Tune:** Yes, there is a further issue around where we deal with spectrum licences, which is a different part of the spectrum.

**Senator CORMANN:** But that is still related to—

**Mr Tune:** That is coming up for renewal, so in a sense it is business as usual. But there are other things in there; I do not want to leave the impression that all of it relates to those—

**Senator Wong:** We are not going to provide information that puts the Commonwealth at a commercial disadvantage.

**Senator CORMANN:** I am not asking you to put the Commonwealth at a commercial disadvantage; I am asking questions that are quite responsible. Mr Tune obviously thought it was okay to tell us that some of it relates to the move to digital spectrum. If he can tell me that, I am sure he can tell me what other things are in those figures related to sales of non-financial assets.

**Mr Tune:** I would have to take that on notice, but I have listed the two big ones that caused the lumpiness for you.

**Senator CORMANN:** Okay.

**Mr Tune:** I cannot go beyond that in terms of details.

**Senator CORMANN:** Thank you in relation to that. In the time that is left before the break, I might just ask you about act of grace payments that have been made by the government in relation to injuries or loss of life resulting from the home insulation program. I asked a question on notice in relation to that and you provided an answer a couple of weeks ago; thank you for that. I asked:

Have act of grace or other discretionary payments been made by the government in relation to injuries or loss of life resulting from the home insulation program?

Your answer was, 'Yes.' I guess my question then is: how many act of grace payments or other discretionary payments have been made by the government in relation to injuries or loss of life resulting from the home insulation program and to what value?

**Mr Edge:** I would have to take that question on notice in terms of the detail, although we may be able to get a response to you a little later this evening.

**Senator CORMANN:** That would be good.

**Mr Edge:** It is just identifying some facts around the payments. If you need an answer now I would have to take it on notice, but as I said we may be able to get the answer for you later tonight.

**Senator CORMANN:** I would appreciate it if you could get the answer because I assume it is not that large a number that it would be difficult to assemble the information.

**Mr Edge:** I think that assumption is correct. I do not think it is a very large number.

**Senator CORMANN:** That would be very useful. So, you do not know the total amount paid out by the government in relation to such payments is?

**Mr Edge:** No. But, as I said, I think we can get that information for you pretty readily.

**Senator CORMANN:** Do you know what the highest amount is that has been paid out?

**Senator Wong:** He has taken it on notice.

**Senator CORMANN:** Minister, sorry, but—

**Senator Wong:** You cannot ask someone and they take something on notice and then you ask more details about the question they have just taken on notice.

**Senator CORMANN:** I have got to say, I am asking differently now. This is an issue that I have asked a question on notice about. I got an answer 10 days ago. Obviously people know that I have got an interest in this, so it is not entirely unexpected.

**Senator Wong:** With respect, we have just done a budget. I am not sure we walk around thinking about your interests all the time; I am sorry to say that.

**Senator CORMANN:** No, not my interests, but I can see that Mr Tune has got a big file and if the system is still the same as what it used to be under the previous government, I am sure there is a lot of briefing notes in there about possible questions that may or may not come up, and you have got a pretty big file there, too, Minister. Maybe we should do a swap; I give you my questions and you give me your file.

**CHAIR:** Have you got a question?

**Senator CORMANN:** Are you saying that you cannot assist me in any way, shape or form in relation to—

**Senator Wong:** No, he is not saying that.

**Senator CORMANN:** Sorry, Minister, but can I finish my question?

**Senator Wong:** He has taken the question on notice and he said he would be able to get back to you tonight, so you are just asking him—

**CHAIR:** If I can just remind the minister and Senator Cormann: Senator Cormann had the call; he was in the process of asking a question.

**Senator Wong:** That is true; I interrupted him. I acknowledge that.

**Senator CORMANN:** That was very rude, Minister.

**CHAIR:** I do not think I need your help, Senator Cormann. I have given you the call. Can you complete your question so that we can establish before we go to dinner whether we are finished in general questions in this area.

**Senator CORMANN:** Thank you, Chair, and I appreciate your protection from the minister. Mr Tune, just to clarify: there is nothing that I can ask about act of grace payments now in relation to injuries or loss of life resulting from the home insulation program that you can assist me with now, so all of those questions we should come back to later in the proceedings tonight.

**Mr Tune:** Yes, that is right, and we will come back with issues around the number and the value if we think we can get that quickly for you. I think you mentioned something about the highest amount; we will try and find that as well for you.

**Senator CORMANN:** Thank you. In the 2012 budget there are a number of interesting things. I will just take you to page 7, part one, revenue measures, in Budget Paper No. 2. Right at the bottom of table one it talks about decisions taken but not yet announced and in fact there is over \$300 million worth of revenue measures that have been taken but not yet announced, including \$54.3 million worth of revenue on decisions taken but not yet

announced between now and the end of June, which is of course five weeks away. Can you assist us in any way, shape or form as to what that relates to?

**Mr Tune:** I am afraid not. Any questions about revenue should be directed to Treasury; they look after revenue.

**Senator CORMANN:** Let me go to something that should go to you, then. There is also about \$800 million worth of expenditure under decisions taken but not yet announced—Budget Paper No. 2, page 85—which, of course, includes \$41 million worth of expenditure between now and the end of June and \$476 million in additional expenditure next year, where the decisions have been taken but not yet announced. Can you assist us as to what that relates to?

**Mr Tune:** I am sorry I cannot. Almost by definition, decisions taken and not yet announced, because they have not been announced, I cannot talk about them.

**Senator CORMANN:** It has been two weeks since the budget and it is five weeks by when all of this money is supposed to have been expended—\$41 million—so when are we expected to find out what that \$41 million is going to spent on?

**Mr Tune:** When the government announces it.

**Senator CORMANN:** So, we are going to get another \$41 million worth of spending—

**Mr Tune:** No, that is not right. The \$41 million is included in the budget bottom line, but it is just the details of it are not announced; that is the issue.

**Senator CORMANN:** So, we are going to get—

**Senator Wong:** It is reflected in the bottom line.

**Senator CORMANN:** I understand it is reflected in the bottom line, so I am sorry if I phrased that—

**Senator Wong:** I have to say, at least you understand it. I was kind of interested in one of the media reports where one of your side might have suggested that all of this expenditure was associated with the Department of Veterans' Affairs. I think that is just where it appears; underneath in the table.

**Senator CORMANN:** I understand it is reflected in the bottom line. I am just trying to understand what the government would be spending \$41 million on between now and the end of June. If the decision has been made to spend the money, why is it a secret? This is a budget estimates process; the expenditure is in the budget; why are we not entitled to ask questions about what the expenditure is supposed to be allocated to?

**Mr Tune:** There could be a range of reasons that it could be in there. One element of that might be it was a decision taken late in the budget process. It could be that; I am not saying it is. Often there is no opportunity to reflect that in the budget papers because you have to go back into the budget papers and if it is very late in the process you cannot do that. Other times it might just be that the government chooses not to announce it in the budget. With the budget it wants to make provision for it and announce it shortly thereafter the budget, which is obviously the government's prerogative, but still to include it in the bottom line so that it is transparent at the time of the budget.

**Senator Wong:** This is not a new approach.

**Senator CORMANN:** Sure.

**Senator Wong:** But you do know that?

**Senator CORMANN:** I am not suggesting it is a new approach. I am just trying to find out what is in there, because you have also got \$4.5 million worth of capital expenditure where there are decisions taken and not yet announced, which I am just interested in. It has been a while since the budget has been finalised. It has been a while even since the budget has been delivered. So, you are telling me that no announcements have been made in relation to any of this since—

**Mr Tune:** No, I am not saying that. I do not know.

**Senator Wong:** They will be made within the portfolio.

**Senator CORMANN:** We look forward with bated breath. I have got some other things but they will probably take a little while to get through.

**CHAIR:** Can I ask you if have you got any more questions of a general nature?

**Senator CORMANN:** Most of my questions could probably go into general or outcome 1, to be honest.

**Senator Wong:** Through you, Chair, I would really ask for the committee's consideration that we have everyone across all outcomes waiting. If we are able to do this in sequence, it obviously is going to be of greater assistance to people who have been obviously working particularly hard in recent times, and generally, and if we are able to send non-outcome 1 people home, bearing in mind senators have the opportunity all day tomorrow to address any non-outcome 1 questions, I would really appreciate it if we could follow the agenda.

**Senator FIFIELD:** We have confirmed that there are no other colleagues with general questions.

**Senator Wong:** Thank you. So, we will send non-outcome 1 people home and we will ensure they are available tomorrow. Thank you. I appreciate the committee's assistance on that.

**CHAIR:** Thank you. We will suspend now for the dinner break.

**Proceedings suspended from 18:29 to 19:46**

**CHAIR:** Welcome back, Minister and Mr Tune.

**Senator ABETZ:** We are now on the budget. I raised this matter earlier under general issues. I wanted confirmation that total expenses across the forward estimates are approximately \$1,560 billion. We are agreed on that?

**Mr Tune:** Mr Martine has gone through it and done the arithmetic so will let you know what our numbers are.

**Senator ABETZ:** Excellent. So that \$1560 billion is right, Mr Martine?

**Mr Martine:** That is correct, Senator, for the four years on expenses, which is an accruals number.

**Senator ABETZ:** Then \$5 billion or, in fact, it might be closer to \$5.2 billion will be the save. Is that correct?

**Mr Martine:** That is correct. There are two little points to note there. That is a cash number and it is a five-year number.

**Senator ABETZ:** Thank you. And the \$1,560 billion number?

**Mr Martine:** The \$1,560 billion number is a four-year accruals number. The four-year cash equivalent number, which is also in table four, is actually \$1,530 billion. So it is effectively the sum of the year payments line.

**Senator ABETZ:** Yes. So your maths was?

**Mr Martine:** If I divide a cash number by a cash number and if I keep both the numerator and denominator at four years—so like with like—I get 0.46.

**Senator ABETZ:** So it would be 46c in \$100.

**Mr Martine:** Yes, 0.46 per cent.

**Senator ABETZ:** So that would be 46c in \$100. Is that correct?

**Mr Martine:** Yes, that is correct.

**Senator ABETZ:** We were told that there are \$21.7 billion worth of savings. Is that correct?

**Mr Martine:** That is correct—table 3.

**Senator ABETZ:** Yes, table 3. I quote from an interview where the minister says: 'Just under \$22 billion, that's right.' The journalist asked, 'Right and that's over four years?' 'That's right,' replied the minister. Can I ask whether that in fact is correct.

**Mr Tune:** It is \$21.681 billion.

**Senator ABETZ:** If I have a look at table 3, Mr Tune, on page 3-14, it is in fact over five years, isn't it, not over four years?

**Mr Tune:** The first year is 460, so it is 21.2, or something like that.

**Senator Wong:** It's 21.2.

**Senator ABETZ:** So the figure of 21.7 clearly is over five years and not over four years, as asserted by the minister.

**Mr Martine:** This may be one of these cash versus accruals issues. In the budget overview document, on page 45, there is a table that outlines the major savings and a five-year total is 22.2. The 2010-11 amount is 0.5.

**Senator ABETZ:** Is that 22.2?

**Mr Martine:** Yes, 22.2 total savings over five years.

**Senator ABETZ:** Let's be clear: the figure of \$21.7 billion is the figure that is rounded up. It is the second item down the 'Total' column of table 3 on page 3-14 of Budget Paper No 1.

**Mr Martine:** Yes, Senator.

**Senator ABETZ:** And that is clearly the figure to which the minister was referring—not a figure of 22.2 but one of 21.7.

**Senator Wong:** Just so you are clear—go to page 45 of the budget overview, where there is the major savings table, which is also reproduced and provided publicly, and that shows the 22.2 figure. The difference between that and table 3-14 is that one is an accrual measure and one is a cash measure.

**Senator ABETZ:** That is all good, but you quoted a figure of \$21.7 billion. I am sure that you would not be referring to \$22.2 billion as being \$21.7 billion. Let's not try and confuse the two different sets of numbers. Clearly 21.7 is the rounding up of 21.681, which is a fair enough thing to do—nobody quibbles with that. But clearly that is the figure, Minister, to which you must have been referring. You answered with \$21.7 billion worth of savings. When that was put to you by the journalist you in fact confirmed 'Just under \$22 billion, that's right.' So you clearly were not referring to 22.2, which is above \$22 billion. So let's not try this dissembling. Let's stick—

**Senator Wong:** Senator, do not—

**Senator ABETZ:** Can I finish?

**Senator Wong:** No, I am not going to be verbed and accused of dissembling.

**Senator ABETZ:** Oh, thank you very much! We are now not allowed to finish questions.

**Senator Wong:** I am not going to be accused of dissembling.

**CHAIR:** Can I ask—

**Senator Wong:** It is just offensive. Mr Martine was attempting to be helpful in alerting the senator to the difference between the accrual and the cash figure. I am not having him in here simply accusing me of dissembling. If you want to have a fight about that, we can have a fight about that. That is not a question and answer; that is just an accusation.

**Senator ABETZ:** Get rid of the agro, Minister.

**CHAIR:** Senator Abetz, continue with your questioning.

**Senator ABETZ:** Thank you. Is it not a fact, Minister—just so we can be absolutely clear—that on ABC 891, on 11 May 2011, a journalist asked, 'There are \$21.7 billion worth of savings over four years, is that correct?' and you, Minister, replied, 'Just under \$22 billion, that's right.' So, clearly, with that answer, you could not have been referring to the \$22.2 billion figure you are now trying to introduce, quite mischievously, to get us off the trail. You yourself acknowledged that it was below \$22 billion, so it cannot be the \$22.2 billion figure. Do you agree with that?

**Senator Wong:** Senator, as you know, we do lots of interviews in this job. I do not recall every question and answer I have given in the context of the budget. I had an interview—I think at least one—with 891 in the last couple of weeks. I was probably asked what the net save position was, and I answered.

**Senator ABETZ:** You were asked: 'There are \$21.7 billion worth of savings over four years, is that correct?' You answered: 'Just under \$22 billion, that's right.' How, on earth, when you say 'Just under \$22 billion' can you now try to introduce a figure that is above \$22 billion: \$22.2 billion.

**Senator Wong:** When you have finished doing your little routine there, if you take the 2010-11 figure off the fiscal balance figure I just gave you, it is 21.7 over four years.

**Senator ABETZ:** Which figure?

**Senator Wong:** It is the 22.222 figure that Mr Martine helpfully referred you to. If you take the 2010-11 figure off that, then the net save position, on an accrual basis—I

acknowledge that there is obviously an accrual-cash issue that sometimes gets a bit mixed up in the context of the budget—is 21.7.

**Senator ABETZ:** Would you run those figures by me again?

**Senator Wong:** Perhaps to be helpful to you we could provide you with a budget overview document, if someone has a spare copy.

**Senator ABETZ:** Thank you.

**Senator Wong:** Page 45.

**Senator ABETZ:** You are telling us that you were referring in this interview to which figures?

**Senator Wong:** I have not got the budget press release in front of me, but it is—

**Senator ABETZ:** Before dinner we were agreed that the figure was \$21.7 billion.

**Senator Wong:** Yes, and that is the figure I have tended to use for—

**Senator ABETZ:** Whereas now, after dinner we introduced \$22.2 billion?

**Senator Wong:** Did you want me to finish?

**Senator ABETZ:** Given your interruptions you are the least—

**Senator Wong:** Can I just say, we hardly introduced it. We put it out in the budget document on 11 May.

**CHAIR:** Senator Abetz, you put a question to the minister and she was in the process of responding. If you allow her to finish, you will have the opportunity to continue.

**Senator Wong:** Thank you. My recollection is that we have tended to use a figure of \$21.7 billion or around \$22 billion. It is true that in most interviews I probably would not have made some distinction between cash and accrual. I think that is unsurprising.

**Senator ABETZ:** Is this document, the budget overview on page 45, on the basis of accrual or cash?

**Senator Wong:** Page 45 is accrual.

**Senator ABETZ:** And page 314?

**Senator Wong:** It is cash. There is a marginal difference; it is not a huge amount.

**Mr Martine:** Just to clarify, Budget Paper No. 2, which summarises all of the measures, is on an accrual basis. Page 45 in a sense is a summary of the savings in Budget Paper No. 2.

**Senator ABETZ:** I am in Budget Paper No. 1. Do we agree that the net save position is about \$5.2 billion?

**Senator Wong:** I think that is the figure we have given.

**Senator ABETZ:** Where do I find that?

**Mr Martine:** That is page 3-14.

**Senator Wong:** The one you have been on, Senator.

**Senator ABETZ:** Yes, that is what I was thinking. Which is cash?

**Senator Wong:** That is cash, yes.

**Senator ABETZ:** It is funny that in the one interview you talk about an accrual of the savings, but then with the net position you talk about cash. In the one interview, within a

space of 15 seconds—I would imagine it was a maximum of 10 seconds—we go from accrual to cash, without indicating to the public what the difference is. It seems to me that, on the basis of the \$5 billion figure that comes from page 314, the \$21.7 billion also comes from that page 3-14. The two figures come from the same table in the same analysis and, on that basis, you are in fact incorrect because it was over five years and not four years, as per table 3 on page 3-14.

**Senator Wong:** That is an assertion, not a question.

**Senator ABETZ:** Do you usually deal in cash figures when you are talking about these things?

**Senator Wong:** It is true, and you know that your government introduced accrual accounting, which does provide in some ways a different measure by which you can assess the numbers. The budget figures, the budget papers, do present the numbers in both accounting frameworks, so—

**Senator ABETZ:** Yes, but usually when you talk about these matters you talk about them in cash, as you did in relation to the net saved position.

**Senator Wong:** I am not sure but I think I understand the point you are making. I would make a couple of points. One is—from my recollection; and obviously this is my first budget—that the spend save table is usually presented in cash terms. Yes, I am getting nods. And, second, it is true: we tend to talk in round figures in terms of the savings. I hardly think we are hiding them. All the figures in terms of spends and saves are presented in great detail in the budget papers.

**Senator ABETZ:** There is no doubt they are presented accurately or relatively accurately, I assume, in the budget papers. The point is what you were saying in the interview and whether or not that was correct. I have just been advised that, in fact, if you do the calculation as you are suggesting of taking 22.22.4 or taking that figure and then taking 468.2 off it—

**Senator Wong:** 21754

**Senator ABETZ:** 21754. I understand under these practices one would round that up to 21.8 and not 21.7. That is the usual Treasury method of doing these things, is it not?

**Senator Wong:** I am not sure—

**Senator ABETZ:** It is, isn't it, Mr Martine?

**Mr Martine:** That is correct.

**Senator ABETZ:** So why the figure of 21.7 by sheer accident as opposed to 21.8 when it is the 21.7 figure which we would be with a founding up that Mr Martine has just confirmed is in fact the figure on page 314. Clearly that is what you were referring to, Minister. Just admit it, and we can get on with it.

**Senator Wong:** I have said we have generally used in terms of the budget figures around \$22 billion and—

**Senator ABETZ:** But you were asked a specific figure.

**Senator Wong:** Can I just say, I absolutely stand by the assertions we have made, and we have been completely upfront in outlining the spend save position in the budget papers. I have acknowledged it included some saves in the 2010-11 year as well. I would have thought that

is hardly a matter of great conspiracy. I would also make this point: I would have some regard for what you were saying if I believed you really did care about accuracy on budget figures, but you are the leader of an opposition in the senate, where your shadow Treasurer talks about \$50 billion of saves that do not exist. So you cannot come in here with an \$11 billion black hole in your policy costings that you have never filled and try and make a political point because you think in an interview I should have said—I do not know what you are saying I should have said—something else. We have got savings. We have got real savings. We do not have an \$11 billion black hole.

**Senator ABETZ:** Even on the best Treasury figures of 46 cents in \$100 is a tough budget, but we can leave all of that salesmanship—

**CHAIR:** You are completing an answer, Senator.

**Senator ABETZ:** I am trying to get to the detail.

**CHAIR:** The minister has the call.

**Senator ABETZ:** She always does.

**CHAIR:** She had not finished because you spoke over the top of her. I think we have been through this a number of times, and it would save us all a lot of time if we just allow the witness, whether it is the minister or an official, to complete their answer.

**Senator Wong:** I am happy for that next question.

**Senator ABETZ:** Being so anxious to highlight the nonexistent coalition flaws, the simple fact is you said four years when you should have said five years in that interview to 891 ABC on the day after the budget, 11 May.

**Senator Wong:** I do not think anybody could suggest that we have not been upfront about our savings.

**Senator ABETZ:** Who else gave this interview?

**Senator Wong:** Of course I gave the interview. There is this very clever cross-examination by you. You are asking about an interview I gave where you are saying I should have made clear something that you do not think was clear. I am saying to you that this is a new-found standard which you do not apply to yourselves. That is the first thing. The second is: we are being completely up-front. All the budget papers make clear where the savings are and all the budget papers make clear in which year the savings are. Yes, there are savings in 2010-11—that is a good thing. We should make savings in 2010-11 as well as in 2011-12, 2012-13, 2013-14 and 2014-15. That is what we have done.

**Senator ABETZ:** The royal plural that you use—

**Senator Wong:** We, the government. That is what we have done. I do not make savings and decisions without—

**Senator ABETZ:** It was you personally who gave the interview on 11 May asserting a figure of \$21.7 billion that on the analysis provided to us by Mr Martine should have been \$21.8 billion, if we are to accept the accrual basis rather than the cash basis. In fact, the cash basis from which you were clearly quoting, is over five years and not four years, as you mistakenly said on the radio.

**Senator Wong:** The cash figure is over five, so is the accrual figure. The accrual figure, if you take the 468 out, is \$21.754 billion.

**Senator ABETZ:** Which Treasury acknowledges would be rounded up to 21.8. Whereas the cash figure on 3-14 is rounded up to 21.7. So we have got the clear case, on Mr Martine's evidence of the way Treasury does these things, that you must have been referring to the figure on page 3-14 of Budget Paper No. 1 rather than the budget overview on page 45, which has now been introduced as trying to have an accrual figure here and a cash figure there, and you have muddled them together within a matter of five or 10 seconds in a radio interview. It just does not seem to be credible. Minister, I give you one last opportunity to acknowledge that you made a mistake.

**Senator Wong:** I do not acknowledge that, Senator.

**Senator ABETZ:** It is human to err. What is worse is not acknowledging that when you do.

**Senator Wong:** I make many mistakes—there is not a day go by when I do not make many mistakes. That is a very human thing. But I think you are making a very odd, if I may say, attack given how transparent we have been. But I appreciate that is your position. We are just not going to agree on that.

**Senator ABETZ:** You have not in any substantive way been able to explain your interview, pretending that you used a figure from page 45 on the budget overview and then, five seconds later, completely discounted Budget Paper No. 1, but then used it immediately afterwards and mixed up two figures—one that was accrual and one that was cash—if we are to believe your version of events, Minister. Very sloppy either way. You have got yourself in a muddle here.

**Senator Wong:** No, I do not.

**Senator ABETZ:** If it is accrual, it is 21.8, not 21.7. If they are both cash, it is five years, not four years. That is your dilemma, you can take your pick. No matter which explanation you have provided to us, you are wrong on either count.

**Senator Wong:** You have asked this question. I disagree. Are we going to do this all night long?

**Senator ABETZ:** We can put the facts on the table and you can be oblivious to them. That is your prerogative as a minister, but it does not look very credible. Thanks, Chair.

**Senator Wong:** Senator, I would say this: if the standard that you are apparently setting is—

**Senator ABETZ:** How is this relevant to the question asked?

**CHAIR:** She is responding, Senator Abetz. You asked the question and she is entitled to respond. You may not like the response.

**Senator ABETZ:** Point of order, Chair. She cannot go and talk about whatever she wants and say, 'I might not like the response.' It does actually have to be relevant to the matter asked. Believe it or not, I did not ask about the coalition's election costings before the last election.

**CHAIR:** Minister, have you got anything further? As we all know, I cannot direct you on how to respond to a question.

**Senator ABETZ:** But you can stop the minister from responding if she is not in order.

**CHAIR:** Have you got anything else to add, Minister?

**Senator Wong:** I would just invite Senator Abetz, who appears to have a newfound interest in fiscal accuracy, to consider the position of the opposition and the fact that they simply have not been able to account for their saves nor their spends.

**CHAIR:** Senator Cormann?

**Senator CORMANN:** Thank you, Madam Chair, I am back.

**Senator Wong:** Have you done it?

**Senator CORMANN:** No, not yet; it is later. In estimates today the transport department—

**Mr Tune:** Sorry, I have an answer for you, Senator Cormann, on the act of grace. One act of grace payment made in relation to the Home Insulation Program. Total value of the payment \$7,830.

**Senator CORMANN:** And that was in relation to loss of life or injury, was it?

**Mr Tune:** The payment covered the cost of some essential repairs to a property and some expenses incurred by the property owner arising from some work done on the property under the Home Insulation Program.

**Senator CORMANN:** I am just trying to find my questions that I have put away for later.

**Senator Wong:** You were asking about the range, but there is only one.

**Senator CORMANN:** I might have to come back to that.

**Mr Tune:** You asked for the number and the value and there is only one, which is the \$7,830.

**Senator CORMANN:** Are there any others in the process of being considered?

**Mr Tune:** I do not know, Senator.

**Senator CORMANN:** You do not know. So how does that process work? Is that a process that runs through you for any part of government? Or is that a process that is handled by respective parties?

**Mr Tune:** It depends on the value. If they are under my delegation they would come to me for a final decision. If they were above that, they would go to the minister for a final decision.

**Senator Wong:** And I have delegated that decision-making absence from any conflict of—

**Senator CORMANN:** Sorry, like how?

**Senator Wong:** I am just letting you know, I have delegated that decision making to the Special Minister of State.

**Senator CORMANN:** Okay, the Special Minister of State. The question was different. I asked whether any act of grace payment that relates to anything that happens anywhere across government, does that ultimately channel through your department?

**Mr Tune:** Yes, it does.

**Senator Wong:** In the absence of another scheme, Senator. So within line portfolios there might be arrangements for people to seek something, there might be a program where people can seek recompense for something.

**Senator CORMANN:** Okay, so are there any pending claims?

**Mr Tune:** I do not know, Senator; I will take that on notice.

**Senator CORMANN:** If you take it on notice, obviously I would like to know—

**Senator Wong:** Sorry, is that any act of grace claim?

**Senator CORMANN:** No—it was in relation to this, yes.

**Mr Tune:** The officer will be here tomorrow, so we might be able to come back to it then if you want more information.

**Senator CORMANN:** Sounds good. Now to go back to where I was. In estimates earlier today the transport department told estimates that \$2.1 billion allocated for the Epping to Parramatta rail line is coming out of the contingency reserve. Is that right?

**Mr Tune:** I will just check this. Yes that is correct. Sorry for the delay

**Senator CORMANN:** That is all right. Why was it put into the contingency reserve?

**Mr Tune:** Because it was an election commitment and at MYEFO the government put all its election commitments that had not been announced in MYEFO into the CR. Some then subsequently became firm decisions announced in the budget. Some remain there. It would be one of the few, I suspect, that remains in the CR.

**Senator CORMANN:** What do you mean 'some of them became firm decisions'?

**Mr Tune:** They were announced as measures from the budget or MYEFO.

**Senator Wong:** This is not unusual. Governments would make provision for various spending decisions in terms of the CR prior to announcement for anticipated events and this appears to be one of them. It has already been provided for.

**Senator CORMANN:** Mr Tune, I am interested in your distinction between firm commitments and funding that is put into the contingency reserve.

**Mr Tune:** It is where they turn into measures either in the MYEFO or in the budget. Virtually all election commitments have been announced as firm measures. The detail of the Parramatta-Epping one is still being worked through. It remains an election commitment. It has been provided for in the CR; hence it is included in the bottom line.

**Senator Wong:** I assume you are aware of this, but 'measures' is the technical term for the policy decisions which are then locked down and for which there is clear expenditure over the forward estimates. That is what Budget Paper No. 2 comprises.

**Senator CORMANN:** There is a lot of shuffling going on there.

**Senator Wong:** We are just seeing whether or not we can give you a bit more information.

**Mr Martine:** It is in MYEFO—that is why we were struggling to find it in the budget papers. It was announced as a measure in the MYEFO, at page 188.

**Senator CORMANN:** The \$2.1 billion for the Epping to Parramatta rail line was announced in MYEFO?

**Mr Martine:** That is correct.

**Senator CORMANN:** Why is it then in the contingency reserve?

**Mr Martine:** Because it is coming out of nation building 2.

**Senator CORMANN:** Is everything that is nation building 2 in the contingency reserve?

**Mr Martine:** At this point in time, yes.

**Senator CORMANN:** Why is that?

**Mr Martine:** Nation building 2 kicks off in 2014-15.

**Senator CORMANN:** Is that a firm measure now?

**Mr Martine:** It has been announced. There were about eight projects announced in the MYEFO and that was one of them, at \$2.1 billion.

**Senator CORMANN:** So it was announced in MYEFO and it is now a firm measure. Why is it in the contingency reserve?

**Mr Tune:** Because it is in nation building 2, which is in the CR.

**Senator CORMANN:** Why?

**Mr Tune:** Because nation building 1 is still operational. The government has made a decision to put nation building 2 funds in the contingency reserve.

**Senator CORMANN:** You made a decision in relation to the Epping to Parramatta rail line but you have not made a decision on other things that are in nation building 2?

**Mr Martine:** There are a series of projects announced in MYEFO.

**Senator Wong:** If you go to MYEFO there is a policy decision in appendix A which goes through quite a number of projects which relate to NBP2, and they are itemised there.

**Senator CORMANN:** Sure, but why are they listed in the contingency reserve—hidden in the contingency reserve, in fact?

**Senator Wong:** We have answered that.

**Senator CORMANN:** No, you have not.

**Senator Wong:** We have. The government has made a decision that that is where the NBP2 funding will be.

**Senator CORMANN:** Why?

**Senator Wong:** The government has made that decision.

**Senator CORMANN:** But why?

**Mr Martine:** Perhaps I can help. The nation building 1 program, which extends across the forward estimates, comes to an end in 2013-14—I do not have the exact profile with me. The government has made a provision for a continuation of nation building program 1, calling it NB2, from 2014-15 onwards. Because it is a provision it is sitting in the contingency reserve. In addition to that, the government has announced its election commitments in the MYEFO, which will be funded out of the provision for nation building 2 from 2014-15.

**Senator CORMANN:** What other road funding is—

**Senator Wong:** You can go to page 188 of MYEFO.

**Senator CORMANN:** Okay, so these are the things on MYEFO. Is there anything that is not in MYEFO? Are there any other road projects not in MYEFO that are in the contingency reserve?

**Mr Martine:** Because they are in the contingency reserve, we cannot talk about anything that has not been announced.

**Senator CORMANN:** You cannot talk about them because they are in the contingency reserve—

**Senator Wong:** No, because they have not been announced.

**Senator CORMANN:** Yes, but the transport department has told us that the parliament—

**Senator Wong:** Those have been announced, Senator, they were in the MYEFO.

**Senator CORMANN:** Okay. Since MYEFO has anything else shifted into the contingency reserve that has not been listed in MYEFO but has been announced since?

**Senator Wong:** Across government, Senator?

**Senator CORMANN:** No. It would be interesting across government but I do not think you would accommodate me there.

**Senator Wong:** You would have to ask the transport department there. We do not track—

**Senator CORMANN:** It seems odd to put road funding—

**Senator Wong:** Nonsense.

**Senator CORMANN:** that is supposedly already critical—

**Senator Wong:** Senator, can I finish? We would not have to hand every announcement in every portfolio that the government has made between MYEFO and the budget. We can refer you to what was announced in MYEFO and we have explained how that has been provisioned for.

**Senator CORMANN:** Just going through evidence from other departments in other parts of estimates, the Department of Immigration and Citizenship told estimates that there is \$130 million hidden in the budget to set up a regional processing centre for asylum seekers.

**Senator Wong:** Hidden in the budget?

**Senator CORMANN:** I am interested for you to show me—

**Senator Wong:** I do not think they would have said that. You should not verbal them in that way.

**Senator CORMANN:** It is 'hid \$130million in the budget'. Are you aware of what I am talking about here?

**Mr Martine:** I am.

**Senator CORMANN:** Okay, tell us what Finance's role was in that, and maybe point me to the place in the budget papers where I can find that \$130million.

**Mr Tune:** You will find it in the DIAC portfolio budget statement, mixed up with some other numbers.

**Senator CORMANN:** Mixed up with some other numbers, is it?

**Mr Tune:** Yes. It is operating costs for an offshore processing centre, as part of the government's policy on regional processing of IMAs.

**Senator CORMANN:** Why was it not identified as a separate line item in the budget papers?

**Senator Wong:** Senator, let me tell you: we give way more information in the budget papers than I ever got out of your lot.

**Senator CORMANN:** This was going to be the new era of openness and transparency, the sunshine was going to come in—

**Senator Wong:** Yes. That is why you get to ask the questions I could never get to ask.

**Senator CORMANN:** It is one thing to spend \$130 million on offshore processing centres and you are not identifying it. Why is it not identified as a separate line item?

**Mr Tune:** Because the government is still working through the details of it.

**Senator CORMANN:** So it is in the contingency reserve, is it?

**Mr Tune:** No, it is an estimates variation.

**Senator CORMANN:** What is an estimates variation?

**Mr Tune:** It is an estimates variation on the basis that the government is contemplating and looking actively at policy of processing some IMAs offshore as distinct from in Australia. In that sense it is switching the estimates that we have in there for processing within Australia—and in Australia I am including Christmas Island, by the way—to doing it somewhere else. So it is just switching one set of estimates from location X to location Y, and on that basis we classify it as an estimates variation.

**Senator Wong:** Minister Bowen, when he announced the arrangements with Malaysia, made public the cost of that.

**Mr Tune:** And that is in the budget papers as a measure, because it is definite.

**Senator CORMANN:** What, it is definite that it is going to be \$130 million?

**Mr Tune:** No, I am talking about the Malaysia one; it is a definite measure in the budget.

**Senator CORMANN:** And so what is the cost, remind me?

**Mr Tune:** Of Malaysia?

**Senator Wong:** I think he announced \$216 million, from memory.

**Senator CORMANN:** So that is \$216 million?

**Senator Wong:** No, there were two different components. There was the increase in the humanitarian program and then there was the support for the 800 to Malaysia.

**Mr Tune:** Yes, 75.9 over four years for support and maintenance transferred for foreign aid transferred to Malaysia, and 216.4—

**Senator CORMANN:** Sorry, transferred to Malaysia?

**Mr Tune:** Yes. And 216.4 million for the increase in the humanitarian migration program by an additional 4,000 places over the four years. They were announced as a measure in the budget.

**Senator CORMANN:** And so how does that relate to the \$130 million in estimates variation?

**Mr Tune:** I was just making a distinction, Senator. That is a definite decision, a firm decision, whereas the other one is a decision that the government is still working its way through and therefore is not classified as a measure. It is classified as an estimates variation.

**Senator CORMANN:** So there is \$130 million put aside just in case we find a location for another offshore processing centre—so we have got the money put aside to deal with it.

**Mr Tune:** That is correct, yes.

**Senator CORMANN:** Was it your decision to treat it as an estimates variation?

**Mr Tune:** In effect, it was a government decision, on advice from the Department of Finance and Deregulation.

**Senator CORMANN:** What other estimates variations do we have in the budget?

**Mr Tune:** Thousands.

**Senator CORMANN:** Thousands of estimates variations?

**Mr Tune:** Virtually every program will have an estimates variation.

**Senator Wong:** Do not ask us to talk about all of them; we will be here forever!

**Senator CORMANN:** I could always ask you to provide us a list on notice. How many are there? Is it thousands or hundreds or 50?

**Mr Martine:** Literally thousands of adjustments are made to the estimates across government, but we try to summarise the largest estimates variations in statement No. 3. There are a couple of pages in statement 3 that go through the—

**Senator CORMANN:** Can you take me to the page?

**Mr Martine:** It is in two parts. Page 3-17 is receipts. Page 3-19 is cash payments. It starts halfway down page 3-19 and continues on to 3-20.

**Senator CORMANN:** This is where the increased costs from a higher than previously expected number of irregular maritime arrivals comes in—the \$825 million in estimates variations?

**Mr Martine:** That is correct.

**Senator CORMANN:** That is an estimates variation?

**Mr Martine:** Yes.

**Senator CORMANN:** Is the \$130 million is part of the \$825 million or does it come on top of that?

**Mr Martine:** That is separate.

**Senator CORMANN:** In relation to the increased cost of processing irregular maritime arrivals, we have \$825 million plus \$130 million. Plus anything else?

**Mr Tune:** As an estimates variation?

**Senator CORMANN:** Yes.

**Mr Tune:** No; I do not think so.

**Senator CORMANN:** So that is it?

**Mr Tune:** There might be small parts in other parts of the program; I am not sure. They are the big ones.

**Senator CORMANN:** Do you know what the \$130 million will be spent on?

**Mr Tune:** It is provision for operating costs for an offshore processing centre.

**Senator CORMANN:** Which could be on Manus Island or in PNG?

**Senator Wong:** If you have policy questions about that, they should be directed to DIAC.

**Senator CORMANN:** Okay; you are just going to the costings. How can you put the money aside if there are no details about where it will be and what it will do?

**Mr Tune:** There are plans. The government is actively contemplating this policy issue, so we have some knowledge.

**Senator CORMANN:** You have some knowledge of plans?

**Senator Wong:** If you have policy questions they should be directed to DIAC.

**Senator CORMANN:** No, I do not have policy questions.

**Senator Wong:** In relation to provisions being made in the contingency reserve, that is something that governments of all political persuasions do to make appropriate provision for anticipated events. Obviously not all of them come to pass, but many do. As you know, it is good to have provision for those cases.

**Senator CORMANN:** Indeed, it is very good to have provision. It would be good to have provision for an offshore processing centre on Nauru. But I am interested in how accurate those costings are and how Finance has reassured itself that those costings are accurate. What involvement have you had in costing what is currently being considered by the government?

**Mr Tune:** We have been involved in doing that.

**Senator CORMANN:** You have been involved in costing a specific project?

**Mr Tune:** No, we have been involved in costing in a broad sense: the cost of operating an offshore processing centre. That might vary as the government moves through this. It is very often the case—

**Senator CORMANN:** So the costs could end up being higher?

**Mr Tune:** They could be lower.

**Senator CORMANN:** Having an offshore processing centre in Papua New Guinea would presumably have a different cost structure from having an offshore processing centre in Malaysia or Thailand. Or do you assume the costs would be equivalent across the board?

**Mr Tune:** They might vary a little bit, depending on how far afield you go. But there would be some consistency there, I am sure. We are largely talking about the operating costs. The cost of doing it is pretty much the same for the facility.

**Senator CORMANN:** So you cannot tell us on what basis you have costed that policy?

**Senator Wong:** What do you mean?

**Senator CORMANN:** What I mean is this: have you costed an offshore processing centre for Papua New Guinea or have you costed an offshore processing centre for somewhere else?

**Mr Tune:** We have done some costing on an offshore processing centre, full stop.

**Senator CORMANN:** And you have not made any costings specific to the possible location of the offshore processing centre?

**Mr Tune:** We have thought about the location, but there is not a location-specific costing.

**Senator CORMANN:** You have thought about the location, but the costings are not specific to the location?

**Mr Tune:** I am not in a position to go any further than that, Senator, I am sorry.

**Senator CORMANN:** So there is further to go, but you just cannot go there?

**Mr Tune:** No, what I am saying is what we have done. That is it.

**Senator CORMANN:** The immigration department says that this funding is to be used for a regional processing centre in Papua New Guinea. How can you cost that?

**Mr Tune:** I am not aware that they have said that, Senator.

**Senator CORMANN:** Well, that is my advice.

**Mr Tune:** It is not the advice I have.

**Senator CORMANN:** My advice is that the Department of Immigration and Citizenship revealed that it had been decided that this funding would be used for a regional processing centre in Papua New Guinea, and that is even though no such agreement currently exists with PNG. So you are saying that that is not right?

**Mr Tune:** I do not have the official *Hansard*, but I have some transcript of what was said and the DIAC officials do not talk about PNG or any other location.

**Senator CORMANN:** So, if that is my advice, that is inaccurate, is it?

**Mr Tune:** I do not know. I am going on what I have got; you might go on what you have got, but I cannot confirm your advice.

**Senator CORMANN:** I am interested in the costings because—again, correct me if I am wrong—I am told that \$81.8 million of this funding is to go into administrative funds and \$48.2 million within offshore asylum seeker management, and that there would be 30 staff, interpreters, food for asylum seekers and chartered flights. Are these all things that you have costed?

**Mr Tune:** Yes. Those are the sorts of assumptions that would go into it. It is a generic costing, pretty much based on the operating costs for Christmas Island. You are looking at that as your base line.

**Senator CORMANN:** When you set up an additional processing centre like this, is it usual to deal with that as an estimates variation?

**Mr Tune:** In the circumstances, yes, because you are processing them offshore as distinct from onshore.

**Senator CORMANN:** So if you did the same onshore—

**Mr Tune:** If you were doing them onshore, any change in numbers flows through as an estimates variation, and that is the number that was being referred to earlier, in the estimates variation.

**Mr Martine:** The 500-odd.

**Mr Tune:** Yes. This is just switching it from there to there, and therefore all that has changed is the location.

**Senator CORMANN:** So that money had previously been allocated for onshore processing centres?

**Mr Tune:** It would otherwise have been used for onshore, but it could then be used for offshore.

**Senator CORMANN:** So it is not additional money; it is just shifting money, is it?

**Mr Tune:** In a large sense, yes.

**Senator CORMANN:** Shifting within the department of immigration?

**Mr Tune:** Yes, definitely.

**Senator CORMANN:** So you are taking from somewhere else and then allocating it to the offshore processing?

**Mr Tune:** What you would have otherwise spent on processing onshore, you now spend processing offshore.

**Senator CORMANN:** Regarding the processing overall—onshore and offshore—by how much has the annual cost of that increased since 2007-08?

**Mr Tune:** I do not have that number, Senator.

**Senator CORMANN:** Could you provide to us on notice how much was spent on processing of illegal maritime arrivals in 2007-08, and then how much is going to be spent, on an annual basis, over the forward estimates?

**Mr Tune:** Yes, we can take that on notice.

**Senator CORMANN:** Thank you for that. So this \$130 million does not include capital costs then, by the sound of it?

**Mr Tune:** No, it does not.

**Senator CORMANN:** Why not?

**Senator Wong:** Senator, we have provisioned, in accordance with the government's stated policy, which is to establish a regional processing centre. You have asked us about one component. I am not going to go into details about anything further that has been provisioned for. What we have said to you is that we have made appropriate provision. If and when such a policy is resolved and an announcement is made, obviously those figures would be fully transparent as a measure in whatever budget update. In fact, as the minister did, in the announcement, it may well be part of a new announcement.

**Senator CORMANN:** Hang on, let me get this right. You have allocated \$130 million for an offshore processing centre in an undisclosed location. Everybody assumes is going to be in Papua New Guinea, but you do not have any—

**Senator Wong:** I think the minister talked about seeking to explore—that is not a secret.

**Senator CORMANN:** I am not suggesting it is a secret.

**Senator Wong:** There has been an announcement.

**Senator CORMANN:** The thing is, it is enough of a secret for our good friends at the Department of Finance and Deregulation not to tell us—

**Senator Wong:** It is not a secret, Senator. No, no, that is, with respect, a little unfair.

**Senator CORMANN:** I am not meaning to be unfair.

**Senator Wong:** No, I know, and I am trying to be very reasonable, Senator, because we are getting along quite well—and I am getting tired and I do not want to fight at the moment.

Even I run out of fight sometimes, Senator Cormann. Things being provisioned in the contingency reserve is not hiding. They are provisions for things which one anticipates but which have not yet eventuated. It is what Mr Costello did and it is what we have done. We have been, in fact, more than transparent about the fact that there is provision on a policy that has been announced that has not yet been finalised in terms of where and how a regional processing centre would be put in place.

**Senator CORMANN:** Have you got an allocation for capital costs related to this particular initiative in the contingency reserve?

**Senator Wong:** We have made provision for a regional processing centre in the contingency reserve. I am sorry, Senator, but I am not going to get into any further detail about that. All of that, if and when that occurs, will be made public.

**Senator CORMANN:** But hang on, you are able to put \$130 million in operating costs—

**Senator Wong:** I do not think I did, actually; I think you did.

**Senator CORMANN:** I did? I did not put the money into the budget.

**Senator Wong:** I think you put that to me.

**Senator CORMANN:** I am saying you are able to identify and make a costing to identify that operating a regional processing centre would cost you about \$130million, and you have identified that that is going to be wages for 30 staff, interpreters, food for asylum seekers, chartered flights and so on, but you are not able to give us any indication as to how much it is going to cost to build the thing?

**Mr Tune:** The difference goes back to what I was saying earlier, Senator, that the \$130 million is in effect just a switch from one location to another one, and the way we have costed it is consistent with that. Christmas Island was the basis of the costing. So that is more certain. There is no decision—no further decision, yet, other than the government's investigations, which are yet to be finalised—about a location, so therefore the capital costs are far less certain and therefore you do not put them in as an estimates variation or a measure, for that matter, until there is a decision.

**Senator CORMANN:** The Commonwealth has built detention centres in the past, and in fact the Commonwealth is in the process of building quite a few of them as we speak, or refurbishing existing facilities.

**Mr Tune:** But each one is unique and has a different cost structure in terms of capital. Operating is more consistent, capital is—

**Senator CORMANN:** So operating a processing centre, whether that is in Papua New Guinea, Thailand, Malaysia or Australia, is the same—

**Mr Tune:** There will be some consistency. I am not saying it is absolutely one for one, but you have got a basis at least for making an informed judgment, which may turn out to be incorrect, and you may have to adjust it up or down, as I mentioned earlier, but at least you have got a basis for it.

**Senator CORMANN:** But you cannot make a judgment for capital?

**Mr Tune:** With the capital one, you are not sure enough to be able to come up with the view so you put something in, yes, as the minister has mentioned, but it is not certain enough

to be able to call it a measure, particularly when the government has not made a decision about what that location might be.

**Senator CORMANN:** So once that decision has been made, where will that money come from?

**Mr Tune:** Where will that money come from? It will need to be appropriated.

**Senator CORMANN:** So that would then be an additional policy decision and an additional spend.

**Mr Tune:** No, no.

**Senator Wong:** No, it is already provisioned for.

**Mr Tune:** Because it is in the CR it is in the bottom line.

**Senator CORMANN:** So it is in the CR.

**Mr Tune:** Yes.

**Senator CORMANN:** Ok, so you can confirm that.

**Mr Tune:** I can.

**Senator CORMANN:** You just cannot tell me how much is allocated for it in the CR.

**Mr Tune:** Correct.

**Senator CORMANN:** And you cannot tell me whether what is allocated for in the CR is likely to be enough or whether it is going to have to be more or less?

**Mr Tune:** It is our best estimate at the moment, that is what I can say.

**Senator CORMANN:** As everything is, yes. It is very hard, of course, to scrutinise what is on the table in that sort of context. You would remember the government's Operation Sunlight—I think, Minister, that was initiated under your predecessor—where the government said that Treasury and Finance would publish on their website material changes in revenue and expenses every three months, and fiscal and cash balances. Has this happened?

**Senator Wong:** We do, yes.

**Mr Tune:** Monthly.

**Senator Wong:** In fact, I do it monthly. Well, I do not, but I release them and they are published monthly.

**Senator CORMANN:** I have to confess I have been looking around for it and I cannot find it, and maybe that is due to my inadequate skills in travelling through Commonwealth department websites, but—

**Mr Tune:** You will find it on Finance's internet site.

**Senator Wong:** Monthly financial statements, I think.

**Senator CORMANN:** Maybe someone can assist us with a little piece of paper with the address on it?

**Senator Wong:** [finance.gov.au](http://finance.gov.au), Senator, and I am sure there is a link somewhere.

**Senator CORMANN:** So that \$130 million presumably then is listed and clearly identified in there, is it?

**Mr Tune:** No, this are actuals.

**Senator CORMANN:** There are no estimates—

**Mr Tune:** Monthly financial statements are actuals, month by month.

**Senator CORMANN:** Okay, your fiscal and cash balances, yes.

**Senator Wong:** So you do see? It gets some media, Senator.

**Senator CORMANN:** What do you mean?

**Senator Wong:** Certain economic writers will write about what the last financial statements looked like and how they are tracking against estimates et cetera.

**Senator CORMANN:** Sure. In terms of this digital television switchover assistance for—

**Senator Wong:** My officers, in fact, told me that you have asked a question on notice about the monthly financial statements, so clearly you might have—

**Senator CORMANN:** They are very quick, I have indeed.

**Senator Wong:** So you clearly know about them, Senator?

**Senator CORMANN:** I do know about them; I am just trying to more easily navigate your department's website.

**Senator Wong:** That is all right. It is very easy to find David Tune on that website, I find. There are lots of photos of Mr Tune.

**Mr Tune:** I am on your side, Minister.

**Senator CORMANN:** I hope you are not saying I was distracted by that.

**Senator Wong:** No. There is a little 'Ask David' thing, as well—

**Senator CORMANN:** I am desperate to get to a couple of questions about set top boxes.

**Senator Wong:** Sorry.

**Senator CORMANN:** Can you explain to us how this was costed?

**Mr Tune:** How it was costed? It was costed in the normal way that we cost policy proposals coming before government in the ERC.

**Senator CORMANN:** You are now telling me the process, but I am interested in the substance of the costings. What did you assess as part of your costings? What is involved in the costings?

**Senator Wong:** We will take that on notice.

**Senator CORMANN:** Why would you take that on notice?

**Senator Wong:** Because to be honest with you, I want to consider the extent to which we are going to get into—this is the path you were going—every assumption underpinning every Commonwealth costing.

**Senator CORMANN:** So why am I not allowed to ask about assumptions underpinning Commonwealth costings on a measure like this?

**Senator Wong:** I do not recall that generally being disclosed by governments and I would want to consider that. I am happy to consider it and we will take it on notice.

**Senator CORMANN:** But you are just shutting down a line of questioning on the costing of set top boxes. I was not even going to ask that many questions. You now make me suspicious that you have something to hide.

**Senator Wong:** No, not at all. I think that there are questions about assumptions I want to consider. You asked a lot of questions about assumptions in relation to the previous costing.

**Senator CORMANN:** But why would you not tell us on what basis you have identified the costing of this proposal where the Commonwealth is going to contract people to provide—

**Senator Wong:** I am happy if you want to ask questions about what the measure means. That is a different question. We can tell you about the measure, although probably that is best addressed to DBCDE—that is, the Department of Broadband, Communications and the Digital Economy, which I think is appearing tomorrow.

**Senator CORMANN:** I am interested in the costings of the measure done by Finance. What is involved? Which aspects are going to cost how much? What is the breakdown? Surely the department has involved themselves in how much is going to be paid for each set top box and how much is going to be paid for contractors to go into people's homes to set them up?

**Senator Wong:** Some of that is subject to tender, Senator, so again I will take that on notice if that is the sort of information you want. In terms of the measure, that is set out on page 112—I am sorry; I do not think that is right. Is that right?

**Senator FIFIELD:** Senator Cormann might have to go on the Finance website and click 'Ask David' and 'submit'!

**Senator Wong:** No, no. I am told, by the way, the monthly statements are available; there is a link on the first page of the website. So the measure is on page 112 of Budget Paper No. 2. I will take on notice your questions about assumptions—and, if you have questions about the policy that is being funded and how that will operate, I would ask that you ask that of Senator Conroy tomorrow.

**Senator CORMANN:** I am not asking you questions about the policy; I am asking you about what the detailed costings are of the various aspects of this particular measure. How much is the cost of set-top boxes, how much for participation, pick-up rates, contractors?

**Senator Wong:** If you go through them now, we will take them on notice. You had two more there. If you want to add to them, we will take them on notice.

**Senator CORMANN:** So are you going to be able to assist us at least with whether there is any allocation—perhaps in the contingency reserve—for any cost blow-outs?

**Senator Wong:** This is a measure, Senator.

**Senator CORMANN:** Yes, I know it is a measure.

**Senator Wong:** That means it is a measure. It is in the budget—

**Senator CORMANN:** So what? I know it is a measure, but there is always money in the contingency reserve for programs like solar panel rebates and others, just in case the money runs out—

**Senator Wong:** This is another of the costing errors that your shadow finance minister and shadow Treasurer keep making, and I am surprised that they have not—

**Senator CORMANN:** I am not making any errors; I am asking questions. Just say—

**Senator Wong:** No, they do. They act as if the contingency reserve is just some bucket that can continue to be raided like that. That is not how it works.

**Senator CORMANN:** You know you have the Epping-Parramatta railway in the contingency reserve.

**Senator Wong:** You can provision the contingency reserve for anticipated expenditure; and, when that expenditure is crystallised, that is disclosed, transparently. In relation to this policy, the digital switchover—which is an existing program and has already been rolled out successfully, but I will leave that to Senator Conroy to talk about—there is a measure in Budget Paper No. 2 which transparently sets out the costs of it. You have asked questions about the assumptions. I am happy for you to articulate them and we will take those on notice.

**Senator CORMANN:** Mr Tune, is there anything in the contingency reserve as a matter of general principle for possible cost overruns for government programs?

**Mr Tune:** No.

**Senator CORMANN:** So you do not have anything in the contingency reserve to deal with that. I understood there was something in the contingency reserve related to the cost of the private health insurance rebate, for example. That is a discussion we had two or three years ago.

**Mr Tune:** It is a Treasury issue, the PHI rebate, so you would need to talk to them about it, Senator.

**Senator CORMANN:** That is because you do not know by how much it is going to go up, potentially, so—

**Senator Wong:** Senator, he just said it is a Treasury issue.

**Mr Tune:** It was announced as a measure at the time, and that is always a measure.

**Senator CORMANN:** So, if demand for the set-top boxes program happened to exceed the available funding, what would happen?

**Mr Tune:** There would be an estimates variation at the time.

**Senator CORMANN:** And where would the money for the estimates variation come from?

**Mr Tune:** Appropriation Bill No. 1.

**Senator Wong:** It still has to be provisioned for.

**Senator CORMANN:** But before when we were talking—

**Senator Wong:** It is still in the bottom line, Senator.

**Senator CORMANN:** Yes, sure, because money in the contingency reserve is in the bottom line. I understand that.

**Senator Wong:** No, no. But that is not what you just asked. If things cost more, Senator, than is provisioned for, whether or not it is an estimates variation, the government still has to then provision for it or find the money to allocate to that program, and that is what you do in budgets.

**Mr Tune:** You do that through the appropriation bills.

**Senator Wong:** And then the parliament gets to look at it.

**Senator CORMANN:** So what you are saying is that there is no money put aside if there are cost overruns.

**Mr Tune:** No.

**Senator Wong:** This is a measure.

**Senator CORMANN:** We have had measures in the past where there were cost overruns, Minister. It does happen.

**Senator Wong:** Yes, and they have to be dealt with.

**Senator CORMANN:** Indeed.

**Mr Tune:** They get adjusted at the time, as necessary.

**Senator CORMANN:** When you say they get adjusted at the time, is that through new appropriations?

**Mr Tune:** Yes.

**Senator CORMANN:** Right—which would increase the deficit or increase the level of debt if it is—

**Senator Wong:** Or we could do what we have done, which is more than offset all new spending.

**Senator CORMANN:** Which, of course, you have not.

**Senator Wong:** We have.

**Senator CORMANN:** Including through increased taxes and other revenues.

**Senator Wong:** On that, Senator, you need to go and talk to Joe Hockey, because his \$50 billion just got even worse. His \$11 billion black hole got even worse.

**Senator CORMANN:** You have a \$22 billion spending cut, supposedly, which of course it was not.

**Senator Wong:** At least we have some real spending cuts, as opposed to the \$11 billion black hole—that is all I can say. Nobody believes the \$50 billion any more.

**Senator CORMANN:** Minister, you recently appointed former coalition finance minister John Fahey to oversee a government program to make sure that money was spent wisely, that there was not going to be mismanagement and overruns in the same way as has happened in the past. Are you going to appoint somebody like this to make sure there are no rorts in relation to the set-top boxes program?

**Senator Wong:** Questions about the operation of that program should go to Senator Conroy.

**Senator CORMANN:** Who appointed John Fahey to oversee? I understood that that was part of your portfolio, wasn't it?

**Senator Wong:** I think that announcement was made by the Prime Minister, from memory.

**Senator CORMANN:** Sure, the announcement was made, but which portfolio does it come under?

**Senator Wong:** I think it might be Minister Crean's, although it does administer funding—

**Senator CORMANN:** So—

**Senator Wong:** If I can finish, there is funding also administered under the NDRRA which would be in the Attorney-General's portfolio—that is the national disaster relief and recovery arrangements.

**Senator CORMANN:** So what role does Finance take in making sure that money is spent wisely across government?

**Mr Tune:** I am a member of the inspectorate, Senator.

**Senator Wong:** No, this is across government, I believe he is asking.

**Mr Tune:** Oh, sorry.

**Senator CORMANN:** So you only focus on spending money wisely within your department?

**Mr Tune:** I am sorry, I thought you were still on the inspectorate from Mr Fahey. I misheard your question, sorry. In terms of value for money, we monitor spending on a reasonably regular basis. Estimates variations are not just accepted as a fait accompli; we analyse those and come to a view about the appropriateness of them.

**Senator CORMANN:** So if somebody says to you, 'We need more money because our program is running over,' you say, 'Prove yourself,' but you do not proactively go and make sure that risk is minimised? You trust them until a certain point?

**Mr Tune:** We have some frameworks that we would like people to operate under in the way they operate programs, yes, that is true.

**Senator Wong:** There are a number of processes, but I also made a speech—I think it was last year, pre-budget—where we laid out a range of additional reforms to improve implementation.

**Senator CORMANN:** So what is the framework that you have put in place to make sure there are not going to be any rorts in relation to the set-top boxes program?

**Senator Wong:** You should direct that to the department of broadband.

**Senator CORMANN:** I thought that you took an interest in setting the framework, in making sure that—

**Mr Tune:** We set a framework, which in effect is the Financial Management and Accountability Act, and then departments have to operate within that act and ensure that they provide value for money. So they would be looking at those things. We look at some, as the minister mentioned. We have taken a greater interest in implementation in more recent times, but this one, as the minister also mentioned, is an ongoing program. It is not as if it is a new program with no experience; it has been operating for a while.

**Senator CORMANN:** So at this stage you trust that it will be handled appropriately until you learn otherwise?

**Mr Tune:** That is correct, and we agreed the costings on that basis.

**Senator CORMANN:** So how much have you allocated for the advertising campaign for this set-top boxes policy?

**Mr Tune:** I will take that on notice along with the other assumptions.

**Senator CORMANN:** That is not an assumption; it is a question about a specific expense.

**Mr Tune:** We will take all the issues around the costings process on notice.

**Senator CORMANN:** So you are not going to answer any questions about the set-top boxes?

**Senator Wong:** We did not say that; we said we would take it on notice. I keep saying this, but these are matters that really should be dealt with by the relevant departments.

**Senator CORMANN:** Which year had the fastest growth in government spending over the last 35 years? Can you assist me with that? The year over the last 35 years?

**Senator Wong:** I would assume it was around the time of the greatest global economic crisis since the Great Depression—the one that your shadow Treasurer referred to as a hiccup.

**Senator CORMANN:** The greatest global financial crisis, so 2008-09, of course. That is when spending in real terms went up by 11 per cent, and the following year it went up by 6.4 per cent. Do you accept that it is a bit disingenuous to use that inflated base to then assert that spending is under control because of that inflated base? Obviously a further increase in spending, even if it is below two per cent, is much more significant than it would have been if spending had continued to grow according to trend?

**Senator WONG:** No, I do not agree with that. The fiscal consolidation is 3.8 per cent over two years. That is an extraordinarily fast fiscal turnaround. We have restrained expenditure very substantially. As I said, the real growth over the forward estimates period—and it is the forward estimates period—is about one per cent per annum. You have to go back to the 1980s to see where a government achieved that kind of spending restraint. Also, the figure I referred you to earlier—I cannot find it right now—that looks at the size of government expenditure as a proportion of the economy, falls by one per cent of GDP over the forward estimates to a level lower than that which preceded the financial crisis. As a government we are spending less in the economy than your government did on average over a decade. That would also include some of the last years of the Labor government, I suppose. Those facts demonstrate a very substantial amount of fiscal restraint.

There is a chart at 225 which looks at growth in public final demand—you will see the reduction in that—

**Senator CORMANN:** I take you to statement 3 on page 10, Budget Paper No. 1. If the inflated base—because of the 17-plus per cent increase in real spending between 2008-09 and 2009-10—does not matter, why have you excluded it from this graph? It distorts the figures, does it not?

**Senator WONG:** We can fight about the fiscal stimulus. I know your party has a view about that. We stand by the stimulus. It supported jobs and it ensured that this economy did not fall into recession. We did not see the sort of capital destruction and high levels of high unemployment that you saw in many comparable advanced economies. I appreciate that you have described it as a hiccup. That is quite an extraordinary position, but the figures here are clear. I refer you to the figure at 216, where you see the contributions to real GDP growth. You will see the contribution or the detraction from the sale of public expenditure. In other words, the government is reducing its footprint—for want of a better word—in the economy.

**Senator CORMANN:** We can indeed have arguments as to whether the size of the stimulus was right, whether the money was well spent and everything else. Leaving that to one side, you are using the record levels of spending growth—we have established certainly that there has been the biggest growth in spending in real terms in 35 years—as a new base from which to assess spending growth moving forward—dare I use that term?

**Senator WONG:** That would make sense if the size of government kept growing. But if you go to 315, which we were on before, and look at the payments line and at the percentage of GDP—this is a measure of how much government spending is as a share of the economy—you see that it falls by one percentage point over the forward estimates period, and ends lower than the 10-year average for the years preceding the global financial crisis. What that shows is a budget which reduces the size of the spend of government in the economy.

**Senator CORMANN:** Minister, you are obviously talking about forward estimates. We are not talking about reality here. I know you like talking about net debt as a proportion of GDP.

**Senator FIFIELD:** We will have to wait and see.

**Senator Wong:** That is fair enough. We will all be held to account, I am sure.

**Senator CORMANN:** Of course, we have had a deterioration in the budget bottom line of about \$8 billion this year and about \$10 billion next year. We will see what happens after that. Could you just remind us what the current—

**Senator Wong:** You cannot make that assertion without me responding to it.

**Senator CORMANN:** Go for it—please.

**Senator Wong:** It is convenient for you to forget, in talking about that, the floods, the cyclone and the natural disasters in Japan and New Zealand which, as the budget papers disclose, had a very significant effect on our economy and on revenue. The entirety of the—

**Senator CORMANN:** Australia has never had floods before?

**Senator Wong:** No—that is not right. The deterioration in the 2010-11 deficit is, from memory, almost entirely due to the write-down in revenue.

**Senator FIFIELD:** The reason that is in deficit in the first place is primarily about policy decisions—

**Senator Wong:** Do you want to have and I commend over the stimulus? Yes, we went into deficit—

**Senator FIFIELD:** But you keep talking about revenues as being the reason for deficits.

**Senator Wong:** No.

**Senator CORMANN:** You did not have any flexibility or—

**Senator Wong:** Hang on. Stop.

**Senator CORMANN:** any resilience in the budget left. That is the reality.

**Senator Wong:** You are mixing apples and oranges, and I am not going to be verballed here. I was responding to Senator Cormann who was making some criticism of the deterioration or the change in the deficit figures for 2010-11 and 2011-12. I was making the point that the majority of those are as a result of write-downs in revenue and that it is not a

reasonable proposition to ignore the effects, not only on the economy but also on government revenue, of the natural disasters, of which I have spoken.

**Senator FIFIELD:** I was making a separate point—

**Senator Wong:** You were making a separate point, Senator, which is to relitigate the stimulus.

**Senator FIFIELD:** which is that the reason the budget is in deficit in the first place is because of policy decisions by government.

**Senator Wong:** Correct, and we stand by those policy decisions, which saw that 200,000 Australians and their families, who would otherwise be unemployed, are employed today, and we have seen 720,000 or so jobs created since we came to government.

**Senator CORMANN:** So, Minister, what is the expected dollar figure of net debt for 2010-11 and what is it estimated to peak at?

**Senator Wong:** For 2010-11, was it, Senator?

**Senator CORMANN:** Yes, 2010-11, and what is the estimated peak?

**Senator Wong:** I have got 2011-12 onwards.

**Mr Martine:** Senator, in 2010-11, it is 82.4.

**Senator CORMANN:** And what is it estimated to peak at over the forward estimates?

**Mr Martine:** It is 106.6 in 2011-12.

**Senator CORMANN:** And which year is that?

**Senator Wong:** 2011-12; 7.2 per cent.

**Senator CORMANN:** Sorry—one was 106.6 in 2011-12?

**Senator Wong:** Yes.

**Mr Martine:** Yes.

**Senator Wong:** It is 7.2 per cent of the GDP.

**Mr Martine:** Senator, on page 3-24 of Budget Paper No. 1 there is a table that summarises the balance sheet aggregates.

**Senator CORMANN:** There was actually a better one—a table somewhere at the back, I think.

**Mr Martine:** There is a historical table on page 10-8.

**Senator CORMANN:** And then it sort of drops off slightly to \$104.6 billion net debt. And then in 2012-13—

**Senator Wong:** Sorry—gross net debt? No, just net.

**Senator CORMANN:** That is what I have just said. So we have got \$106.6 billion 2011-12, then \$104.6 billion in 2012-13, and then it increases the following year, even though we are supposed to be in surplus. What is causing that?

**Mr Tune:** You are probably best to ask Treasury that, Senator. They are responsible for these numbers.

**Senator Wong:** It is a stock-and-flow comparison with those numbers.

**Senator CORMANN:** Even after forecasted surpluses in 2012-13, 2013-14 and 2014-15, we will still have a net debt of more than what we have right now?

**Senator Wong:** Net debt peaks next year, Senator.

**Senator CORMANN:** But right now it is \$82.4 billion and over forward estimates we are still going to be over \$100 billion in net debt. So, at the end of those forward estimates, we are still \$18 billion more in the red than we are today?

**Senator Wong:** The budget figures are there, Senator, as to net debt.

**Senator CORMANN:** So the government would have paid off less than \$4 billion of the debt for 2012-13 by 2014-15. That is, of course, the figures that I just went through. And that is when the budget is supposed to be in surplus for each of those years. How are we getting on top of this net debt situation?

**Mr Tune:** Over time, if you look at the next page, 3-25, you will see the projection of net debt over the various years, and it is coming down as a percentage of GDP. We are getting back to zero.

**Senator CORMANN:** That is assuming no additional spending decisions.

**Mr Tune:** That is correct.

**Senator Wong:** Assuming we comply with our fiscal strategy to bank upward revisions of revenue and maintain the spending cap until the surplus is one per cent of GDP.

**Senator CORMANN:** Assuming we do not have another year where your spending goes up by 11 per cent and 6.4 per cent.

**Senator Wong:** We can argue over and over again the stimulus. I think the success or the merit of the government's stimulus can be seen by looking at what happened in the Australian economy. On the net debt figure, I make the point that we peak at 7.2 per cent of GDP. From memory, the average of the advanced economies is just under 90 per cent of GDP.

**Senator CORMANN:** How did you pick those advanced economies that you compare us to? On what basis do you choose whom you compare yourself to?

**Senator Wong:** From memory, the G7.

**Mr Martine:** Senator, page 1-13 is probably the chart you are referring to. It is a comparison of Australia versus the G7 economies, and they relate to the numbers the minister was just referring to.

**Senator CORMANN:** Are you aware that there are many developed commodity exporting countries like Australia who not only have no net debt but actually are in significant—

**Senator Wong:** I saw that table that Mr Hockey put up in the National Press Club.

**Senator CORMANN:** You might find that amusing.

**Senator Wong:** What was interesting about it is that quite a number of the countries he referred to also had carbon prices. I thought it was interesting that on the one hand he wanted to say we should be like them on some issues but on the other hand he ignored the fact that a number of the nations he put up on the little screen were nations that have had a carbon price in place for some time. That is just an aside.

**Senator CORMANN:** Which nation is that, Minister?

**Senator Wong:** I am referring to—

**Senator CORMANN:** Countries in Europe?

**Senator Wong:** My recollection was Norway and Finland.

**Senator CORMANN:** Where they have collected over six or seven years \$2.6 billion worth of revenue which, you were going to collect in three months. For the whole of Europe, which is 40 per cent of—

**Senator Wong:** We are going to have—

**Senator CORMANN:** You brought up the subject of the carbon tax.

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

**Senator CORMANN:** I did not ask you about the carbon tax. You brought it up, so I cannot let it pass.

**Senator Wong:** This is true. It was one of my more amused moments when watching that very interesting performance by Mr Hockey at the Press Club. He put up all these countries that he said we should emulate and quite a number of them have had a carbon price in place for some time. But I guess his view of about emulation only went so far.

**Senator CORMANN:** Let me just test this a bit. You want to compare the net debt position of Australia to the net debt position of G7 economies, which, of course, Australia is not. But you are not prepared to compare us to developed commodity exporting countries, which, of course, Australia is. The starting position of the UK and the US in terms of their level of debt when they went into the GFC was very, very different from the starting position that Australia was in when it went into the global economic downturn. So why is it that you are not prepared to compare Australia to the net debt position of Norway, which, is minus 157 per cent, Finland, which is minus 52 per cent, Sweden, which is minus 35 per cent, Chile—

**Senator Wong:** All have had carbon prices.

**Senator CORMANN:** I can tell you now: the carbon tax that you are looking at obviously will raise way more revenue the way you are looking at it than anything that has been collected elsewhere. The European scheme, and you should know this, was deeply flawed. It issued more permits than there were emissions.

**Senator Wong:** Deeply flawed. You have talked to Mr Robb for too long. He always uses that—

**Senator CORMANN:** Even supporters of the carbon tax make the concession that the European scheme was flawed. So if you want to have a debate about the carbon tax—

**Senator Wong:** I am making the point that it is somewhat inconsistent for the coalition to assert we should be comparing ourselves to Finland, Norway and Sweden for the purposes of a net debt position but wanting to ignore the net debt positions of the United States and the United Kingdom, for example, as if somehow they are not relevant.

**Senator CORMANN:** What was their net debt position in 2007-08?

**Senator Wong:** Let me finish, please. On the other hand Norway, Sweden and Finland from memory—and I could be wrong—have had a carbon price in place some time, which you say will destroy the economy. How is it that these are countries which you say we should look to because they are in such good economic shape and we should be emulating them but,

on the other hand, the carbon price that they have had in place for some time is somehow going to destroy our economy? You cannot have it both ways. In relation to the debt position, I would have some regard—

**Senator CORMANN:** I can absolutely have a poet's licence.

**Senator Wong:** Let me finish. I would have some regard for the position you are putting if you practised what you preached, but you do not. The reality is that, when you count your \$11 billion black hole, your double-count costings and all the saves you have opposed in the parliament, the fiscal position of the coalition is in deficit in every year of the forward estimates. To lecture us about bringing the budget back to surplus when you are not prepared to act responsibly in the parliament or even to do your own costings properly—

**Senator FIFIELD:** We did have a different starting point.

**Senator Wong:** Yes, your different starting point is in a black hole. I will take that interjection, your different starting point is in a very, very big black hole.

**Senator FIFIELD:** That is the point of being in government, we would have had a different starting point.

**Senator FAULKNER:** The important thing is not the starting point; it's the end point of the story.

**Senator CORMANN:** The end point is hopefully not you. I would be quite happy to engage the minister about her carbon tax and the fact that—

**CHAIR:** We are not here to engage in a debate. The minister responded to your question.

**Senator CORMANN:** Madam Chair, on a point of order—

**CHAIR:** If you allow me to finish, Senator Cormann: the minister responded to your question. I draw everyone's attention to the fact that we are not here to debate these issues. There is a time and a place elsewhere for that. You have the call and I encourage you to move on to your next question.

**Senator CORMANN:** Okay, Madam Chair, but I still raise a point of order. I did not ask the minister about the carbon tax. If she wants to make statements about the carbon tax then I should be able to respond to the minister's provocations.

**CHAIR:** There is no point of order, Senator Cormann. Your next question, please.

**Senator CORMANN:** Mr Tune, on what basis is the decision made to include or exclude a particular country for comparison purposes in relation to net debt?

**Senator Wong:** This is in Budget Paper No. 1? I think this is something Treasury should answer.

**Mr Tune:** This is a Treasury chart. You should ask them.

**Senator CORMANN:** It is statement 1.13.

**Senator Wong:** It is a Treasury chart.

**Senator CORMANN:** Minister, you say that now, but the only reason I asked that question—

**Senator Wong:** You asked about net debt.

**Senator CORMANN:** No, let us go back a step. You said how good we are looking compared to the US and others. Your statement led me to the question about how the decision is made to make the comparison with the US, the UK, France, Italy and Japan and why we are not comparing ourselves with Norway, Finland, Sweden and Chile.

**Senator Wong:** That led to a whole range of interesting discussions. I probably should have just referred you to the Treasury estimates at which I will also be representing the Treasurer, but I thought it would be good for me to respond to you on the net debt issue. This statement and this chart were prepared by Treasury, so if you want to ask questions about why certain countries were included or not included, please do so when I have Treasury officials in the Treasury estimates.

**CHAIR:** This is the final question before we suspend for the break.

**Senator CORMANN:** I have a series of questions about why there is no—

**CHAIR:** You might want to start that when we return from our 15-minute break.

**Senator Wong:** How many questions do you have?

**Senator CORMANN:** I have a few. The problem is I have to leave—

**Senator Wong:** He has to go and do *Lateline*. Do you want to read them out, Senator?

**Senator CORMANN:** If I could make a suggestion to assist the committee and officers: I propose that we do not take a break now and I will conclude at 10 o'clock.

**CHAIR:** That might be your preferred position, but it is not the position of the committee.

**Senator CORMANN:** I am not requiring it, just proposing it. If you want to take a break, take a break.

**Senator Wong:** I thought you were going to read through questions that we might be able to provide answers to.

**CHAIR:** We will take a break.

#### **Proceedings suspended from 21:15 to 21:32**

**Senator CORMANN:** There is no detailed discussion of structural deficits in the budget, unlike in the 2009-10 financial year, and there is post-budget analysis from the ANZ which says that there is nothing of note done to improve Australia's structural budget deficit. Did the budget papers not provide an update on the status of the structural deficit because it is in such bad shape?

**Mr Tune:** I beg your pardon?

**Senator CORMANN:** Why was there no discussion in the budget papers about the structural deficit?

**Mr Tune:** Structural deficit issues are really ones for Treasury, so you might want to direct your questions to them.

**Senator CORMANN:** I was wondering whether you would say that. Do you have anything to say about that?

**Mr Tune:** No.

**Senator CORMANN:** So you do not have any involvement—

**Senator Wong:** Please do not make a political point, at this time of night, of the fact that the officer is saying it is more appropriately directed to another department.

**Senator CORMANN:** I was not making a political point.

**Senator Wong:** The structural position of the budget is something I am happy to discuss but, as a portfolio matter, it resides in Treasury.

**Senator CORMANN:** Please indulge me to test that for a moment. In the department of finance's red book to the incoming government the department warned of the long-term structural pressures facing the budget. Don't you think that being transparent about the structural position of the budget—and this is a question for you, Minister, rather than for the department—is the best way to address and track the problems that your department has identified?

**Mr Tune:** The issues we were raising in the incoming government brief were—

**Senator CORMANN:** This is awkward. When I ask you questions the minister tries to answer them and when I ask the minister one you answer it.

**Mr Tune:** I am sorry. I will give you mine.

**Senator Wong:** We are very close!

**Mr Tune:** It is about the incoming government brief, finance document.

**Senator CORMANN:** Go for it.

**Mr Tune:** We were alluding to the expenses side of the budget in that particular document; in particular, drawing on the IGR, the Intergenerational report, which is a Treasury document itself. The expenses side of the budget is largely our side of the budget. If you talk about structural deficit you need to think about both the expense and the revenue side and that is where Treasury bring it together. That is why it is more appropriate for them to answer the question.

**Senator Wong:** That is why, when you are looking at savings, there are savings which you might call a structural save. They are not just a program not being spent, but changes to a pattern—what the inbuilt expenditure is. Although it is a tax expenditure—you might want to ask someone at the Treasury about it or you might want to say, 'I'm not interested'—the dependent spouse tax offset that we propose to abolish for anyone born after 1971 is in effect a structural save because it is removing that as an ongoing expenditure.

**Senator CORMANN:** When you say Treasury brings it all together, there was a Treasury paper late last year which identified—

**Senator Wong:** A roundup.

**Senator CORMANN:** This is a preamble to a question: which identified that the budget then—and that was before the latest deterioration—was going to be in structural deficit until 2019-20, from memory. Are you, Finance, still concerned about the long-term structural pressures on the expenditure side facing the budget?

**Mr Tune:** If you look at the IGR, yes. It is an issue which has been acknowledged by all sides of politics, I think. The ageing of the population in particular is going to put pressure on various expense items, particularly the aged pension, aged care—

**Senator Wong:** Health expenditure.

**Mr Tune:** Health expenditure in particular is driven by the ageing of the population and the improvements in technology occurring in the health sector at a pretty rapid rate. Yes; there are pressures on the expense side of the budget, which are well known by society.

**Senator CORMANN:** As the department of finance, do you have a clear explanation of whether the structural position of the budget would improve budget documentation and make it more transparent? Is that a matter for the Treasury?

**Mr Tune:** It is a matter for the government.

**Senator CORMANN:** Ultimately, the government is right.

**Mr Tune:** These are government documents.

**Senator CORMANN:** Minister, do you have a view or a clear explanation?

**Senator Wong:** This is why I really ask you to address these questions to me in the Treasury portfolio.

**Senator CORMANN:** But you are still going to be the same person.

**Senator Wong:** There will be officers who can talk about the ways in which those sorts of sensitivities—I use that not in the political sense but in the economic sense—are expressed or dealt with in the budget papers. I refer you to a recent speech by the new Secretary of Treasury. I am happy to have that discussion, but I would prefer to do that with the appropriate officers.

**Senator CORMANN:** Minister, you win: let's move on.

**Senator Wong:** I did not think that was a win!

**Senator CORMANN:** You made the decision to increase the efficiency dividend for every department and agency from 1.25 per cent to 1.5 per cent. How was the efficiency dividend for this budget determined?

**Senator Wong:** By government.

**Senator CORMANN:** Was there some scientific basis for it, or was it that it is currently 1.25 per cent and you were going to increase it?

**Senator Wong:** No, of course we take advice on these matters. We took advice, we considered it and we determined the increased to be 1.5 per cent for 2011-12 and 2012-13 years.

**Senator CORMANN:** Minister, now it is going in reverse—I asked Mr Tune and you jumped in.

**Senator Wong:** Sorry, I thought you addressed that to me. I am happy—I will eat my jatz.

**Senator CORMANN:** No, I am asking what the basis is—

**Mr Tune:** The 1.25 per cent was an election commitment. The government made a decision in the budget context, for the two years the minister referred to, to increase it to 1.5. That was obviously a government decision. We provided some advice on that, in particular we were asked to look at what that might mean for departmental operations. Our advice was that, at least on the staffing side, this was fine in terms of departments' capabilities and capacities to absorb that without any impact on staff in a major way. Whilst that was not deterministic in terms of the decision, it was advice we provided to the government to assist it to make its decision.

**Senator CORMANN:** What is the impact on the staff per se?

**Mr Tune:** We think it is fine. We do not see it as a problem.

**Senator CORMANN:** You think it is fine, but that is a very subjective assessment. Can you give me a more objective assessment? What does it mean in numbers?

**Mr Tune:** If you make a worst-case assumption that all of the extra 2.25 over those two years was to impact on staff costs—wages and salaries—and that is fed into a change in staff numbers to keep your extra 0.25 on the salary side, all of that could very comfortably be accommodated by natural attrition across the APS.

**Senator CORMANN:** Give me a number for natural attrition over the forward estimates on the basis of this increase in efficiency dividend. What would be the number?

**Mr Tune:** We do not have a number in that sense, but we looked at it in its totality and natural attrition—I have forgotten the number now—is reasonably high. This number we came up with, which I cannot recall now, was way below that, so it was a very comfortable fit.

**Senator CORMANN:** So on notice you are going to tell me how much?

**Senator MOORE:** I just want to clarify that term 'natural attrition'. You said you came up with a number and it was quite high. What does that mean?

**Mr Tune:** That is the number of people who separate voluntarily from the APS per annum. They do not move to other jobs within the APS; they move to jobs outside the APS.

**Senator MOORE:** And is that looked at historically?

**Mr Tune:** Yes, there would be some numbers in the APSC's *State of the service* report. That is collectively reported on annually.

**Senator MOORE:** So it does not take into account the people who are forcibly removed from the service. It is only people who leave by—

**Mr Tune:** Yes, it does, but they are such a small proportion that they hardly count.

**Senator MOORE:** And it is a standard process that is done every time in the budget. When you look at the term 'natural attrition,' there is an agreed process for how that works?

**Mr Tune:** There is an agreed way of measuring that, which the APSC utilise.

**Senator MOORE:** Thank you.

**Senator CORMANN:** So on notice you are going to give us a number as to what your expectations are?

**Mr Tune:** Yes, I will take that on notice.

**Senator CORMANN:** Because the election commitment, of course, was not to increase the efficiency dividend beyond 1.25 per cent, wasn't it?

**Mr Tune:** That was the government's election commitment, yes.

**Senator CORMANN:** Not to increase it beyond 1.25?

**Mr Tune:** No, the election commitment was to increase it to 1.25. It did not say anything beyond that.

**Senator CORMANN:** Okay, so there could be another efficiency dividend next year?

**Mr Tune:** I am not going to answer a hypothetical question.

**Senator CORMANN:** It is a hypothetical—I withdraw. Will some departments and agencies be exempt from the efficiency dividend in the future?

**Mr Tune:** The agencies that are exempt or partially exempt from the efficiency dividend currently will also be exempt from the change as well.

**Senator CORMANN:** So there are not going to be any new exemptions like the one that was proposed by the member for Banks, Daryl Melham?

**Mr Tune:** There is a change in the sense that the government has decided to operate the efficiency dividend on a whole-of-portfolio basis so that there is flexibility for ministers to vary the amount of the efficiency dividend that applies to particular agencies inside their portfolio. So that flexibility is there to address some of the unevenness, perhaps, that may impact on some agencies in a portfolio.

**Senator CORMANN:** So a portfolio minister could say, 'I, the minister, am going to exempt the National Library and I'm going to take a bit more off somewhere else'?

**Mr Tune:** That is what they could do, yes.

**Senator Wong:** That is right.

**Senator CORMANN:** That is what they can do.

**Senator Wong:** It was a recommendation arising out of a report. Have you discussed that, Mr Tune?

**Mr Tune:** No, we have not. There was a review that was done on the efficiency dividend.

**Senator Wong:** There was a review undertaken of the efficiency dividend, which I released publicly, I think at the same time as the announcement of the budget decision. One of the recommendations, probably the central recommendation of that review, was that the ED—the efficiency dividend—be applied across portfolios. So we picked that up. It enables ministers, if they have agencies where they believe there is more scope for efficiencies, to direct that those take a greater proportion of the ED than another agency in their portfolio.

**Senator CORMANN:** So there is now furious lobbying from different parts of individual portfolios as to who is going to cop the cut?

**Senator Wong:** That has not happened yet, to me, but it might.

**Mr Tune:** I have not seen it yet either.

**Senator CORMANN:** Well there is some evidence of it because Daryl Melham is speaking out against—

**Senator Wong:** I am sorry—I thought you meant from heads of agencies.

**Senator CORMANN:** I am sure that there is a degree of communication between heads of agencies and some members of parliament, perhaps.

**Senator Wong:** Who would have thought?

**Senator CORMANN:** You do not think that happens?

**Senator Wong:** I am not entirely naive.

**Senator MOORE:** Could I ask about the process of this decision, Mr Tune. The minister said that the process is such that within a larger agency in particular there is going to be some

variance. Who has the delegation for making the decision? Does the head of the agency have it or does it have to come back through your portfolio or the minister to have that clarified?

**Mr Tune:** It is the portfolio minister.

**Senator MOORE:** So they have full delegation?

**Mr Tune:** They do.

**Senator MOORE:** And they do not have to check that with anyone?

**Mr Tune:** As long as it is cost neutral, and then they write to the Minister for Finance and Deregulation.

**Senator MOORE:** And it has to be cost neutral to meet the new figure across their portfolio?

**Senator Wong:** Correct.

**Mr Tune:** Correct, yes.

**Senator MOORE:** And are they given that in dollar terms?

**Mr Tune:** Yes, they are.

**Senator MOORE:** So each head of agency has a figure, now?

**Senator Wong:** Each minister.

**Mr Tune:** For their portfolio, yes.

**Senator MOORE:** And then the head of agency makes a decision and of course communicates that with their minister, and then back for discussion?

**Mr Tune:** Correct.

**Senator CORMANN:** But who manages that for the minister? Every agency and every department in his or her portfolio would be potentially—there is a potential conflict there, though, so who takes the overarching portfolio perspective?

**Mr Tune:** You would expect the secretary of the department that is within the portfolio to take the lead on that.

**Senator CORMANN:** But the secretary in the department—and I am not reflecting anyone in particular—is an interested party himself, though, isn't he?

**Mr Tune:** Correct.

**Senator Wong:** Or herself.

**Senator CORMANN:** Or herself, yes.

**Mr Tune:** And that is why it is important to have ministers involved too. Agency heads or departmental secretaries are required to look at the whole portfolio, not just their agency. My responsibilities around the portfolio are within the terms of my responsibilities to the government.

**Senator CORMANN:** So the way it would work in practice is that—

**Senator Wong:** I am very happy to have this discussion, but obviously it has not happened yet.

**Senator CORMANN:** Yes, but you must have some ideas—

**Senator Wong:** We are all hypothesising, but how we envisage it would be, as Mr Tune says, portfolio ministers have the discretion. I would anticipate that the secretary of their department ought advise them on this. But obviously you are right, the secretary is an interested party. However, I would hope that most secretaries would be pretty professional and responsible and make a pretty good judgment about how it was best allocated within the portfolio. Ministers will have to consider that advice and if they choose to change how the ED is applied within portfolio, they do it by notification, I think, to me.

**Mr Tune:** Correct.

**Senator CORMANN:** Presumably when you talk portfolio, you talk cabinet minister level?

**Mr Tune:** Yes.

**Senator CORMANN:** So if I am the minister with responsibility for the Australian War Memorial—I am an outer ministry minister—and I want to make sure that the Australian War Memorial is—

**Senator Wong:** I suppose you talk to your portfolio minister.

**Senator CORMANN:** I am getting to that. So then I would have to convince my portfolio minister to take more money off Defence in order to protect the Australian War Memorial. That is the way it would work, is it?

**Mr Tune:** In that instance, yes.

**Senator CORMANN:** It will be interesting to see how it works out. I hope it works out well.

**Senator MOORE:** And it has not worked in this way in the past, has it?

**Senator Wong:** That is right.

**Mr Tune:** No, it has not; it has just been allocated to the agency.

**Senator Wong:** I know Senator Moore has an interest in this. One of the live issues which you would be aware of was a view—at least one parliamentary committee looked at this—about the effect of the efficiency dividend on small agencies.

**Senator MOORE:** Yes.

**Senator Wong:** And one of the things the review—in fact, I think Mr Martine was a member of this review, were you not?

**Mr Martine:** The recent one?

**Senator Wong:** The recent one.

**Mr Tune:** On the steering committee.

**Mr Martine:** No. It was done inside the Financial Management Group

**Senator Wong:** One of the things they did consider was what is a reasonable way to apply the efficiency dividend and how to deal with some of the assertions, the views and the experience of smaller agencies. In the report you will see that they do deal with this. Notwithstanding the fact that there is some sympathy for that view, the point was also made that size is not the only indicator of a difficulty in achieving the efficiency dividend. This approach of portfolio basis was seen, and certainly I took it this way, as an attempt to try and

deal with some of those issues without going to a hard and fast blanket rule of 'anything below this size needs to be exempted'.

**Senator MOORE:** In a portfolio such as human services, which is going through a structural change as well as having quite significant component parts, this particular efficiency dividend would be calculated over the two years, but there would be ability to fluctuate during those two years?

**Mr Tune:** No, it applies year by year. You have only got flexibility within your—

**Senator MOORE:** Right, and the structural change that is going past, that is something that the secretary has to balance?

**Mr Tune:** Correct.

**Senator MOORE:** They are completely changing the structure—as they are, in human services—

**Mr Tune:** Yes, and the human services portfolio—there is a measure in the budget—

**Senator MOORE:** Yes, I saw that.

**Mr Tune:** that provides quite substantial up-front funding for human services, with benefits down the track.

**Senator MOORE:** Okay, thank you.

**Senator Wong:** A bit of upfront investment there for the savings.

**Senator CORMANN:** Are you doing any costings for the Greens or the crossbenchers?

**Mr Tune:** We have done some, yes.

**Senator CORMANN:** Since we last met?

**Mr Tune:** Can I take that on notice?

**Mr Martine:** I think that is correct.

**Senator CORMANN:** You have done some since then?

**Mr Martine:** I think so.

**Senator CORMANN:** Can you give us an indication of how many policies you would have costed for the Greens or crossbenchers since the last election?

**Mr Tune:** We have probably done six or seven, I suppose.

**Mr Martine:** Since the election, from memory, we have costed, I think, around 15 for the Greens.

**Senator CORMANN:** Fifteen for costs and expenditure.

**Mr Martine:** Yes.

**Senator CORMANN:** Fifteen for the Greens on costs and expenditure.

**Mr Martine:** I am not quite sure. Treasury may have costed—

**Senator CORMANN:** You costed expenditure.

**Mr Martine:** Yes, we only cost expenditure.

**Senator CORMANN:** I will check with Treasury.

**Mr Martine:** I think, from memory, it is around 15.

**Senator CORMANN:** How much time does that take?

**Mr Martine:** It has not been particularly time consuming, from memory.

**Senator CORMANN:** Can you be a bit more specific on what 'time consuming' means?

**CHAIR:** It depends so much on the complexity of the proposition.

**Senator CORMANN:** You have done 15. How many resources have you had to allocate to that?

**Mr Tune:** We do not measure anything like that. There is an understanding via the government, with the Greens, that if we are in a particularly busy period, like in the lead-up to a budget, the government's budget gets priority and any costings get put aside to when there is a small amount of down time. There is some flexibility in the system. We do not measure how much time we spend on that sort of thing.

**Senator CORMANN:** So people do it just before they go home or something like that. After they have done the work for the government they squeeze it in?

**Mr Tune:** No, it is not quite like that.

**Senator CORMANN:** I am do not want to verbal you, but tell me what it is.

**Mr Tune:** The finance department, in particular, as with the Treasury, is extremely busy between the months of, say, February and May—the budget—and that is the peak workload.

**Senator CORMANN:** Were you asked to cost any Greens policies between February and May?

**Mr Tune:** I think we might have done a couple that—

**Mr Martine:** I think, from memory, we did cost some proposals during that period.

**Mr Tune:** But if necessary, we say: 'We are very sorry, but this is a complex one that will take us time . We will have to put this one off.'

**Senator CORMANN:** You costed 15 policies for the Greens. How many did you do for the Independents, given that you had such a nice specific figure?

**Mr Martine:** I think there were two.

**Senator CORMANN:** Two?

**Mr Martine:** I think so.

**Senator CORMANN:** I am do not mean to stray into areas that—

**Senator Wong:** I think for most of them you need an FOI, Senator.

**Mr Martine:** I think there were two proposals for the Independents.

**Senator CORMANN:** Is the department costing any alternative policies to the government's policies? Are you going through any alternative policy-costing processes?

**Mr Tune:** Only those that are referred to us via the government for the Greens and the Independents.

**Senator CORMANN:** The only costings you are doing right now are for government measures, the Greens' policy proposals and the Independents' costings, and that is it.

**Mr Tune:** Yes.

**Senator CORMANN:** In terms of the Greens' and Independents' costings, are you able to give me an indication as to how much time would have been allocated to that by the department?

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

**Senator CORMANN:** You do not measure it.

**Mr Tune:** No. We are not charging them for the costings; it is just a function we have.

**Mr Martine:** It is certainly not a significant addition to the workload. Obviously, as Mr Tune indicated, depending on the time of the year, if we are very busy in the budget process we might need to say that we cannot cost it on a best-endeavours basis of the five days, it might be a bit delayed. But it is certainly not an issue that we are concerned about in terms of the additional workload.

**Senator CORMANN:** All right. What input has your department had, to this point, in terms of the Parliamentary Budget Office?

**Mr Tune:** We have been involved in providing a joint submission with the Treasury to the parliamentary committee that was looking at that, chaired by Senator Faulkner. As you know, the government made provision in the budget for staffing and resourcing for the PBO, so we were assisting them in that as well.

**Senator CORMANN:** I asked some questions of the Department of Parliamentary Services earlier in the week and they, essentially, were pointing at you as the lead agency and that it what was happening was all up to you.

**Mr Tune:** The government is in the process of developing its response to the committee's inquiry, and that will set the scene for the way it will operate. There will be a piece of legislation from the government's point of view about that. But it is clear-cut that the resourcing will be as per the committee's report—that is a budget measure. There is a slight difference between what was proposed and agreed with the Independents after the election and what was in the committee's report about where the PBO should sit. The agreement suggested it sit within the Department of Parliamentary Services, while the committee has recommended that it be separate from the Department of Parliamentary Services, and the government has accepted that latter view, so it will be quite independent of the DPS.

**Senator Wong:** There is a measure in Budget Paper No. 2.

**Senator CORMANN:** I know—\$24.9 million. I have seen the measure; that is what I asked questions about earlier in the week. So there is \$24.9 million in the budget for it?

**Mr Tune:** That is correct.

**Senator Wong:** That is right.

**Senator CORMANN:** So how much of that is running costs and how much of that is capital?

**Mr Tune:** I think it is all running costs, from memory.

**Senator CORMANN:** Is it all running costs?

**Mr Tune:** I will confirm that, but I am pretty sure it is.

**Senator CORMANN:** So where would you envisage it be located physically?

**Mr Tune:** I am assuming in Parliament House, but I do not really know.

**Senator CORMANN:** So somewhere you must have made an allocation for—

**Mr Tune:** It is all operating costs, I am told.

**Senator CORMANN:** So there must be an allocation somewhere for refurbishing or setting up—

**Mr Tune:** Or using existing accommodation somewhere inside the House.

**Senator CORMANN:** So you think that we are just going to find a couple of desks and put some people there?

**Mr Tune:** We will need to work through that, obviously, or the PBO itself will need to work through that. The PBO is quite independent from us, remember.

**Senator CORMANN:** Sure. Well, it will be once you have finished your processes, I guess—hopefully. But the DPS, earlier in the week, pointed out that the minimum recommendation in terms of resourcing from the committee—was \$6 million, which of course over four years would be \$24 million; but that is the minimum amount. Then I think it ranged between \$6 million and \$9 million per annum. There are different scenarios: the minimum scenario was \$6 million and the better scenario was \$9 million. So the government went close to the minimum scenario, didn't it?

**Mr Tune:** I would have to check what was in the report, but my recollection is that it took the report's view. I cannot recall whether there were options in there or not, Senator. I might get Mr Youngberry to elucidate.

**Senator CORMANN:** Go for it.

**Mr Youngberry:** I think what you are referring to, Senator, is that the Department of Parliamentary Services made a submission to the inquiry that contemplated a range of resourcing options. The committee, when it reported, has just recommended a single amount of \$6 million for the PBO.

**Senator CORMANN:** Have you made any decisions in relation to information-sharing arrangements between the Parliamentary Budget Office and the departments of finance and Treasury? Is there going to be a free and open flow of information?

**Mr Tune:** There will be a flow of information, that is true, and we will need to work through the details with the PBO. What we are envisaging is to have a memorandum of understanding between us and the PBO, and Treasury would have one as well, being the two key government agencies that would be interacting with the PBO. As to the detail, we just need to work that through once the legislation is settled and the functions of the PBO are clear-cut.

**Senator CORMANN:** Have you got an interdepartmental committee working on this?

**Mr Tune:** I do not think we do, do we?

**Mr Youngberry:** No, not a formal committee, Senator.

**Senator CORMANN:** Not a formal committee. Have you got an informal committee?

**Mr Youngberry:** No, we do not. We have a working relationship with Treasury and the parliamentary departments.

**Senator CORMANN:** So you do not have a formal committee, you do not have an informal committee; you just have a working relationship.

**Mr Youngberry:** Indeed.

**Senator Wong:** Money has been provisioned in the budget for it, Senator.

**Senator CORMANN:** Sure. And does that working relationship include the Department of the Prime Minister and Cabinet on this particular budget measure?

**Mr Youngberry:** We have consulted with the Department of the Prime Minister and Cabinet in relation to the development of the measure.

**Senator CORMANN:** So who is taking the lead?

**Mr Youngberry:** The department of finance is taking the lead.

**Senator CORMANN:** That is what I thought. So when do you envisage that the MOU will be completed?

**Mr Tune:** That will not be done until the legislation is in place and passed by both houses of parliament, of course.

**Senator CORMANN:** And of course you do not know when that is going to be.

**Mr Tune:** No, we do not. That is what we are envisaging will be the process—that we will need an MOU to make sure those responsibilities are delineated and the means of cooperation between the agencies are set down clearly.

**Senator CORMANN:** But there are a lot of things in the budget that are subject to legislation that has not been passed yet where you still have a view on time lines.

**Mr Tune:** Yes. I am not trying to say we are not doing work on this—we are—but we cannot finalise it until we know exactly what the PBO is doing.

**Senator Wong:** But the budget measure commences next financial year.

**Senator CORMANN:** I understand that.

**Senator Wong:** Do not just dismiss that. The point is you are making a suggestion about when it is going to be up and running. We have provisioned for it from 2011-12. Have you two finished? Is this another 'bromance'?

**Senator CORMANN:** A what?

**Senator Wong:** Senator Brandis today described Mr Abbott and Mr Hockey as having a 'bromance'. I said that Mr Abbott might not be very happy.

**Senator FIFIELD:** I missed that one.

**Senator CORMANN:** I missed that one too.

**Senator Wong:** I am glad that Senator Birmingham sees the humour in that.

**Senator CORMANN:** There are a lot of measures in the budget that will only start next year and you have clear ideas on the time lines. You have not got a clear idea of the time line here. Will you wait until parliament?

**Mr Tune:** No, sorry—maybe I am misleading you. I did not mean to.

**Senator CORMANN:** When is the Parliamentary Budget Office expected to be up and running?

**Senator Wong:** In the 2011-12 financial year.

**Mr Tune:** As soon as we can get it going, basically.

**Senator CORMANN:** Could it be by December?

**Mr Tune:** You will need a piece of legislation to appoint the parliamentary budget officer, who will lead the organisation.

**Senator CORMANN:** Minister, when do you intend to introduce that legislation?

**Senator Wong:** I am not sure that that has been finalised. Obviously there is a lot of legislation to get through. If you want to tell us that you are going to pass all of the budget measures without demur, I can probably give you a pretty clear time line on the PBO.

**Senator CORMANN:** I will bring this to a close.

**Senator Wong:** You did not respond to that.

**Senator CORMANN:** You want a blank cheque, Minister. I cannot give you a blank cheque.

**Senator Wong:** I do not think it is a blank cheque.

**Senator CORMANN:** We will, as we always do, make sure that there is proper scrutiny of all of the things that the government puts into the parliament. You, of course, would not expect anything else from us.

**Senator Wong:** I hope that if you are in the position of opposing savings measures that you put up your own. Otherwise your fiscal position becomes a bit embarrassing.

**Senator CORMANN:** We will have these debates in the parliament.

**CHAIR:** I would call the minister and Senator Cormann to get on with the next question.

**Senator CORMANN:** What did I do?

**Senator Wong:** That is true. That was me, Chair; I accept that.

**CHAIR:** You said you had another engagement, so I am trying to give you the opportunity to put your questions.

**Senator CORMANN:** As a closing question from me, have you made any decisions on classes of information that would be restricted from access by the PBO.

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

**Senator CORMANN:** Is your working assumption that everything would be available for the PBO unless there are highly exceptional circumstances?

**Mr Tune:** Not necessarily. What we want to do is work on the basis of close cooperation with the PBO and maximise the assistance we could provide to the PBO in costings. I cannot give a blanket answer, because there could well be things that are just not possible for us to do in providing information to them. The MoU is going to set down a set of rules and a framework that we hope we can utilise to make judgments about those.

**Senator CORMANN:** Presumably when we speak later in the year at the next estimates, you might be able to give us some more information.

**Mr Tune:** I would hope so. We should have that defined by then.

**Senator CORMANN:** Thank you.

**Senator MOORE:** I want to ask some questions about the savings measures, because the figure of \$22 billion was put on record. The budget paper, on pages 6 to 9, gives some

highlights of some of the key areas where savings have been proposed. Can we get some detail on those? It is carefully hidden under the term 'major savings'.

**Mr Martine:** We talked earlier about the summary of savings on page 45. Perhaps the best way to answer your question is just to identify some of the major structural savings that are a part of the \$22 billion of savings in the budget papers. I will identify in turn the ones mentioned in those few pages following on pages 6 to 9. Reform of family payments—pause in indexation of upper limits and thresholds for a further two years: that is a saving of \$1.2 billion.

**Senator MOORE:** Over the two years?

**Mr Martine:** The \$1.2 billion is over the forward estimates. Reform of family payments—pause in indexation of supplements for three years—is \$803 million over the forward estimates. Defence increased efficiencies is a saving of \$1.1 billion. The efficiency dividend, which we discussed earlier, is a saving of \$1.1 billion over the forward estimates.

**Senator MOORE:** That is across the whole service.

**Mr Martine:** That is across the whole of government.

**Senator Wong:** That is over and above the election saving.

**Mr Martine:** No, that incorporates it.

**Senator Wong:** I apologise, I thought that was the case.

**Senator MOORE:** That is the total saving.

**Mr Martine:** That is the total saving, including the election commitment. Changes to the Higher Education Contribution Scheme give a saving of close to \$300 million over the forward estimates. Those are some of the key expense savings. On the revenue side, the main changes are FBT: improving the tax treatment of car benefits with a saving of \$954 million, changes to the dependent spouse tax offset with a saving of \$755 million and some tax compliance measures with a saving of \$425 million. Those are the main structural savings identified in the budget as part of the \$22 billion.

**Senator MOORE:** What about the deferral of Commonwealth funding for road and rail infrastructure?

**Mr Martine:** I think you are referring to the second last paragraph on page 6-9.

**Senator MOORE:** Yes.

**Mr Martine:** There are some savings in Budget Paper No. 2. I have to find the relevant references that talk about decisions of government to defer a range of particular projects over the next three years. That is what that paragraph refers to.

**Mr Tune:** A number of those were announced with the floods package back in March, in particular taking account of possible capacity constraints in Queensland because of the impact of all the flood reconstruction work. It was seen as appropriate not to put pressure on the construction industry, in particular on prices, or to try to minimise that pressure by deferring some of the infrastructure projects so that made sense.

**Senator MOORE:** Some of the previously announced ones?

**Mr Tune:** That is correct.

**Senator MOORE:** The \$1.5 billion in the previous paragraph looks at a range of internal savings across those portfolios. That is where the Department of Human Services changes to service delivery reform will be harvested, in that area?

**Mr Tune:** That is correct.

**Senator MOORE:** How far out is that calculated?

**Mr Tune:** Out to 2014-15. As I mentioned, there is a bit of upfront investment and then you generate the savings in the latter years of the forward estimates.

**Mr Martine:** From memory, the changes in the Department of Human Services and that portfolio over the forward estimates are broadly budget neutral. There are some spends upfront, then there are some savings and over the four years it is about neutral, but the savings then continue forever.

**Senator MOORE:** So it is built into the forward expenditure. Mr Martine, the things you identified should come very close to \$22 billion?

**Mr Martine:** Yes, as I said, it is a subset.

**Senator MOORE:** I am adding these up as you go along and I have not quite got there.

**Senator Wong:** Do you want us to give you a table?

**Senator MOORE:** A table would be good.

**Mr Martine:** The best page to refer to, as we said earlier, is page 45 of the budget overview document. That gives a summary of the main savings that are included in the budget. On page 45 we try to summarise the major savings that are included in Budget Paper No. 2. Some of those that I identified are listed there.

**Senator MOORE:** Thank you, Mr Martine.

**Senator BIRMINGHAM:** Can you explain to me what the principle of budget neutrality means?

**Mr Tune:** It could mean a lot of things. In general it means that whatever you spend, you offset, basically.

**Senator BIRMINGHAM:** Whatever you spend, you offset. It sounds like a very reasonable statement, and in fact I think I have even heard Senator Wong use those words before.

**Senator Wong:** I do not think I used quite those words, did I?

**Senator FAULKNER:** It is very unusual.

**Senator BIRMINGHAM:** I think, not necessarily offset or spend all the money that comes in, it is ensuring that you do not exceed. So that it probably the best way of looking at it.

**Senator Wong:** His was probably pithier.

**Senator BIRMINGHAM:** Do not spend more than you achieve through income streams. Mr Tune was definitely pithier than that bit.

**Senator Wong:** Yes.

**Senator BIRMINGHAM:** The carbon tax, or the carbon pricing mechanisms that are being developed by the Multi-Party Climate Change Committee released some principles on

21 December last year, one of which was that the carbon price mechanism and associated assistance measures should be budget-neutral. What is the expectation of the department of finance in relation to what that package and assistance measures will be?

**Mr Tune:** It says in the budget papers, Senator, page 8.5 of Budget Paper No. 1, that talks about budget neutrality in the package.

**Senator BIRMINGHAM:** Page 8.5 of number 1. I did not put my budget papers in here, I apologise.

**Mr Tune:** 8-5, sorry.

**Senator MOORE:** No doubt you will be able to get one.

**Senator Wong:** It depends how the magic pudding behind me is going.

**Senator BIRMINGHAM:** And talks about budget neutrality, page 8.5, BP1.

**Senator Wong:** The penultimate paragraph.

**Senator BIRMINGHAM:** 'The proposal will be developed consistent with the principle that the overall package of a carbon price mechanism and associated assistance measures should be budget-neutral.'

**Mr Tune:** So we would interpret that, in the department of finance, as being budget-neutral over the course of the forward estimates.

**Senator BIRMINGHAM:** Over the course of the forward estimates.

**Mr Tune:** Yes. So it balances over the four years of the forward estimates. There may be differences within years, there may not be, but budget neutrality is generally measured over that forward estimates period.

**Senator BIRMINGHAM:** Okay. Minister, do you concur with that definition?

**Senator Wong:** I think that is broadly how we have assumed it previously. I am just thinking through various programs where you would look at that—you tend to look over the forwards rather than any specific year.

**Senator BIRMINGHAM:** As you are well aware the previous CPRS package ran at a deficit for the first seven years, I think. It was either six or seven years.

**Senator Wong:** You say, 'as you are well aware'. I do not carry those figures around in my head. It was two-and-a-bit billion over the decade was the budget hit, from memory.

**Senator BIRMINGHAM:** Ultimately, I think it was over 12 years to 2020.

**Senator Wong:** Yes, we did it out to 2020.

**Senator BIRMINGHAM:** But over the first seven years—

**Senator Wong:** I recall the aggregate being that, I cannot recall the sequence of how long that occurred, Senator.

**Senator BIRMINGHAM:** Nonetheless there is a commitment from government that the carbon pricing mechanism as being developed will be budget-neutral, and the understanding of the department of finance of that commitment is that over the forward estimates, as it applies, it will be at least budget-neutral and will equal itself out over that period of four years.

**Senator Wong:** I should make the point, Senator—and you were not in here for Senator Abetz's very lengthy set of questions about four or five years.

**Senator BIRMINGHAM:** I heard a rumour.

**Senator Wong:** I made a statement before about how we would generally approach budget periods. We do, for example, in the spend/save table that he was referring me to, look at it over the five years, from memory. I was just clarifying that, because I talked about four before, so I just wanted to make sure that I was accurate.

**Senator BIRMINGHAM:** Indeed. I do not want to end up in a lengthy argument over four or five years in this regard.

**Senator Wong:** No, let's not.

**Senator BIRMINGHAM:** Obviously a measure like this has a potential to impact on the surplus in any one year, and given the government's surplus projections, surplus commitment and the size of those commitments, is there a concern to ensure budget-neutrality particularly in the years where the surplus is forecast to be of a smaller level than other years?

**Senator Wong:** Senator, I will just say two things about that. First, obviously decisions on the carbon price have not been finalised and so I am not going to get into a speculation about what might or might not be decided. The second and key point is that the government's commitment to return the budget to surplus remains.

**Senator BIRMINGHAM:** Is it possible that the carbon price will knock something off the surplus in the forward years?

**Senator Wong:** That is a hypothetical around decisions which have not been made, Senator. The government's commitment to the surplus remains.

**Senator BIRMINGHAM:** Under the definition of budget-neutrality that Mr Tune has given us, it is obviously possible that the carbon price mechanism will knock something off the surplus in the forward years.

**Senator Wong:** That is a hypothesis. These are decisions which have not been made. When they are made you and can, I am sure, have a lengthy discussion about the government's decisions.

**Senator BIRMINGHAM:** I am sure that we will have a lengthy discussion in that regard, Minister. There is no commitment from the government, though, as regards to the surpluses that apply in the forward estimates at present, that none of them will be undermined to some extent by a revenue-neutral budget carbon price mechanism.

**Senator Wong:** Senator, I am not going to, as I said to you in the climate change estimates—and as you put a press release out quoting me—I am not going to get into a position where you simply provide me with a rule in, rule out proposition that I am going to have to respond to. I have told you what the government's position is. Our commitment to the surplus remains. In relation to the carbon price, those decisions have not yet been made, and when they are made we will account for them in the usual way.

**Senator BIRMINGHAM:** Has the department of finance provided any advice on budget-neutrality and what the expected approach to the carbon pricing mechanism would be?

**Mr Tune:** No, Senator, no, other than what is stated in the budget papers.

**Senator BIRMINGHAM:** Okay. And you have not been asked to do so by the multi-party committee or others?

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

**Senator BIRMINGHAM:** Thank you, Mr Tune. Thanks, Chair.

**CHAIR:** Thank you, Senator. Are there any further questions? If not, we are finished for tonight, and we stand adjourned until tomorrow morning at 9 am. Travel home safely.

**Mr Tune:** Have we finished outcome 1, Chair?

**CHAIR:** Yes we have.

**Mr Tune:** Thank you very much.

**CHAIR:** We will open tomorrow with outcome 1, program 1.2. Thank you.

**Committee adjourned at 22:16**