



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

FINANCE AND PUBLIC ADMINISTRATION LEGISLATION
COMMITTEE

Consideration of Additional Estimates

TUESDAY, 11 FEBRUARY 2003

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SENATE

FINANCE AND PUBLIC ADMINISTRATION LEGISLATION COMMITTEE

Tuesday, 11 February 2003

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

Senators in attendance: Senators Brandis, George Campbell, Jacinta Collins, Conroy, Crossin, Faulkner, Ferguson, Forshaw, Mackay, Mason, McLucas, Moore, Murray, Nettle, Robert Ray and Sherry

Committee met at 9.09 a.m.

FINANCE AND ADMINISTRATION PORTFOLIO

Consideration resumed from 20 November 2002.

In Attendance

Senator Minchin, Minister for Finance and Administration

Department of Finance and Administration

Executive

Dr Ian Watt, Secretary

Ms Felicity McNeill, Executive Officer

Mr Lembit Suur, General Manager, Corporate Group

Mr Ian McAuley, Branch Manager, Parliamentary and Corporate Support

Ms Judy Costello, Branch Manager, Strategic Partnerships

Ms Tracy Muddle, Manager, Human Resources

Mr Andrew Kefford, Director, Portfolio Coordination Unit

Mr Borko Vlatkovic, Director, Business Risks and Strategic Planning

Mr Consul O'Reilly, Portfolio Coordination Unit

Mr John Dalton, Portfolio Coordination Unit

Ms Tanya Vrkic, Portfolio Coordination Unit

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

Ms Kym Partington, Branch Manager, Financial and e-Solutions Group

Mr Nathan Toscan, Executive Officer

Mr Phil Bowen, General Manager, Budget Group

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

Ms Kathryn Campbell, Division Head, Social Welfare Division

Mr Matthew Flavel, Branch Manager, Budget Coordination Unit

Mr Robert Butterworth, First Assistant Secretary

Mr Arthur Camilleri, Branch Manager, Long Term Budget Policy

Mr Greg Coombs, Director, Long Term Budget Policy

Mr Ian McPhee, General Manager, Financial Management Group

Mr Jonathan Hutson, Division Head, Financial Framework Division

Mr Jim Kerwin, Division Head, Financial Reporting and Cash Management Division

Mr Simon Ash, Branch Manager, Financial Reporting

Mr Brett Kauffmann, Branch Manager, Accounting Policy

Ms Sandra Wilson, Branch Manager, Superannuation
Mr Geoff Painton, Manager, Superannuation
Ms Louise Seeber, Acting Branch Manager Superannuation (Financial)
Ms Anne Collins, Procurement
Mr Michael Culhane, Branch Manager, Finance and Banking
Ms Ingrid Leonard, Team Leader, Finance and Banking
Mr Justin Bassi, Team Leader, Finance and Banking
Mr Ed Lekawski, Team Leader, Finance and Banking
Mr Phillip Prior, Group Manager, Budget Framework and Estimates Implementation Unit
Mr Alastair Hodgson, General Manager, Asset Management Group
Mr David Yarra, Division Head, Shareholder and Asset Sales Division
Mr Peter Diddams, Branch Manager, Commonwealth Shareholder Advisory Unit
Ms Marianne King, Branch Manager, Asset Sales
Mr Mark Heazlett, Branch Manager, Asset Sales
Mr Robin Renwick, Branch Manager, Asset Sales
Mr Neil Williams, Branch Manager, Asset Sales
Mr Robert Knapp, Division Head, Business Services Division
Mr Barry Jackson, Branch Manager, Property Management Branch
Mr Guy Verney, Branch Manager, Grants Branch
Ms Stacie Smith-Macnee, Branch Manager Insurance and Risk Management
Mr Michael Pahlow, Branch Manager, Commercial and Projects
Mr Rod Whithear, Branch Manager, Commercial and Projects
Ms Lisa Rauter, Director, Commercial and Projects
Ms Jan Mason, General Manager, Ministerial and Parliamentary Services
Mr John Gavin, Special Adviser
Ms Kim Clarke, Branch Manager, Entitlements Policy
Mr Rob Barnes, Branch Manager, Service Centre
Mr Ken Sweeney, National Manager, COMCAR
Mr John Edge, Branch Manager, Account Management
Ms Suzanne Pitson, Acting Branch Manager, Legal and Review
Mr Greg Smith, Ministerial and Parliamentary Services
Mr Rohan Verco, Ministerial and Parliamentary Services
Ms Sue Whisker, Ministerial and Parliamentary Services
Mr Greg Miles, Ministerial and Parliamentary Services
Ms Kim Baker, Ministerial and Parliamentary Services
Ms Helen Goddard, Ministerial and Parliamentary Services
Mr Wally Stopp, Ministerial and Parliamentary Services
Ms Beth Fiedler, Ministerial and Parliamentary Services
Ms Carolyn Hughes, Ministerial and Parliamentary Services
Mr Warren Benson, Ministerial and Parliamentary Services
Mr Paul Way, Ministerial and Parliamentary Services
Mr Clayton Conquest, Ministerial and Parliamentary Services
Ms Jane Wagner, Ministerial and Parliamentary Services
Ms Deborah Fulton, Ministerial and Parliamentary Services
Mr David Wilson, Ministerial and Parliamentary Services

Australian Electoral Commission

Mr Andy Becker, Electoral Commissioner
Mr Paul Dacey, Deputy Electoral Commissioner
Mr Tim Pickering, First Assistant Commissioner, Electoral Operations
Ms Barbara Davis, First Assistant Commissioner, Business Support
Ms Marie Nelson, Assistant Commissioner, Corporate Services
Ms Kathy Mitchell, Director, Funding and Disclosure
Mr Doug Orr, Assistant Commissioner, Elections
Mr Brien Hallett, Assistant Commissioner, Information and Research
Mr Andrew Moyes, Assistant Commissioner, Enrolment and Parliamentary Services
Ms Gabrielle Paten, Director, Parliamentary and Ministerial
Mr Ken Hunter, Assistant Commissioner, Information Technology
Ms Fiona Codd, Project Manager, Output Pricing Review

ComSuper

Mr Kevin Dent, Chief Finance Officer
Mr Bruce Kruttschnitt, Chief Operations Officer
Ms Barbara Wilson, Finance Manager
Ms Monica LoHenri
Mr Hugh Major
Mr Huw Buchtman
Mr Michael Simpson
Mr James Jamieson

CHAIR—Good morning. I call the committee to order and thank you for your patience. I declare open this public hearing of the Finance and Public Administration Legislation Committee. On 11 December 2002 the Senate referred to the committee for examination the following documents: particulars of proposed additional expenditure for the service of the year ending on 30 June, Appropriation Bill (No. 3) 2002-03; particulars of certain proposed additional expenditure in respect of the year ending on 30 June 2003, Appropriation Bill (No. 4) 2002-03; statement of savings expected in annual appropriations made by act No. 43 of 2002 and act No. 44 of 2002; and the final budget outcome 2001-02.

The committee is required to consider these documents insofar as they refer to the portfolios allocated to the committee by the Senate on 13 February 2002 and to report to the Senate on or before 19 March 2003. The committee may also examine the annual reports of departments and agencies at this time even if no additional appropriations have been sought. Agencies which are not listed on the program may have written questions on notice directed to them. The committee has set Wednesday, 26 March 2003 as the date for the submission of written answers to questions that are taken on notice.

The hearing today will first examine the Finance and Administration portfolio, commencing with the Department of Finance and Administration. Following that, we will continue through the department and no later than about four o'clock the committee will then return to examine the Prime Minister and Cabinet portfolio. After that we will return to the Finance and Administration Portfolio and examine MAPS, which is outcome 3.1, then the Australian Electoral Commission, then we will return to the Prime Minister and Cabinet portfolio, the Office of the Status of Women and, finally, the Australian Public Service Commission towards this evening. I apologise that we have had to make some amendments to

our sitting schedule. With that, Senator Minchin, we will commence this morning with the Department of Finance and Administration. Are there any opening statements?

Senator Minchin—No, Mr Chair.

CHAIR—In that case, we will commence this morning with outcome 2: Improved and more efficient government operations. I open the floor to general questions.

Senator ROBERT RAY—Were any of the questions taken on notice the last time we met as an estimates committee not yet answered and, if so, could you identify them?

Mr Suur—All of the questions taken on notice at the last hearings were answered.

Senator ROBERT RAY—Were they all answered within the specified time limit and, if not, could you identify which ones and reasons why not?

Mr Suur—All of the questions were lodged two days after the specified deadline. I will need to check the date, but I believe that the specified deadline was 17 January. We lodged on 22 January.

Senator ROBERT RAY—With the committee?

Mr Suur—Yes.

Senator ROBERT RAY—Were there any delays awaiting ministerial approval?

Mr Suur—No. The process was expeditious and we lodged within two working days of the deadline.

Senator ROBERT RAY—Do you have to make special arrangements to have these questions both developed and cleared, given that this is the traditional period in which staff take vacations?

Mr Suur—We usually discuss how we meet deadlines in the holiday period before Christmas and agree on a protocol with the respective ministers' officers.

Senator ROBERT RAY—Is there any possibility of your passing on this expertise to the Department of the Prime Minister and Cabinet to show them how to do it? I was just hoping you might be able to.

Dr Watt—I think we might pass on that one, if you don't mind.

Senator ROBERT RAY—Okay.

Senator CONROY—I would like to start off by asking about the Australian Industry Development Corporation, the AIDC.

Dr Watt—I think Alastair Hodgson, who is head of our Asset Management Group, should be able to help you.

Senator CONROY—I understand from the DOFA web site that the corporation had a subsidiary called AIDC Ltd.

Mr Pahlow—That is correct.

Senator CONROY—Which was sold to UBS Australia and Babcock and Brown in September 1998?

Mr Pahlow—That is correct.

Senator CONROY—What were the business activities of AIDC Ltd?

Mr Pahlow—It was essentially the government's development bank.

Senator CONROY—The DOFA web site says that, in addition to providing investment and banking services, AIDC ‘also held a small investment portfolio’. What types of investments were contained in this portfolio and what was their approximate value?

Mr Pahlow—I am afraid I cannot give you the detail of those investments. We will take that on notice.

Dr Watt—I think you would admit, Senator, it is a long time since 1998. We are happy to see if we can get your answer.

Senator CONROY—Do you think any officers that are with us today might be able to help us a bit more on that?

Dr Watt—I would be very surprised if we could, off the top of our heads. No.

Senator CONROY—What about an officer that was involved in the sale?

Dr Watt—I do not believe we have an officer involved in the sale with us, but I can check.

Senator CONROY—Which group would have looked after that? This is back in 1998, I think. It is five years ago.

Dr Watt—The sale would have been handled by the office of asset sales.

Senator CONROY—Property and Contract Management?

Dr Watt—No. The sale of the AIDC would have been handled by the office of asset sales. We have someone who might be able to shed a bit of light on that—

Senator CONROY—They are back within you.

Dr Watt—very ancient history.

Senator CONROY—OASITO is actually back within the department.

Dr Watt—On that very ancient history.

Senator CONROY—I am reading from the DOFA 1997-98 annual report. It says that legislation administered by the Minister for Finance and Administration included the AIDC sale.

Dr Watt—That is true.

Senator CONROY—So it is the department.

Dr Watt—No, the legislation administered by the Minister for Finance and Administration included the AIDC sale.

Senator CONROY—So that was the department?

Mr Heazlett—No, it was the office of asset sales.

Senator CONROY—This is the DOFA web site.

Dr Watt—The Minister for Finance and Administration was responsible for the office of asset sales as well as the department.

Mr Heazlett—And the details of the office of asset sales are now included in the DOFA web site.

Dr Watt—That does not mean the department had anything to do with the sale at the time.

Senator CONROY—So nobody in the Property and Contract Management section would be able to help us?

Dr Watt—Beyond the issue about the nature of the investment portfolio, which we will look out for you and get the details of for you, we may be able to help you with some specific questions, but you will need to tell us what the questions are.

Senator CONROY—Mr Bowen was the general manager of the Property and Contract Management section at that time. I thought he might be able to help us.

Dr Watt—Again, the sale was handled by the office of asset sales.

Senator CONROY—Minister, you were actually one of the two ministers at the time.

Senator Minchin—At that time I think I was Special Minister of State, looking after ministerial and parliamentary services and things like that.

Senator CONROY—The minister responsible for the act during the financial year was the then Minister for Industry, Science and Tourism, the Hon. John Moore, and the Minister for Industry, Science and Resources—this is in 1999—Senator the Hon. Nick Minchin. That would be you.

Senator Minchin—That was after 1998. After the October 1998 election, I became the Minister for Industry, Science and Resources, and I think there was some overlap with the AIDC.

Senator CONROY—In the past, Dr Watt, I have been here, unfortunately, occasionally when there has been an argument about whether OASITO was actually part of DOFA or not, but I do not think you were here for those discussions.

Dr Watt—I was not here for those discussions, but my understanding has always been that OASITO was not part of DOFA once it was established and, indeed, that there was this very significant amount of independence maintained between OASITO and DOFA and that that was quite appropriate, given the commercial-in-confidence nature of many of the OASITO decisions.

Senator CONROY—Again, I am looking at the DOFA 1997-98 annual report, which says that the Finance and Administration portfolio comprises DOFA, Commonwealth Grants Commission, Commonwealth Superannuation Administration, Office of Government Information Technology, Office of Asset Sales and Information Technology Outsourcing.

Dr Watt—That is indeed part of—

Senator CONROY—So it is part of the department.

Dr Watt—It is part—

Senator CONROY—The department is responsible for it, according to your annual report.

Dr Watt—Senator, you have an advantage over me, as I do not have the annual report in front of me.

Senator CONROY—I am happy to give you a copy.

Dr Watt—I would appreciate it. I think the point is this: all those other bodies were in the finance portfolio and responsible to the Minister for Finance and Administration—not the Department for Finance and Administration, the Minister for Finance and Administration—just as, for example, the Electoral Commission, the Grants Commission and ComSuper are currently in the portfolio but are not directly responsible to the department.

Senator CONROY—I guess we can possibly put it down. I thought you might want to add something following your quick chat.

Mr Hodgson—No.

Dr Watt—Mr Hodgson was just reminding me that we are not responsible to the Australian Electoral Commission.

Senator CONROY—They are an independent authority.

Dr Watt—They are.

Senator CONROY—They are independent of you, they are not independent of the minister, but he has responsibility for them.

Dr Watt—But independent of the department, Senator.

Senator CONROY—So the department, though, administered the legislation of the sale.

Dr Watt—I think the point is that at the time the minister for finance administered the legislation of the sale. If there are any residual—

Senator CONROY—So the department had nothing to do with this piece of legislation at the time?

Dr Watt—Not that I am aware of.

Mr Heazlett—My recollection is that the office of asset sales looked after the legislation in conjunction with the department of industry.

Dr Watt—Now that the office of assets sales function has returned to the department of finance post November 2001, if there were any residual responsibilities that came from that legislation, the department would now be responsible for them. But we had no responsibility for them in 1998.

Senator CONROY—I guess what you would argue, despite the fact that this is the DOFA annual report, is that the portfolio and the department are two entirely separate things.

Dr Watt—It is not merely what I would argue; that is the reality.

Senator CONROY—I guess it is just poorly expressed in your department's report—

Dr Watt—That is possible, but I think it is a—

Senator CONROY—which you were not responsible for.

Dr Watt—Thank you. I think there is a well-understood distinction that even though I am the secretary of the finance portfolio my responsibilities are limited.

Senator CONROY—There is a well-understood dissembling, Dr Watt, as your predecessors washed their hands of the debacle, but there is not a well-understood agreement that it is the case. But let us move on. I understand that at the time of the sale UBS were appointed to manage a portfolio of liabilities of the corporation.

Mr Pahlow—That is correct.

Senator CONROY—Can you explain the nature of these liabilities?

Mr Pahlow—They are mainly bearer bonds released broadly to the national and international community.

Senator CONROY—I would like to refer you to the AIDC annual report for 1997-98. I would expect that you would not have copies available, so I have a few for you. Could you turn to page 44 of the 1997 annual report. The table shows that the face value of investments was \$6.7 billion at the end of 1997. Is this the small investment portfolio to which the DOFA web site refers?

Mr Heazlett—That portfolio is the financial assets portfolio, which UBS Warburg administered after the sale.

Senator CONROY—This is in 1997; this is pre the sale.

Mr Heazlett—AIDC assets were broadly split into two categories. There were what were termed financial assets and investment assets. The investment assets were equity investments in a range of different activities like the Submarine Corporation and a shareholding in Optus. The financial assets were the bearer bonds that Michael Pahlow mentioned.

Senator CONROY—So which is the small investment portfolio referred to?

Mr Heazlett—The equity assets, I would believe. The face value quoted there includes the face value of financial derivatives.

Senator CONROY—I was just going to come to that matter of derivatives. This portfolio was invested in derivatives—

Mr Heazlett—Some of it was—

Senator CONROY—including exchange rates, interest rate and commodity derivatives such as forwards, swaps, futures and options. Could you explain the rationale for those investments?

Mr Heazlett—No.

Dr Watt—That would be a matter for the AIDC, not for the department.

Senator CONROY—Unfortunately, it is now within your direct departmental responsibility.

Mr Heazlett—I suspect that the risk exposure associated with that was part of the rationale for its sale.

Dr Watt—The residual amounts may be part of our direct departmental responsibility now, but that does not mean that we are able to comment upon the history of the AIDC's investment portfolio or the rationale for it.

Senator CONROY—I have not argued with that. I would like to turn to note 33 on page 45 of the 1997 annual report. This note shows that, at 30 June 1997, AIDC was owed \$3.2 billion but itself owed \$3.2 billion. So the AIDC's financial position was in balance. Is that correct?

Mr Heazlett—From my recollection, that was roughly the case.

Senator CONROY—Do you have a copy there?

Mr Heazlett—No, I have the 1998 one rather than the 1997 one.

Senator CONROY—I passed up two copies so that you and Dr Watt would each have one. You can hopefully share them between you.

Mr Heazlett—My recollection is that that is roughly what it was.

Senator CONROY—So it was basically in balance in 1997. I would like to ask about note 34 on page 47 of the 1998 annual report. This note shows that, at the end of June 1998, the amount AIDC owed had declined from \$3.2 billion to \$2.9 billion. Is that correct?

Mr Heazlett—Yes.

Senator CONROY—The same note shows that the amount owed to AIDC had declined from \$3.2 billion to \$780 million. In other words, AIDC had gone from a position of financial

balance as at 30 June 1997 to one where it owed \$2.1 billion as at 30 June 1998. Can you just run us through what happened?

Mr Heazlett—I cannot recall the explanation for that particular accounting treatment—

Senator CONROY—I do not know it was accounting treatment; I thought it was an issue of money in the bank.

Mr Heazlett—I can explain what the arrangement was at the time of sale. At the corporation level of AIDC, there were guaranteed government borrowings of the order of magnitude of \$3.2 billion. Because of the nature of those borrowings, they could not be repaid at that time. A pool of assets was created to balance out the repayment of that over time from the sale of those financial assets to UBS Warburg.

Senator CONROY—I was coming to that.

Dr Watt—We have had no notice of these questions, as you are aware. This is some considerable time ago. We are happy to take these questions on notice. Indeed, I think I prefer it, given the long period of time. While Mr Heazlett's recollection is good, it was some time ago.

Senator CONROY—I can assure you that so far it has been spot-on. It has been right on the money.

CHAIR—Congratulations, Mr Heazlett!

Dr Watt—However, we are happy to take them on notice, because it is a long time ago.

Senator CONROY—I am actually going somewhere in relation to where you are right now, so I hope that you will bear with me. If there is information that Mr Heazlett is not able to recall, then I am sure he will let us know, but I can assure you that he has been spot-on so far. I would like to turn to page 43 of the 1998 annual report. It states that on 15 September 1997 the corporation entered into a cash flow matching deed with UBS Australia Ltd under the deed UBS AL, provided a cash flow matching portfolio of assets and derivative instruments which match the cash flow requirements of the corporation liability. So, as you see, Mr Heazlett was absolutely spot-on. It states that derivative instruments forming part of the portfolio included interest rate swaps and exchange rate swaps and are used to hedge the difference between interest rates and foreign currency mismatches between financial assets and the financial liabilities they are matching and that the contracts are in place for all liabilities and their matching assets and are designed to expire as each asset and liability matures. Why was this cash flow matching portfolio established?

Mr Heazlett—I can take that on notice and give it a considered explanation.

Senator CONROY—You know the answer, though. You have not been wrong yet.

Mr Heazlett—In broad terms, there was a Commonwealth guarantee exposure to AIDC's borrowings. This put a portfolio of financial assets to match that. Any timing differences between when interest payments or when those financial assets fell due for repayment were backed up by a cash flow matching deed from UBS Warburg, who were a very highly rated high credit rating financial institution.

Senator CONROY—They are the ones who advised AFM, weren't they?

Mr Heazlett—I do not know.

Senator CONROY—At the time they were losing \$5 billion.

Mr Heazlett—I am not familiar with who AFM are.

Senator CONROY—I do not expect you to be, Mr Heazlett.

Dr Watt—That question is well outside Mr Heazlett's ability to answer.

Senator CONROY—I withdraw that, if I can use a legal term. I would like to turn to page 45 of the 1998 annual report which sets out the structure of this new cash flow matching portfolio. The table shows liabilities of \$2.9 billion matched by assets of \$3 billion, of which \$2.1 billion were securities. What was the nature of these securities and where did they come from?

Dr Watt—Excuse us a moment, would you, Senator.

Mr Heazlett—The securities in the pool were Commonwealth government guaranteed securities that were acquired on market by UBS.

Senator CONROY—They bought some bonds, presumably?

Mr Heazlett—Presumably, government bonds on market or other Commonwealth guaranteed bonds.

Senator CONROY—Note 7 on page 25 sets out current investments and note 11 on page 28 sets out non-current investments. These tables together show that total investments or assets increased to \$2.2 billion in 1997-98, \$338 million I suspect that is current investments, and \$1.8 billion non-current investments. They also show that this was due almost entirely to an increase of \$2.1 billion in holdings of government and semi-government bonds. Could you explain where these securities came from? I think you said they bought them on market.

Mr Heazlett—The time of the transaction and the detail of the changes in the portfolio subsequent to the sale I am not familiar with.

Dr Watt—The AIDC was not in the finance department portfolio. It was not, as far as I am aware, oversighted by the department of finance in any sense. The department of finance was responsible for the sale of the AIDC. We are perfectly happy to answer questions on sale, but it seems to me questions about the management of the AIDC portfolio should be addressed elsewhere.

Senator CONROY—I am sorry, you have responsibility for the AIDC right now.

Dr Watt—No, we have residual responsibility.

Senator CONROY—Right now.

Dr Watt—That is right.

Senator CONROY—This is going to the AIDC right now.

Dr Watt—No.

Senator CONROY—The structure of what you have inherited right now goes to what was done in 1997. If you do not know what you are holding now, it is exactly the same as what you set up in 1997. If you do not know that, all I can say is it is going to get a bit embarrassing.

Dr Watt—That is an issue we will come to, Senator. But, as I said, I do not think it is appropriate for us to be asked about the long history of details of transactions which were not done when we were the responsible portfolio department.

Senator CONROY—Unfortunately, OASITO—and Mr Heazlett—

Dr Watt—OASITO was responsible for the sale, not the operation, of AIDC.

Senator CONROY—I have not asked about the operation—

Dr Watt—It seems to be—

Senator CONROY—The cash flow deed was entered into as part of the sale, so cut it out, Dr Watt. This was a mechanism put in place as part of the sale. It is not about what AIDC did but about what you did to cover up what AIDC did.

Senator Minchin—That is an outrageous assertion, Senator Conroy! You cut it out, Senator Conroy.

CHAIR—Senator Conroy, you cannot cast aspersions like that.

Senator CONROY—Can I just say that I did not mean Dr Watt personally.

Dr Watt—Nor I hope the Department of Finance and Administration and OASITO officers.

Senator CONROY—If you would let me ask you questions and you let your officers answer them, we could get to the heart of this.

Senator Minchin—Senator Conroy, we will answer your questions to the best of our ability, but it is proper for Dr Watt to remind you that this outfit was not in this portfolio but in the industry portfolio.

Senator CONROY—No, it was in this portfolio.

Senator Minchin—We will try to assist you as much as we can, given that it was not in our portfolio.

Senator CONROY—You were the minister looking after it for a while, so I understand why you are sensitive about this one, Senator Minchin.

Senator Minchin—It was sold before I became the minister responsible.

Senator CONROY—But you still had responsibility for it after it was sold. I understand why you are very sensitive about this one. Going back to the question: they did not have the money to buy these \$2 billion worth of bonds, so there was a cash injection. Where did the cash needed to purchase these securities come from? A cash flow deed was entered into as part of the sale, so you have to know.

Mr Heazlett—The cash to purchase the bonds was provided and financed by UBS Australia Ltd.

Senator CONROY—They bought \$2 billion worth of bonds?

Mr Heazlett—Yes.

Senator CONROY—UBS Warburg?

Mr Heazlett—Yes.

Senator CONROY—Where did they get the money from?

Mr Heazlett—They financed that themselves.

Senator CONROY—Independently?

Mr Heazlett—Yes.

Senator CONROY—So you can confirm that this cash was not transferred to the AIDC from a special account?

Mr Heazlett—No.

Senator CONROY—It definitely was not?

Mr Heazlett—Not that I am aware of.

Senator CONROY—Let me get this right: UBS Warburg bought \$2 billion worth of bonds for the government for free; they just out of the goodness of their hearts said, ‘We’re going to buy \$2 billion worth of bonds for the government’?

Mr Heazlett—That was part of the consideration for an equivalent amount of financial assets which they acquired as part of the sale. So the money owed to AIDC Ltd—

Senator CONROY—What was the compensation? What was the consideration from the assets? What was the other side of the \$2 billion purchase by UBS Warburg?

Mr Heazlett—I have not got the detail of the precise amounts; I do not recall. In broad order of magnitude, there was the \$3.2 billion of financial assets you referred to before that they acquired and the consideration was the delivery of a pool of assets for the cash flow matching arrangements.

Senator CONROY—So the Commonwealth government gave them \$2 billion worth of assets to match the \$2 billion they spent?

Mr Heazlett—No, that was the sale arrangement. The consideration was the \$3.2 billion worth of financial assets that backed up the Commonwealth guarantee.

Senator CONROY—What were these \$3.2 billion worth of assets again?

Mr Heazlett—AIDC Ltd had a range of loans to people. It had a range of derivatives, a whole suite of different financial assets, which it owned and which involved people owing money to it. UBS Warburg acquired those financial assets, and the consideration that they paid for those assets was a pool of government guaranteed securities to offset the repayment of the government guaranteed debt over time.

Senator CONROY—So they did not just buy them out of the goodness of their hearts—\$2 billion worth of bonds just to help you out?

Mr Heazlett—It was a commercial transaction.

Senator CONROY—We will come back to all of the components of that commercial transaction, but at least we have identified where the money came from. Could you indicate where the transfer of assets is recorded in the budget papers for 1997-98? You can take that on notice.

Mr Heazlett—Yes.

Senator CONROY—Mr Bowen looks like he is keen to get up and join in.

Dr Watt—We will check that for you.

Senator CONROY—No worries. I would like to return to the 1997 annual report. Page 46 refers to these derivative investments as trading portfolios and positions and notes that all such positions are revalued on a daily basis.

Dr Watt—Could you repeat the page number?

Senator CONROY—Page 46 of the 1997 annual report refers to these—

Mr Heazlett—The one I have here talks about executives’ remuneration.

Senator CONROY—Let me just check.

Dr Watt—We have note 35, ‘Executives’ remuneration’, on page 46.

Senator CONROY—It should be page 44—sorry about that: ‘derivative investments as trading portfolios and positions and notes all such positions are revalued on a daily basis to reflect market movements’. Can you just explain what that means?

Mr Heazlett—I would have to take that on notice.

Senator CONROY—It means working on market to market, doesn’t it?

Mr Heazlett—One would assume that, but I do not know what the accounting policy of the company was at the time. I would have to take that on notice and check that.

Senator CONROY—Page 44 of the 1997 annual report also notes ‘any revaluation gain or loss is then recognised immediately in the profit and loss account’. This is specifying what their accounting policy is, I think you would agree, in terms of their working on market to market.

Mr Heazlett—How they did that or the basis on which that was done, I do not recall.

Senator CONROY—Hopefully, it was done on the basis of government accounting standards.

Mr Heazlett—It may have been; I do not know.

Dr Watt—That is one thing we should not speculate on, Senator.

Senator CONROY—Not with this mob, no. Does this mean that a decline in the value of the portfolio, whether realised or unrealised, would hit the bottom line in the year in which the loss was incurred? That does flow automatically from the statement in their notes.

Mr Heazlett—I am not an accountant; I will take your word for it.

Dr Watt—Again, we are happy to take that on notice. By bottom line, I take it you mean the AIDC’s bottom line.

Senator CONROY—Yes.

Dr Watt—We are happy to take that on notice and have a look at it.

Senator CONROY—That is just AAS31. It is fairly straightforward. They explain that AAS31 is the accounting policy they are using; therefore, it flows that that is the impact on the bottom line.

Dr Watt—We are happy to take that on notice and have a look.

Senator CONROY—Was the \$2.1 billion decline in the value of the portfolio recognised in 1997-98?

Mr Heazlett—I would have to take that on notice.

Dr Watt—Again, when you say recognised, do you mean in the AIDC’s annual report?

Senator CONROY—On the bottom line, yes. I would like to turn to note 1, ‘Summary of accounting policies’, on page 13 of the 1998 annual report. The second paragraph states The accounting policies adopted are consistent with those of the previous year ...

However, it goes on to say:

... except as noted at note 1(g).

The AIDC by this stage was within DOFA, because it had been sold, and you are looking after AIDC now.

Mr Heazlett—No, it was the department of industry at that time.

Senator CONROY—Sorry. So it was within Senator Minchin's responsibility?

Dr Watt—I do not think it was in fact.

Senator CONROY—Was Mr Moore still in charge then?

Dr Watt—I do not think Senator Minchin was industry minister in June 1997.

Senator CONROY—No, I am talking about the 1998 report now, which may cover some of Senator Minchin's area but it may not. I am sure he is shy about it!

Mr Hodgson—What page is this, Senator?

Senator CONROY—I was talking about page 13 of the 1998 annual report—the second paragraph. It says:

The accounting policies adopted are consistent with those of the previous year ...

It goes on to say:

... except as noted at note 1(g) ...

Note 1(g), on page 15, indicates that in 1997-98 there was a change in accounting policy for investments. So one year it was market to market and in the next year it changed. Under the heading 'Substitution of investment securities', it refers to the cash flow matching arrangement and states 'These securities are held for investment purposes'. I was wondering if you could explain how and why derivative investments referred to in the 1997 annual report as 'trading positions' were transformed into investments in the 1997-98 annual report.

Mr Heazlett—I have no knowledge of that.

Dr Watt—Again, we are happy to take that on notice and see if we can get you an answer. Finance was not responsible for the preparation of the annual report. The annual report was prepared by the AIDC in the industry portfolio under a board which is listed at the front, which included representatives in the industry portfolio, not the department of finance. But we are happy to see if we can get you an answer.

Senator CONROY—Note 1(g) also says:

Profits and losses held for investment hedging purposes are deferred and amortised over the life of the underlying funding.

Could you explain what that means?

Mr Heazlett—I am afraid not, Senator.

Senator CONROY—Mr Hodgson?

Dr Watt—I do not think it is a reasonable question to ask, frankly, of a report that was prepared in the industry portfolio in 1998 under a board which did not include a representative from the department of finance. It was not prepared by the department of finance. Again, we are happy to see if we can get you an answer, but it strikes me that it is a long way away from anything that this department was doing in 1998.

Senator CONROY—It depends on whether or not you are still pursuing these policies while you are in charge of them, and you are. So it is your responsibility. You are currently administering this policy right now, and I expect your department to be able to answer the questions.

Senator Minchin—Mr Chairman, if Senator Conroy wants to ask questions about our current responsibilities, he should do so. He is asking us about a report prepared by a board of a company that used to be in the industry portfolio. This is ridiculous. If he wants to get to the

point, get to the point. Ask us about our current responsibilities. This is a complete waste of everybody's time.

Senator CONROY—You are actually pursuing this policy right now. Your department right now is pursuing this policy.

CHAIR—Order, Senator Conroy! Minister, have you finished?

Senator Minchin—Yes, I have.

CHAIR—Senator Conroy, did you take that in?

Senator CONROY—I did. It is just he is wrong. I appreciate the minister is highly sensitive on this issue as he was not once—

Senator Minchin—I am not highly sensitive, Mr Chairman.

Senator CONROY—but twice responsible for this matter.

CHAIR—The questions are about relevance. I think that the issue is one of relevance.

Senator CONROY—The minister is demonstrating that he does not understand what goes on in his own portfolio.

Senator Minchin—Get to our current responsibilities and I will take a keen interest.

Senator CONROY—Senator Minchin signed the last annual report.

Senator BRANDIS—Mr Chairman, I have a point of order. Can I just add further to Senator Minchin's observation on this point related to relevance. This committee is charged with considering the current budget estimates. Anything that is historically anterior to the current budget estimates, except to the extent to which it is reflected in the current budget estimates, must necessarily be irrelevant.

CHAIR—Unless there is a link in the annual report.

Senator CONROY—This is from the annual report. This is actually about the accounting policies being used right now—

CHAIR—I understand that.

Senator CONROY—which were established in 1997 and 1998 and are being pursued by the department right now. I expect them to know what their policies are and be able to answer the questions.

CHAIR—Senator Conroy, we are talking about a document that was not talked about—

Senator CONROY—I am talking about the annual report signed by Senator Minchin.

Senator Minchin—Mr Chairman—

Senator CONROY—It is signed by Senator Minchin.

Senator Minchin—We do not object to questions being asked about the department's current annual report or the current estimates. But these are a whole lot of questions about the 1997-98 annual report of the AIDC, for which this department cannot be held responsible.

CHAIR—That is right.

Senator BRANDIS—My point being that it cannot relate to the 2002-03 budget estimates.

Senator Minchin—These questions should be ruled as irrelevant.

CHAIR—They can be relevant to the annual report.

Senator CONROY—They are. Page 6 of the 2002 annual report says ‘solely the responsibility of the Minister for Finance and Administration’. Let me just check. Oh! That is you, Senator Minchin.

CHAIR—Senator Conroy, they can only be that if they are relevant to the department’s administration currently.

Senator CONROY—This is about the accounting policies being pursued by the department now. I have gone back to when they were established and now I am asking them to explain why they are following these accounting policies. It is very straightforward. If their answer is, ‘We do not know what the policies were’, that means they do not know what the policies are now, and if they do not know why they are pursuing these policies now the public is entitled to know and the Senate, more importantly in this particular argument, is entitled to know that the department of finance do not know why they are pursuing an accounting policy in relation to a matter that it has sole responsibility for.

CHAIR—Senator Conroy, you resume your questioning and I will take special notice.

Senator BRANDIS—Excuse me, Mr Chairman.

CHAIR—Senator Brandis, do you have a point of order?

Senator BRANDIS—This will be a rolling point of order, I suspect. May I direct your attention to resolution 1(9) of ‘Resolutions agreed to by the Senate on 25 February 1988’, which states:

1 Procedures to be observed by Senate committees for the protection of witnesses

(9) A chairman of a committee shall take care to ensure that all questions put to witnesses are relevant to the committee’s inquiry and that the information sought by those questions is necessary for the purpose of that inquiry.

So the test is not merely relevance but the necessity of the information sought to be elicited by the question to the line of questioning.

CHAIR—I understand that, thank you. I will not keep it as a point of order.

Senator CONROY—I appreciate the rulings you have made so far. I think you have made the correct ruling that I am entitled to ask about the annual report. The department is continuing to show a contingent liability of \$1.5 billion for the AIDC in its current annual report. I am entitled to ask questions about that and the accounting policies around it. It is relevant. The fact is that they are pursuing the same accounting policies today that were being pursued when it was established, and I am entitled to point to the fact that those policies were established then and to ask the officers to explain why they are doing that. I cannot possibly see how that is not relevant. But I appreciate that you have not ruled that so I will go on with my questions.

CHAIR—How about you commence, Senator Conroy, and we will see how we go.

Senator CONROY—I just wanted to make sure. I see that Dr Watt and the minister are conferring. He is taking a lifeline and conferring with a friend—who wants to be a millionaire?

Senator Minchin—Do you want to re-ask your question?

Senator CONROY—Yes, I wanted to wait until you had finished conferring. You have used up your lifeline. To summarise, in 1997-98 these derivatives were classified as trading portfolios in positions on which any revaluation, gain or loss, was then recognised immediately in the profit and loss statement—in other words, it went to the bottom line. It is

also the case that the value of these trading portfolios and position declined by \$2 billion in 1997-98. It is also the case that in 1997-98 \$2.1 billion of new assets were injected into the AIDC to match these outstanding liabilities and create a matched asset portfolio. As I said, we will come back to the financial arrangements around that. It is also the case that by creating this matched asset portfolio these derivatives could be reclassified as being held for investment purposes rather than for trading purposes, as they have identified. It is also the case that this reclassification of these securities from trading to investments enabled the AIDC to avoid recognising these losses in 1997-98 and instead recognise them over a decade until the last liability matured. Finally, isn't it the case that, according to page 4 of the 2002 annual report of the AIDC, there is still \$1.35 billion in losses outstanding as at 30 June 2002 and that the last of these liabilities is not due to mature until December 2008? Would you like to ask the audience?

CHAIR—Hold on. Are you able to—

Senator Minchin—Our difficulty is that these are questions that relate to what is still a company, AIDC. If sufficient notice had been given, we would be more than happy for representatives of the AIDC to be here to answer these detailed questions. We are under some constraint, because we are not the company. If Senator Conroy had given notice and asked for officers of the company to be here, we could have done all of that.

Senator CONROY—I do not want the officers of the company.

Senator Minchin—It is difficult for us to be drawn into this line of questioning about issues for which we are not directly responsible in that sense.

Senator CONROY—That is just not true. The audit report for 2002 from the ANAO is addressed to you personally.

Senator Minchin—Yes, but you are asking about the operations of this company; that is all.

Senator CONROY—You have responsibility for this.

Senator Minchin—All I am saying is that in answering these questions we will be conscious of the fact that there is a separate board for this company, and we will therefore be exercising some constraint in the way we answer these things; that is all. You have got to understand that.

CHAIR—Of course.

Senator Minchin—It would have been much more helpful if officers of the company—

Senator CONROY—Let us clear this up: we had a lengthy discussion about how you were not responsible because this was pre the sale and it was the department of industry, and you had every excuse for why you had nothing to do with it before then; now you accept that you have direct responsibility—the department accepts that it has direct responsibility—and you are saying that you do not want to answer any questions and you want to call in the board.

CHAIR—The department does not accept that it has—

Senator CONROY—You are administering it.

Senator Minchin—We are saying that there is a board and if you want to ask questions directly about the operations of the company it is to them that those questions should be addressed.

Senator CONROY—No, you are carrying in your annual report—

Senator Minchin—I am telling the chairman that we will have some difficulty answering a number of these questions in the absence of officers of the company.

Senator CONROY—You are continuing—

CHAIR—That is a fair observation, Senator Conroy.

Senator CONROY—to show a contingent liability of \$1.5 billion in your annual report, Minister. I think it is perfectly reasonable for me to ask the department about that liability.

Senator Minchin—Chair, I am indicating our willingness to be asked but our limitations in answering; that is all.

Dr Watt—We are happy to answer questions about that contingent liability.

Senator CONROY—Who is the 100 per cent shareholder?

Dr Watt—We are happy to answer questions about that contingent liability. It is shown quite clearly in the budget papers, for example, and it exists for a particular reason. Mr Heazlett?

Mr Heazlett—That exists because the Commonwealth has guaranteed the borrowings of the corporation. The operations of the corporation are run separately. There is an overriding Commonwealth guarantee, and that is the contingent liability.

Senator CONROY—So you are not contesting any of the points I made before: that there has been a \$2.1 billion loss and that the Commonwealth has responsibility for it?

Mr Heazlett—I am not familiar—

Senator CONROY—You accept that?

Mr Heazlett—No. I am not aware of the detail of that.

Senator CONROY—It is a number. We have just gone through at some considerable length what is written in the report.

CHAIR—Senator Conroy, Mr Heazlett has given his evidence that he is not aware of it.

Senator CONROY—It is sitting in front of him. I am just asking him to confirm what is written in front of them.

Dr Watt—Nothing is—

Senator CONROY—We have four of the most senior departmental officials—

Dr Watt—written in front of us.

Senator CONROY—I have handed you the report.

Dr Watt—Are you talking about the current annual report?

Senator CONROY—I gave you a copy of the 1997-98 report; when the loss occurred. I have read you the page numbers. We have gone through them. We have gone through the accounting treatment. Now you are saying you have not noticed it?

Dr Watt—And, incidentally, Senator, a report—a complex document—that we first saw and first discussed less than half an hour ago. It really is difficult to get on top of the detail, even for large numbers, in that period of time.

Senator CONROY—You are the department of finance.

Dr Watt—We are the department of finance. We are also not the department responsible for the AIDC at the time. We were responsible for the sale. We were responsible for residual activities. I am not aware that residual activities included details of their past accounts.

Senator CONROY—This is a 100 per cent government owned body. Senator Minchin, you own it. You are the single shareholder in it. Your department, Dr Watt, has a \$1.5 billion contingent liability.

Dr Watt—That is correct.

Senator CONROY—And that is after it has been written down from the \$2.1 billion that it started at a couple of years ago.

Dr Watt—We have a contingent liability that relates to a particular circumstance.

Senator CONROY—Yes, that there was a \$2 billion loss.

Dr Watt—No, that is—

Senator CONROY—It is now within your portfolio and you are managing this loss.

CHAIR—Let Dr Watt answer the question.

Senator BRANDIS—Mr Chairman, I am finding it very difficult to follow this evidence because the answers are not being permitted to be given. Perhaps Senator Conroy could finish his question and let the witness answer the question before he goes on to the next question.

Mr Heazlett—Contingent liability relates to the Commonwealth guarantee of the borrowings of the Australian Industry Development Corporation that separately has been outlined as extending over time until 2008. I think that is the date you mentioned. My recollection is that that is about the time frame that they expire.

Senator CONROY—So it is within your departmental responsibilities?

Mr Heazlett—Until that time, the Commonwealth has guaranteed the repayment of that debt.

Senator CONROY—So right now it is within your department's responsibilities. It is in your annual report.

Mr Heazlett—I understand so. I am no longer responsible for that.

Senator CONROY—Thank you. I am happy to move on for the moment. I am sure I will be coming back to some of these issues.

Dr Watt—Just a moment, Senator.

CHAIR—The committee will adjourn for five minutes.

Proceedings suspended from 10.05 a.m. to 10.14 a.m.

CHAIR—Let me call the committee to order. Senator Conroy.

Senator CONROY—Is there anything you wanted to add following the discussions?

Senator Minchin—Mr Chairman, I think Dr Watt would like to add—

Senator CONROY—I am giving him the opportunity—

CHAIR—Yes, thank you. Dr Watt.

Dr Watt—It might be useful if we go through a few facts before we get back into some of the detail of the issues. Firstly, you mentioned that the Auditor-General had given his ANAO report directly to the minister. That is not unusual in any sense of the word. My understanding is that ANAO reports are variously sent to the chairman of the company concerned, copied to the minister, or sent to the minister and copied to the chairman. There is nothing about the ANAO report going direct to the Minister for Finance and Administration that merits any particular attention.

Senator CONROY—No. I was simply making the point that there is a direct ministerial line of responsibility.

Dr Watt—There is a direct ministerial line of responsibility, but it is a report on the operations of a company which operates with considerable independence of a company board and so forth.

Senator CONROY—Does the minister read the report? Minister, did you read the report?

Senator Minchin—I cannot recall whether I read that one. I read the occasional Auditor-General's report or receive briefs on them.

Dr Watt—Secondly, I would like someone in short to comment on that audit report, because I understand there were no difficulties raised with the operation of the company in the report.

Mr Pahlow—It was an unqualified audit report.

Senator CONROY—I was not suggesting that there was a qualification in there.

Dr Watt—No, but I think it is important to get it on the record that there was an unqualified audit report. Thirdly, yes, the Commonwealth has a contingent liability in relation to AIDC. It is shown on page 912 of the latest budget papers, as I am sure you are aware, in Budget Paper No. 1 2002-03. The contingent liability in respect of AIDC's guaranteed borrowings is approximately \$1.34 billion as at 31 March 2002. This is \$1.34 billion of contingent liability out of a total Commonwealth contingent liability of \$114.9 billion. It is a small part of the total Commonwealth contingent liabilities but a significant part.

However, it is worth noting that these guaranteed borrowings are fully offset by holdings in Commonwealth government securities and certain hedging instruments—all of which in turn are fully guaranteed by Warburg Dillon Read, which was formerly known as UBS Australia. In other words, the contingency would only apply if either the Commonwealth government securities or the hedging instruments lost value for some reason and the guarantee of Warburg Dillon Read no longer applied. That is the only circumstance under which the Commonwealth would have a liability for that contingency, as I understand it.

Senator CONROY—I am almost speechless and, as everyone in this room could imagine, that takes a lot. The whole point of this discussion was to show that an artificial construct was created to avoid booking up a \$2 billion loss. Enron would be proud to have UBS and AIDC and OASITO and this government advising it on accounting matters. You have taken a loss and you have hidden it away with a 10-year—

Senator BRANDIS—These are speeches of remarks—

Senator CONROY—eking down the losses to avoid having to get—

Senator BRANDIS—Mr Chairman, on a point of order—

CHAIR—There is a point of order, Senator Conroy.

Senator CONROY—You have lost \$2 billion and that—

CHAIR—Senator Conroy, there is a point of order. Senator Brandis.

Senator BRANDIS—Mr Chairman, the point of order is that this committee proceeds by way of questioning. Senator Conroy is not asking questions at the moment. He is berating witnesses and making political speeches. He ought to be instructed to ask questions.

CHAIR—Senator Brandis is correct.

Senator Minchin—Mr Chairman, Senator Brandis objected to the wild assertions made against this department. If Senator Conroy wants to get up in the parliament or out in the public arena and attack me for whatever reason, that is fine, but he should not reflect in the way he has on officers at the table. I think that is outrageous and unacceptable.

CHAIR—Thanks, Minister.

Senator CONROY—You have already lost the money. It is gone. It is out the door.

CHAIR—Senator Conroy, please ask questions.

Senator Minchin—These are just wild assertions.

Senator CONROY—You have already lost the money.

CHAIR—Senator Conroy, please ask questions. I do not mind a little bit of editorialising, we allow a bit of that, but please ask questions. Senator Conroy.

Senator CONROY—I think Dr Watt was going to say something. I was waiting until he had finished.

Dr Watt—Senator, Mr Hodgson would like to pick up your question.

Mr Hodgson—I have been looking at the two annual reports which you have kindly provided. I pick up on the secretary's point made earlier that these are audited accounts without qualification, and these audited accounts show a \$22 million loss in 1998 and a \$9½ million loss in 1997. There is no \$2 billion loss, Senator.

Senator CONROY—You are not serious! Let us just go through this again very slowly—

Senator Minchin—Mr Chairman, can you tell him not to mock officers of this department in his supercilious fashion.

Senator CONROY—I am sorry, but when your secretary and Mr Hodgson sit there and try to say that the Australian public has not lost \$2 billion when they both know it has it is an outrage to the Senate.

Senator Minchin—Now you are accusing them of lying. You are becoming outrageous, and we will not sit here being subjected to these lies.

CHAIR—Order!

Senator Minchin—Mr Chairman, I am not going to put up with this.

CHAIR—No, you are right.

Senator Minchin—We will all leave the table immediately if he is going to lie like that and accuse them of lying.

CHAIR—Senator Conroy, please be careful. You cannot—

Senator CONROY—I think he has just accused me of lying.

CHAIR—You cannot make imputations against them. The officers of the department—

Senator Minchin—No, you are accusing these officers of lying.

Senator BRANDIS—Mr Chairman, the witnesses have a right to be protected.

Senator CONROY—They are misleading this committee and they know it. They should be—

Senator BRANDIS—A point of order, Mr Chairman—

Senator Minchin—Oh, come on! We are going to pack up and go in a minute, Mr Chairman. We are not going to put up with this.

Senator CONROY—You have lost \$2 billion. It is gone.

CHAIR—Senator Conroy, that is enough. Order!

Senator CONROY—Your predecessors and this government—

CHAIR—Senator Conroy, that is enough. Order!

Senator CONROY—They have the hide to construct—

CHAIR—Senator Conroy! I am going to suspend—

Senator BRANDIS—Point of order, Mr Chairman! Point of order!

CHAIR—No, hold on! I am going to suspend the proceedings.

Proceedings suspended from 10.20 a.m. to 10.29 a.m.

CHAIR—I call the committee to order.

Senator CONROY—I wanted to move on to the sale of Sydney basin airports.

Dr Watt—Senator, we would like to go back to where we left off. I think there is a misapprehension on your part that the department of finance is responsible for somehow covering up a past government loss. I do not believe that is correct—I reject that assertion. I would again draw your attention to the budget papers, which emphasised the source of the contingent liability that we have been talking about. It is a guarantee that would fall due only if Commonwealth government securities fell over and if Warburg Dillon Read fell over. I would also draw your attention to the fact that the AIDC has audited reports signed off by the board and the Auditor-General. They are an issue for the directors of the company who have signed off on those reports. I think they are important points to record.

Senator BRANDIS—Dr Watt, I am not an accountant so pardon my ignorance about this, but are you telling us that the liability could only be actualised if the contingency of the Commonwealth securities not being honoured were to occur?

Dr Watt—That is correct.

Senator BRANDIS—And I am right—because I think I know a little more about history than I do about accounting—in saying, aren't I, that there has never been an occasion in the history of the Commonwealth when any Commonwealth security has been dishonoured?

Dr Watt—Not that I can recall, no.

Senator BRANDIS—And indeed the only occasion in Australian history when any public security or bond issue was ever dishonoured was by the Lang Labour government of New South Wales in the 1920s. That is the only instance in the entire fiscal history of this country when that has occurred.

Dr Watt—Your knowledge of history is better than mine, Senator. I do not go back quite that far.

Senator CONROY—Can I just put on the public record the public's gratitude to UBS Warburg for just wishing away a \$2 billion loss on behalf of the Commonwealth government.

Senator BRANDIS—It is not a loss.

Senator CONROY—They deserve a commendation!

Senator BRANDIS—It is not a loss; it is a contingent liability. It is not a loss until it actualises and, as Dr Watt has pointed out, the contingency is really a notional contingency.

Senator CONROY—It is very good of them to just wave it away! But I said I would move on. Thank you, Dr Watt.

Mr Kauffmann—I have just had a look at the accounts that you provided us with, Senator Conroy.

Dr Watt—And, Senator Conroy, I would point out that these are very complex and detailed accounts, and the first time we saw them was when you kindly circulated them at about half past nine this morning.

Mr Kauffmann—Whilst, as discussed earlier, there is a contingent liability, it is only a contingent liability, yet to materialise on an event. In note 34 of AIDC's annual report 1998 there is a maturity schedule of payables and receivables—it is a maturity schedule only. When I look at the balance sheet, I note that total equity is in the positive, with a total equity position of \$78.3 million, and in positive cash flow, which clearly indicates that the auditor quite rightly had no concerns that this was not a going concern operation. The assets are represented by investments, as discussed earlier, of \$1.8 billion in non-current investments, matching—

Senator CONROY—Do you accept that the accounting policy was changed from 1997 to 1998, as stated in the reports you are holding in your hand?

Mr Kauffmann—I am not across the detail and I am not going to get into that. I would simply make the points that I just made.

Senator CONROY—They changed the accounting policy.

Senator BRANDIS—Senator Conroy, can I just clarify that. Mr Kauffmann—

Senator CONROY—He is trotted out as the expert witness.

Senator BRANDIS—Mr Kauffmann, as I understand what you are saying, you are advancing the proposition to us that neither in a balance sheet sense nor in a cash flow sense is an insolvency revealed by these accounts.

Mr Kauffmann—Correct.

Senator CONROY—I have not said that they were insolvent. I said they lost \$2 billion and that the only reason it is not booked is that they changed the accounting policy. Mr Kauffmann, if you are going to be trotted out as the expert witness—

Senator BRANDIS—Contingent liability is not a loss, Senator Conroy. You do not seem to be able to grasp that.

Senator CONROY—That is because they changed the accounting policy. Mr Kauffmann, if you are going to be trotted out and give half an answer, that is fine; but I will call you back here in about an hour, after you have read the accounting policy from 1997 to 1998, and you can take us through the implications. The implications are that an artificial construct was created, so they did not have to book the loss. The accounting policy was changed. It is really straightforward. You can have it one of two ways: either you can fess up to the loss that has occurred and say that you were not responsible—and I have not actually sat here and said, Dr Watt, that you are responsible for it—

Dr Watt—Thank you, Senator.

Senator CONROY—But, at the moment, there has been a loss. UBS Warburg have entered into an artificial—

Senator BRANDIS—I have a point of order, Mr Chairman. This is another harangue. The statements from this side of the table are not the evidence; the answers are the evidence. Anything said on this side of the table is really irrelevant if it is not a question; otherwise it is a harangue, as we have heard. Could Dr Watt elaborate on what he has said?

Dr Watt—We are very happy to look through these detailed accounts. We have only just got them.

Senator CONROY—I have read you the accounting policy from 1997 to 1998.

Senator BRANDIS—But you do not understand it, Stephen.

Dr Watt—We are happy to have a look through the detailed accounts. As you have said, Senator, you have been kind enough to read selected excerpts; we will have a full look.

Senator CONROY—I have read you the relevant excerpts.

Dr Watt—Thank you, Senator.

Senator CONROY—If you are suggesting that I have read you a misleading representation of them—

Dr Watt—No. I am, however, conscious that it is very difficult to get on top of this sort of detail from this side of the table when it comes to you at such short notice.

Senator CONROY—I have just read you the notes in the accounting policy.

Dr Watt—And we are very happy to have a look at that. I am struck by your comment, ‘They changed the accounting policy.’ Note that on both of these occasions—

Senator CONROY—You have responsibility for it.

Dr Watt—On both of these occasions, the accounting policy was signed off by the company, the board and the auditors. I therefore find it difficult, if ‘they’ includes the department of finance, to fit us within that particular set of arrangements.

Senator CONROY—At the moment, the accounting policy could be changed by you. You could say, ‘No. We will not recognise it that way; we will go back to the old way of doing that.’ You could do that right now because you are in charge, and the man sitting next to you is the 100 per cent shareholder.

Senator Minchin—We are talking about the accounting treatment of 1997-98.

Senator CONROY—Yes, which has been changed to the treatment that you are using now.

Dr Watt—We are also talking about an accounting treatment agreed to by the board and signed off by the auditors.

Senator CONROY—What about the 100 per cent shareholder sitting next to you?

Senator BRANDIS—What has this got to do with the price of eggs?

CHAIR—Senator Conroy, order! You can have another go in a second.

Dr Watt—I am not aware that shareholders have anything to do with the accounting treatment.

Senator CONROY—Actually, yes they do, on a regular basis. And, if more shareholders had queried Enron's accounting statements, we would not have some of the losses around the world.

CHAIR—Senator Conroy, order! Senator Brandis has a question; we will come back to you.

Senator BRANDIS—Dr Watt, before the short adjournment a while ago, Senator Conroy made some fairly serious allegations, including allegations of dishonesty. As I understand what you said to us a moment ago, you and your officers would like the opportunity to consider the statements so that you can assess the basis of Senator Conroy's assertions against you and your officers; you have not had a sufficient opportunity to do so and you do not, for the time being at least, accept the premises of his questions. Does that summarise your position?

Dr Watt—We would like to have a further look at the material, and we are very happy to do so.

Senator BRANDIS—Mr Chair, in fairness to these witnesses, given the gravity—

Senator CONROY—I actually said that I would move on.

Senator BRANDIS—I am addressing the chair, Senator Conroy. Mr Chair, in fairness to these witnesses and in view of (a) the gravity of what has been alleged against them and (b) the fact that they have not been given a fair opportunity to consider the premises of the assertions made, I suggest that they be given the opportunity to do that; that you do not permit this line of questioning to proceed any further until they are given the opportunity to do that; and, after they have been given that opportunity, they be invited to elaborate upon and address any of the issues that Senator Conroy has asserted.

CHAIR—That is fine. I think Senator Conroy actually has moved on. He wants to ask other questions.

Senator BRANDIS—The problem is that Senator Conroy has moved on at a point where he has left innuendo in the air based on some assertions which are not accepted by these witnesses.

CHAIR—I accept that. Senator Conroy is going to return to this issue later on. Is that correct?

Senator CONROY—I said that I would be revisiting a number of matters.

Senator Minchin—We would appreciate the opportunity to answer these assertions after we have considered these accounts. He has asked us detailed questions about accounts that are five years old and for which we were not responsible, and he is making assertions about his interpretation of them. We will spend the next few hours assessing those assertions and would appreciate the opportunity before 4 p.m. to come back to them.

CHAIR—Yes. I understand that. Is that right, Senator Conroy?

Senator CONROY—I did say that I would be returning to some issues.

CHAIR—I know you did; that is quite right. The issue will be returned to later on.

Senator MURRAY—Dr Watt, if your analysis of the situation leaves the matter unresolved, would you be willing to contemplate referring the issues at hand back to the Auditor-General for a review of the judgments and assertions made?

Senator Minchin—We will think about that.

Dr Watt—Let us see what we find in the first instance, and then we will be happy to discuss that.

Senator MURRAY—He is the independent and professional expert in this area. Frankly, if you are left with one side leaving one set of things and your side leaving another—

Dr Watt—I would point out, Senator, that he has already done an audit.

Senator MURRAY—Yes, but perhaps it was not against the climate of the judgments and considerations being put to you today. It means quite precisely, if I may say, that circumstances change. Central to the proposition that Senator Conroy has put is that the accounting treatment was changed and that the way in which the matter has been presented alters the basis on which the Auditor-General originally examined the issue. That is quite apparent on the face of it, and that is why I ask whether you would consider that route.

Dr Watt—We will consider that route.

Senator CONROY—I would like to go back to the issue of Sydney airport.

Dr Watt—Is it the Sydney airport sale or Sydney basin airports?

Senator CONROY—It is the sale of Sydney basin airports. Can you confirm the reason for the government's decision to delay the sale of the Sydney basin airports?

Mr Yarra—The sale of Sydney basin airports followed on from the sale of the Sydney Airports Corporation Ltd. The Sydney Airports Corporation Ltd timing was affected by the September 11 events. Not long after September 11 and the collapse of Ansett, the sale was postponed and reactivated in March 2002. No work could be done on the sale of the Sydney basin airports until that sale had been effected. So there was a delay of about six months in the sale of the Sydney airport, which meant a delay of about six months in the sale of the Sydney basin airports.

Senator CONROY—On 29 March 2001 the government announced that the sales would proceed in the latter half of 2002.

Mr Yarra—Correct.

Senator CONROY—You mentioned September 11. I am trying to understand how the events of Bali or September 11 impacted on movements at these airports, given that they are general aviation and training airports not international airports.

Mr Yarra—The focus was to get the Sydney Airports Corporation sale under way and completed and to then shift the focus to the Sydney basin airports. It was simply a matter of sequencing the sales, as opposed to running the sales in parallel or having them run independently. The focus was to get the Sydney Airports Corporation Ltd sale completed before we commenced the sale of the Sydney basin airports.

Senator CONROY—Was there any reason for that? Was there a constraint at the office in the number of people you had?

Mr Yarra—The one team was doing all the sales. You may remember that, early in the piece, the Sydney Airports Corporation Ltd included as part of its ownership assets the other three airports. They were separated out, in a sense, and sequenced to be sold well after the sale of the remaining entity called Sydney Airports Corporation Ltd. It was nothing more than simple sequencing.

Dr Watt—I think there would have been a great deal of uncertainty over the sale of the basin airports if the Sydney airport had not been sold first. There would have been uncertainty affecting bidders' willingness to pay a price.

Senator CONROY—So you did not think you would even start the process?

Mr Yarra—No, Senator—

Senator CONROY—I understand that finalisation might be necessary.

Mr Yarra—There was one element put in place, which was the physical separation of Camden Airport Ltd, Bankstown Airport Ltd and Hoxton Park Airport Ltd into separate legal entities with separate boards, with the Commonwealth owning 100 per cent of the shares in each. Once they were excised out of Sydney Airports Corporation Ltd, our shareholding in the latter was sold in June last year.

Senator CONROY—An article in the *Australian* on 30 December last year suggested that the government had hoped for \$350 million in proceeds from the sale. Can you provide any rationale for that figure?

Mr Yarra—None at all. That is a journalist's figure.

Senator CONROY—Given that Essendon only got \$22 million, would you say that that seems like an overly ambitious figure?

Mr Yarra—We do not speculate on the value, of course. We are entering into a sale process now with the airports and we do not speculate on value. I would not confirm or deny that.

Senator CONROY—Minister, Essendon pulled in \$22 million; is it a little ambitious to expect \$350 million from the rest? Or—I am a novice at this—is this part of the informal process to try and beat the price up a bit? Is it sort of like a log of claims?

Senator Minchin—No, it was a wild journalistic assertion—what that journalist thought the airports might be worth—which had no foundation so far as the government is concerned. We will be seeking to maximise the return to Australian taxpayers, but we are certainly not putting any figure on what we would expect.

Senator CONROY—It just seemed fairly over the top, given Essendon. But you say you are entering into a process, so I will not cause you any discomfort on it.

Dr Watt—I point out, Senator, that it was a quiet period for news.

Senator CONROY—It is always a quiet period for news. Even Senator Minchin got in the news that month. I want to move on to some questions in relation to some answers to questions on notice that we got back on the consolidated revenue fund.

Dr Watt—Senator, does that mean that we are finished with this Asset Management Group except insofar as we relate to Senator Abetz's responsibilities and to the issue of the AIDC, which we still have to resolve?

Senator CONROY—I think so.

Dr Watt—Thank you.

[10.49 a.m.]

CHAIR—Before we begin the next questions and as Mr McPhee comes to the table, I would like to say that it is good to see you, Mr McPhee, in a different guise.

Senator CONROY—I add my welcome to one of our foremost accounting experts and welcome you, Mr McPhee, to the table; it is a pity you were not at the table previously. But it is good to see you again, Mr McPhee; I missed you last night at ANAO.

Senator Minchin—That is an outrageous slur upon those who are at the table. I am really upset with this line of smart-arse comment from Senator Conroy that continually reflects on officers of this department—and I have had enough of it!

Senator CONROY—Mr McPhee is acknowledged as one of the foremost audit and accounting experts in this country—

Senator Minchin—Yes, but you could not help imparting a slur upon others at the table.

Senator CONROY—I presume that that is why you have seconded him across from ANAO.

Dr Watt—We have not seconded him.

Senator CONROY—I was told he had been seconded.

Dr Watt—We have not seconded him. Mr McPhee has been transferred to the Department of Finance and Administration.

Senator CONROY—I was informed last night that he was on secondment. But I fully accept that it is a permanent transfer.

Mr McPhee—It is a permanent transfer.

Dr Watt—Senator, I am unhappy with the assertion about my previous officers at the table.

Senator CONROY—I did not make any assertion; I did not even mention them.

Senator Minchin—You said, ‘It is a pity you were not here before.’

CHAIR—Let us just carry on. Can we keep from making assertions regarding individuals, please.

Senator Minchin—This is not a Labor Party faction meeting; this is a Senate estimates hearing. I would ask you to treat the witnesses with respect.

Senator CONROY—Senator Minchin, the good news is that, unlike in your faction meetings, I will not cry when you shout at me. I want to talk about the questions on F 4, 5, 6 and 28. I asked for the revenue and expenditure of each component of the CRF and the closing cash balance for the financial years 1998-99 onwards in order to establish the total financial position of the Commonwealth. Table 1 sets out the receipts, payments and balances of the core bank accounts. Table 1 shows the 2001 opening balance of \$838 million, receipts of \$263.9 billion and payments of \$263.2 billion, giving a closing cash balance of \$1.5 billion as at 30 June 2002. Is that a correct reading?

Mr McPhee—That is correct.

Senator CONROY—I would like to refer you to the consolidated financial statements for 2002. Page 62 shows the consolidated statement of the financial position by sector and indicates that the cash held by the general government sector as at 30 June 2002 was, in fact, \$2.2 billion. I asked for the total closing balance of the consolidated revenue fund for each financial year. Why have you only provided data for the core bank accounts?

Mr McPhee—The core bank accounts make up the bulk of the consolidated revenue fund. As you would be aware, the CRF is a self-executing fund, meaning that it comprises all revenues raised or received by the Commonwealth. In effect, it means that, if a dollar is being taken now in Albury Wodonga, that is a dollar within the CRF at the moment. Some of those funds in cash registers and other places are not automatically placed in the official public account. So there is a difference, if you like, between the contents of the CRF in a conceptual or legal form and what is in the official public account in a physical form. These are the

physical bank accounts. It represents the lion's share of the CRF, but not the totality of the CRF. So there will be a difference—that is the first point I want to make.

The second point is that the general government sector is wider than the CRF. It includes bodies which are not on the Commonwealth public account or the official public account—these are bodies like the National Library or the National Museum. They have cash holdings which would be represented in the consolidated financial statements, but they would not be within the balances of the consolidated revenue fund. If I can summarise, the consolidated financial statements take a broader view than the information provided to you in direct response to your question about the consolidated revenue fund.

Senator CONROY—So is \$1.5 billion the closing balance in the CRF?

Mr McPhee—It is the closing balance in the bank accounts that represent the majority of the consolidated revenue fund.

Senator CONROY—So the library has about \$700 million in the bank?

Mr McPhee—Do you mean 'cash at bank', which is at \$1.5 billion?

Senator CONROY—The core bank account has \$1.5 billion, but the consolidated statement has \$2.2 billion. That is about a \$700 million difference. I was just wondering whether the library is running a derivatives portfolio on the side.

Mr McPhee—I just use those as illustrations. There would be many other bodies within the general government sector as well.

Senator CONROY—Is it possible to get a copy of those?

Mr McPhee—We could provide you with a list of those within the general government sector. We require that to be able to prepare the financial statements. We will take that on notice and provide it to you.

Senator CONROY—I would like to refer you to the audit of the aggregate financial statements for 1996-97. I can provide a copy if you do not have them handy.

Mr McPhee—I have 1994-95.

Senator CONROY—I have made my own copy to speed it up. Table 3 on page 8, which is, I think, the one you have, shows total receipts into the consolidated revenue fund in 1996-97 were \$250 billion, including \$127—I presume that is billion—in taxation and \$122 billion in other receipts. Table 1 in your answer shows total receipts were still \$250 billion four years later in 2000-01. I was asking for the total closing balance of the consolidated revenue fund for each financial year. It seems that it is about the same as it was about four years ago, which does not intuitively make any sense at all. My question is: did it go to the CRF? I was asking specifically for details of the CRF. I know you were not with us last time, Mr McPhee; we had a lengthy discussion about the components and what they were and this and that. It seems that, while I appreciate the information that has been supplied, it was not quite what I asked for.

Mr McPhee—I will answer it in this way: the consolidated revenue fund under the Audit Act is different from the consolidated revenue fund referred to in the Constitution.

Senator CONROY—I hope not.

Mr McPhee—In the Audit Act, there is reference, as you will remember, to the consolidated revenue fund, the trust fund and the loan fund, being the three components. If you read the detail of some of these financial statements, it makes the point that the constitutional CRF is not co-terminus with the Audit Act CRF. I believe this is a summary of

the Audit Act consolidated revenue fund, but it would not be the transactions of the form of trust fund, for example.

Senator CONROY—The legal basis of the consolidated revenue fund, as you have correctly pointed out, is the Constitution. What is the legal basis of the core banking accounts?

Mr McPhee—The minister may establish bank accounts under the FMA legislation; that is my memory. If I am wrong, I would tell the committee, but that is my understanding.

Senator CONROY—Someone is nodding down the other end. You note that the CRF includes five components, of which one is money held in the core bank accounts of the Commonwealth at the Reserve Bank of Australia. Why have you not provided the receipts and payments and closing balance of the four other components of the consolidated revenue fund, as I asked and as you took on notice?

Mr McPhee—Without knowing why we have not provided that, I can certainly explain why in a sense we do not have it. I was not involved, obviously, in the preparation of the answer, so I cannot tell you specifically why. We would not have records of the details of the other components we are talking about.

Senator CONROY—The department of finance does not have the records of the other four components of the CRF.

Mr McPhee—As I explained to you, in some cases, the CRF comprises money held out within agencies. It could be in cash registers in other places. We do not have a system that tells us on a day by day basis the balances of those accounts. We obviously track the major accounts and when we report and consolidate these—

Senator CONROY—There is a \$700 million difference between the sort of account you are talking about, which is a lot of money.

Mr McPhee—Yes. We do not have day-to-day records, but when we do get monthly returns from the agencies we do get information on their cash balances et cetera. I do not know whether Mr Kerwin can explain that in any more detail.

Mr Kerwin—I am sorry I came in a little bit late on the discussion. I will follow on from the tenor of what I have heard and make comments along that line, and you can pick me up if I am going down the wrong track. What we do centrally on a daily basis on the core bank accounts is to ensure that the number that is recorded by the Reserve Bank is consistent with the number that we have in our central accounts. I received balances on those accounts this morning, so I know what is at the Reserve Bank. During the morning, people at Finance would have been making sure that we can reconcile those balances in relation to what we are holding centrally.

Senator CONROY—I asked for some historical data. I am not asking you to actually provide today's data; I asked you for some historical data on the four other components in the department of finance.

Mr Kerwin—Can you tell me what those four components are, just so we are talking about the same thing?

Senator CONROY—I have already asked that. We had a discussion about it at the last estimates. I am referring to the answer that you supplied to a question on notice. I think we had the discussion previously that the daily amounts at 12 o'clock or five o'clock arrive on your desk; I appreciate that. I am not asking about today's or yesterday's; I am asking you about the last three or four years, which I presumed would be easily accessible by the

department of finance—who most people out there in voter land would think were in charge of tracking the money.

Mr Kerwin—The framework that has existed since 1975 has been a framework where there has not been a reporting of information on a fund basis. If that is what you are referring to, the systems no longer exist to tell us about those things.

Senator CONROY—Were they abolished in 1998 when the FMA came in?

Mr Kerwin—Yes.

Senator CONROY—So you abolished the ability of the department of finance to know what the other four components of the CRF were?

Mr Kerwin—Would you mind telling me what the four components are?

Senator CONROY—I think it is written in your own answer. I have not got it in front of me right this second, but you have got it in front of you.

Mr Kerwin—I am sorry.

Senator CONROY—I am just referring to your answer. I can dig through my files to find it, but it will take me a minute or two. It is just that you were handed a copy of it. I hoped that you might know off the top of your head, rather than me, what the four components were.

Mr McPhee—I am looking at the answer to question 28. Let me start from the bottom of that list, if I may. That is money received by an outsider on behalf of the Commonwealth that has not yet been banked in an official bank account of the Commonwealth.

Senator CONROY—What about things like special accounts as well, S31 notional accounts?

Mr McPhee—If it is not in the official public account on a day-to-day basis, the department would not know about it.

Senator CONROY—No, I have not asked for the day-to-day basis. I have asked for the historical position over the last few years, as an annualised figure. Surely the department of finance has kept, or has access to, records over the last few years of what makes up the rest of the CRF. It is a constitutional item. Does DOFA know how much money is received by and paid out by the consolidated revenue fund as defined under section 81 of the Constitution? It sounds like you actually do not.

Mr Kerwin—There are a couple of definitional issues here.

Senator CONROY—I am talking about the Constitution of Australia.

Senator BRANDIS—I do not think the term is defined in the Constitution, Senator Conroy. It is provided for, but I do not think you will find it defined there.

Mr Kerwin—The discussion I heard when I came in the door—

Senator CONROY—I understand it is defined, Senator Brandis.

CHAIR—Mr Kerwin, you have the call.

Mr Kerwin—Part of the discussion I heard when I came in the door was that section 81 of the Constitution does refer to something called the CRF. The Audit Act 1901 also refers to something called a CRF, and the two of them are not the same. That has been a given for many years, and that was identified back in 1998 at least. The basis of the difference goes to the fact that the CRF of the Constitution is not a set of accounts; it is not a bank account—and

there are others who have a much better legal knowledge than I have—but it is signalling a framework under which appropriations can occur within the Commonwealth.

The practical way in which one might look at money—that is, cash—was manifested in the Audit Act, which no longer exists, but the way in which it occurred, out of that, was to describe a number of funds. On a daily basis, and periodically, and going back in time, that sort of information was collated and reported on. Since the FMA Act and the implementation of a full accrual framework, the cash information which was the basis under which the fund accounting occurred still exists and it is represented by the flows that we now describe in these six core bank accounts. They are looked at on a daily basis—they are no longer called those other numbers. Some of the gaps that we currently have in our six core bank accounts we had in the old CRF of the Audit Act as well. When you go to the last dot point here—‘money received by an outsider’—that has always been part of the Commonwealth CRF. It has never been part of, except right at the end of a period, the Audit Act CRF. We have the same issue as well when we come to do our end of year statements. That is a common issue and it is just about the practicalities of knowing where the exact cash is.

Senator CONROY—Up until 1997-98, the aggregate financial statements, which set out the consolidated revenue fund, were provided.

Mr Kerwin—Yes.

Senator CONROY—Then the FMA came in. And now the department of finance cannot tell me whether it is the constitutionally defined CRF or the Auditor-General defined CRF. Putting aside the constitutionally defined CRF for a moment—and looking at the one that continues, the Auditor-General version—you cannot tell me how much money the Commonwealth has. I have asked for the historical data, not for the daily accounts.

Mr Kerwin—We can.

Senator CONROY—That is what I have asked for and you have not supplied it.

Mr McPhee—I just want to make the point, Senator Conroy, that it is not strictly correct to say that we always knew the balance of the CRF down to the last dollar.

Senator CONROY—I accepted the point.

Mr McPhee—This is pre FMA. It had to get into the official public account before it was accounted for, even under the old CRF.

Senator CONROY—I think Mr Kerwin made those points.

CHAIR—Senator Conroy, let Mr McPhee finish.

Mr McPhee—It is the same issue. At the moment, there is a big effort to put money into the official public account towards the end of the year, but there will always be residual ‘cash on hand’, if I can use that expression. That information is recorded within agency financial statements. It is necessary, obviously, to balance agency books, so there is no problem with disclosure at the agency level. One of the issues in the department that we are currently exploring is whether we can get hold of that information to bring it together with this information on the official public account, to be able to respond more fully to the issue that you are raising about the balance of the CRF.

Senator CONROY—I accept the differentiation—

Dr Watt—As you are aware, the budget framework and estimates review will allow us to have a better handle on it.

Senator CONROY—I was just going to make the point—taking on board the comments of Mr McPhee and Mr Kerwin about some of the little holes that have always been there—that you at least knew the balance of the CRF at the end of each year, before you introduced this wonderful new transparent fiscal framework, whereas now it seems you do not seem to have this information at hand, at least. I asked this question in November so perhaps I can ask it again: can you provide the receipts and payments and closing balance for the consolidated revenue fund and each component of the consolidated revenue fund for each of the financial years 1998-99 to 2001-02 inclusive, with all the information?

Mr McPhee—I am not sure we have information going back over those years for each of these components. In fact, I would probably suggest that the department does not hold that information, for the reasons that we have explained previously. But, going forward, we are trying to ensure that we can collect better information in this regard.

Senator CONROY—I think everyone welcomes Dr Watt's and the department's desire to go forward, but it seems an extraordinary black hole between when FMA came in and when we are trying to go forward.

Mr McPhee—The point I wanted to make earlier was that there were still gaps—

Senator CONROY—But you cannot even tell me the balance. Before, you at least had a balance. I accept the gaps argument, but you had a balance. The department of finance cannot, it seems—and you have just confirmed that it is unlikely—even provide the balance.

Mr McPhee—I think the difference is exactly the same in concept.

Senator CONROY—Yes, but previously you could provide a balance—it was publicly available.

Mr McPhee—Previously, it showed the receipts and payments out of the official public account. That is what it showed.

Senator CONROY—But \$700 million is a hell of a large residual.

Mr McPhee—Except that we have a wider definition of the bodies that we now call part of the general government sector. I appreciate that point. But, in concept, if you compare the previous model to the current model, there are still gaps in both models compared to the legal definition of the CRF.

Senator CONROY—I accept your argument, but CRF is not just a theoretical construct. It is actually defined as all money you can out. I find it an extraordinary admission by the department of finance—I accept that you and Dr Watt are very keen to go back to previous practice—that you are unable to tell us the balance. But I accept the points that you make and I accept your answer, Mr McPhee, that you are unlikely to be able to provide the extra information on those balances.

Mr McPhee—Yes.

Senator CONROY—Are you able to provide a reconciliation between the CRF and its components and the budget balance between 1998-99 and 2001-02?

Dr Watt—We will take that on notice and try to get the information as best we can.

Senator CONROY—Thank you. I would like to turn to page 66 of the *Consolidated financial statements for the year ended 30 June 2002*, which shows the consolidated statement of cash flows by sector. Under 'Cash received', there are three line items: 'Proceeds from asset sales program', 'Proceeds from sales of property, plant and equipment and intangibles' and 'Proceeds from sales of investments'—is that a correct read?

Mr McPhee—Yes.

Senator CONROY—Do these items represent the total proceeds from asset sales—are there any other proceeds from other sources?

Mr Kerwin—This is a cash flow statement, and these balances would represent the amount of cash received in respect of those things.

Senator CONROY—So is it correct, therefore, that the total proceeds from asset sales in 2001-02 were \$6.2 billion?

Dr Watt—I take it you are adding the three numbers.

Senator CONROY—I think that is how I got that figure.

Dr Watt—I think I can agree to that.

Senator CONROY—I would like to examine the proceeds from asset sales in the six years to June 2002, as shown in the *Consolidated financial statements*. I appreciate that you may not have these documents to hand; I can provide copies of all the relevant pages along with the summary table. I have added these three items for the six financial years to June 2002 for general government and it shows total asset sales proceeds as amounting to \$58 billion. Does that figure ring a bell? I have copies here.

Dr Watt—It is not a figure we are familiar with.

Senator CONROY—I have already made some copies so here they are. I have gone through the last few years. There is a summary table at the front which adds those figures up consistently.

Dr Watt—Why don't you proceed, Senator?

Senator CONROY—Okay. I just want to confirm the figure of \$58 billion. I appreciate that no-one has got a calculator handy. I am just looking at those same three figures across those relevant years from the summary sheet on the front. It is just an addition of the figures. Barring me either adding it up incorrectly or trying to mislead you, I think that works out all right.

Dr Watt—We accept that.

Senator CONROY—Can I confirm that as at June 2002 the government had \$10.4 billion on deposit with the Reserve Bank? I think you answered that in a question on notice.

Mr Kerwin—It was of that order.

Senator CONROY—I think that was the answer you supplied. I just wanted to confirm that. I would like to turn to the bottom of page 2 of the consolidated financial statements 2002, where the minister states:

The Commonwealth has continued to generate positive cash flows over the last six years ...

Over the page he goes on to say:

... the continued generation of positive cash flows has enabled the repayment of some \$41.3 billion in total Commonwealth debt since 30 June, 1996 ...

Is that a correct read?

Mr Kerwin—Yes.

Senator CONROY—If the government has raised \$58 billion from asset sales and has \$10 billion on deposit—leaving \$48 billion—why has it only paid down \$41 billion of debt? Where is the other \$7 billion?

Dr Watt—The first point to make is that in relation to asset sales there are also asset purchases. Some of the money from asset sales has been used to fund asset purchases. Your table in the consolidated financial statements shows that quite clearly for 2000-01 and 2001-02.

Senator CONROY—What sorts of assets have we purchased that may account for the \$7 billion?

Dr Watt—Can we turn to page 66 of the consolidated financial statements. I do not have a break-up of the asset purchases there, but if you look at the cash used statement you will see ‘proceeds from asset sales program’, ‘proceeds from sales of property, plant, equipment and intangibles’. I also note that there is ‘purchase of property, plant and equipment and intangibles’ to the tune of \$4.6 billion. I do not know what goes into that. Some of it may be defence assets.

Senator CONROY—We will come to that. I am working on my way up to that and past that, so we will come to that shortly.

Dr Watt—Effectively, there is a large offset there to the cash received from asset sales.

Senator CONROY—I would like to ask about the minister’s press release of 30 September 2002 entitled ‘2001-02 final budget outcome’, which states:

In dollar terms, the Coalition Government has now repaid \$60.7 billion of debt since it came to office.

Why does the minister say in the consolidated financial statements that \$41.3 billion of debt has been repaid when in the final budget outcome press release he says that \$60.7 billion of debt has been repaid? You signed both of them, Minister.

Dr Watt—We just have to have a look at that.

Senator CONROY—I have the press release. The third paragraph reads:

General government net debt fell by \$3.7 billion ... In dollar terms, the Coalition Government has now repaid \$60.7 billion of debt since it came to office.

Senator Minchin—You are comparing reduction in debt to asset sales.

Senator CONROY—No, I am just saying that in the consolidated financial statements of 2002, which you have signed, it says:

... the continued generation of positive cash flows has enabled the repayment of some \$41.3 billion Commonwealth debt ...

Yet in your press release of 30 September you claimed it was \$60.7 billion. I was wondering about the discrepancy. The consolidated financial statements are audited. The final budget outcome, funnily enough, as Mr McPhee would well know, is not audited.

Mr Kerwin—The statement I can make to that, although I do not have all the detail that you would probably need, is that in reporting under accounting standards the number that comes in the definition of what constitutes debt is \$41.3 billion. The number that arises in relation to debt under a net debt concept, if I am correct—and I think I am—is the number you quoted of \$60-odd billion. But I need to get more information on that, and I am sure I can do that—

Senator CONROY—I am happy for you to come back on that one.

Mr Kerwin—because the numbers would follow those lines of logic.

Senator CONROY—Sure.

Senator MURRAY—As a matter of clarification, isn't it the case that under the two sets of view the cash balance held by the Reserve Bank, which is \$10-odd billion, is treated differently? In one case it is netted off and in the other case it is not. That brings you very close to the—

Mr Kerwin—I am not sure.

Dr Watt—We can check the difference and get back to you in a few minutes. There are two different concepts at work here, I suspect.

Senator CONROY—I think Mr Kerwin was just suggesting that there were different concepts involved.

Dr Watt—We will come back to you in a few minutes.

Senator CONROY—I would like to move on while you are doing that.

Dr Watt—Certainly, I am happy to do that.

Senator CONROY—I would like to ask about page 63 of the consolidated financial statements, which includes a table to do with consolidated financial position by sector and which shows the total liabilities of the government. Can I confirm that this table shows that the total liabilities of the general government sector as at 30 June 2002 were \$182.3 billion? Is that correct?

Dr Watt—Yes, that is correct.

Senator CONROY—I would now like to ask about the corresponding table in the corresponding consolidated financial statements for 1996, page 23. I am happy to provide you with a copy if you have not got that with you.

Dr Watt—Unfortunately, we do not, Senator.

Senator CONROY—Can I confirm that this table shows that the total liabilities of the general government sector were \$219.1 billion as at 30 June 1996? Is that a correct reading?

Mr McPhee—Correct.

Senator CONROY—Can I confirm that between 30 June 30 1996 and 30 June 2002 the total liabilities of the general government sector had declined by \$36.8 billion?

Dr Watt—That sounds reasonable on my maths.

Senator CONROY—So why is it that, if the government has raised \$58 billion from asset sales and has \$10 billion on deposit, leaving \$48 billion, it only paid down \$37 billion of liabilities over the corresponding time period? Where is the other \$11 billion? I have not noticed an asset purchase program of around \$11 billion.

Dr Watt—We are happy to have a quick look at this and come back to you on it.

Senator CONROY—Sure.

Dr Watt—This is really asking us for movements in total assets and liabilities, and it is pretty hard to pick up in one scan.

Senator CONROY—I appreciate that. They are your documents. I am just quoting numbers from the documents.

Dr Watt—I do not deny they are our documents, but it is a long time since I did a comparison between these documents of 30 June 2002 and these documents of 30 June 1996.

Senator CONROY—I would like to now ask about page 62 of the consolidated financial statements. This table lists consolidated financial position by sector, which shows the total

assets of the government. Can I confirm that this table shows that financial assets of the government were \$68 billion in 2002?

Dr Watt—Yes.

Senator CONROY—I would now like to ask about the corresponding table on page 23 of the consolidated financial statements for 1996.

Dr Watt—This is your figure of \$123 billion?

Senator CONROY—Yes. Can I confirm that, between 30 June 1996 and 30 June 2002, total financial assets of the general government sector declined by \$56 billion? That is maths.

Dr Watt—Correct. You can on these figures.

Senator CONROY—That adds up?

Dr Watt—Yes. Again, we can have a look and get you a quick explanation of what has caused that.

Senator CONROY—I have not asked my next question yet.

Dr Watt—Let me anticipate your question.

Senator CONROY—It is fair to say that assets do not seem to be going up in that context.

Dr Watt—It is fair to say that financial assets do not seem to be going up in that context.

Senator CONROY—I am just coming to financial assets. I would like to ask you about the two categories of investment listed under ‘Financial assets’ on page 62 of the consolidated financial statements. What are ‘Investments—accounted for using the equity method’?

Mr McPhee—Generally speaking, that means you take the share of the company or the enterprise in which the investment is and you take a share of their assets and liabilities and their profits or losses. Rather than just the value of the investment itself, you actually take a proportion of their assets and liabilities and balances into the main accounts.

Senator CONROY—What are ‘Investments—other’?

Mr Kerwin—The very evident example that we have is the Telstra ownership.

Senator CONROY—So ‘Investments—other’ are Telstra?

Mr Kerwin—I am sorry. I was talking about the equity method under the heading ‘Public non-financial corporations’.

Senator CONROY—Mr McPhee, I was just asking: what are ‘Investments—other’, the other category?

Mr McPhee—I am not sure. I would need to take that on notice.

Senator CONROY—I appreciate Mr McPhee has only just come across. Does anybody else in the department know what ‘Investments—other’ are?

Mr McPhee—I have just been given an explanation, which is in the notes broken down, and it shows shares in international financial institutions, shares in companies and also gold holdings, deposits, government securities, debentures—

Senator CONROY—These are the ‘Investments—accounted for using the equity method’?

Mr McPhee—These are ‘Investments—other’.

Senator CONROY—That seems to contradict what Mr Kerwin said.

Mr Kerwin—I think I was incorrect.

Senator CONROY—‘Investments—other’ are Telstra shares, shares in international institutions—

Mr McPhee—No.

Dr Watt—Not Telstra.

Senator CONROY—The IMF?

Mr McPhee—And the IMF, yes.

Senator CONROY—Where does Telstra fall then? Maybe Mr Kerwin was right.

Senator MURRAY—Are ‘Investments—other’ market to market?

Mr McPhee—Investments using the equity method are where you do not control the entity, where you do not have majority control. So the equity method is where there are joint ventures or associate type companies.

Senator CONROY—Could I get the list?

Dr Watt—It is note 22 to the consolidated revenue statements of 30 June 2002, if you have the statements to hand. If not, we are happy to give you a photocopy.

Senator CONROY—I do have them. Could I get a breakdown of what is in each of those categories under ‘Investments—other’, like shares in international financial institutions? I think I mentioned the IMF. Does that include the World Bank Asian development? Do we have shares in those?

Dr Watt—And most likely the European Bank as well. We can get you a breakdown of that, Senator.

Senator CONROY—Perhaps I could get a list of those just in case I have missed any or you have missed any. Would shares in companies be Telstra?

Dr Watt—No. I do not think so. It is far too small to be Telstra.

Senator CONROY—Mr Kerwin, have we found Telstra yet?

Dr Watt—I think we have an answer on Telstra.

Mr McPhee—It is in the whole-of-government statements for the particular sector in which Telstra is. It is consolidated, so the shares, assets and liabilities et cetera would be shown within the sector. Without checking, I think the ones referred to in the notes would be minor investments in companies.

Senator CONROY—Can I get a list of those?

Mr McPhee—We should be able to provide a copy.

Senator CONROY—Today? If it is possible, could I get a breakdown of what is in ‘Investments—accounted for using the equity method’? There are two categories there. Could I get a breakdown of what they represent?

Mr McPhee—We would certainly be able to get you the major ones.

Dr Watt—The major ones would be fairly easy, others might be a bit hard.

Senator CONROY—I would like to get the major ones as quickly as I can. If you find that there are a thousand others, let me know.

Dr Watt—We will see what we can get you today.

Senator CONROY—If you could also get the ‘Investments—other’ to me today that would be really good. I appreciate that. So, for me and Mr Kerwin, Telstra is not included in either of those two?

Dr Watt—Not on these notes.

Senator CONROY—Telstra is not in either ‘Investments—accounted for using the equity method’ or ‘Investments—other’? While you are all hunting for Telstra, there are three columns on those tables: general government, public trading enterprises and public financial enterprises. Could I get a breakdown for all of those?

Dr Watt—Which table are you on, Senator? Is this on the table on page 62, because there are lots of tables?

Senator CONROY—Yes, I appreciate that. It is on page 62.

Dr Watt—Yes. And this is a breakdown of which lines?

Senator CONROY—General government, public trading enterprises and public financial enterprises.

Dr Watt—Are you looking for a breakdown of all the line categories there or just the ‘Investments—other’?

Senator CONROY—I will take investments just for the moment.

Dr Watt—Both sorts of investments. Okay. That is general government, public non-financial and public financial under ‘Investments—other’ and ‘Investments—accounted for by the equity method’ on page 62?

Senator CONROY—Yes. And the corresponding table for 1996.

Dr Watt—In relation to your question about investments, the consolidated financial statements on page 157 give you a list of Commonwealth entities. There is a corresponding one in 1996 on page 58. This is a list of all Commonwealth entities in the general government sector.

Senator CONROY—This is all Commonwealth entities?

Dr Watt—That is right.

Senator CONROY—It would not necessarily be what I asked for, would it?

Dr Watt—We will have a look and check that.

Senator CONROY—You can cross off the ones that are not relevant. I would like to ask about the corresponding table, which I just mentioned, for the consolidated financial statements for 1996 on page 23, which I think you have. Investments in 1996 totalled \$72 billion. What were those investments?

Dr Watt—We will have to take that on notice on the basis of information available to us, unless we have a 1996 report here, in which we can see if we have any break-up. Why don’t you proceed and we will see if we can find one?

Senator CONROY—By 2002, total investments, equity methods plus other halved to \$37 billion. What was the reason for the decline in investments?

Dr Watt—Again, we will have to look at that and come back to you as quickly as we can.

Senator CONROY—I have finished my questions on the category I was working on. We had jumped ahead of ourselves, because Senator Sherry was in a different estimates committee. I am happy to hand over to Senator Sherry to ask about PSS-CSS.

Senator SHERRY—I had a couple of questions on output 2.2.2—

Senator CONROY—I am happy to pause there, but I will be coming back and continuing with the same people.

Senator SHERRY—and a couple of questions that may relate to ComSuper. There might be some crossover, so it would be useful if there was someone from ComSuper here as well.

CHAIR—Thank you, Senator Conroy. We will see you again later. We look forward to that.

Senator SHERRY—On page 21 of the additional estimates statement, there is a substantial upward revision for Commonwealth superannuation special appropriation and Commonwealth superannuation employer contributions: \$80 million in 2002-03, \$117 million in 2003-04 and so on through to 2005-06. Is that a cash or accrual figure?

Dr Watt—They are accrual figures.

Senator SHERRY—What is the reason for the upward revision of those items?

Ms Seeber—There are three main reasons for the revisions. There are changes from the final budget outcome 2001-02 to additional estimates. The first reason is the opening balances from the final budget outcome result and adjustment. In that table on page 21 of the portfolio additional estimates, the first line includes that as well as the second change, which is the government's choice of fund policy. The date has changed to 1 July 2004 and that will have an impact on CSS-PSS expenses, which will be offset by a change in payments to external superannuation funds. The third is an upwards adjustment in nominal superannuation interest expense for 2002-03 and an offset in reduction in 2003-04 to reflect a revision of the consumer price index parameters applying to those years.

Dr Watt—There is a brief explanation—briefer than Ms Seeber has given you—on page 22, if you need it for further reference. You may know that already.

Ms Seeber—Yes, it is just over the page, at the top.

Senator SHERRY—Are you able to give me an approximate breakdown of the three impacts that you have outlined in the total figures there?

Ms Seeber—Yes. The final budget outcome identified a lower notional interest superannuation expense. That was \$233 million. I have the references to the documents, if you want those.

Senator SHERRY—Yes, please.

Ms Seeber—That is on page 5 of the final budget outcome 2001-02 document. That was largely due to lower than expected earning rates for public non-financial corporation superannuation schemes.

Senator SHERRY—Just on that issue, has the lower than expected return been an additional call on the Commonwealth in the short term?

Mr Painton—No. The way those particular arrangements work in terms of Commonwealth liability is that the Commonwealth expects that the liability and associated expenses reduce in line when there are lower returns for those particular components.

Ms Seeber—That impact is offset by increases in expenses of \$50 million. That relates to the increase of 0.1 per cent in the June consumer price index figure and the lower than estimated payments to members. These are the effects from 2001-02 that we are having to adjust for the opening balances.

Mr Painton—In broad terms, of the numbers that actually show up in the portfolio additional estimates statement—the variations on page 21—the largest impacts feeding through from 2003-04 are the impacts of pushing the assumed start date for the start of choice back by one year. That is why you have the largest increase in expenses—this is, for expenses associated with CSS-PSS membership—showing up in 2003-04. In effect, if you look down at the next line, which shows the offsetting revenue impact—that is, revenue from agencies—the expense increase is broadly comparable to the revenue effects. So you can see for those years that the pattern between the two is largely similar. Then the other impacts that are feeding through there reflect those CPI variations and the impact of the variations in the opening balances.

Senator SHERRY—The explanatory memorandum to the Superannuation Legislation (Commonwealth Employment) Repeal and Amendment Bill 1998 makes the claim that so-called choice of fund will not have an impact on the accrual balance.

Mr Painton—Perhaps I should just clarify what is being shown here on page 21. This is showing the administered expenses under the special appropriation—the act that is covered by the finance portfolio. This is just looking at the CSS-PSS expenses. What you are actually talking about is lower expenses associated with membership of the CSS-PSS but then the offsetting of increased expenses due to Commonwealth agencies providing superannuation to private sector schemes for either those new members who are no longer becoming members of the PSS or those who are exercising choice. So, when you are talking at a whole-of-government level, you are talking about a neutral outcome in terms of accrual expenses. But, when you are just looking at the CSS-PSS side of it, obviously there is a movement, because you are talking about shifting out of the CSS-PSS into other forms of superannuation.

Senator SHERRY—Probably through financial planners, but that is not your remit. The lower outcome is as a result of lower contributions, is it not? That is the nine per cent.

Mr Painton—No. Essentially the estimates we prepare are based on the assumption that the value of the benefits that will be provided into the private sector schemes will be equivalent to what would have otherwise been provided through the CSS-PSS.

Senator SHERRY—What is the average benefit? You must be working on some sort of average figure, because it will vary for individuals.

Mr Painton—There is an average for the schemes that we look at in terms of accrual. For the purpose of these estimates, there are those that were worked out in the last long-term cost report for the CSS-PSS, which was done for 30 June 1999. If I recall correctly, the average PSS rate was I think 11.2 per cent, and the average CSS rate was 18.9 per cent. That is, of the movements across, how the figures were done. I think possibly earlier this year we answered a question on notice which provided a bit more detail of the underlying assumptions we used for these sorts of calculations.

Senator SHERRY—Just so I am clear on this, with the operative date, is there any option for new employees?

Mr Painton—The government's policy announcements on this, which go back some years, relate to closing the PSS. So, in effect, that would mean that new employees would go into some scheme other than the PSS on implementation of such a policy.

Senator SHERRY—But that would be on a contribution rate of nine per cent from the employer, would it not?

Mr Painton—As I say, these estimates are based on the assumption that what the employees would receive would be equivalent to what they would have accrued had they remained in the PSS.

Senator SHERRY—Does the legislation say that?

Mr Painton—I do not think the choice legislation to be introduced specifies that, but I think references were made in the past that referred to the level of appropriation that would continue to be provided to agencies. I think that is correct.

Ms Wilson—The legislation does not say anything specifically about the employer contribution rate that would be provided under choice. The government's policy as announced in 1997 was that agencies would continue to be funded on the same basis as they are funded now, which is on the same basis as for their CSS and PSS members.

Senator SHERRY—Yes, but an agency would not have to pay the equivalent PSS contribution if it determined it could just pay the nine per cent, would it?

Ms Wilson—There is nothing in the legislation at the moment to require them to.

Senator SHERRY—So an agency can determine to pay just nine per cent rather than the equivalent of the current PSS average contribution. That is correct, isn't it? If that is what the agency determine to do, they can do that.

Ms Wilson—I think it was anticipated that this would be done through agreement between the employee and the employer.

Senator SHERRY—But there is no legislative requirement on the agency to ensure that the current equivalent contributions are made.

Ms Wilson—No. In the legislation that was put forward in 1997-98 and has been defeated, there was no provision of that nature.

Senator SHERRY—At the budget estimates last year I requested figures on the underlying cash impact of the so-called choice and the closure of the PSS to new members for the years 2003-04, 2004-05, 2005-06. That is on pages 405 and 406 of the *Hansard*. What is the revised impact on the underlying cash balance of the so-called choice measures for those years?

Mr Painton—I think the figures you were referring to would have been based on a start date of 1 July 2003.

Senator SHERRY—Yes. It has moved out a year.

Mr Painton—It has moved out a year. If you look at the figures that refer to the shifting revenue on page 21, the actual cash movements compared to the previous estimates you had really show the net effect. I think in broad terms that just shifts those cash effects along for one year.

Senator SHERRY—Could you tell me what the new figures are and also what they will be for 2006-07?

Mr Painton—I will have to take that on notice and get back to you a little bit later.

Senator SHERRY—Okay. On the legislation that is proposing 'choice' in the public sector, is there any requirement for fee charge or commission regulation?

Ms Wilson—Are you referring to the legislation that was defeated in 2001?

Senator SHERRY—Both that and the new proposal.

Ms Wilson—There is no new legislation for the public sector at the moment, but there was nothing about fees in the legislation that was defeated in 2001.

Senator SHERRY—My next questions may involve ComSuper. I received a response to question on notice No. 895 relating to superannuation salaries for CSS and PSS members. I asked for the average increase in superannuation salaries as reported to ComSuper for each of the past five years. The information was outlined in the answer in the detail I asked for: the 10 highest increases in superannuation salaries over each of those five years. If we look at the year 2001-02, the highest increase in superannuation salary was 206 per cent, which was more than double. If we go down the list, the second highest increase in superannuation salary was 194 per cent, the next 187 per cent and so on. At the end of the list of the 10 highest increases in superannuation salary, there is a 159 per cent increase. Under what circumstances could such significant increases in superannuation salaries occur?

Mr Dent—The framework for superannuation salaries is set in the legislation governing the CSS and PSS which indicates what is superannuable in a person's remuneration. Those regulations were also updated to allow both certified agreements and workplace agreements to specify a superannuation salary for individuals, either as groups or as particular people. It is a combination of both systems.

Senator SHERRY—In these circumstances, say, take the 206 per cent increase in superannuation salary, could that occur as a result of an increase in salary? It may have happened, but I cannot envisage a person's salary doubling in one year.

Mr Dent—Yes; it is quite feasible for a person's salary to double.

Senator SHERRY—In what circumstances? I am not talking about their superannuation salary but their general salary.

Mr Dent—Their actual salary?

Senator SHERRY—Yes.

Mr Dent—Someone might come in at a middle administrative level and then be promoted to a more senior position. They might have taken the first job for convenience.

Senator SHERRY—Do you know if that is the case with any of these top 10 increases in superannuation salary percentages? Is the outcome as a result of an increase in their salary?

Mr Dent—Yes. I do know that, for at least one of them, that is definitely the case.

Senator SHERRY—Okay. You have mentioned certified agreements and AWAs, and you have indicated that it is possible to have a negotiated higher superannuation outcome.

Mr Dent—Yes. You can agree to a particular salary.

Senator SHERRY—That is for the purposes of the PSS and CSS?

Mr Dent—That is correct.

Senator SHERRY—Do you know if that is the case in any of these 10 examples?

Mr Dent—No; I am not aware if that is the case.

Senator SHERRY—Is there anyone in the department of finance who would be aware if any of these increases in superannuation salary were as a result of AWAs and CAs?

Ms Wilson—No. We would not have that sort of information. You would have to go to the agencies to get that sort of information.

Senator SHERRY—Let us take the Department of Finance and Administration. Are they aware of any increases through CAs or AWAs in the superannuation salary, as distinct from the salary, of employees within the department?

Dr Watt—From time to time we have, through AWAs, increased superannuation salary. But they have been extremely rare to the best of my knowledge.

Senator SHERRY—That is within Finance?

Dr Watt—Yes, within Finance they have been extremely rare—and certainly not, as far as I am aware, anything like that order of magnitude.

Senator SHERRY—If we accept that some of these examples of increases that we have been given are as a result of salary increase but one or more are as a result of a combination of AWAs or CAs, is it appropriate for superannuation salaries—as distinct from normal salary—to be boosted significantly through an AWA or a CA?

Dr Watt—It is very hard for us to answer the question as to whether it is appropriate or not, because we do not know the circumstances of the increases or what drove them. That is a question of judgment which we are not equipped to make. I think we can give you some information that might underpin consideration.

Ms Wilson—Essentially, the provision was put in the regulations in 1997 to allow flexibility because the salary rules as they are written into the legislation are quite complex and do not necessarily fit the arrangements that might be put in place in an agency. There is a lot of case law associated with them and trying to interpret them often took a lot of time, basically—you had to go for legal advice and things like that. So that was the reason for including that flexibility in the rules.

Agencies do not have to follow that; they can follow the rules as they are set out at the moment. Agencies pay a premium to the Commonwealth towards the cost of the superannuation they provide for their agencies and one of the things we take into account in working out that cost is the rate of salary increases that they give. We also monitor individual salary increases to see whether they are exceptionally large, particularly ones that are close to retirement. We may charge agencies an extra premium if that happens.

Senator SHERRY—You mention this word ‘flexibility’ but it seems to me that the rules for the PSS and CSS and the outcomes are quite clear. I do not think public servants are under any misapprehension as to what their entitlements are.

Ms Wilson—It is more a legal issue of what salary means. What was discovered, over time, is that what the original rule makers thought was salary was not exactly what the law said, and the law has been interpreted by case law. It is not necessarily all that clear exactly whether something is salary or not. If somebody was trying to move an AWA along or have a certified agreement, it may take anything up to six months to work out what the proper legal interpretation was. If they did not want to wait for that, there was the flexibility of using the power to certify it in an AWA or certified agreement.

Senator SHERRY—Can you give me some examples as to where some doubt would exist as to what is salary for the purposes of superannuation?

Ms Wilson—There is no doubt at the moment because we subsequently made a regulation to exclude performance pay from salary. But there was a time when there was considerable doubt about whether, if you received performance pay every year for a period of, say, three or four years, that might become salary within the ordinary meaning of the word. There is some case law that says that salary, within the ordinary meaning, is something that is received

regularly and uniformly. So there was considerable doubt about when a performance bonus might become part of salary for super purposes.

Senator SHERRY—Yes, but that doubt has been cleared up, as you have said.

Ms Wilson—Only by our making a regulation, which takes time to do. In the days when you had centralised agreements for the Public Service you had time to deal with these issues, but with each agency setting their own certified agreements it just was not possible to keep up with the volume of work coming through.

Senator SHERRY—I am not disputing that each agency is setting their own certified agreements and AWAs. I am just concerned about abuse, or the potential for abuse, by inflating superannuation entitlements in what could appear to be quite massive increases, particularly close to retirement, for a select few individuals.

Ms Wilson—Certainly we would not consider that appropriate, but we would monitor that to make certain that if it did happen the employer would meet the cost of it.

Senator SHERRY—Even if the employer is meeting the cost, it seems to me that under these arrangements for the CAs and the AWAs it is possible, and probably occurring, that superannuation entitlements are being inflated for some individuals.

Ms Wilson—I cannot really comment on that because I do not know about any individual cases.

Senator SHERRY—You do not know because you do not check?

Ms Wilson—I do not have any access to individual information.

Senator SHERRY—So what you are saying is that you do not have the detail of the increases in the superannuation entitlements where an agency has entered into an agreement under a CA or an AWA for those individuals.

Ms Wilson—Certified agreements are public documents whereas AWAs are not. ComSuper collects information about salary increases and monitors that on our behalf to make certain that significant increases are not being given to individuals towards the end of their service. If there are any, they notify us.

Senator SHERRY—That is in respect of their pay. What about their superannuation entitlement?

Ms Wilson—I am only talking about their superannuation salary, which underpins their superannuation entitlement.

Senator SHERRY—The CSS and the PSS schemes, as I am sure you are aware, provide a benefit in excess of what would be regarded as a community standard. Under what circumstances would a department allow that benefit to be increased above what is currently available, which is above the community standard anyway?

Ms Wilson—That is a matter for each agency to decide.

Senator SHERRY—So is it possible for to happen?

Ms Wilson—The legislation allows agencies to set, through an AWA or a certified agreement, a salary other than the salary otherwise applying.

Senator SHERRY—So, in order to obtain the detail—I do not want the names—of individuals who are having their superannuation entitlements increased as a result of an AWA, I would have to ask each department for those details?

Ms Wilson—Yes.

Senator SHERRY—If this is a practice, does it concern the department of finance?

Dr Watt—I think the best way to answer the question is this: you can think of good reasons why you may wish to vary an individual's superannuation salary—for example, if an individual is approaching age 55 and has a more attractive retirement benefit before age 55 than after age 55 because of, as we all know, the workings of the CSS—

Senator SHERRY—The 54/11.

Dr Watt—Yes. In order to retain the services of an individual for a period of years, an agency head may be willing to consider a higher superannuation salary, which the agency would then bear the cost of through the normal salary payments. That would be quite a legitimate arrangement for an agency head concerned with retaining talented individuals in the service. The choice would exist under current arrangements. The individual may well leave for good financial reasons, as a number have—perhaps not many, but a number. I am not concerned that the practice exists. I do think, however, that it would be useful—we will look into this and we already have a little bit of work under way, although it is pretty embryonic—to have some guidelines for agencies about how these things might be best used.

Senator SHERRY—If we look at the case of the CSS, where I think the average employer contribution is 18 per cent—

Mr Dent—It is around that, Senator.

Senator SHERRY—Effectively, what you are saying is that, because of the impact of the CSS benefit of 18 per cent—plus whatever the employee puts in—in order to keep staff you actually have to boost their superannuation further to retain them. That seems to be a rather odd situation to be in.

Dr Watt—Boost their superannuation salary.

Senator SHERRY—Yes.

Dr Watt—But, effectively, for an individual facing a 54/11 situation it is a decision about superannuation entirely. It is a decision about superannuation benefits, and the only way to affect that directly is through the superannuation salary. I suppose that in theory you could do it through a salary arrangement as well, but normally that is not what is on an individual's mind; it is about superannuation.

Senator SHERRY—But effectively you boost at least the employer contribution from 18 per cent to a higher figure than 18 per cent.

Dr Watt—That is not correct.

Ms Wilson—This is just a theoretical discussion, because we are not talking about particular cases, but a person who is approaching 54/11 and who has a better benefit if they resign at 54/11 has already achieved that level of benefit. The 18 per cent or whatever it is is actually just an average, but the employee has already achieved that. If they go past 55, they drop down to a lower salary—or at least in those cases that benefit by it. So increasing the salary for super purposes is really just keeping them at the level that they would have been at if they had left at 54/11—and, of course, the Commonwealth would have been paying the pension longer as well. In general terms it is not likely to increase employer costs. If you were looking at an individual case you would have to look at the individual circumstances, but in general terms we would not expect it to increase the employer costs compared with if they had left at 54/11, taken the higher benefit and received it for a longer period.

Senator SHERRY—Let us take the case of a person who is not 54/11. The fact is that under an AWA some departments may be increasing the superannuation salary where there is no involvement or issue relating to 54/11.

Ms Wilson—That is correct, and that could increase the employer cost, particularly if it happens late in life, which is why we do charge employers if they give them over-average increases.

Senator SHERRY—It comes back to the question that I have asked, which is why, given an effective average level of contribution in the CSS of 18 per cent, a department would be allowed to increase the effective employer contribution over and above that. Eighteen per cent is in excess of the community standard.

Ms Wilson—That would be for the reasons I discussed before; there could be good flexible reasons and the secretary has talked about one there. Because I am not involved in making decisions, I cannot really speculate as to what employers might or might not want to do.

Senator SHERRY—My concern is this. I look down the list of the top 10 increases in annual superannuation salary over the past five years—and I accept that some of these cases might be people whose salaries doubled in one year; sure, there are some circumstances—and some individuals have had their superannuation salary benefit increased by 50 percent to 100 per cent. I do not know whether this is a practice in the private sector and whether it is occurring there. Have there been any surveys to see if this is an incentive that is used in the private sector?

Dr Watt—I would be very surprised if it is not, given the flexibility to mix and match any form of remuneration. But as to whether I know with precision: no.

Senator SHERRY—Where the average contribution level, at least in the CSS, is 18 per cent on the employer?

Ms Wilson—There is one thing we do not know about these figures. It is a multi-employer scheme; it is not like working with the one employer and you might get a pay rise. This could be a person moving between a Commonwealth agency and a Commonwealth authority. There could be any number of reasons underlying this—a trainee going onto a full-time wage.

Senator SHERRY—I accept that is certainly a possibility. But I think there would be at least a number of people in this top 10 category where it is just a straight-out decision to increase their superannuation salary over and above the effective 18 per cent if they are in the CSS. It is a big call to increase a benefit substantially above 18 per cent from any employer, I would have thought. I just draw it to your attention. You might have a look at it.

Dr Watt—Thank you. As I said, it is an issue that we are starting to look at.

Senator SHERRY—You just mentioned some embryonic work on the 54/11 issue. At what stage is that?

Dr Watt—At the moment, it is still pretty embryonic.

Senator SHERRY—Is there a working group formed to have a look at 54/11?

Dr Watt—There has been some work done by the management advisory committee, looking at a number of aspects of work force planning generally which has considered the 54/11 issue, yes.

Senator SHERRY—Can you assure me that no-one will have their benefit retrospectively changed?

Dr Watt—As a result of the work done by the management advisory committee, yes I can.

Senator SHERRY—I suspect quite a few of the management advisory committee members are close to 54/11!

Dr Watt—And they are all CSS members!

CHAIR—After the break, we will resume on output 2.3.

Dr Watt—What has become of outcome 1?

CHAIR—I think we will return to that after output 2.3. Then we will go to outcome 1 and look at budget output 1.1.

Proceedings suspended from 12.13 p.m. to 1.31 p.m.

CHAIR—We are up to output 2.3, Business services. But, before we consider that, the minister and Dr Watt would like to address some issues that we discussed earlier this morning.

Senator Minchin—The department would like the opportunity to respond to the assertions made this morning regarding the state of the accounts of AIDC Ltd in the 1997-98 annual report.

Dr Watt—In the time available we have had as good a look at the annual report for those years as we can. I would like Dominic Staun, who is our Chief Financial Officer, to come forward and give you the results of our review of alleged losses of \$2 million for AIDC.

Mr Staun—I would like to table some documents. These are the extracts of the financial statements for 1998 that were referred to this morning. I will refer to them in this discussion so it might be easier for people to follow.

Senator CONROY—Do they include the UBS Warburg contract?

Mr Staun—No.

Senator CONROY—Is it available?

Mr Staun—I have no idea.

Dr Watt—We can undertake to have a look at whether it is available. I am not sure whether it is commercial-in-confidence.

Mr Staun—During the lunch period my colleagues and I examined the accounts of AIDC for 1997-98. In my professional opinion, there is no loss recorded or covered up in these accounts, as was suggested this morning. From the transcripts that were prepared from this morning, I understand that the senator arrived at the figure of \$2 billion in reference to page 47. So could you turn to page 47 of the documents that I have provided. This is note 34 to the 1998 AIDC accounts. It refers to a schedule of maturity of estimated amounts payable to and by the corporation. As I understand it, the comparison for 1998 between the amounts due to the corporation, which is some \$800 million, and the amounts payable by the corporation, which is some \$2.8 billion, leaves a difference of something like \$2 billion. This compares to the prior year, where the difference was significantly less than that—around \$0.5 billion.

However, this schedule is only a schedule of the maturity of estimated amounts payable and the note beneath refers to the fact that the significant portion of the difference is now represented by government and semi-government bonds. If you turn back to page 28 of the documents that I have provided to you, you will see that under non-current investments, there is now a single amount of \$1.842 billion representing government and semi-government bonds. This compares to a whole series of non-current investments in the prior year, totalling some \$500 million. If you go back two pages to page 25, which perhaps is not in your set, nonetheless we show their current investments totalling some \$318 million. The combination of the two is some \$2 billion.

Recognising that these investments were to be sold, there has been a change in classification from payables and receivables to investments held by AIDC. This, as I understand it, matches the underlying transaction where the financial assets of AIDC Ltd were sold to UBS Warburg in return for a matching investment portfolio of government and semi-government securities. In my opinion, those underlying transactions match the accounting representation in these accounts.

Furthermore, Senator, you also referred to a change in accounting policy. Changes in accounting policy are on pages 15 and 16 of the notes. Without going into too much detail, these changes in accounting policy refer to reclassification of investments from current to non-current, recognising the fact that the intention was for these investments to be sold. The net effect of this change in accounting policy is also disclosed in this note where it states:

... resulting in a credit to the asset revaluation reserve ... of \$25.6 million for the Group.

Accounting standards insist that all changes in accounting policy and the financial impact of changes in accounting policy must be disclosed in the accounts. Given the intention to sell these investments, it would not have been surprising if the auditors had not insisted that this change in accounting policy take place. I note that the accounts have been signed off by the both the ANAO and Ernst and Young without qualifications.

I would finally like to repeat the points made by Mr Alastair Hodgson this morning that the accounts disclosed net equity of \$78 million, up slightly from the previous year of \$76 million, and net cash of \$5 million up for an overdraft of \$0.5 million the previous year. These results would be inconsistent with a loss of \$2 billion.

Senator BRANDIS—Mr Staun, what this amounts to is that when my colleague Senator Conroy accused officers of your department of misleading or lying to this committee, he was plain wrong and owes them an apology.

Mr Staun—These accounts, in my professional judgment, represent a true and fair view of the transactions that occurred at that point in time.

Senator CONROY—Could I just clear up one point before we go any further. It is the second or third time that Senator Brandis has accused me of accusing your departmental officers of lying. I reviewed a tape over lunch and at no stage did I do that, Senator Brandis. The first person who lied was Senator Minchin when he said that I had, I think, called them liars. I did not actually make that statement—after having reviewed the tape. I just wanted to clear that misapprehension up on your behalf because I know that has concerned you.

Senator Minchin—Mr Chairman, just for the record, Senator Conroy did accuse officers at the table of covering up this alleged \$2 billion loss and knowingly covering it up. That amounts to accusing these officers of lying to this committee, of knowingly misrepresenting the actual position. That is to accuse them of lying, and I think he ought to apologise for that.

Senator CONROY—As I said, I am not going to let the minister put words in my mouth that he has uttered himself. I thank Mr Staun because I think he has confirmed everything that we spoke about. I am not sure if you heard all of the two hours or the hour and a half before it erupted into being very noisy.

Mr Staun—I did, yes.

Senator CONROY—But you have confirmed all the points that I made in my statement.

Senator BRANDIS—What! Senator Conroy, that is just not true.

Senator CONROY—Can I finish. Chair, are you going to take control? The only point where we have a disagreement is that you do not want to explain why UBS Warburg injected

\$2 billion into this. I am not disputing the accounts: UBS put \$2 billion in; they plugged a hole. They had a matched portfolio. That was a discussion we had this morning. They put in \$1.8 billion to \$2 billion worth of bonds, so where is the liability that they were matching it against? According to you, there is not a liability. I do appreciate that you have confirmed 90 per cent of the discussion we had this morning.

Dr Watt—I think you are operating under a misapprehension. Mr Heazlett might be able to clear it up. There are two sides to the UBS Warburg transaction.

Senator CONROY—There are always two sides.

Mr Heazlett—UBS Warburg provided a large amount of Commonwealth securities which was the consideration for the financial assets or the receivables that they purchased as part of the transaction. Instead of paying cash to the Commonwealth for the financial receivables of AIDC Ltd, they paid in Commonwealth securities.

Dr Watt—And the net effect of that transaction was zero.

Mr Heazlett—Effectively, zero, yes.

Senator CONROY—We are actually in screaming agreement that they are in balance.

Senator BRANDIS—I am sorry, Dr Watt, what were you about to say?

CHAIR—Perhaps Dr Watt can go first.

Dr Watt—Perhaps I can help a bit more. The AIDC have issued a press release this afternoon which I think I should circulate to members of the committee.

Senator CONROY—Haven't you rounded up UBS Warburg yet? It is on the way, I understand.

Dr Watt—You have an advantage over me, Senator.

Senator BRANDIS—May I suggest that you read it into the record. It is not very long. Otherwise it might not appear in the *Hansard* record of these proceedings.

Dr Watt—This is the press release from AIDC which is signed off by Ian Morison, the chief executive:

It has been reported to us that Senator Conroy has alleged in Senate Estimates today that the Corporation has hidden losses of the order of \$2 billion following the privatisation of its operating subsidiary AIDC Ltd, in 1997/1998.

It is understood that Senator Conroy has alleged that a change in accounting policy may have caused this position. The change in accounting policy ... was made by the Corporation to reflect the expected sale of the residual investments of the Corporation following the privatisation. The Corporation's accounting policy was determined by the Board in accordance with applicable accounting standards following recommendations by the Corporation's accountants and endorsed by the joint auditors, Ernst & Young and the ANAO.

Senator CONROY—Did the—

Senator BRANDIS—Let Dr Watt finish!

Dr Watt—Can I finish:

The Corporation has no hidden losses and its Accounts are subject to annual audit by Ernst & Young and the ANAO. For all years the Accounts of the Corporation have received a clear audit sign off.

The Corporation believes that there must have been a misreading of the Accounts by the Senator.

We are happy to—at least I am happy to recommend to my minister, if he is happy to agree—approach the Auditor-General in relation to this issue, as Senator Murray mentioned this

morning, and make sure that he is happy with the accounting arrangements under which AIDC has operated since 1998-99 and that there are no undisclosed losses of the order of \$2 billion. We are happy to undertake to have that done as quickly as possible, although I imagine it will not be the highest thing on the Auditor-General's mind.

CHAIR—Thank you, Dr Watt.

Senator CONROY—We are not arguing about whether they meet an accounting standard. We have never contended that. We are contending the accounting choice to go down this path was because by amortising it you do not have to take the direct hit. We are not disputing the point Mr Staun and the board are making. We are not disputing the board considered a change in policy. They had a bloody good reason to change the policy. They would have had to put it on their bottom line. They have amortised their loss. That is the point. That is actually what they have done.

Senator BRANDIS—We are waiting for the question.

Senator CONROY—When everybody else gets to make a statement?

Senator Minchin—Senator Conroy is persisting with the accusation that there is some \$2 billion loss that is being covered up, and we are going to extraordinary lengths to show that that is completely fallacious. If he persists in this nonsensical assertion, we are going to go nowhere, because it is obvious that is not the case. We cannot do much more than reveal all that we have. There is no foundation for this.

CHAIR—You are right, Minister, we are going round in circles.

Senator CONROY—This government is still trying to justify a loss of money on foreign payments—

Senator BRANDIS—Don't make political speeches, Senator Conroy.

Senator CONROY—You are still trying to deny that that loss has taken place. Now what you are doing—

CHAIR—Senator Conroy, that is enough. Order! Dr Watt, did you have anything else to add?

Dr Watt—We remain puzzled. We are happy to go back to the AIDC and check, but we are not aware of any losses to be written down.

Senator BRANDIS—The problem is that Senator Conroy does not understand the question he is asking, and he certainly does not understand the answer he is getting.

CHAIR—Senator Conroy, perhaps we can move on.

Senator CONROY—Was that a statement or a question, Senator Brandis? You object to me making a statement but you do not mind making one yourself.

CHAIR—We are going round in circles here. Dr Watt has made the offer of the Auditor-General. It is a fair offer and we can probably move on now.

Senator CONROY—Can you explain, in relation to the 2002 annual report—although you might not have it handy—what ongoing activities AIDC performs.

Mr Pahlow—The ongoing activities of the Australian Industry Development Corporation relate mainly to the management of that cash matching portfolio and associated transactions.

Senator CONROY—'Matching portfolio'—I think those are the key words. What is the \$126 million charge for ongoing activities related to?

Mr Pahlow—I am not aware of that.

Senator CONROY—How much borrowing would one have to do to have an interest charge of \$126 million?

CHAIR—I am not following you.

Senator CONROY—It is in the 2002 accounts.

Mr Heazlett—There is a specific transaction that AIDC Ltd entered into prior to sale that was covered by a Commonwealth guarantee, and it relates to that. I would have to provide the details of that on notice, rather than trying to recall them.

Senator CONROY—I refer to page 47 of the document you have given me. Can you explain why amounts due to the corporation declined from \$3.2 billion to \$780 million? What is that movement? How do you explain that?

Mr Staun—That is correct. These financial assets, which consisted of promissory notes and amounts owed by customers, were in fact matched off by investments being Commonwealth bonds. These are payables, and in the other you have investments; they are classified differently.

Mr Heazlett—The \$3.2 billion is money that was receivable by the corporation. It was in fact receivable from AIDC Ltd. During that financial year, 1997-98, AIDC Ltd was sold, and the receivable was changed from being a receivable from another entity to an investment in Commonwealth securities, which Mr Staun has outlined previously.

Senator CONROY—Why aren't those new assets moneys due to the corporation?

Mr Staun—They are classified as investments.

Dr Watt—They are due to the corporation. The answer is that they have been moved to the classification investment rather than moneys due. There is a flow of funds in future for this investment.

Senator BRANDIS—It is a bit sad that the Labor Party's finance spokesman cannot read a balance sheet.

Senator CONROY—Please do not embarrass yourself any further, Senator Brandis.

Senator Minchin—Nor can he read the note explaining this at the bottom of those accounts.

Dr Watt—We are happy to pursue this matter further in any respect, if you want us to.

Senator CONROY—We are going to pursue it further, I promise you. Unfortunately, I have a four o'clock deadline and I still have a heap of stuff to keep going through; but I promise you we will be pursuing this further. Before I move on, I asked before about the \$124 million debt servicing figure. You said that you did not know what it was for. It was for a particular transaction?

Mr Heazlett—I think it relates to a specific transaction.

Senator CONROY—If it is a five per cent interest rate on \$124 million, that works out, funnily enough, to about a figure of \$2 billion. What have they borrowed \$2 billion for?

Mr Heazlett—As I understand the transaction—

Senator CONROY—That is paid every year; it is an annual figure.

Mr Heazlett—No, the \$124 million relates to a contingent liability of the corporation.

Mr Staun—From the Department of Finance and Administration's perspective, we have the ASA, which is a shareholding in AIDC in our accounts at \$97 million. There is a contingent liability recorded. In our accounts we have not quantified it and it is considered remote. It is a potential liability if, for instance, as was raised this morning, the Commonwealth went broke. The bonds could not be used to pay off these assets as they mature.

Dr Watt—And if Warburg Dillon Read also are insolvent.

Mr Staun—That is a remote contingency. That is how it is recorded in our financial statements. That is the sum total of it.

Dr Watt—I am happy to check the source of the \$124 million and come back to you during the afternoon.

CHAIR—Dr Watt, that is generous of you—

Senator CONROY—Who is receiving the \$124 million annually?

Mr Heazlett—The figure that I am thinking of relates to a contingent liability that is disclosed in the 2002 annual report of the corporation, and it is described there as a paper bond limited. It is a contingent liability that, according to my recollection, if certain payments are not made by another entity, AIDC had guaranteed that payment. It is a credit advancement.

Senator CONROY—Who were they paying it to?

Dr Watt—I appreciate Mr Heazlett's recollection, but I do not think we should push it any further. I would like to have it checked and come back to you.

Senator Minchin—Mr Chairman, it is worth making the point that this company—

Senator CONROY—How can you pay interest on a contingent liability—

CHAIR—Senator Conroy. The minister would like to speak.

Senator Minchin—I want to make the point that this is a company which operated as a government owned investment bank. It did so throughout the period that Labor were in government, for 13 years. They actually tried to sell it and failed; we succeeded in selling it, because the government should not run an investment bank. But the bank borrowed billions of dollars, as it did for 13 years under Labor, and then lent out billions of dollars while in operation as a merchant bank. The government should not have been in that business. We got the government out of it. Labor tried to get out of it and failed. Now we have to manage the residual from that. It is ridiculous for Senator Conroy to display to this committee his ignorance of these facts.

Senator CONROY—With all the accounting expertise over there, I just wonder if you can explain how you pay interest on a liability that is contingent. Bugged if I know!

Senator Minchin—It is unreasonable for Senator Conroy to push on these things when he knows these were decisions made by the company, albeit owned by the government and previously by the Labor government, at the time. We will get that information, but there is no point in pressing us on matters that we cannot be expected to know the details of.

CHAIR—I think we are coming towards the end of the road here. We will come back to this issue.

Senator CONROY—I am actually trying to move on; I accept that.

CHAIR—I know that. You have the call.

Senator CONROY—I was just asking how you can pay interest on a liability that is contingent.

Dr Watt—And I would like to respond to that by saying that the Department of Finance and Administration is not paying interest; it is a contingent liability.

Senator CONROY—I have asked who AIDC are paying it to, and you do not know.

Mr Heazlett—We will need to check.

Senator CONROY—A contingent liability by definition is one that has not materialised. So who is getting paid and what for? On a five per cent interest rate, it is about \$2 billion. That is a hell of a lot of money.

Mr Heazlett—To ensure that you get an accurate response, we will need to check it and provide you with the appropriate details from the corporation.

Senator CONROY—To be fair, the minister was pretty confident in his press release earlier that it was not a loss.

CHAIR—Senator Conroy, we are not going to—

Senator BRANDIS—It is obviously not a loss.

Senator CONROY—They owe somebody \$2 billion.

Senator BRANDIS—It is a contingent liability against the—

Senator CONROY—It is not. You do not pay interest on a contingent liability, George. You were a lawyer.

Senator BRANDIS—You have heard the evidence. It is a contingent liability on the contingency of a failure of the Commonwealth to meet its bonds.

Senator CONROY—No, the AIDC are paying interest. By definition, that cannot be a contingent liability for the AIDC, I am sorry.

CHAIR—Senator Conroy, I think perhaps you should move on. This is going round and round in circles. Dr Watt is taking the questions on notice.

Senator BRANDIS—It is repetition, Mr Chairman.

Dr Watt—I think it is important to emphasise that this is a completely separate transaction, as I understand it, from the transaction that we have been talking about with UBS Warburg.

Senator CONROY—It is a \$2 billion transaction. They owe money on a \$2 billion loan. They are paying interest on a loan.

Mr Heazlett—My understanding is that, if we are talking about the same thing, which is the \$125 million contingent liability in AIDC—

Senator CONROY—No, I am talking about the outgoing costs in the 2002 AIDC account, which is \$124 million a year. If you assume a five per cent interest rate, that is a \$2 billion loan which the AIDC are paying \$124 million on each year. It is there in black and white—it is not contingent. Who is getting that money and why? This is a shell company that you are trying to close down. Five per cent gives you \$2 billion.

Dr Watt—We will check with the AIDC, but I think it is important to recognise that there are two sides to the transaction. This is a matched transaction, if this is the one that you are talking about. This is the \$114.587 million in interest receivables. Is that the one you are talking about?

Senator CONROY—No, I am talking about operational activities. I do not have it in front of me.

Dr Watt—So there is \$114.587 million of interest receivables and \$114.202 million in borrowing costs. It is a matched transaction. There are payments on both sides of the transaction which net out to virtually zero. It is a matched transaction.

Senator CONROY—You seem to be remarkably well informed on it. Who is it to? Who is it with?

Dr Watt—No, I am not well informed; all I am doing is looking at the annual report for 2001-02. It is the statement of financial performance for the period—

Senator CONROY—Is the interest being paid to UBS?

Dr Watt—No.

Senator CONROY—Than who is it to? How can you know that the answer is no when you have said that you will find out?

Dr Watt—We will check the nature of the transaction but, on the basis of this, you have a revenue of \$114.6 million matched against a borrowing expense, which is an interest revenue, of \$114.2 million. The nature of this transaction is that of a matched pool of assets. You would expect the interest payments to match roughly. That is what it looks like they are doing. I will have this confirmed for you before four o'clock. I will also check on the other transaction, which, as far as I understand it, has nothing to do with this particular arrangement.

Senator CONROY—Can you see if the UBS contract is available?

Dr Watt—We are willing to look at that. You asked for that earlier on and I noted that. I would also note—and I think I am right in saying this—that there are some commercial sensitivities. We may have to look at what we can and cannot release. I would also note that I believe the extent of the UBS total fee for this transaction to be of the order of \$7 million, which is hardly commensurate with the sorts of numbers that are being talked about for interest borrowings and so forth. But we will look at that and try to get back to you at four o'clock.

Senator CONROY—Thank you. I would like to discuss the table entitled 'Schedule of commitments by sector' on page 71 of the consolidated financial statements for 2002.

Dr Watt—Before we start, we have a couple of answers. One thing that was taken on notice before lunch was a question from Senator Sherry about effect on underlying cash. We have an answer for him. I appreciate that he is not here.

Senator CONROY—Would you like to put it on the record?

Dr Watt—Yes, then we will not have to come back.

Mr Painton—A question was asked before lunch about the underlying cash impact of closing the PSS and allowing choice for public servants. In the 2002-03 MYEFO estimates, the total negative underlying cash balance impact from implementing that policy from 1 July 2004 is minus \$220 million in 2004-05 and minus \$260 million in 2005-06. While 2006-07 is outside the period covered by the MYEFO estimates, the comparable figure for 2006-07 would be minus \$300 million.

CHAIR—Thank you.

Dr Watt—There was also a question about some debt issues. On the two-headline debt issues, we do have an answer for you—we are trying to get a formal reconciliation done and

we will have answers for you before four o'clock. You were also looking at changes between assets and liabilities between 1996 and now in the consolidated financial statements. That is going to take us a bit longer, because it is a major exercise. But we will take that on notice and endeavour to answer it as quickly as we can.

Senator CONROY—Thank you. Under 'Capital commitments', line item 'Infrastructure, plant and equipment', can I confirm that expenditure by the general government in this area was \$115 million in 2002? Is that a correct read?

Mr Kerwin—This particular table is not a table of expenditure or expenses; it is a table of commitments. These are expectations or contracts that might be in place that would point sufficiently for them to be able to be measured and therefore reported as commitments, but they have not yet been incurred.

Dr Watt—Do we know what triggers a commitment, Mr Kerwin?

Mr Kauffmann—It is an intention to spend public money.

Dr Watt—An intention to spend, rather than actual expenditure and that can have a very long lead time.

Senator CONROY—I refer to the corresponding table in the consolidated financial statements of 1996 on page 25. This shows that spending on infrastructure, plant and equipment by the general government in this area was \$1.286 billion in 1996.

Dr Watt—You have an advantage over us; we do not have the 1996 numbers, but again, if it is a reconciliation you are looking for, we are happy to take that on notice and inform you what the difference is.

Senator CONROY—Minister, I am wondering whether you can explain why infrastructure spending seemed to fall by \$1.17 billion or about 90 per cent between 1996 and 2002. I appreciate that one of them is an intention and one was a figure. Presumably, that means it was—

Senator Minchin—I do not have those figures in front of me, Senator Conroy. I cannot give you an explanation on the run. I will get you one, if you like.

Senator CONROY—Yes, if you could take that on notice.

Senator Minchin—Yes, I am happy to.

Senator CONROY—Under 'Other commitments' on the same table, page 25 of the consolidated financial statements, there is a line item 'Operation leases non-cancellable'. Can you confirm that operating leases totalled \$7.5 billion in 2002?

Dr Watt—What was the page again?

Senator CONROY—Page 25.

Dr Watt—It is page 71, 'Operating leases, general government sector, \$7.5 billion' in 2002. This is on the schedule by sector—

Senator CONROY—I will take your word for it. We agree on the figure, if not the page. I now refer to the corresponding table in the consolidated financial statements, 1996, page 25—again, I may have you at a disadvantage. This shows that operational leases by the general government were \$2.779 billion in 1996. I am wondering, Minister, whether you can explain the rationale behind operating lease commitments increasing by \$4.7 billion or 270 per cent between 1996 and 2002?

Senator Minchin—We will take that on notice.

Senator CONROY—It looks in those figures—and I accept the definitional issue that was made—that infrastructure investments have been cut by about 90 per cent but lease commitments have gone up by about 270 per cent.

Senator Minchin—We will get you an answer.

Senator CONROY—It looks like, ‘We sold the house and we’re just renting now.’ I would like to discuss the answers to questions taken on notice at the last estimates hearings in November regarding rephasing, specifically answers F30 and F31 which have been provided to us.

Dr Watt—Are we moving to outcome 1, Senator?

Senator CONROY—Yes. My apologies—I have now jumped.

Dr Watt—Do you wish to stay with outcome 1?

Senator CONROY—I have questions on rephasing, special public moneys, audit of the final budget outcome and defence deployments.

Dr Watt—Why don’t we do the rephasing now then? It is easy enough.

Senator CONROY—I am sorry if I have jumped around there a little. I just want to talk about the definition of rephasing again—I know that we talked about that at some length last time. I just want to clarify my definition of rephasing. Does rephasing mean that the government commits to make certain expenditures on certain administered programs but these expenditures can be delayed until the subsequent year or years?

Mr Flavel—That sounds about right, except that when you say ‘can be delayed’ it is more likely that they are delayed for other particular reasons.

Dr Watt—I think the point about rephasing—

Senator CONROY—I was not trying to put a reason down; I was just saying that that is the process that occurs.

Dr Watt—Often rephasing acknowledges the *fait accompli* of delay rather than being the cause of delay.

Senator CONROY—I was not suggesting that it was the cause; I was just saying that that is how it actually happens. Can you please explain the table in the answers F30 and F31 to questions taken on notice at the previous supplementary estimates? For example, does the first line mean that \$30.402 million of expenditure originally appropriated to outcome 1 for Agriculture, Fisheries and Forestry Australia in 2000-01 was shifted to 2001-02?

Mr Flavel—That is correct. In effect, the appropriation for 2001-02 was incorrect by \$30.4 million.

Senator CONROY—So it moved from one year it was originally appropriated for to the next year?

Mr Flavel—Effectively, yes.

Senator CONROY—My calculations show that a total of \$286.7 million was rephased from 2000-01 to 2001-02. Is that correct? I think that is a summary of rephasing.

Mr Flavel—If you are getting that by adding both the budget and the additional estimates figures, then that is correct.

Senator CONROY—My calculations also show that a total of \$633.8 million was rephased from 2001-02 to 2002-03. Is that correct?

Mr Flavel—Again, if it adding those numbers, it is correct.

Senator CONROY—I do not think I am trying to mislead you there. I think that is from those figures. Are these figures on a cash or an accrual basis?

Mr Flavel—They are on an accrual basis.

Senator CONROY—What was the fiscal balance in 2001-02?

Mr Bowen—The final budget outcome was a deficit of \$3.7 billion.

Senator CONROY—So if the \$634 million of expenditure for 2001-02 had not be rephased to 2002-03 then the budget deficit would have been \$4.6 billion in 2001-02?

Mr Bowen—I think that is the arithmetic. I would like to add to that answer. It depends of course on whether the funds would actually have been spent in 2001-02. If in fact the appropriations were going to be underspent—as can happen and as often underlies a rephasing, and it can be for very good reasons—then, while the arithmetic is correct, it would not have had that effect because the funds would not have been spent.

Dr Watt—What Mr Bowen is saying is that much of the expenditure which was rephased into the following financial year would not have occurred in 2001-02 anyway—probably all of it would not have occurred.

Senator CONROY—I would like to ask about how parliament is informed about rephasing. Your answer to the question on notice states:

Funding for rephased programmes is appropriated in the relevant Budget or Additional Estimates bills, which are subject to passage by the Parliament.

I note that DOFA have identified total rephasings in their additional estimates statement on page 26. Is this a new table? It is an excellent development if it is.

Mr Flavel—You are referring to the portfolio additional estimates statement for the Department of Finance and Administration?

Senator CONROY—Yes. That table is a very welcome development for keeping track of what all the rest of those departments are up to.

Mr Bowen—Which table are you referring to?

Senator CONROY—It is on page 26 in part C under the heading ‘Summary of agency savings’ and lists movement of funding between years. It says:

Outcome 2

The saving is due to the rephasing ...

Mr Flavel—I will have somebody check whether it was in the guidance. As you know, Senator, the portfolio budget statements are subject to a set of guidance, and agencies are all free to amend that as necessary. In the case of additional estimates, two bills are introduced—additional appropriation acts 3 and 4—but also a summary of expected savings. I expect that that table is to assist the reader with the statement of savings that is introduced at the same time as the additional estimates bills.

Dr Watt—We will have the right person here in a few minutes to answer this.

Senator CONROY—As I said, it is a welcome development. I just wanted to put that on the record. It is a good change. Will this table be provided in all DOFA budget estimates statements?

Dr Watt—If you are referring to the portfolio budget statements of the Department of Finance and Administration, I see no reason why it would not be.

Senator CONROY—Will it be provided in all other agency budget estimates statements? You are taking the lead as always. Is it one that has been adopted? Have you convinced everyone else to do it for us yet?

Mr Bowen—We are checking to see whether the guidance requires that of agencies in general. We will be able to answer that

Senator CONROY—You have established best practice. I am just hoping everyone else is going to follow suit.

Mr Bowen—We see no reason for not doing it, I would have to acknowledge that; but we will be able to check that shortly.

Senator CONROY—I note that DOFA has provided information on which program expenditure has been rephased. I would like to ask you about the approval process for rephasing. Your answer to a question on notice states:

Finance has no authority to approve requests to rephase expenditure programmes.
When was DOFA's authority to approve requests to rephase revoked?

Dr Watt—I think we have been through this one before. I thought we encountered this at the last estimates hearing. At the time you cited some material on our web site which I think we agreed was incorrect. I hope it has been removed from the web site.

Mr Flavel—I am assured by one of my staff that it has been.

Dr Watt—These are matters for ministers and cabinet.

Senator CONROY—Your statement in answer to a question on notice says:
Finance has no authority to approve requests to rephase expenditure programmes.

Dr Watt—That is right.

Senator CONROY—Are you saying you never had authority; it was just a mistake on your web site?

Mr Bowen—We can check, but certainly to our memory we have not had that authority. The minister takes rephasings to cabinet for subsequent insertion into the appropriation bills.

Dr Watt—That is not to say that at some stage in the dim distant past DOFA was the responsible authority. But, as we have said, it is not the recollection of those currently involved.

Senator CONROY—I have got something off your web site from 15 November 2002, which is probably around the time we were last talking about this.

Mr Bowen—It may be some dated material.

Senator CONROY—The point I am trying to get to is that it may be dated, but I am presuming, unless it was wrong, that you still have the power unless there has been some change.

Mr Bowen—No.

Senator CONROY—I am trying to ascertain what the change was. Are you saying that it was not that the web site was outdated but that the web site was wrong, that there had been an update but it was just wrong?

Dr Watt—We think the web site was wrong—certainly in our recollection over the last seven years. It is not the only mistake that has been on our web site that has been corrected.

Senator CONROY—I would like to ask about special public moneys held outside the official public account.

Mr Bowen—Maybe we can clarify one issue now. On the page 26 table in Finance's own portfolio additional estimates, we are advised that this is an initiative within the Finance and Administration portfolio. It is not something that is in the broader guidance at this point in time—

Senator CONROY—How disappointing!

Mr Bowen—but you may well find it in the broader guidance before too long.

Senator CONROY—Who is in charge of the broader guidance?

Mr Bowen—Finance is. We are continually—

Senator CONROY—Updating it?

Mr Bowen—improving that, and we will continue to do that. We will pick up best practice as we find it.

Senator CONROY—Can I encourage you to take up your best practice initiative and put it into the guidance for everybody else?

Dr Watt—Special public moneys?

Senator CONROY—Yes. I do not want to place Mr McPhee in a difficult position. I was going to be asking questions about an Auditor-General's report; I am not sure whether or not you worked on it, Mr McPhee. I do not know whether you were planning on answering any questions—

Dr Watt—I think we can finesse that one.

Senator CONROY—Excellent. I just would not want you to get caught.

CHAIR—We will see how we go.

Senator CONROY—I would like to ask about the special public moneys held outside the official public account as detailed in note 41 on page 147 of the consolidated financial statements. That note explains that special public moneys are moneys that are not held on behalf of the Commonwealth. Is that right?

Mr Hutson—That is correct.

Senator CONROY—That is getting a bit closer for you there. The table shows that at the end of 2002 total special public moneys held by the Commonwealth amounted to \$204 million. Is that correct?

Mr Kauffmann—Correct.

Senator CONROY—The table shows that at the end of 2001 total special public moneys held by the Commonwealth amounted to \$170 million. Is that correct?

Mr Kauffmann—Correct.

Senator CONROY—I would like to ask about Auditor-General's report No. 18, 2002-03 entitled *Management of trust monies*. Are you familiar with that one, Mr Kauffmann?

Mr Kauffmann—I think we might have—

Dr Watt—a further officer who had worked on the response to that report.

Senator CONROY—The more the merrier. On page 9, the document states:

Trust money held by the Commonwealth is ‘special public money’ for the purposes of the *Financial Management and Accountability Act 1997* ... Special public money is defined in section 16(4) of the FMA Act as public money that is not held on account of the Commonwealth or for the use or benefit of the Commonwealth.

The report goes on to say:

The Commonwealth reported almost \$500 million as being held in trust as at 30 June 2001.

Could you explain why the consolidated financial statements show \$170 million being held in trust by the Commonwealth on 30 June 2001 while the Auditor-General showed that almost \$500 million was being held in trust on the same date?

Mr Hutson—As I understand it broadly, the distinction between the items referred to in the Auditor-General’s report and note 41 is that note 41 is not FMA Act agencies and the Auditor-General’s report refers to FMA Act agencies.

Senator CONROY—Could you explain where the other \$330 million not included in the table on page 1.7 is in the report?

Mr Hutson—I would have to take a reconciliation on notice.

Senator CONROY—I am looking for where the difference is accounted for.

Dr Watt—We are happy to look at that. We may be able to get you an answer very quickly.

Senator CONROY—Are you aware that the Auditor-General concluded that where Commonwealth organisations fail to identify moneys as being trust moneys, treating them instead as some other form of public money, the Commonwealth was exposed to a number of other risks, including not acting in accordance with the terms of a legally binding agreement?

Mr Hutson—That is what the Auditor-General found, yes.

Senator CONROY—In your view, can you confirm that all of the \$500 million of trust moneys are being treated as such and not some other form of public money?

Mr Hutson—The Auditor-General found a number of things. He also found that the classification of trust moneys was not an easy thing to undertake. In some cases, the issues were not black and white but a bit grey. There were some good things in the audit report as well as the points that you have made.

Senator CONROY—Can you confirm that the Commonwealth is not and has not been acting illegally in its management of trust moneys?

Mr Hutson—I do not think I can confirm that at all. It seems to be contrary to what the Auditor-General found. I do not know if ‘illegally’ is the right terminology.

Senator CONROY—A breach of the act is normally illegal. I will not ask Mr McPhee.

Mr Hutson—I do not think there is an issue of a breach of the act. That is not the issue. The question is one of correct classification.

Senator CONROY—I want to move to the audit of the final budget outcome. I would like to follow up DOFA’s answer to a question taken on notice, F10, regarding budget honesty.

Dr Watt—We will get you that reconciliation, Senator. You might like to come back to this issue when you have seen the reconciliation. As I said, we are not aware of any illegality. This is something the Auditor-General did. Some aspects of this were considered, if I remember correctly, by the Auditor-General when he said that the amounts involved from, for example, forgone interest from incorrect classifications would be effectively minuscule.

Senator CONROY—I would like to talk about F10 on budget honesty. Are you aware of Audit report No. 25, *Audit of the financial statements of the Commonwealth entities for the period ended June 2002*?

Mr Kerwin—Was that an audit report released around 23 December?

Senator CONROY—I think it was the one just before Christmas. I understand that the report noted that, while the CFS are audited, the FBO report is not currently subject to audit. Can I confirm that this means that the consolidated financial statements produced according to AAS31 accounting standards are audited and that the final budget outcome prepared according to the GFS accounting standards are not audited?

Mr Kerwin—I can confirm that the consolidated statements are audited and that the GFS statements within the final budget outcome are not audited. There are also accounting statements within the final budget outcome as well.

Mr Bowen—I am not sure I quite heard the last of that answer given by Mr Kerwin, but while the final budget outcome as a document is not subject to audit and never has been the agency accounts within that which make up the input to the final budget outcome are in fact subject to full audit.

Senator CONROY—Are they audited under AAS31?

Mr Bowen—Under AAS31, yes.

Senator CONROY—When the government announces a GFS budget surplus or deficit in any given year, is the ANAO required to verify that the number was calculated in accordance with the accounting standards?

Mr Bowen—No.

Senator CONROY—When the government announced an underlying cash deficit of \$1.3 billion in the final budget outcome for 2001-02, did the Audit Office verify that the number was calculated in accordance with accounting standards?

Mr Bowen—No.

Senator CONROY—I understand that the JCPAA recommended in its report 388, *Review of the accrual budget documentation*, that the ANAO should audit the final budget outcome. Is that correct?

Mr Bowen—Yes, it did.

Senator CONROY—I understand that the JCPAA recommendation that the ANAO should audit the final budget outcome was unanimous. You may not be aware of that.

Dr Watt—We are not aware of it, Senator.

Senator CONROY—I think it was unanimous. Senator Murray, you were on that committee at the time. I understand that on page 19 of Audit report No. 25, the ANAO confirmed its willingness to audit the FBO report, if requested to do so, but this matter was a matter for government and parliament to decide. Is that correct?

Mr Bowen—I do not have that in front of me, but I accept what you say if that is an accurate reflection.

Senator CONROY—I understand that, when the new financial framework was introduced under the Financial Management Act, the Audit Act 1901 was repealed. Is that correct?

Dr Watt—Yes, it was.

Senator CONROY—Apologies to the two people sitting at the table: I understand that a letter from Mr McPhee in his previous capacity to Mr Bowen of DOFA, in your current capacity, on 7 January 2003 confirmed that, pursuant to section 50A of the Audit Act, the Auditor-General has a statutory responsibility to audit the aggregate financial statements. Is that correct.

Mr McPhee—I can answer that, having written the letter. That is correct.

Senator CONROY—My questions were written before we knew you would be sitting there. So apologies for the references.

Mr McPhee—That is fine, Senator.

Senator CONROY—I understand that the AFS included the budget outcome and that, according to Mr McPhee's letter to Mr Bowen, the budget outcome information in the AFS was subject to audit by the ANAO. Is that correct?

Mr McPhee—That is correct, Senator Conroy.

Senator CONROY—So, until the Audit Act was repealed, the budget outcome reported in the aggregate financial statement was audited. Is that correct?

Mr McPhee—That is correct. My memory is that the specific legislation did not refer to an audit of the government statement of budget outcome. It was just an audit of the receipts and expenditures of the consolidated revenue fund, trust fund, loan fund and within the aggregate statements prepared by the then minister was included this fairly aggregate table on the budget outcome. It is important that I say that the reason it was put in there was very much to reconcile the transactions of the three then funds to the budget outcome. That linkage was important at that stage.

Dr Watt—It is fair to say that the budget outcome document in those days—just to draw a full stop against Mr McPhee's comments—was a very different document from what it is now.

Mr Bowen—There is also another point to be made here, Senator. Prior to 1994-95, we had August budgets and the final budget outcome was—

Senator CONROY—Because of the shifting of the date of the presentation. I understand that that has caused a secondary document to be created.

Mr Bowen—That is right. Since we have moved to May budgets, we have had a separate final budget outcome document that has not been subject to audit.

Senator CONROY—You have read my mind, as usual, Mr Bowen.

Mr Bowen—I apologise, Senator.

Senator CONROY—Apologies for the repetition. I understand from answer F10 to the question on notice from DOFA that prior to 1994-95 the budget was brought down in August—that is, the end of the financial year—and, hence, the outcome was included in the budget. That confirms what you just said.

Mr Bowen—Yes.

Senator CONROY—And I understand from DOFA's answer that from 1994-95 the budget was brought down in May—that is, before the financial year end—and, hence, the government released a new document called the 'Final Budget Outcome'.

Mr Bowen—Yes.

Senator CONROY—I understand that this new ‘Final Budget Outcome’ document was not audited.

Mr Bowen—No.

Senator CONROY—However, I understand that the budget outcomes contained in the aggregate financial statements continued to be audited until the Audit Act was repealed in 1997. Is that correct?

Mr Bowen—That is correct. Following that time, the aggregate financial statement was succeeded by the consolidated financial statements, on an accrual basis only, and that document continues to be audited. So the aggregate statement, which was a cash based document, and the consolidated financial statements, which replaced it in 1997 under the FMA Act, were both documents that are audited.

Senator CONROY—Apart from the timing—and I note Dr Watt’s comments—was there any difference between the final budget outcome and the budget outcome as contained within the aggregate financial statements? Were they prepared according to the same accounting standards?

Mr Bowen—No. They are very different documents. Prior to 1999-2000—

Senator CONROY—Both were prepared, I think, under the GFS—

Mr Bowen—they were prepared under GFS cash—

Senator CONROY—Both of them?

Mr Bowen—until—

Senator CONROY—But accrual did not come in till 1998.

Mr Bowen—1999-2000, I think was the first—

Senator CONROY—It was passed in 1998—

Mr Bowen—1999-2000 was the first—

Senator CONROY—Up until that point, they were both prepared under GFS cash?

Mr Bowen—Yes.

Senator CONROY—So they were the same document? You keep saying that they are different. I accept that, once you move to accrual, by definition they had to be different, but I am just trying to understand the differences between the two documents when they were both being prepared GFS cash.

Mr Bowen—I think there are three time periods that are relevant. Prior to 1994-95, it was GFS cash and the budget outcome was simply a part of the aggregate financial statements, which were cash based. In 1994-95, with the separation of the final budget outcome document from the aggregate financial statements, it was up until 1999-2000 prepared on a GFS cash basis but as a separate and much more detailed document.

Senator CONROY—But it was not audited after that point.

Mr Bowen—But not audited, and from 1999-2000 onwards, of course, it is the document we know today.

Senator CONROY—I would like to ask about the cost of the new defence deployments announced by the Prime Minister on 10 January 2003. When the Prime Minister announced the deployments at his press conference, he stated:

I mean obviously it will not be cheap but at this stage I'm not going to commit myself to a figure. Obviously work is being done on that, once again on a fairly contingent basis.

Is DOFA preparing cost estimates for the new deployment announced on 12 January 2003?

Dr Watt—We are not really in a position to go into detail of work we do internally on costings or otherwise.

Senator CONROY—I just asked if you were doing it or not.

Dr Watt—It is not appropriate for us to comment on it at this stage.

Senator CONROY—I have not asked for any advice to government. I just asked: are you preparing it, as indicated by the Prime Minister? Is your department responsible for it?

Senator Minchin—Are you talking about the possibility of deployments or those that have—

Senator CONROY—When the Prime Minister announced the deployments at his press conference—so these are the deployments—he stated:

I mean obviously it will not be cheap but at this stage I'm not going to commit myself to a figure. Obviously work is being done on that, once again on a fairly contingent basis.

Are DOFA doing the work referred to by the Prime Minister?

Senator Minchin—All I can say, generally speaking, is that the finance department is responsible for the verification of costings of any government initiatives. When another department takes an initiative there is a costings process entered into. I need to draw a distinction between public commentary on what a deployment in the event of war might cost—which we are not going to comment on: it is hypothetical and it has not occurred et cetera—and the predeployment, which is how we describe it, of certain people and assets that has occurred within current budgetary arrangements involving the Department of Defence.

Senator CONROY—You have far too devious a mind, Senator Minchin. I think if you let me keep going you will find I will largely stay away from some of those issues that you perhaps thought I was going to go to.

CHAIR—Let us see how we go.

Senator Minchin—I have learnt from experience to try to anticipate you, Senator Conroy.

Senator CONROY—So we can confirm that it is DOFA's job, as referred to by the Prime Minister, to do those costings.

Senator Minchin—It is DOFA's job generally within the government.

Senator CONROY—Yes, but you are not being excluded from the work on it at the moment.

Senator Minchin—I am not going to go into any detail, but I am happy to rest with the statement that you have made.

Dr Watt—I think it is important to say, though, that whatever work DOFA did on any costing would be done along with the other responsible departments.

Senator CONROY—Sure. I am going to come to that in a tick. I was just wondering when DOFA were first instructed to prepare cost estimates.

Senator Minchin—We are not commenting on the specifics. We do costings all the time for various government initiatives, and there is no special appropriation that we are discussing here in relation to Defence.

Senator CONROY—I am coming to those issues. I understand that the department cannot go to advise it gives to the government. This is about an instruction given by the government to the department, so none of this secrecy applies. I am asking the department when the government first instructed DOFA to prepare cost estimates. I think the Australian public are entitled to know the answer to that question. It is not a national secret, it does not affect our deployment, and so there are no national security issues here. This is just a matter of fact. When were you first instructed to prepare the costings?

Senator Minchin—It is not so much a matter of anyone being instructed to prepare costings. Finance works with the relevant departments—be it Defence or anybody else—on costings in relation to proposals or initiatives within the government. So it is a matter of working with Defence—

Senator CONROY—When did you first start working on it by yourselves—

Senator Minchin—The initiative comes from Defence, and Defence approach Finance for a costing.

Senator CONROY—I am just seeking clarification of the date.

Senator Minchin—I do not know that it is appropriate to talk about specific dates.

Senator CONROY—You can take it on notice.

Senator Minchin—What is it about in particular? Which predeployment are we talking about? Is it the most recently announced predeployment?

Senator CONROY—I have made reference to the Prime Minister's press conference on 10 January. That is all I am asking about. I accept Senator Minchin's definition of first instruction, but when did DOFA begin their own preparations or when were they approached by another department or agency and became involved in preparing costings? What was the date?

Senator Minchin—We are happy to liaise with Defence to see if there is any reason why a specific date cannot be—

Senator CONROY—You could not imagine that it would be a national secret. There is no national security at issue.

Senator Minchin—I cannot imagine that it would be, but given that the responsibility fundamentally lies with Defence—

Senator CONROY—But I am not asking for when Defence started. I am only asking when DOFA were drawn into the process, either by their own initiative or by a contact from the department. We do not need to check on when Defence started. I have asked when DOFA started.

Dr Watt—Can we come back to you on that shortly?

Senator CONROY—Thank you very much.

Dr Watt—We nevertheless would like to speak to our colleagues in Defence.

Senator CONROY—My next question was to be whether any other agency had been consulted in the preparation of cost estimates, but you have answered that in your last answer, so I will move on. What assumptions is DOFA using in the preparation of cost estimates?

Senator Minchin—I do not know that we are at liberty to comment on that, I am sorry.

Senator CONROY—I will be more specific. I know that Dr Watt has already anticipated and is probably looking forward to this question. Are DOFA and Defence assuming that the deployment will be short term?

Dr Watt—Medium term or long term, Senator!

Senator CONROY—I am sorry I am so predictable!

Senator MURRAY—Can you go over that again? It was a complicated answer.

Senator CONROY—And what is DOFA's definition of 'short term' today?

Senator Minchin—We would really love to help you further—

Senator CONROY—I doubt that. You should not mislead the committee like that, Senator Minchin!

Senator Minchin—These are internal workings of the government. I do not think that it is appropriate for us to go into any detail on that matter. It would not take much to assume that arrangement scenarios have been prepared internally. To the extent that any additional appropriation is required at any point, then obviously that will be a matter for the parliament.

Senator MURRAY—I assume that you will not be using the economists' term 'in the long run', because in the long run we will all be dead!

Senator CONROY—That is very appropriate in this circumstance. We just need something between 'short term' and 'long run'.

Senator Minchin—I understood, Senator Conroy, that you support the predeployment. I want to thank you for your support for that matter inside the shadow cabinet.

Senator CONROY—You should know better than to believe everything you read the newspapers!

Senator Minchin—You do, Senator Conroy, so I am just following in your footsteps!

Senator CONROY—What is the scale of the predeployment?

Senator Minchin—That is a matter for Defence.

Senator CONROY—I am talking about what we have already sent—I specifically said 'predeployment'.

Senator Minchin—Ask Defence—we are not responsible for the predeployment.

Senator CONROY—What is the financial cost of the predeployment?

Senator Minchin—That is a matter for Defence.

Senator CONROY—In consultation with you—you have just said that this is jointly your responsibility.

Senator Minchin—No, Defence work with us on costings, but the responsibility and the funding lie with Defence. You can ask that in Defence estimates.

Dr Watt—I think it is also fair to say that some of the costs of the predeployment—perhaps a very substantial amount—will be absorbed by Defence as part of their ordinary ongoing activities.

Senator CONROY—Substantial?

Dr Watt—I would think so, but I am happy to have that checked.

Senator CONROY—I am terrified to even ask: what is 'substantial'?

Dr Watt—That is not possible to say at this time.

Senator CONROY—We are going to war, but we have no idea—the Department of Finance and Administration has no idea!

Dr Watt—I think you missed the point. The point I was making is that a fair proportion of that predeployment would be absorbed as part of their normal activities.

Senator CONROY—So that is knocked back to zero cost—the zero cost assumption. It must be short term then!

Dr Watt—The predeployment is very short term.

Senator Minchin—I think we all hope that it will be.

Senator CONROY—We all do hope that. What is the scale of the deployment so far compared to the deployment to the Middle East announced prior to last election?

Senator Minchin—Mr Chairman, these are questions for Defence.

CHAIR—Senator Conroy, it is a little outside our purview.

Senator CONROY—These are costing issues.

Senator Minchin—Senator Ray should be asking these questions in Defence estimates.

Senator CONROY—Could I just make the point that these are the costings I am talking about. DOFA were involved in costings before the election. They are involved in costings now. I am just asking how they compare.

Senator Minchin—The responsible ministry is Defence. They obviously seek our assistance in doing the costings, which they are then responsible for handling within the government. It is not our responsibility.

Senator CONROY—Just for the record, last time Dr Watt assured us that, when it came to the costings, they had contacted Defence—

Dr Watt—I think that was the time before last.

Senator CONROY—and the Department of Defence came back fairly quickly and said that they did not know. I am just trying to ensure that you do know what the scale of the costings is.

Dr Watt—I would imagine that that has been discussed between the departments, yes.

Senator CONROY—So if you know—

Dr Watt—I do not personally know, but I am sure—

Senator CONROY—Hopefully someone with us might know. But, if the department does know, is it possible to tell us how it compares with the costings that you did for the deployment to the Middle East prior to election?

Senator Minchin—No, that is not possible. You should pursue that matter with Defence.

Senator CONROY—These are two figures, both of which DOFA has consulted on.

Senator Minchin—You are free to pursue that in Defence estimates.

Senator CONROY—Dr Watt has indicated that DOFA does know. I am just wondering why it is not possible for Dr Watt to answer the question.

Senator Minchin—Obviously because Defence is the responsible entity and the owner of that information.

Dr Watt—It is also fair to say that last time we were talking about an ex post issue. This time we are talking about an ex ante issue.

Senator CONROY—Okay, you have got me on the Latin!

Dr Watt—They are good economist terms, as you well remember, Senator!

Senator CONROY—You have got me on the Latin, so I will just move on. I failed Latin at school. The Prime Minister indicated, as I read in his press conference transcript, that deployment will not be cheap. Can you define ‘not be cheap’? That does not sound short term.

Senator Minchin—Again, we are verging on the hypothetical.

Senator CONROY—It is the Prime Minister that said this.

Senator Minchin—I am assuming that, with regard to deployment, you mean if action were taken. He is not talking about predeployment. We have all said that, if we deploy in the event of warfare, obviously it will not be cheap.

Dr Watt—Again, it is a gross and net issue. It is not clear to me whether the Prime Minister is talking of gross or net.

Senator CONROY—You have already made this point, but I want to make sure I have got it right in my head: can you confirm that Defence will not be able to absorb the costs of these new deployments out of the existing Defence budget? I think you said earlier that they would be able to.

Dr Watt—I think I said there was an issue about the potential absorption. Can I confirm that Defence will be able to absorb or partly absorb? No, at this stage I cannot.

Senator CONROY—You cannot confirm, okay. Will other agencies be required to generate new savings on top of those announced in appropriations bills Nos 3 and 4 to offset new Defence expenditure?

Senator Minchin—The current position is that Defence are absorbing the costs of predeployment.

Senator CONROY—But they are tricky, because you will remember they said that they could do that last time and about 30 days after they signed off saying that they came back with a big appropriation. I am trying to help you out here.

Senator Minchin—Now you are making snide references about the Department of Defence, which I will not be drawn into.

Senator CONROY—They pulled the wool over your department’s eyes last time.

Senator Minchin—If at any stage Defence seek additional appropriation, obviously that will go through the normal procedures. The Prime Minister has made it abundantly clear that, in planning for this budget, our priority is national security and defence and that will be impacted upon by any deployment in which we participate in the event of war. There is not much we can add to that.

Senator CONROY—I asked a similar sort of question last time—and Senator Minchin was quite forthright in his views on what I should do—but I will ask it again: will Defence use its 2001-02 \$835 million stockpile of cash in order to meet the cost of these new Defence deployments? If not, why not? You told me to go and ask Senator Hill last time, Senator Minchin. Are you going to make him spend his little honey pot?

Senator Minchin—I do not know if any Finance officers want to comment on the fact of that cash reserve. The question of whether or not Defence finances its current activities

against that cash reserve is a matter for Defence in consultation with the government. If that were to occur, of course that would be revealed in the outcome for this year.

Senator CONROY—In your view, should they come to you with a begging bowl when they have \$835 million sitting in the bank?

Senator Minchin—Our job, whenever Defence want extra money, is to work with them to find the best ways in which they can finance their current activities without having to make calls on new money. We will work cooperatively with Defence in that endeavour at all times.

Senator CONROY—Senator Hill has indicated that this cash cannot be used to fund new Defence expenditure for technical reasons. Do you have any idea what those technical reasons are?

Senator Minchin—It is true that Defence need what might be regarded by the general community as a fairly significant cash reserve, given the nature of the Department of Defence and their ongoing expenditures of an asset of a recurrent nature. They require government approval for any run down in that cash reserve. I guess that is what Senator Hill is referring to. They just cannot raid it, in other words.

Senator CONROY—Can you confirm that this cash has already been appropriated to Defence and therefore is already reflected in the budget bottom line?

Mr Bowen—The fact of appropriation does not necessarily reflect in the bottom line—in the underlying cash. Let me give you an example: an appropriation for a depreciation expense means that the funds for that will be available now or some time in the future, but the hit to the bottom line is when that cash is actually spent. So it may be reflected in the budget if, in addition to the appropriation, there is a budget entry for the expenditure. But if the cash is simply held and there is no budgeted expenditure or actual expenditure then there is no equivalent hit to the bottom line until such time as that expenditure takes place.

Senator CONROY—Can you confirm then that, if the department were to spend its cash reserves, this would have no impact on the bottom line?

Dr Watt—No, it would be the opposite.

Mr Bowen—When it is spent is when it hits the bottom line.

Dr Watt—It is the incidence of expenditure, not appropriation.

Senator CONROY—So it does hit the bottom line?

Dr Watt—When it is spent.

Senator CONROY—I just wanted to make sure—when it is spent?

Mr Bowen—When it is spent.

Senator CONROY—That was the context in which I asked the question—if it is spent.

Mr Bowen—Yes.

Senator CONROY—Going back to those technical reasons, do you have a rule that the departments have to hold a minimum? I know that there has been some discussion about each department having to hold a certain amount of cash. What are these technical reasons? I appreciate that you are saying they need some money, but what are the technical reasons they could not use this \$835 million?

Mr Bowen—We have not said that that money cannot be used—

Senator CONROY—Senator Hill said it cannot be used.

Mr Bowen—I do not know what Senator Hill has said, but we have not said that money cannot be used. What we have said is that there needs to be an appropriate decision-making process by government before that money can be spent.

Senator CONROY—I am just trying to find the reference from Senator Hill. I have an article here and then I have a blank page.

Senator Minchin—I presume that Senator Hill was making the point that it was not entirely at Defence's discretion to spend that cash reserve. They have to go through certain approval processes internally, that is all.

Senator CONROY—I will try to find the reference from Senator Hill, but I do not have it right at the moment. But page 14 of the Defence additional estimates statements says:

Cash reserves are estimated to increase by \$133m compared with the opening balance of \$835m ...

Further on it says:

Defence has reviewed its requirements for cash reserves and has assessed that a cash balance in the order of \$600m is sufficient to meet its working capital requirements. This includes ... short term liabilities.

Did Defence consult with DOFA before concluding that \$600 million in cash reserves was sufficient?

Mr Bowen—Defence would be able to work out for themselves what they need for their own operations. Agencies are required to keep records of their accrued liabilities for things such as employee entitlements and to ensure that they have the cash to meet those as they fall due as well as meeting their recurrent operating costs every week or fortnight. So they are in the best position to forecast their cash requirements.

Senator CONROY—They have come up with this figure of \$600 million, which they say is sufficient. Why are their cash reserves forecast to increase to almost \$1 billion by financial year end and throughout the forward estimates period? They have just announced it. Last time they were coming down from \$900 million to \$600 million, so why are they coming back up?

Dr Watt—I think that is a question that you would be better off asking Defence.

Senator CONROY—Is this another famous 'Go and ask Senator Hill', Senator Minchin?

Dr Watt—No.

Senator Minchin—Senator Hill is the authority on Defence matters. We are not experts on their daily cash flow requirements. It could be, because they had anticipated contractual payouts that, for one reason or another in terms of any delays that may be occurring, are not occurring when they thought they would, the cash therefore builds up. But it would typically fluctuate a fair bit, I imagine.

Senator CONROY—They have given an estimate of \$600 million. Can you explain why Defence are seeking new appropriations when their cash reserves are already \$235 million above their target of \$600 million, and are projected to be \$368 million above target by the end of the financial year?

Senator Minchin—Which new appropriation are you referring to?

Senator CONROY—You have just indicated that they could be coming forward with some more. We have said that the predeployment might be able to be absorbed, but no-one is seriously talking about the next step if we go the next step. Senator Minchin and Dr Watt, you would not be suggesting that if we actually do get engaged that it would be absorbed.

Senator Minchin—Defence would be expected to seek supplementation—

Senator CONROY—Yes. No-one is arguing that we are going to fight the war.

Senator Minchin—in that hypothetical event. And in examining that question, regard would be had to what the current state of the cash reserve was.

Senator CONROY—I am not asking you to give a figure for it. No-one is realistically saying that it would be re-absorbed. So will you be asking them some of these questions when they come with their cap in hand? Will you be saying, ‘You’re nearly \$400 million above’?

Senator Minchin—I think you could assume that. You should know that.

Senator CONROY—I am just trying to give you a leg up here, Senator Minchin.

Senator Minchin—It is reasonable to assume that, as and when Defence seek additional supplementation, regard is had to the overall state of—

Senator CONROY—Here is a chance to have a go at one of your factional enemies.

Senator Minchin—It is pretty hard to answer questions here, Mr Chairman.

Senator CONROY—I cannot hear your answers because of Senator Brandis.

Senator Minchin—It is reasonable to assume that regard would be had to the current state of Defence’s financial position, including its current cash reserves.

Dr Watt—I think the point that the minister has made is that Defence’s current overall position would be looked at, including cash reserves—not only—and the ability to substitute one form of activity for another.

Senator CONROY—If money is expended before the next round of appropriations at budget time, how will the expenditure be funded? Do you have a view on this, Minister? Will it be via a special account or advances from the finance minister? What will be the mechanism?

Senator Minchin—For doing what? What is the premise of your question?

Senator CONROY—If the money were to be expended—

Senator Minchin—If what money were to be expended?

Senator CONROY—If more money were needed for Defence, how would it be given to them? Will it be through a special account or an advance from you? What will be the mechanism?

Senator Minchin—Rather than getting into a hypothetical and saying—

Senator CONROY—I am just asking what will be the mechanism.

Senator Minchin—how does the government fund urgent calls upon it, whether it be from Defence or from other departments—

Senator CONROY—I am just asking what mechanism you are planning on using.

Mr Bowen—This is purely hypothetical.

Senator CONROY—We are accepting that the war is hypothetical at the moment.

Mr Bowen—I am about to answer your question, but I just want to put on the record that what I am talking about is in the broad. The way you would fund any department for additional money after additional estimates is essentially from their cash reserves, with a possible appropriation the following year to cover that; from the advance to the finance minister, if the funding is sufficient; or from a special appropriation—not a special account

but a special appropriation from parliament under an act of parliament. They are the three ways that, off the top of my head, I can think you could do it—whether that be for Defence, Foreign Affairs or Finance.

Senator CONROY—So you would rule out any chance that a special account could be used in these circumstances.

Mr Bowen—You never rule anything out, Senator, but I really do not see the relevance of a special account in that case.

Dr Watt—I do not believe there is any special account arrangement in Defence's funding base.

Senator CONROY—They have only one outcome. I know you are working on that. I want to talk about page 18 of the Finance AE statements. Does that ring a bell?

Mr Bowen—Yes, it does.

Senator CONROY—Page 18 of the finance AE statements notes an additional \$76.4 million, comprising \$36.4 million expenditure on enhanced budget advisory capacity, \$18 million of current expenditure and \$23.2 million of current expenditure on enhanced budget information systems. How will the money be spent within enhanced capacity and enhanced systems?

Dr Watt—We might get Phillip Prior to answer that, who is just arriving.

Senator MURRAY—This is unusual, Senator Minchin: they are all on your right!

Senator Minchin—That just shows you what a great department it is.

Senator CONROY—There is just no room for the right, Senator Minchin. I was just asking: how will this money that has been indicated there be spent within enhanced capacity and enhanced systems?

Mr Prior—Are you reading from the additional estimates—

Senator CONROY—Additional estimates statements note an additional \$76.4 million, comprising \$36.4 million expenditure on enhanced budget advisory capacity, \$18 million of current expenditure and \$23.2 million of current expenditure on enhanced budget information systems. What is the money for?

Mr Prior—Broadly, it is for additional resources within budget group. In a full year, that would be some 85 additional staff and associated costs and also additional funding for redevelopment and development of the central budgeting system.

Dr Watt—It is important to note, Senator, that Mr Prior's number about additional staff do not all materialise here and now; the numbers grow over a significant period.

Senator CONROY—You do not have enough room, do you? You could not fit 85 people. I thought Treasury had thrown you out of most of the Treasury building and there would not be much room to put in 85 new people.

Dr Watt—It is a slow achievement. We will have to build up.

Senator CONROY—Do you have to fight to get half a floor back from them?

Dr Watt—I do not think there is scope to get anything back from Treasury in the Treasury building.

Senator CONROY—Have they been growing while cutting everybody else back?

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

Senator CONROY—How much did DOFA spend on the systems in preparation for the introduction of accrual accounting in the 1999-2000 budget?

Mr Prior—My understanding—it was before my time but I will try to answer the question from the information I have available—is that Finance spent \$9.6 million original capital cost, plus a total of some \$18.6 million over the last three years for the ongoing operation and maintenance of the system. It is noted that Finance only received depreciation funding of approximately \$4.8 million over that same three-year period. In essence, Finance absorbed the cost of that development.

Senator CONROY—Okay. Can you explain about the impact of changes to the capital use charge on agencies?

Mr Prior—I can.

Dr Watt—Senator, are you finished on—

Senator CONROY—Yes. That was all on that one.

Dr Watt—Can I make one point, Senator. We have talked about additional funding for enhanced capacity of the Department of Finance and Administration outside the systems area. It is important to note that this additional funding roughly matches the amount of money that Finance handed back over and above the efficiency dividend as a result of reductions, particularly in the budget area of the Department of Finance and Administration in the preceding several years. So while we have been given additional money by the government, on a net basis, our position is broadly unchanged.

Mr Prior—In regard to the capital use charge, I am not quite sure what you are asking.

Senator CONROY—My next question is: can you explain the change to the capital use charge on DOFA?

Mr Prior—Can I give you the capital use charge—

Senator CONROY—The general one for everybody.

Mr Prior—The capital use charge was a charge which was applied to agencies but also funded to agencies from the centre. So it had a net zero impact on the bottom line, so to speak. It was money that went to agencies and the money came back. The scheme was intended to encourage agencies to manage their assets more efficiently. Going forward, the capital use charge will be discontinued. The capital use charge will not be appropriate to agencies, nor will it be collected by way of dividend.

Senator CONROY—Page 8 of DOFA's AE statements shows a \$1.4 million increase in appropriations due to adjustments to the capital use charge and economic parameters. What is the breakdown between the capital use charge and the economic parameters?

Dr Watt—The chief financial officer may be able to answer that.

Senator CONROY—I have a note saying 45A.

Mr Staun—I would have to come back to you, Senator, very shortly.

Senator CONROY—Sure. Can you elaborate on the nature of these economic parameters? I am happy for you to come back.

Mr Staun—Certainly.

Dr Watt—There is no mystery; they would be the standard parameters by which the budget estimates are indexed—wage cost index, which is a mix of wage and CPI. We will confirm that.

Senator CONROY—That would be great, thank you. Page 8 of DOFA's AE shows that the Australian Electoral Commission's funding will be reduced due to the revision of the capital use charge for 2002-03, offset by an economic parameter update. What was the breakdown between the capital use charge and the economic parameters in that instance?

Dr Watt—That is one you will have to ask the Electoral Commission.

Senator CONROY—Okay. I was just wondering whether you could explain why the Electoral Commission's funding would be reduced by changes in the capital use charge, while DOFA's would increase.

Dr Watt—The simple answer is—I appreciate this is a simple answer—that it depends upon whether you expect it to gain or reduce the value of your assets over the financial year. That affects your capital use charge values.

Senator CONROY—I am happy for you to take that on notice and give a fuller answer.

Dr Watt—If someone was to ask that of the AEC, you may get an answer on the spot. We can take it on notice and get you an answer, but we would have to go to them for the answer.

Senator CONROY—I think the Australian Electoral Commission may be coming up today, but I am not sure I will be here. So if you are able to come up with an answer, that would be great.

Dr Watt—Mr Prior might have an explanation.

Mr Prior—Can I add something. Previously you asked me the effect to the CUC and I said essentially it was an in and out. At a whole-of-government level, that is the way it falls out. The CUC in itself does not have an impact on the bottom line, but the scheme that was in place was one where agencies were funded their CUC based on their asset position at the beginning of the year and they paid a dividend at the end of the year based on their assets at the end of the year. Given their assets were to move during the year, there would be a differential, if that makes sense to you. What Dr Watt is saying is that it is the way the scheme worked, depending on which way the assets went—either up or down—of an agency during the year. That would give rise to a differential between the amount they appropriated and the dividend they paid.

Senator CONROY—Thank you for that. I would appreciate it if you would take this question on notice. Budget Paper No. 2 for 1996-97 through to Budget Paper No. 2 for 2002-03 contain forward estimates for measures announced in each budget. Could you please confirm (1) whether each measure announced is continuing and (2) the estimated cost of each measure in 2002-03 through to 2005-06?

Dr Watt—Is that all measures in budget paper 1996-97?

Mr Bowen—Which year?

Senator CONROY—Budget Paper No. 2 for 1996-97 through to Budget Paper No. 2 for 2002-03 contain forward estimates measures announced in each budget. Could you please confirm whether each measure announced is continuing? I suspect there may be a bit of work involved there.

Dr Watt—I think there might be a huge amount of work involved in that, if you are asking what I think you are asking.

Senator CONROY—We may need to have a private negotiation after the hearing so we can refine that a bit.

Dr Watt—Perhaps we should, because I really do not think we could do that work even in the medium term.

Senator CONROY—You did not want to prepare this year's budget, did you? You could spend your time doing that for me.

Dr Watt—I am sure we could.

Senator CONROY—I am happy to have a chat with you afterwards about the volume. We might be able to refine it a bit for you.

Dr Watt—Thank you.

Senator CONROY—I would like to examine table 1.2 on page 24 of the Finance AE statements. I note that you now provide the previous year's annual appropriation to allow a comparison. Are you aware that paragraph 2.1.2 of the IMF code of good practices on fiscal transparency 2001 states:

Information comparable to that in the annual budget should be provided for the outturns of the two preceding fiscal years ...

Why are you, and the budget papers in general, providing information for only one preceding year?

Mr Bowen—I think Finance is complying with the whole-of-government guidelines here. On the broader issue, we are happy to have a look it, but it is not something that we have ever done. But we have always given the previous year, as you know.

Dr Watt—I think that the longstanding convention in Commonwealth budgets has been to give the previous year, and only the previous year, but we will check that.

Senator CONROY—Aren't your guidelines based on the code of good practice from the IMF?

Dr Watt—I think you will find that we, by and large, adhere to the codes of good practices and fiscal transparency of both the OECD and the IMF. I think we get it about 90 to 95 per cent right, but we may not be perfect.

Senator CONROY—Are you looking at picking up that particular aspect?

Dr Watt—It is not something that we have focused on, but we will have a look at it.

Mr Flavel—Senator Conroy, you should bear in mind that budget recording is also governed by the Charter of Budget Honesty Act 1998. There is the requirement there for three years of forward estimates and so forth. That is really the authoritative guide for how the budget should be prepared.

Senator CONROY—I note that the definition of 'available appropriation' shown in a footnote to table 1.2 on page 24 of the Finance AE statements has been expanded to include 'rephasings'. 'Available appropriation' is also defined to include DIAB. What is DIAB? It is a new one for me.

Mr McPhee—DIAB is 'Departmental Items—Adjustments and Borrowings'. It is the capacity to utilise funds for purposes that the minister determines.

Dr Watt—For the sake of completeness, if my memory serves me correctly, there has not been a DIAB done during the term of Senator Minchin as Minister for Finance and Administration. It is not something you are going to be confronted with very often.

Senator CONROY—I am hoping he is not creating his own little slush fund. Was there one in the previous minister's?

Mr Bowen—That I am not aware of.

Senator CONROY—You were specific to saying Senator Minchin was a cleanskin.

Dr Watt—I was also reflecting on the contemporaneous start points of our tenure. We are not aware they have been used.

Senator CONROY—The text on page 17 of FAES states:

The total price of Finance's departmental outputs has increased from approximately \$307.0 million at Budget to \$363.1 million at Additional Estimates.

Could you explain that statement in the context of tables 1.2 and 1.3, which shows total appropriations administered and departmental under both bills 3 and 4? For example, between budget and revised 2002-03, it is about \$15 million for bill 3 and about \$18 million for bill 4 or a total of \$33 million. Again, I am just short of the \$56 million. I am not sure if something has slipped through and I have missed it.

Mr Staun—Table 1.1 is a summary of measures. What was the other table?

Senator CONROY—I was talking about tables 1.2 and 1.3. They indicate appropriations of \$15 million and \$18 million. For bills 3 and 4, \$15 million and \$18 million—a total of \$33 million. I am just wondering if I had missed anything.

Mr Staun—Yes, the Comcover revenue, which is non-appropriation. It is an estimates variation only.

Senator CONROY—And that makes up the difference?

Mr Staun—It should go close to it. I have not added it up.

Senator CONROY—Can you explain the mechanism for transferring appropriation moneys across outcomes referred to on page 26, 'Summary of agency savings'?

Mr Staun—It says 'Transfer appropriation monies across outcomes'. This is a budget issue. My understanding is that within the total appropriation we can transfer between outcomes, depending upon changes in circumstances and so on.

Mr Bowen—For departmental you can, but not for administered, though.

Senator CONROY—I would like to ask about table 3.2 on page 30, which shows cash assets of \$308 million for 2002-03, rising to \$480 million in 2005-06. Can you please explain the reason for the high level of departmental cash? Why does DOFA need almost as much as Defence? The Defence budget is 40 times bigger than DOFA's budget—half a billion dollars compared to \$19 billion.

Mr Staun—There are a couple of reasons. Clearly we have three special accounts that you are aware of, Senator: the business services trust account, which currently has a value of some \$30 million; the property group, which is currently around \$100 million; and Comcover, which is currently around the \$100 million mark. The balance is departmental funds. Going forward, the balances are expected to build up, particularly in Comcover, which is necessary to build up its reserves. Also, our current draft budget which we are working on at the moment shows an increase in property reserves. One of the issues that we will be considering as part of these discussions in preparation for the portfolio budget statements is indeed whether we can and should return any cash to the OPA from those special accounts over that period that we have not taken into account at this stage.

Senator CONROY—I was just hoping to give Senator Minchin a leg-up in the old ERC by pointing to Senator Hill having so much money in reserve to find that you guys are just squirreling it away.

Dr Watt—Senator, you are aware, from what we have discussed with you in relation to the budget framework and estimates review, we will be looking at the appropriate level of cash holdings of all departments. We will certainly look at our own.

Senator CONROY—Yours seem particularly high relative to the size of your—

Dr Watt—Some of it relates to particular issues such as Comcover's reserves—and they do need reserves—but we will certainly have a look at it and we will not be squirreling away any cash we do not need, anymore than anyone else will.

Senator CONROY—I want to go back to the issue I was discussing with Mr Bowen a moment ago about transferring appropriation moneys across outcomes, as referred to on page 26 under the heading 'Summary of agency savings'. Could you repeat what you said? I thought you could only transfer within outcomes, not between outcomes.

Mr Bowen—No, at the departmental funding level agencies have had for many years, and still have, flexibility to move funds between outcomes because the appropriations of departmental moneys are only notionally appropriated to outcomes. With administered funds, ministers do not have the discretion to transfer between outcomes. There are processes in place for them to seek approval, but they have to seek the authority of the Prime Minister, the Treasurer and the Minister for Finance and Administration to make those sorts of transfers.

Senator CONROY—I have only got two more questions, but I am happy to put them on notice.

Mr Staun—I have a response to your question on page 8 of the portfolio additional estimates statements about adjustments to and the break-up between the capital use charge and economic parameters. It is \$0.9 million for the capital use charge. The reason for the increase is the inclusion of asset sales. Departmental economic parameters are \$0.1 million, which is strictly CPI, and it is \$0.4 million for administered parameter change.

Senator CONROY—Thank you very much.

CHAIR—Are there any further questions?

Dr Watt—Perhaps we could come back to a couple of issues that were raised during the hearings. We promised we would come back to Senator Conroy on them. The first is to do with the issue of the two different debts Senator Conroy had identified. This is perhaps, Senator Conroy, a precursor to an answer rather than a full answer, and we are happy to give you the full answer on notice. Mr Kerwin can help.

Mr Kerwin—There are two questions to which I have the answers for you, Senator. I firstly want to make a comment on the debt question. People are working on a reconciliation for you at the moment, and the advice that has been given—and what I have been told—is that the answer is quite complicated. From what I am hearing at the moment, I would prefer that it were set out better than it is at the moment. The complications come from the two different conceptual bases and also come from the fact that the whole of government is reporting whole of government while the final budget outcome is reporting a general government sector as well. So there are some complications there, and if we could set it out and take a bit more time it will make more sense.

Senator CONROY—That is fine.

Mr Kerwin—The answers that I do have are in relation to investments, and I think it was to do with page 63 of the consolidated statements and accounting for using the equity method. I am not too sure how you would like to do this. I have got sufficient pages here to be able to circulate those.

Senator CONROY—Yes, that is fine.

Mr Kerwin—I am not sure what level of detail you would like beyond this—

Senator CONROY—I need to have a look at it before I come back and ask you any more questions so that I am able to ask you a sensible question.

Mr Kerwin—The other answer also concerns the ‘investments—other’ issue. There is a list here which I will also circulate. I would like to leave those with you.

Senator CONROY—Yes, and I will come back to you with some questions next time no doubt.

Dr Watt—Perhaps we can go back to the issue of AIDC as we have some more information for you.

Senator CONROY—Excellent.

Dr Watt—In his testimony, Mr Heazlett indicated that there was another receivable relating to the AIDC which was completely separate from the Warburg transaction. It is important that we emphasise that that is completely separate. The Commonwealth budget papers show that there are two contingent liabilities recorded on behalf of the AIDC. The \$127 million is in respect of guarantees and credit facilities. These liabilities are shown at footnote 21 to this year’s AIDC annual report, 30 June 2002, and we are happy to provide you with a copy. The vast bulk of that is in relation to a particular transaction which involved the AIDC underwriting the building of new printing premises. The money was raised from a syndicate of four banks and the AIDC underwrote it.

Senator CONROY—Were they a merchant bank?

Dr Watt—Yes, they were. The agreement expires in 2010, and the AIDC receives about \$500,000 every year it is underwriting support. So the vast bulk of that contingent liability comes from that source, and that is the explanation for that \$125 million. As I understand it, the other two matching interest flows which we have discussed reflect a matched debt in the asset portfolio. They are amounts of \$114.6 million and \$114.2 million. The only difference between those is interest on bank accounts. So they are no more than matched flows of a matched asset and liability portfolio—nothing more. My colleagues can confirm that from their discussions with the AIDC.

Mr Pahlow—That is correct. The only difference between the two flows of \$114,202,000 is an amount of \$365,000 interest received, which is the money received on funds that AIDC holds in its bank account.

Senator CONROY—Just going back to Mr Kerwin, can we get those same two tables for investments for June 1996?

Mr Kerwin—Yes.

Dr Watt—We promised you we would see what we could provide you by way of the Warburg contract, and we will do that.

Senator CONROY—Thank you.

CHAIR—I thank the minister, Dr Watt and officers for their assistance and patience today.

Proceedings suspended from 3.27 p.m. to 3.52 p.m.

PRIME MINISTER AND CABINET PORTFOLIO

Consideration resumed from 10 February.

In Attendance

Senator Abetz, Special Minister of State

Department of the Prime Minister and Cabinet

Executive

Mr Andrew Metcalfe, Executive Coordinator, Government and Corporate

Economic policy advice and coordination

Dr James Horne, First Assistant Secretary, Industry, Infrastructure and Environment

Ms Jenny Goddard, First Assistant Secretary, Economic

Social policy advice and coordination

Ms Rosemary Calder, First Assistant Secretary, Office of the Status of Women

Ms Sandra Parker, Assistant Secretary, Office of the Status of Women

Ms Miranda Pointon, Acting Assistant Secretary, Office of the Status of Women

Ms Francine McAsey, Director, Coordination

Ms Joanna Davidson, First Assistant Secretary, Social Policy

Ms Helen Hambling, Assistant Secretary, Work and Family Taskforce

International policy advice and coordination

Ms Gillian Bird, First Assistant Secretary, International

Support services for government operations

Ms Barbara Belcher, First Assistant Secretary, Government

Mr David Macgill, Assistant Secretary, Legal and Culture

Parliamentary and Government

Ms Barbara Belcher, First Assistant Secretary, Government

Mr David Macgill, Assistant Secretary, Legal and Culture

Mr Paul O'Neill, Assistant Secretary, Awards and National Symbols

Mr Peter Hamburger, Assistant Secretary, Cabinet Secretariat

Mr Greg Williams, First Assistant Secretary, Government Communications

Dr Susan Ball, Assistant Secretary, Information Services

Ms Julie Yeend, Assistant Secretary, Ceremonial and Hospitality

Mr Jamie Fox, Head, National Security Campaign Taskforce

Mr Terry Crane, Acting Assistant Secretary, Corporate Support

Ms Trish Corbell, Acting Senior Adviser, Services and Security

Ms Fiona O'Loughlin, Acting Senior Adviser, Financial Management

Australian Public Service Commission

Mr Andrew Podger, Australian Public Service Commissioner

Ms Lynne Tacy, Deputy Australian Public Service Commissioner

Mr Jeff Lamond, Merit Protection Commissioner

Mr Mike Jones, Group Manager, Corporate Strategy and Support

CHAIR—I welcome back Mr Metcalfe and Minister Abetz. We are continuing the Prime Minister and Cabinet portfolio, Department of the Prime Minister and Cabinet, output 4.

Senator FAULKNER—I thank Mr Metcalfe and the officers of the department for their cooperation with committee scheduling. I know these things are not always easy. I just want to say how much we appreciate you assisting us with rescheduling.

Mr Metcalfe—Thank you, Senator.

Senator FAULKNER—I want to ask a couple of questions which I fear fall mainly in Mr Williams's area in the Government Communications Unit—no doubt you will correct me if that is not the case—although Senator Abetz, in his role as chair of the ministerial council, may care to respond. The first thing I want to ask is in relation to the advertisements that were being conducted for AQIS involving Steve Irwin. I think he is a crocodile hunter—I am not entirely sure whether that is the correct occupational description.

Senator Abetz—I think we know of whom you are talking.

Senator FAULKNER—Yes. Wrestling with crocodiles is not unknown to any of us around this table, I am sure.

Senator Abetz—I do not know what your party room meetings are like. It does not happen in ours.

Senator FAULKNER—I was thinking more of Senate estimates when saying that—not ones that I attend; just ones that were held earlier in the day. My question is: what thought went into the AQIS ads when you have someone fooling around with a crocodile, whether that is an effective way of highlighting quarantine issues? Has there been any thought or assessment of that? Could an officer or the minister help me?

Senator Abetz—The government, in all its information campaigns, tries to communicate in the most effective way possible, as it believes, being provided with departmental and other advice at the time. Sometimes a more light-hearted approach might be appropriate; other times you possibly need a more serious approach. It depends upon what the campaign is like.

Senator FAULKNER—Mr Williams, in the broad, could you quickly describe those AQIS advertisements? How would you describe the role of Steve Irwin in those ads fooling around with a crocodile? I may have been a bit unfair saying 'fooling around with a crocodile'.

Senator Abetz—The advertisements are there for everybody to see. I do not think it is for officials to say how they interpret them. Let us get on with the actual estimates. Greg Williams might think it is a fantastic ad. I will not tell you what my initial impression of them was—different people, different tastes. I do not think it is going to advance the cause.

Senator FAULKNER—I just did not want to be unreasonable in my description, that is all.

Senator Abetz—We know the advertisement you are talking about. So we can proceed on that basis.

Senator FAULKNER—Okay. Given that you know the advertisement I am speaking about, my concern is how this highlights quarantine issues. Can someone explain that to me because it was lost on me a little?

Senator Abetz—The clear point was that a little beetle that fits into a matchbox—if I recall the advertisement correctly—if introduced into Australia can cause great damage to crops et cetera and that Australia has in the past been secure in relation to its environment because of being an island continent, but with people travelling to and from there is the possibility of species, diseases et cetera coming in which could have a huge impact. Therefore, when you are dealing with those sorts of threats to our environment, it does not have to be a big, huge crocodile that is in your face that causes a threat; something as harmless as a little beetle that fits into a matchbox can be just as dangerous, if not more dangerous. In very rough terms, that is the message that is trying to be portrayed by the advertisement.

Senator FAULKNER—I appreciate that explanation. What has been raised with me—and I would be interested in your view—is that there is a very badly mixed message here because crocodiles are a native Australian species and, for an ad for AQIS highlighting quarantine issues, this is a bit of a non sequitur. This has been raised with me.

Senator Abetz—Somebody clearly has far too much time on their hands to examine the advertisements to come up with that sort of interpretation. I think the interpretation is that crocodiles within the Australian environment are seen as the biggest, potentially most dangerous creature that is native to Australia, yet a little beetle that might inadvertently be introduced could do a lot of damage to the Australian environment. It does not have to be big and ugly to cause problems and difficulties for our environment.

Senator FAULKNER—Do you know, Mr Williams, whether there has been or is going to be any assessment at the conclusion of that campaign about its effectiveness?

Mr Williams—My understanding is that the department will undertake a tracking of the campaign to see that it is cutting through, that is, that people are noticing it; and, secondly, that they are taking the message from the campaign that it is designed to project—that quarantine is a serious issue for the environment and for the economy.

Senator FAULKNER—Mr Williams, are you able to let us know how much this particular campaign cost?

Mr Williams—This is a campaign which will run over three years. The budget I have for it is \$7 million.

Senator FAULKNER—Are you able to inform us what component of that campaign was Mr Irwin's fee, if there was a fee?

Mr Williams—I am aware of the fee, but the terms of the arrangement between the department and Mr Irwin are subject to confidentiality. I can take the question on notice and refer it to AFFA for consideration, but I do not feel that I can indicate the fee at this meeting while there is a confidentiality element in the fee.

Senator Abetz—We will take that on notice.

Senator ROBERT RAY—Is that a standard clause?

Mr Williams—I would have to say no, because, as we mentioned yesterday, we had Bill Hunter with Working Nation, we had the Joe Cocker music rights and we have had Steve Liebmann, and those three have essentially been gazetted. I do not understand why this is necessarily commercial-in-confidence, but that is the agreement between the department and Mr Irwin. That agreement was reached between those two entities. My view would be if you wish to follow it up it is probably appropriate to deal with AFFA.

Senator FAULKNER—Have you, or has PM&C, asked the department why this contract was written in this way? I thought you might have done so in advance of these estimates, for example.

Mr Williams—Following yesterday's discussions, I asked my staff to confirm with the department this morning the quantum of the fee. They advised us but they indicated that it was subject to a confidentiality agreement. I indicated that, should the matter come up at estimates this afternoon, I would indicate that and either I could take a question on notice here and refer it to the department for consideration or the question could be directed to the department when that department appears before the estimates.

Senator FAULKNER—Were you able to establish why it was subject—or supposedly subject—to a confidentiality agreement? I am not suggesting that the advice that you got was wrong, but this is public money isn't it?

Mr Williams—Indeed. No—

Senator Abetz—The commercial-in-confidence aspect is not something which is unusual in contracts with government. Mr Williams has said that he will take the question on notice, and we can also take on notice the question on the other aspect as to some of the rationale.

Senator FAULKNER—Are there any other examples you are aware of, Mr Williams, where a personality or a public figure who has been involved in an advertising campaign has had the amount of their fee subject to a confidentiality agreement? I wonder if there are any other examples you can point to.

Mr Williams—As I mentioned yesterday, I was hard-pressed to recall too many celebrity presenters, if I can use that term loosely, that have been used. The only ones that have come to mind have been Bill Hunter, Don Burke, Steve Irwin and Steve Liebmann.

Senator FAULKNER—And none of them were subject to such a confidentiality clause?

Mr Williams—I think I have answered that question. Yes, that is correct.

Senator FAULKNER—Has any thought been given to the appropriateness of where this particular advertisement is being shown? I am not sure that it is only being shown in domestic media outlets in Australia or whether there is some attempt to give coverage on planes coming to Australia and the like. Are you able to help us at all with that, Mr Williams?

Mr Williams—I cannot comment on that specific question except to say this is a multimedia campaign which also has non-media elements to it. There is the print campaign and you will see it in the travel pages for example. It is in a number of the inflight magazines for airlines that deliver significant proportions of passengers. There is a non-English speaking background component to it. I do not have the details. That is an important component because people from non-English speaking backgrounds receive mail from overseas, they travel overseas and they have visitors from overseas; they are an important element of the community. Youth is quite an important component and there are print advertisements in magazines and publications read by young people. Young people tend to be travellers. AQIS are also trying to target frequent travellers in the form of business people and the like, and those advertisements appear in inflight magazines.

Senator Abetz—It would be great if we could advertise in other countries, but the cost of that would be quite substantial.

Senator FAULKNER—If you are going to do quarantine advertisements, the idea of doing it on incoming planes or inflight magazines and the like seems to me—I do not have any professional expertise in this—on the face of it, to be quite sensible.

Senator Abetz—Yes.

Senator FAULKNER—That seems also to be a fairly small proportion of the spend in relation to this campaign. I think that is right, isn't it, Mr Williams?

Mr Williams—I have not gone into the break-up of that \$7.7 million.

Senator FAULKNER—Are you able to do that for us?

Mr Williams—The media plan for the first phase, which is the advertising in print media that has occurred to date, is totalled at just under \$6 million. Not all that money has been

spent because it projects activity in March and April, around Easter, which is another peak time for travelling and the continuation of magazine advertising.

Senator FAULKNER—Is it fair to say a reasonably small proportion of this advertising budget is targeting incoming passengers to Australia, incoming visitors?

Mr Williams—These questions are probably best directed to AFFA. My understanding of the strategy is to target travel agents in overseas countries because they are a point of contact with people proposing to come to Australia and to target the airlines on the way in. I am not sure, and you might have to check with AFFA, but there may be a link with DIMIA when issuing visas. At the time people are issued visas to come into Australia, they are also advised of the quarantine requirements of this country. A lot of the overseas activity is perhaps better targeted to the people who we know are coming.

Again, however, I will preface my remarks by saying that AQIS is probably the best agency to ask, but there is also activity within Australia through travel agents so that when Australians, or people residing in Australia, propose to travel overseas there is information available from travel agents which is not advertising. So, as I have said earlier, it is a multifaceted campaign.

Senator Abetz—Also, the campaign is not only about people travelling. A lot of people from different ethnic origins do tend to send stuff through the mail or via parcels without actually travelling. Those who may be the potential recipients of that sort of product can also be made aware.

Mr Williams—My understanding is that an arrangement is being made with Australia Post so that when Australia Post detects items that are of a prohibited nature an item of correspondence is generated back to the sender overseas saying that they have sent inappropriate items into this country. It is quite a wide spectrum campaign and the Steve Irwin element is basically a consciousness raising thing. Quarantine is a very important issue for this country and you need a high impact television campaign to do that. That is the aim of it.

Senator FAULKNER—We will keep chasing this up, but I would appreciate your taking on notice the amount of money that Mr Irwin was paid.

Mr Williams—Certainly.

Senator FAULKNER—You might point out to the relevant department that in relation to Mr Liebmann, Joe Cocker, Don Burke—

Senator Abetz—Let's not forget Bill Hunter.

Senator FAULKNER—and Bill Hunter those amounts of money have been made public. Thank you for that. What sort of engagement do you have, if any, with the National Australia Day Council in terms of their focus on the Australian of the Year awards ceremony and associated matters?

Mr Metcalfe—I will answer that and Mr Williams will expand if necessary. There is a very limited connection, to the best of my knowledge, in that the GCU may have provided some informal assistance to the National Australia Day Council in relation to the community service announcement that appeared on television during January and in relation to some other radio spots about Australia Day. But I think that is about the limit of the involvement.

Mr Williams—That is correct. The NADC is not a body covered by the MCGC. They had arranged to produce a CSA—community service announcement—television commercial and we assisted them in introducing them to television networks to see whether the television networks would play the particular community service announcement.

Senator FAULKNER—So what are the current arrangements, Mr Metcalfe, of the department in terms of the Australia Day Council?

Mr Metcalfe—I am a director of the council. I was appointed a few months ago, replacing a departmental officer who was promoted to the Attorney-General's Department and who was previously a director. Within the Government Division there is some support on the broad issue of Australia Day, and that is provided within Ms Belcher's division.

Senator FAULKNER—So who now has responsibility for the arrangements in relation to the Australian of the Year awards ceremony?

Mr Metcalfe—Essentially, that is a function of the council secretariat—the director of the National Australia Day Council and his staff, who make arrangements. A contract has been in place between the National Australia Day Council and a company to undertake much of the logistical work associated with functions and the receipt of nominations and so on.

Senator FAULKNER—But where is the secretariat placed?

Mr Metcalfe—It is physically located in Old Parliament House.

Senator FAULKNER—And what about departmental arrangements?

Mr Metcalfe—In terms of portfolio responsibility?

Senator FAULKNER—Yes.

Mr Metcalfe—It is within the Prime Minister's portfolio.

Senator FAULKNER—So it is proper to ask questions about it now.

Mr Metcalfe—That is correct. If we are going to proceed to that area, I will ask Ms Belcher to join us at the table, and we can cover questions in that area.

Senator FAULKNER—I will cover it briefly. Mr Metcalfe, you might be able to assist me in your role as chair.

Mr Metcalfe—I am not the chair; I am a director.

Senator Abetz—Have we finished with the GCU?

Senator FAULKNER—Possibly not. We just want to see how it interrelates here; it will not take long. Where are the decisions made about the format of the awards ceremony for the Australian of the Year?

Mr Metcalfe—Essentially, they are made by the NADC acting on advice from its staff and the company that I referred to earlier.

Senator FAULKNER—To your knowledge, has the format of the awards ceremony been pretty similar over the years?

Mr Metcalfe—Ms Belcher might be able to provide some longer term information. I am relatively new to the topic, but I understand that it is a reasonably similar format. This year, possibly for the first time, the finalists were actually drawn from the state and territory finalists. So, essentially, the council considered people who had been identified by state and territory committees in reaching their decision on the Australian of the Year, the Young Australian of the Year, the Senior Australian of the Year and the Local Hero—all of which were announced in a ceremony in Melbourne on 25 January.

Senator FAULKNER—That is helpful, but I was actually thinking of the ceremony itself and whether the nature of the ceremony has been consistent over the years.

Ms Belcher—Because the function has come relatively recently to the portfolio, I am not sure I can answer your question. This year we had an involvement when the secretariat of the council got in touch with the Prime Minister's office to check that the arrangements they were making would fit in with the Prime Minister's commitments. There was a general discussion of the various aspects of 25 and 26 January but, in relation to the extent to which that differed from previous years, I am sorry but I am not going to be able to help you on that; I will need to take that on notice. Certainly the Local Hero aspect is a new part.

Senator FAULKNER—Is the staging of the ceremony contracted out? I assume it would have to be.

Ms Belcher—Yes. This year Channel 7 had a strong involvement in it.

Senator FAULKNER—In the staging of it?

Ms Belcher—Yes.

Senator FAULKNER—Who does the staging—the lighting, the sound and all that sort of thing—of the award ceremony?

Mr Metcalfe—A lot of the work on that was done by the director and staff of the council secretariat in consultation with Channel 7, which had agreed to telecast the event. We would have to check to be precise, but the company that was involved in the overall management of the process—organising nominations, promotion and whatever—would have had a part in it as well.

Senator FAULKNER—So a staging company of some description was involved. Would you be able to find out what the name of that staging company was?

Ms Belcher—Yes.

Senator FAULKNER—Would you be able to find out about the costs involved?

Mr Metcalfe—Yes. We can certainly do that. Are you focusing on the actual event itself, or are you looking at a one-off?

Senator FAULKNER—I am looking at the ceremony for the Australian of the Year. I appreciate there are other—

Mr Metcalfe—There are processes leading up to it.

Senator FAULKNER—Yes. I am talking about the staging of the award of the Australian of the Year. The Prime Minister has a major role in the ceremony, doesn't he, Ms Belcher?

Ms Belcher—Yes, he announced the winners.

Senator FAULKNER—Were you there?

Ms Belcher—No, I was not. There was one officer from Government Division who assisted the secretariat on the day.

Senator FAULKNER—Is that officer available?

Ms Belcher—Not here in the room, no, but back in the department. I could certainly get information on aspects of the ceremony.

Senator FAULKNER—Thank you for that. There were a number of awards presented. Is it true that, after each presentation, the Prime Minister left the stage and then came onto the stage for the subsequent presentation? Is that how it worked?

Ms Belcher—No-one has described that detail to me.

Senator FAULKNER—I would like to know that level of detail, if I could.

Mr Metcalfe—We can check on that and possibly come back to you in the course of the hearing.

Senator FAULKNER—We could come back to it a bit later.

Senator Abetz—Do a lot of questions flow from that? Can we take that on notice? It does not seem—on the face of it—to be an earth-shattering—

Senator FAULKNER—A question does flow from it. I am very interested to know whether the telecast that was shown on national television accurately reflected the ceremony.

Mr Metcalfe—My understanding was that it was a prerecord, so the extent to which there was editing done, or whatever, may form part of the—

Senator ROBERT RAY—It was introduced as live across Australia, though, wasn't it?

Mr Metcalfe—Presumably the decision to announce that was—

Senator ROBERT RAY—Not by the Prime Minister, I know.

Mr Metcalfe—No, the decision for that was presumably an issue for the channel.

Senator FAULKNER—But it was not live, was it?

Mr Metcalfe—I understand it was prerecorded in the afternoon.

Senator FAULKNER—So it was prerecorded. However it was presented, it was not live; it was prerecorded. Let us cut to the chase: did the relevant television station add in a significant amount of applause to certain individuals who went on and off the stage on a number of occasions?

Senator Abetz—You are not jealous about the amount of applause the Prime Minister got? Really!

Senator FAULKNER—No, I am not jealous at all.

Senator ROBERT RAY—No, because he did not.

Senator FAULKNER—Because he did not get any—that is why.

Senator ROBERT RAY—They put in the canned applause.

Senator FAULKNER—I have been rung up by three people—and they might be wrong—very concerned about this issue.

Senator Abetz—I did not know there were that many factions!

Senator FAULKNER—I have also been told by someone who attended the ceremony—I do not know if it is right or wrong; I want to check it out here—that what was represented on television was very different to what occurred at the actual ceremony. You would agree with me, if you were adding in applause for the Prime Minister as he walked on and off the stage, it would not be appropriate. I want to find out if that is right.

Senator Abetz—It is highly appropriate for the Prime Minister to get applause.

Senator FAULKNER—You would think that. You would probably go along wearing your Centenary Medal.

Mr Metcalfe—I suspect that that level—

Senator Abetz—Another case of envy!

Senator ROBERT RAY—I notice none of your 16 colleagues got one.

Mr Metcalfe—I imagine that that level of technical detail may well be something that the television company itself are the people who—

Senator FAULKNER—I just want to find out whether that is the case. If Ms Belcher can check with—

Senator ROBERT RAY—It is a testament to them, not you.

Senator FAULKNER—I do not know whether it is right or wrong, but I would like to know whether the broadcast that was made was manipulated in that way. That is all.

Mr Metcalfe—To the extent that we can assist, we will, but I do not know if that knowledge is going to be within the knowledge of the department or the NADC. We will take it on notice.

Senator FAULKNER—I bet someone can find out, Mr Metcalfe. My informant may not be right.

Senator BRANDIS—It is good of you to raise these allegations when you are not sure about whether they are true.

Senator FAULKNER—I was not there, you see, just like you, Senator Brandis. Just like you, I did not get an invitation so I was not there.

Senator ROBERT RAY—Be careful; you might!

Senator FAULKNER—And I am not making such an allegation. If I was there and I had seen the live broadcast—mind you, if I was there, I suspect I would not go for a repeat dose—

Senator Abetz—If you were there, it would be difficult to see the live broadcast.

Senator FAULKNER—If I were in that position, I would be more certain. I was not. I am asking a question. If the answer is no, that is fine. This is a suggestion that has been made. Check it out, can you?

Senator Abetz—This is a matter of great moment and needs to be investigated fully, so we will take whatever we can on notice!

Mr Metcalfe—It is not within my ability to ask Channel 7 what they did with the telecast.

Senator FAULKNER—No, but Ms Belcher can try to check with the PM&C officer who was there.

Ms Belcher—We will try to check with the director of the council, because the person who went down from Government Division was assisting with ushering people and so forth. It was not a controlling role, and she may not know.

Senator FAULKNER—Personally—I want to say this and be clear, Senator Abetz—I do not think that the Prime Minister would be so small as to have allowed that to happen. I do not expect that what I have been told is correct, but this is the right place to check it out.

Senator ROBERT RAY—Mr Metcalfe, this National Australia Day Council has had some fiscal problems in the past, hasn't it? I think that a report was done on it.

Mr Metcalfe—Some time ago.

Senator ROBERT RAY—Yes. Is it all shipshape now?

Mr Metcalfe—Certainly we are very concerned that it is. There is a strong and functioning audit committee within the council. The department has a very keen interest in ensuring that the highest possible levels of financial management are being obtained, and so expert staff are retained by the council to provide that level of reassurance.

Senator ROBERT RAY—The reason I ask is that I want to know what sort of note you keep of people who have been appointed to these things and badly mismanage them to make sure they are not reappointed to other boards? You now have a new crew in there, basically, don't you, running the show?

Mr Metcalfe—I do not know what I should say about that. I can talk about the situation now, and that is that strong financial management is an important issue.

Senator ROBERT RAY—I just do not want history repeating itself with some of these individuals.

Senator FAULKNER—Before Mr Williams leaves the table, on a similar matter, there was an Australia Day allegiance advertisement—clearly sponsored by the Victorian Australia Day Committee, I quickly add. It has been suggested to me that that is run as an advertising campaign here in the ACT and elsewhere. Mr Williams, I wondered if you, Ms Belcher or Mr Metcalfe could indicate whether there was any involvement at all by the Commonwealth in what I think is a Victorian Australia Day Committee campaign on Australia Day allegiance. I am assuming there was not, but I want to be clear.

Mr Metcalfe—Certainly there was no financial involvement. I think the NADC was briefed that a particular approach to Australia Day was to be taken by the Victorian organisation. We noted that, but we were focused on the national awards.

Senator FAULKNER—Fair enough. So you noted that campaign but you did not express a view on it?

Mr Metcalfe—I did not express a view.

Senator FAULKNER—And there were no Commonwealth moneys or contribution to it?

Mr Metcalfe—No.

Senator FAULKNER—Thank you. I do not have any further questions for Mr Williams. I do not know if other senators do.

ACTING CHAIR (Senator Murray)—Are there any more questions for the table?

Senator ROBERT RAY—Not for Mr Williams.

Senator BRANDIS—I have some questions for Mr Metcalfe and Mr Crane.

Senator Abetz—But not on GCU or Australia Day?

Senator BRANDIS—No.

ACTING CHAIR—So everyone is happy that Mr Williams can go? Thank you, Mr Williams.

Senator Abetz—Can Ms Belcher go?

Senator ROBERT RAY—No, there might be more questions for her.

Mr Metcalfe—I object to Ms Belcher going, Minister!

Senator ROBERT RAY—That is one of the wisest things you have said here!

Senator BRANDIS—Mr Metcalfe and Mr Crane, yesterday you will recall some questions from opposition senators concerning the cost of refurbishment of the Prime Minister's office in the Commonwealth parliamentary offices in Sydney. What is the usual period between refurbishments of a senator or member's office? How long is the cycle?

Senator ROBERT RAY—They did not do mine in nine years, Senator.

Senator Abetz—But you wouldn't think of yourself as usual, though, would you, Senator?

Senator ROBERT RAY—The moment I left office they upgraded the office in Melbourne. It was habitable.

Mr Metcalfe—The expert advice on that issue will come from Ministerial and Parliamentary Services in the Department of Finance and Administration, who manage the issue of accommodation for senators and members. Our anecdotal advice is that probably within a 10-year period or so, if the senator or member continued to occupied those offices, that fit-out would be in need of substantial renovation.

Senator BRANDIS—How long had it been, about which there was evidence yesterday, since the Prime Minister's Sydney office had been refurbished?

Mr Metcalfe—I think the advice I provided yesterday in response to a question from Senator Faulkner was that the office had not been substantially refurbished since it was first fitted out in 1986, so 17 years.

Senator BRANDIS—It had not been substantially refurbished in 17 years. Remind me how much money was spent on the refurbishment last year of the Prime Minister's Sydney office.

Mr Metcalfe—The current refurbishment was to the order of \$314,000.

Senator BRANDIS—Am I right in understanding that the fit-out in 1986-87, when the office was first fitted out, was of the order of \$6 million?

Mr Metcalfe—I do not have that figure available. You or others may be better informed than I on that point. That is something I would have to check.

Senator BRANDIS—Are either of you gentlemen familiar with the lay-out of the Prime Minister's Sydney office?

Mr Crane—Yes, I am.

Senator BRANDIS—Mr Crane, you will agree with me that it is not simply an office but a fairly extensive suite of offices, waiting rooms, offices for staff and occupies the best part of a floor?

Mr Metcalfe—And it includes a cabinet meeting room, so it is not just the office that the Prime Minister sits in. It is a major office area, which is used by a number of staff on a regular basis and used for cabinet meetings from time to time.

Senator BRANDIS—When we speak of refurbishment of the Prime Minister's office, are we really talking about refurbishing a floor of an inner city building containing a large suite of offices?

Mr Metcalfe—That is correct.

Senator BRANDIS—Does the figure \$314,000 seem particularly high to you to refurbish a suite of offices as extensively as that, which had not been refurbished in 17 years?

Mr Metcalfe—In our view, it does not because we work very hard to achieve good value for money in relation to the refurbishment.

Senator BRANDIS—Are you satisfied you got it with this refurbishment?

Mr Metcalfe—We are very satisfied that it is a job well done. It is appropriate for the office of the Prime Minister, as in the position that the Prime Minister occupies as head of government in an area where he frequently has high-level meetings and receives foreign visitors, and therefore represents very good value for money.

Senator BRANDIS—There have been refurbishments of offices of other senior politicians in the last couple of years, in particular in Melbourne. Are you familiar with that?

Mr Metcalfe—Treasury Place in Melbourne has undergone some refurbishment. I think it was mentioned last night as part of the Centenary of Federation funding arrangements.

Senator BRANDIS—In particular, there was a refurbishment last year, was there not, of Senator Conroy's office in Treasury Place?

Mr Metcalfe—I am not familiar with that, Senator. You would have to ask the Department of Finance and Administration.

Senator ROBERT RAY—He did not have an office there.

Senator BRANDIS—He does now.

Senator ROBERT RAY—They refurbished it, then they moved him in. Be fair.

Mr Crane—I am not familiar with that. I was involved in the refurbishment of 4 Treasury Place, which was concluded in May 2001.

Senator ROBERT RAY—Were you aware that Senator Conroy was not at 4 Treasury Place before the refurbishment?

Mr Metcalfe—We have no knowledge of where Senator Conroy's office is, Senator Ray. Senator Brandis, our responsibility extends to the office accommodation occupied by the Prime Minister and his staff in Sydney and Melbourne, not to other members or senators.

Senator BRANDIS—Mr Crane, if you do not have these figures to hand, perhaps you can take it on notice and confirm for me that the cost of fitting out Senator Conroy's office at 4 Treasury Place last year was \$53,256. Can you confirm that for me?

Mr Metcalfe—We will take that on notice but will refer it to the department of finance.

Senator ROBERT RAY—Do you know whether Senator Conroy had an office at Treasury Place—

Senator BRANDIS—I did say 'fitting out' to allow for your intervention. I do not want to be unfair to the witness.

Senator ROBERT RAY—Senator Brandis, I know what you are trying to do, but I think Senator Conroy is entitled to have an office there.

Senator BRANDIS—I am just trying to work out what the cost was.

Senator ROBERT RAY—They moved him there; he did not have much choice in it.

Mr Metcalfe—I will check.

Senator Abetz—I am sure he would have had some choice.

Senator ROBERT RAY—Not much.

Senator Abetz—What I think it shows is that as soon as you start trying to attack somebody's office renovations somebody else will come out and attack one of your people's office renovations.

Senator ROBERT RAY—No. The PM's office sent a few dorothy dixers around. We are entitled to question them.

Senator Abetz—We do not do any justice to ourselves.

Senator ROBERT RAY—Of course they did—didn't they, George?

Senator BRANDIS—The question I am inviting you to comment on, Mr Metcalfe and Mr Crane, is: does it strike you that the cost of refurbishing the Prime Minister's suite of offices in Sydney at about \$314,000 after it had not been materially refurbished in 17 years and was obviously overdue for a refit and the cost of Senator Conroy's refurbishment or fit-out at the same time at about one-sixth of that—\$53,000-odd—was particularly disproportionate?

Mr Metcalfe—Senator, you would appreciate that I cannot comment on the cost or otherwise of Senator Conroy's office refurbishment. But, as I said before, we regard the expenditure on the Prime Minister's and his staff's suite of offices on a floor in Phillip Street in Sydney to be modest in the circumstances, appropriate and value for money.

Senator BRANDIS—Please understand that I am not suggesting to you that too much money was spent on Senator Conroy's office; I am giving you those figures so that perhaps that might focus the mind of yourselves and others on the relativities and the reasonableness of that which was spent on the Prime Minister's suite.

Senator Abetz—Can I suggest to you that others—yes, I would agree with you—might focus their minds, especially when they write stories. The officials can provide us with the figures and then it is for us, the politicians and the journalists, to make the comparisons. I do not think it would be fair necessarily to invite the officials to make comparisons as to whether in the scheme of things Senator Conroy's fit-out was excessive or not. That is for political commentary.

Senator BRANDIS—I am not asking them to do that. I do not want to be understood to be asking them to do that.

Senator Abetz—Good.

Senator BRANDIS—And nor am I suggesting that, as I said a moment ago, too much money was spent on Senator Conroy's office, but I do want to direct your attention to that particular refurbishment so as to appreciate the relativities between that and the amount of money spent on the Prime Minister's office.

Senator ROBERT RAY—When we get on to the estimates of parliamentary services, no doubt you will be able to tell us the total refurbishments of everyone, won't you, Senator Abetz? You would be able to assist us with that.

Senator Abetz—I do not know what the officials will have with them.

Senator ROBERT RAY—You might let them know that we are going to pursue that now.

Senator Abetz—If they are watching, they can if they have got it and, if not, they can take it on notice.

Senator ROBERT RAY—We will have a long trawl through all refurbishments.

Senator Abetz—Yes, but do not forget where this started. I do not think it is very helpful to anybody.

Senator ROBERT RAY—Don't you? I was just trying to intimidate you from asking questions.

Senator FAULKNER—I was not intending to raise it, but now that Senator Brandis has raised the issue of the Phillip Street refurbishment in such a way I will ask some questions about it now. I certainly had not intended to do so, but I have been provoked. Mr Crane, let us go to the Prime Minister's private office. I am drawing a distinction, because I think we spoke about this yesterday. Senator Brandis of course has made the very telling point that there is

more than just a private individual office for the Prime Minister. There is the cabinet room and a range of other things, isn't there?

Mr Crane—That is correct.

Senator FAULKNER—So no doubt you had notice of this. What proportion of the Prime Minister's total office space in Phillip Street, Sydney is the Prime Minister's private office? You understand what I mean by 'private office', don't you?

Mr Crane—Yes, I do.

Mr Metcalfe—My understanding is that, of the tenancy that we occupy in Phillip Street, the Prime Minister's private office, where he physically sits, takes up 5.67 per cent of the total.

Senator FAULKNER—I assumed it would be something like that. Would you have the figures for Senator Conroy's private office in Treasury Place? I am sure it is a more significant proportion, but would you have those figures available? Let us compare apples with apples.

Mr Metcalfe—We would have to ask the department of finance.

Senator FAULKNER—Of course. But other information seems to have been made available to senators, so I thought you might know that. We will ask them that.

Senator ROBERT RAY—Not by them, though.

Senator FAULKNER—I know that. I know who made it available. The point that is being made here is that, as I understand it, the total refurbishment of Phillip Street—the Prime Minister's private office plus all the other areas, including staff offices, the cabinet and meeting room and so on—has come to a grand total of \$314,000.

Mr Metcalfe—That is correct.

Senator FAULKNER—I was asking yesterday what the refurbishment inside the Prime Minister's private office had cost. Are you, Mr Crane, able to provide a figure for that?

Mr Crane—We can provide you with a figure that we can disaggregate for furniture within the office, but in relation to the proportion of the carpet, the electricals, the lighting and the various other bits that would be much more difficult to calculate. But there is some disaggregation in relation to furniture.

Senator FAULKNER—Would it be reasonable to say that in relation to all those other costs—for example, carpet—5.67 per cent of the carpet cost probably went towards the carpet in the Prime Minister's private office? Does that sound reasonable?

Mr Metcalfe—That sounds about right.

Senator FAULKNER—But you are able to say, in relation to furniture, what is in the Prime Minister's private office?

Mr Metcalfe—We can.

Senator FAULKNER—What is that total figure?

Mr Metcalfe—\$25,635.

Senator FAULKNER—What is the total figure for furniture for the whole office, not just the 5.67 per cent?

Mr Metcalfe—You want the cost of the total furniture across the entire refit?

Senator FAULKNER—Yes.

Mr Metcalfe—I am advised that not all the furniture within the overall floor was replaced. Some remained serviceable—for example, the cabinet table remained serviceable. The figure that exists for new purchases of furniture is \$92,616, but I hasten to add that the actual amount of furniture within the floor is in fact more than that because not everything has been replaced. Where possible, furniture has been recycled or is continuing to be used if it is serviceable.

Senator BRANDIS—That is \$92,616 within the \$314,000?

Mr Metcalfe—That is correct.

Senator FAULKNER—So no doubt someone will work out precisely for me what proportion \$25,635 is of \$92,616. I knew I should have brought a calculator with me, but it seems like it is going to be roughly 27 per cent or 28 per cent of the furniture budget.

Mr Metcalfe—That is why I prefaced my comment by saying that that is not the entire quantum of furniture within the overall office.

Senator FAULKNER—But it is the total quantum of new furniture being purchased?

Mr Metcalfe—That is correct.

Senator BRANDIS—By the way, Mr Metcalfe—I do not want to become too trivial and specific about this—when you speak of furniture, does that include bookshelving? As I recall, the Prime Minister's office in Sydney has extensive, built-in bookshelving around the walls. Is that within furniture or partitioning?

Mr Metcalfe—It did not go to wall treatments; it went to tables and chairs basically.

Senator FAULKNER—Was anything recycled in the Prime Minister's office?

Mr Metcalfe—I understand three chairs were reupholstered.

Senator FAULKNER—And that is included in that figure, is it?

Mr Metcalfe—That is included in that figure. If it was possible to recycle for longer life, that was done.

Senator FAULKNER—Apart from three chairs which have been reupholstered, everything else the Prime Minister has is new. Is that right?

Mr Crane—No, Senator.

Senator FAULKNER—What is the situation?

Mr Crane—His desk, his chair and a number of other smaller items, as I understand it, were not replaced.

Senator FAULKNER—I accept that, Mr Crane, but it does not seem to quite fit with what Mr Metcalfe told me. Are we speaking at cross-purposes here, Mr Metcalfe.

Mr Metcalfe—I am sorry, Senator, I did not catch that.

Senator FAULKNER—What Mr Crane has just said, which I accept—

Mr Metcalfe—It is not inconsistent with what I said. You were asking me whether, of the work that was done, any involved recycling and I said that three chairs were reupholstered, but I did not mean to give the impression that there was not other furniture that had simply remained untouched within that office. There is \$25,000 worth of new furniture.

Senator FAULKNER—I just want to get it right. There is \$25,635 worth of new or refurbished furniture in the Prime Minister's private office in Phillip Street?

Mr Metcalfe—That is correct.

Senator FAULKNER—I am going to be asking on notice the Department of Finance and Administration for some comparative costs in relation to other members and senators, given that Senator Brandis has raised this issue. I flag that just in case—you never know—someone is listening at the department. Mr Crane, those costs of \$25,635 out of \$92,616 is around 27 per cent—no doubt someone will work it out—for the office, taking well over a quarter of the furniture budget for 5.67 per cent of the space. Let us disaggregate, for the benefit of senators, the new moneys that are spent just on furniture alone. I am not going to worry about the carpet, the curtains, the painting or anything else in the Prime Minister's office. It sounds to me as if that is too hard to do. It is probably 5.67 per cent of the total figure. I am not even going to try to do that. You just tell us about the furniture.

Mr Metcalfe—The new furniture?

Senator FAULKNER—The new, already refurbished furniture amounting to \$25,635, and I am only interested in the furniture that is in the Prime Minister's private office.

Mr Metcalfe—Essentially, you want a disaggregation of the \$25,000?

Senator FAULKNER—Yes. If you can, list it out like Mr Bonsey did.

Senator Abetz—We will take that on notice.

Senator FAULKNER—No, Mr Crane has it there.

Senator Abetz—If he has it there, that is fine. I was assuming the officers would not have it.

Senator ROBERT RAY—I think from yesterday there was some—

Senator Abetz—Sorry, I was not here yesterday.

Mr Crane—The breakdown of the new furniture in the Prime Minister's private office is one sofa, two armchairs—

Senator FAULKNER—I want the cost of these individual items, please.

Mr Crane—The individual costings on those items?

Senator FAULKNER—Yes.

Mr Crane—One sofa, \$3,217; two armchairs at a cost of \$1,993 each; two tub chairs at a cost of \$1,146 each.

Senator FAULKNER—Tub chairs are similar to the green chairs—you would not be aware of this—that are in the Prime Minister's office here in Parliament House that match the Chesterfields?

Mr Crane—I could not say that with any certainty. They are more of a visitor's chair that sits in front of the desk. Three chairs were upholstered, and the cost I have for that is \$300, which has been confirmed.

Senator FAULKNER—These are the reupholstered chairs that Mr Metcalfe mentioned?

Mr Crane—That is correct. A television storage cabinet at a cost of \$4,472; a side return and briefcase table at \$3,452; a newspaper stand at \$4,522.

Senator ROBERT RAY—What is involved there, the newspaper stand?

Mr Crane—It is a large cabinet which has a sloping top with an area large enough to lay out papers and storage space beneath that for newspapers. Two side tables at \$1,094 each; and a coffee table at \$1,206.

Senator BRANDIS—Mr Crane, are these items of furniture—tell us if you are unable to say—of comparable quality and standard to the furniture we see in the Prime Minister’s office in Parliament House and in ministers’ offices?

Mr Crane—Yes, they are.

Senator BRANDIS—So for a Prime Minister’s office or ministerial offices generally this is about the sort of money you would expect to spend.

Senator Abetz—I understand none of it was teak imported from Thailand!

Senator BRANDIS—Presumably when I say ‘ministers’ offices’ one could extend that to the Leader of the Opposition’s office or perhaps even the office of the Leader of the Opposition in the Senate—comparable quality?

Mr Crane—I am not aware of the quality of furniture in those offices.

Senator FAULKNER—You are welcome to visit me and you can check it out yourself.

Senator Abetz—We can do a compare and contrast on office furniture in various people’s offices.

Senator FAULKNER—Yes, you can if you like, by all means. You can compare office refurbishments, too.

Mr Metcalfe—All I can say, Senator Brandis, is that we were very mindful of the need for value for money in undertaking this particular task.

Senator ROBERT RAY—Was that the total disaggregation?

Mr Crane—That totals \$25,635, Senator.

Senator Abetz—We have had that on the record a few times.

Senator ROBERT RAY—That is okay.

Senator Abetz—It is a terrible waste of time if we keep trying to score political points. If you want to issue a media release about it, get on with it.

Senator ROBERT RAY—What, before the information is properly tabled? You would know about that.

Senator Abetz—That figure has been made available, Chair, on a number of occasions.

CHAIR—You are quite right, Minister.

Senator BRANDIS—This is tedious repetition, Chair.

Senator FAULKNER—Absolute nonsense.

Senator Abetz—It is, I agree.

Senator FAULKNER—What would the TV storage cabinet be for?

Mr Metcalfe—You put a TV inside it, Senator.

Senator FAULKNER—He is going to use the old TV he already has there?

Mr Crane—That is correct.

Mr Metcalfe—There is no new television as part of this.

Senator FAULKNER—What is there? Needless to say, I have not been invited there and do not expect to be. What does the Prime Minister have—television, video, DVD?

Mr Metcalfe—I think he has a television. We have not looked at that recently. We can check. There is a television but whether there is a VCR player or a DVD—

Senator FAULKNER—There would be a computer on the desk, I suppose.

Mr Metcalfe—I am not sure.

Senator FAULKNER—A connection to Foxtel?

Mr Metcalfe—I am not sure. Whether the building has it available plumbed right through the whole place, I am just not sure.

Senator ROBERT RAY—Mr Hamburger, yesterday you mentioned, when we were talking about retrieval of documents from Dr Wooldridge, that there were some hundreds of documents. Have you got an actual figure as to how many cabinet documents there were?

Mr Hamburger—We are not precise to the last document yet, but it is of the order of 600 that were returned.

Senator ROBERT RAY—There is a bit of confusion. Were they all cabinet documents or were some documents of the department of health or are there additional documents of the department of health?

Mr Hamburger—We were only interested in cabinet documents.

Senator ROBERT RAY—Six hundred—do you know how many years back those documents went?

Mr Hamburger—They would have gone back almost to the beginning of Senator Wooldridge's time as a minister.

Senator ROBERT RAY—Mr Wooldridge.

Mr Hamburger—Dr Wooldridge, sorry.

Senator Abetz—Don't promote him too much.

Senator ROBERT RAY—He flattered him when he called him a senator. I noticed on the AAP wire—and I then went back and checked the original transcript—that Dr Wooldridge had said that he had been wrongly sent the documents by a health department official and he had returned them as soon as the mistake was realised. Mr Metcalfe, your predecessor on several occasions had to bring in the Federal Police to look at leaks. It seems to me that, if a health official sent Dr Wooldridge 600 cabinet documents by mistake, we are looking at the biggest leak in the history of the federal government.

Mr Metcalfe—I do not think it was a leak, in that there was no unauthorised disclosure. My understanding is that these documents were packed up when Dr Wooldridge was vacating his office and that they were sent to Melbourne. When he became aware of the fact that there were cabinet documents there, there was contact with us. We said that the documents should be returned, and they were.

Senator ROBERT RAY—Who packed up the documents?

Mr Metcalfe—I understand it was a staffer within his office, so I am not sure.

Senator ROBERT RAY—It was not a member of the department of health, was it?

Mr Metcalfe—I think you would have to ask the department of health as to whether they have any knowledge of that.

Senator ROBERT RAY—I was hoping, having given some notice of this, that that may have been able to be checked. I do not know if Mr Hamburger has had a chance.

Mr Metcalfe—Whether it was a departmental liaison officer or whether it was someone else who physically packed up a particular box, I just do not know if people know.

Senator ROBERT RAY—Do you know, Mr Hamburger?

Mr Hamburger—I have spoken to the department of health and they are still trying to establish the facts, but what I was told at the time—we became aware of it in June—was that the departmental liaison officer in Dr Wooldridge's office had supervised the packing of at least those records. I had assumed when I saw Dr Wooldridge's statement that that was what he was talking about.

Senator ROBERT RAY—Ms Belcher, who in the department, if you like, debriefed or contacted Dr Wooldridge when he left office to say that cabinet documents had to be properly disposed of? What is the process again there?

Mr Metcalfe—Mr Hamburger can advise, but when I inquired into this matter this morning, my understanding was that quite routinely a message is sent by the Cabinet Secretariat to the chief of staff of departing ministers to advise them of the appropriate arrangements for the handling of cabinet material.

Senator FAULKNER—What is the follow-through?

Mr Hamburger—The follow-through is that the Cabinet Secretariat deals at a fairly informal level with the minister's office as it is winding down—so typically a few phone calls, perhaps two, perhaps three, to make sure that they are having no problem, particularly with the CabNet system.

Senator ROBERT RAY—You are quite satisfied that Dr Wooldridge or his staff were notified of these requirements?

Mr Hamburger—We certainly sent them the standard letter addressed to the chief of staff, and we certainly had some dealings with his office staff in the two weeks or so that it was winding down.

Senator ROBERT RAY—It says here 'and returned them as soon as the mistake was realised'. The mistake was realised when it was discovered that he had a series of pieces of equipment from the department. It was not discovered before then, was it?

Mr Metcalfe—My understanding is that, when the department of health went to retrieve pieces of equipment, Dr Wooldridge also said to them, 'Oh, and there are some documents over there that people should look at,' or something like that. So he volunteered—

Senator ROBERT RAY—That there were documents there.

Mr Metcalfe—that there were some documents. Once it became apparent they were cabinet documents, the department of health contacted the Cabinet Secretariat.

Senator ROBERT RAY—What was the procedure then?

Mr Hamburger—They contacted the department and were put through to me. Very shortly after they contacted me I telephoned Dr Wooldridge and discussed the requirements with him, and he immediately agreed that the documents would be returned.

Senator ROBERT RAY—These are the sorts of activities that we expect PM&C to be on top of, and not really need to have direct ministerial intervention. You understand that. The government section occasionally is required to do things without direct, say, prime ministerial supervision, be that convention in terms of caretakers or whatever else. Given that we know that 600 cabinet documents were not properly accounted for and that they sat, obviously in a reasonably safe position, in an office for many months, does that spark in your mind that you

will have to go through a procedure at any time a minister leaves in future to make sure that these rules and procedures are followed? Clearly there was a failure somewhere in the system.

Mr Metcalfe—I think the answer is that the existing procedures probably need to be beefed up. This issue has highlighted that our expectation that documents would be destroyed or returned to archives, depending on the decision of the minister or his office, was not right. We believe that we have appropriate mechanisms in place, but clearly we need to remember this and to work more closely with departing ministers and their officers to ensure that does occur.

Senator ROBERT RAY—So when we consult with you in late May or early June do you think you will have some optimistic projections that you are on top of this area?

Mr Metcalfe—Certainly; I have every confidence in Mr Hamburger and his staff. They are very professional people and will certainly pay very close attention to this issue.

Senator ROBERT RAY—Thank you.

Senator FAULKNER—Mr Metcalfe, could you or Ms Belcher detail for the benefit of the committee the arrangements in relation to the resignation of Mr Moore-Wilton as Secretary to the Department of the Prime Minister and Cabinet?

Ms Belcher—I was alerted to the fact that Mr Moore-Wilton was considering leaving and taking up a position with the Sydney Airports Corporation by the Prime Minister's chief of staff. He asked that I look at actions that Mr Moore-Wilton might have taken that could in any way cause difficulties with his accepting the appointment at that stage. As I understand it, a formal offer had not been made but Mr Moore-Wilton had alerted the Prime Minister as soon as the issue was raised with him.

Senator FAULKNER—Was this in relation to a possible or perceived conflict of interest?

Ms Belcher—Yes. If there had been actions by Mr Moore-Wilton that had been directly related to Sydney Airports Corporation issues, then the Prime Minister wanted to know about that.

Senator FAULKNER—When were you alerted by the Prime Minister's chief of staff?

Ms Belcher—I think it was 17 November, but I might need to double-check on that if you need the precise date.

Senator FAULKNER—I would appreciate that. And, having been alerted, you examined that matter?

Ms Belcher—Yes.

Senator FAULKNER—Did you report in a formal or informal way to anyone in particular?

Ms Belcher—I did a note to the Prime Minister.

Senator FAULKNER—When was that sent to the Prime Minister?

Ms Belcher—I think it was 19 or 20 November.

Senator FAULKNER—I think it is true, isn't it, that Mr Moore-Wilton was reappointed for a five-year term on 11 May 2001?

Ms Belcher—It was certainly in May 2001.

Senator FAULKNER—That was a five-year term?

Ms Belcher—Yes.

Senator FAULKNER—So what happens in the circumstances where a secretary to the Department of the Prime Minister and Cabinet resigns before the end of that five-year term or before the end of the contract period?

Ms Belcher—If you mean was there any payout—no, it was just a resignation. There are payouts only if there is a termination.

Senator FAULKNER—So there is no payout at all?

Ms Belcher—No.

Senator FAULKNER—Explain to me how the system works. Is there just a resignation date?

Ms Belcher—Yes, it is just a resignation.

Senator FAULKNER—No formula applies at all?

Ms Belcher—No.

Senator FAULKNER—Are you able now to say what Mr Moore-Wilton's total annual salary was when he resigned late last year?

Ms Belcher—I cannot give that off the top of my head. I could certainly quickly check the Remuneration Tribunal determination. I just cannot recall that figure.

Mr Metcalfe—I think it is set by the Remuneration Tribunal.

Ms Belcher—It is set by the Prime Minister, actually, these days. I could check that fairly quickly, but I do not have it with me.

Senator FAULKNER—So there is no payout to Mr Moore-Wilton. Are there other costs to the Commonwealth that flow from the resignation?

Mr Metcalfe—Obviously he is paid for any accrued leave. His return to Sydney, which is his principal place of residence, was effected, so there are removal costs.

Senator Abetz—But they would have been costs incurred in any event?

Mr Metcalfe—Yes, that is absolutely standard.

Senator FAULKNER—So the two categories are removal costs—what was the other one?

Mr Metcalfe—The payment of any accrued leave or recreation leave or whatever. He will be eligible for consideration for performance pay, also. That is a matter that will be determined in accordance with the annual cycles. So that again is something that would have happened anyway and it will occur.

Senator FAULKNER—What period would that involve?

Mr Metcalfe—I think the annual period is April to April, so it would be for more or less an eight- or nine-month period.

Senator FAULKNER—When will the assessment be made?

Ms Belcher—Probably around April. It is, as Mr Metcalfe said, a 1 April to 31 March cycle. The assessments take place a short period after the end of that cycle.

Senator FAULKNER—I think there was some media speculation on an amount, wasn't there, Ms Belcher?

Ms Belcher—I am not sure. I cannot recall. Do you mean on the amount of performance pay?

Senator FAULKNER—Yes.

Mr Metcalfe—We cannot really speculate on that. I do not know if we actually saw that media item.

Senator FAULKNER—Was there an official function to farewell Mr Moore-Wilton?

Mr Metcalfe—The actual advice of his departure came at quite short notice, from my recollection. The announcement was made on a Tuesday afternoon. That was the first time it was communicated to the department, although Ms Belcher had personal knowledge, given the particular role that she plays. We arranged a very informal farewell involving the senior executive service of the department. I think the following afternoon, on the Thursday afternoon, there was a social club function for Mr Moore-Wilton in the basement at the department.

Senator FAULKNER—Are there any plans for anything more substantial?

Ms Belcher—I happened to notice the vice-regal column, and there was a function last Friday night in Sydney, I understand, at Admiralty House. Although I do not know any details, I understand that secretaries will be finding an opportunity to farewell Mr Moore-Wilton.

Senator FAULKNER—Are you able to assist us with the nature of the function at Admiralty House? I did not closely examine the vice-regal column.

Mr Metcalfe—I think it was a dinner for a number of people.

Senator FAULKNER—In Mr Moore-Wilton's honour?

Mr Metcalfe—Yes.

Senator FAULKNER—Have we had a situation before where a Governor-General has hosted a dinner for the departing secretary of a department?

Ms Belcher—I do not know. We would have no part in it.

Senator FAULKNER—I just wondered if you would be aware of it. You have a long memory on these things, Ms Belcher.

Ms Belcher—I would not normally be involved in vice-regal functions.

Senator FAULKNER—Do I detect you did not get an invitation?

Ms Belcher—I did not.

Senator Abetz—Nor did you, by the sound of it, Senator Faulkner!

Senator FAULKNER—No, I certainly did not. I wear it as a badge of honour.

Senator ROBERT RAY—After yesterday, I think it might get lost in the mail!

Senator FAULKNER—I am not expecting too many further invitations! I suppose Mr Moore-Wilton had to hand his car over, did he?

Mr Metcalfe—His car was part of his remuneration, so it was surrendered at the completion of his employment.

Senator FAULKNER—When was the car surrendered?

Mr Metcalfe—The car was surrendered in Canberra.

Senator FAULKNER—Do you know what date it was surrendered?

Mr Metcalfe—On Friday, the 20th. However, arrangements were made for Mr Moore-Wilton to drive himself to Sydney, and a hire car was provided for that purpose.

Senator ROBERT RAY—After he ceased to be secretary?

Mr Metcalfe—No, while he was secretary. Essentially, on his last day, the Friday—he had packed up his apartment in Canberra the night before—he came and said goodbye to us that morning and, on the basis that he was not intending to purchase his Commonwealth provided car, he was provided with a hire car to return to Sydney.

Senator FAULKNER—It was a self-drive car, was it?

Mr Metcalfe—That is correct.

Senator FAULKNER—Because I read a report in one of the newspapers that he actually had some sort of car accident.

Mr Metcalfe—He did. It was reported in a number of papers. Fortunately he was not hurt.

Senator FAULKNER—I too was pleased to read that that was the case. Has the Commonwealth had any role or responsibility as a result of that accident? It was a hire car paid for by the Commonwealth.

Mr Metcalfe—That is right, it was a hire car paid for by the Commonwealth to allow him to return to Sydney, to be returned after he got to Sydney. Because the car was damaged in a single-driver accident, the department has met the appropriate insurance costs which were in place.

Senator ROBERT RAY—You are your own insurer in these things, aren't you?

Mr Metcalfe—No. Because it was a commercial vehicle, we paid for the insurance. We pay the excess, essentially.

Senator ROBERT RAY—I understand.

Senator FAULKNER—Anyway, he made it to Sydney, I gather.

Mr Metcalfe—He did. In the circumstances, we were obviously concerned for his welfare. I asked Mr Crane to go up to the accident site. We were satisfied that Mr Moore-Wilton was okay and did not require any medical treatment—this was in a country district—and in the circumstances we gave him his Commonwealth car to drive himself to Sydney, which happened. We had a departmental officer in Sydney that weekend, working on the refurbishment of 70 Phillip Street, and we asked him to return the car to Canberra on that Monday, therefore saving an airfare.

Senator ROBERT RAY—Maybe I am arguing for an increase in government expenditure here, but I can remember when the Secretary to the Department of Defence retired and the CDF had to give him a lift home because at that moment of his retirement he had to hand the keys over. I always think that is a bit harsh.

Mr Metcalfe—Defence always did things very well.

Senator ROBERT RAY—A bit tough, I think, but anyway.

Senator FAULKNER—We ought to acknowledge Mr Crane's role in this. Did you have to hitchhike back to Canberra, Mr Crane?

Mr Crane—No, another departmental officer came up in another vehicle and I came back to Canberra with him.

Senator FAULKNER—I see. Were the police called to this accident?

Mr Metcalfe—Not to our knowledge. It was a single-driver accident.

Senator FAULKNER—It involved only one car?

Mr Metcalfe—It only involved one car and there was no injury to anyone. Whether there was any discussion between Mr Moore-Wilton and the hire company I do not know, but we are not aware of anything.

Senator ROBERT RAY—Are there any plans to rebuild the bus shelter now that Mr Moore-Wilton has gone?

Mr Metcalfe—It is still there.

Senator ROBERT RAY—Put a bit more wind protection on it, I hope.

Senator FAULKNER—Are there any plans to refurbish the secretary's office?

Mr Metcalfe—Dr Shergold has only just commenced in the department. I am not aware of any plans, apart from the fact that he does have a computer on his desk.

Senator FAULKNER—Did he take that axe over the door down?

Mr Metcalfe—That has been returned to Sydney.

Senator FAULKNER—I hope it was not in the car that got damaged.

Mr Metcalfe—No, I think it was sent up separately.

Senator ROBERT RAY—Given the fact that there was uncertainty when Mr Moore-Wilton took over the job as to setting entitlements—in fact it was Dr Shergold who reviewed all of that at some stage—is all that as to how that is negotiated now set in concrete?

Ms Belcher—Yes, it is set down in the Prime Minister's determination on terms and conditions of secretaries.

Senator FAULKNER—Do you get a report or anything like that on the damage to the hire car or is that just a matter that is handled between the parties?

Mr Crane—It is purely an issue for the hire company and their insurance people. The Commonwealth will have no further involvement in it.

Senator FAULKNER—I am a bit surprised that the police would not be called to an accident like that. Is that the normal procedure?

Mr Metcalfe—Mr Moore-Wilton completed the vehicle accident form, which is what he was required to do. I do not think anyone suggested to him that he needed to call the police and I do not think he felt that he needed to call the police. As I said, I do not know whether that did occur or not; it is not something that the department is aware of.

Senator FAULKNER—Mr Crane, have you been able to establish the name yet of that Wedgwood-Waterford crockery design—I hope I have got it right. I asked yesterday if someone could check what the name was.

Mr Crane—I do not have it but I should be able to get it fairly quickly for you.

Senator FAULKNER—If you would not mind supplying it as soon as possible to the committee I would appreciate it. I thought you might have had it by now but I appreciate you are very busy. There are people hanging on tenterhooks just wanting to get out there and buy up plenty of these plates if they can—that is, if there are any left in the shops, given the number you have purchased for the Lodge. You might be able to let us know that this evening, Mr Crane.

Mr Crane—Yes, I will get that information for you.

Senator FAULKNER—Thank you again, Mr Metcalfe, to the department for the arrangements they have made in assisting the committee.

Mr Metcalfe—I understand OSW will be coming back, so I will see you again later.

CHAIR—We look forward to that, Mr Metcalfe, even if you do not.

Mr Metcalfe—Mr Chair, I can come back to Senator Faulkner on an issue we raised earlier, which was the function held in Melbourne for the national Australia Day announcements. The advice I have been given by the staff of the council is that the NADC was not consulted by Channel 7 about the details of the production, the treatment of the sound or anything like that. The understanding of the director is that there may have been some applause added in before and after the commercial breaks to bring up the sound levels or whatever, but that is all the information I have.

Senator Abetz—Then Senator Faulkner can confirm that Mr Crean was a guest at the function.

Senator FAULKNER—I think he was from memory. I do not know.

Senator Abetz—A good informant. You just said you had an informant from whatever.

Senator FAULKNER—For the record, if it really matters, I have not spoken to Mr Crean about the amount of applause that the Prime Minister may or may not have got, but I was informed that this manipulation may have occurred. Given what Mr Metcalfe has indicated to us, I am more concerned about it. You have indicated that applause was added.

Mr Metcalfe—From my understanding, firstly, it was nothing within the control of the Commonwealth or the NADC.

Senator FAULKNER—I am not suggesting that PM&C added the applause.

Mr Metcalfe—Secondly, with production values in television stations I assume that, as they cut into a commercial and come back from one, people applaud.

Senator Abetz—The creative people have a wonderful way of determining these things.

Senator FAULKNER—You can assure me that the National Australia Day Council, of which you are a director, did not instruct Channel 7 to add applause to the Prime Minister walking on and off the stage.

Mr Metcalfe—That is certainly the advice I have.

Senator FAULKNER—I did not think for one minute you had. I just wanted to know why the applause was added, and it is still a mystery.

CHAIR—There being no further questions for output 4 of the department, thank you, gentlemen.

Mr Metcalfe—Mr Chair, before we leave, thank you very much for your assistance. For the officers from OSW, is there any understanding of the timing of the committee's consideration this evening so that we can say to people be here before or after dinner?

CHAIR—Mr Metcalfe, it is very likely that we will get to OSW and then the Public Service Commission after dinner, not before.

Senator Abetz—Chair, can you assist with the timetable?

CHAIR—Minister, by the dinner adjournment, which is scheduled for 7 p.m., we should have finished both MAPS, Ministerial and Parliamentary Services, and the Australian Electoral Commission.

Proceedings suspended from 5.24 p.m. to 5.36 p.m.

FINANCE AND ADMINISTRATION PORTFOLIO

Consideration resumed.

In Attendance

Senator Abetz, Special Minister of State

Department of Finance and Administration**Executive**

Dr Ian Watt, Secretary

Ms Felicity McNeill, Executive Officer

Mr Lembit Suur, General Manager, Corporate Group

Mr Ian McAuley, Branch Manager, Parliamentary and Corporate Support

Ms Judy Costello, Branch Manager, Strategic Partnerships

Ms Tracy Muddle, Manager, Human Resources

Mr Andrew Kefford, Director, Portfolio Coordination Unit

Mr Borko Vlatkovic, Director, Business Risks and Strategic Planning

Mr Consul O'Reilly, Portfolio Coordination Unit

Mr John Dalton, Portfolio Coordination Unit

Ms Tanya Vrkic, Portfolio Coordination Unit

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

Ms Kym Partington, Branch Manager, Financial and e-Solutions Group

Mr Nathan Toscan, Executive Officer

Mr Phil Bowen, General Manager, Budget Group

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

Ms Kathryn Campbell, Division Head, Social Welfare Division

Mr Matthew Flavel, Branch Manager, Budget Coordination Unit

Mr Robert Butterworth, First Assistant Secretary

Mr Arthur Camilleri, Branch Manager, Long Term Budget Policy

Mr Greg Coombs, Director, Long Term Budget Policy

Mr Ian McPhee, General Manager, Financial Management Group

Mr Jonathan Hutson, Division Head, Financial Framework Division

Mr Jim Kerwin, Division Head, Financial Reporting and Cash Management Division

Mr Simon Ash, Branch Manager, Financial Reporting

Mr Brett Kauffmann, Branch Manager, Accounting Policy

Ms Sandra Wilson, Branch Manager, Superannuation

Mr Geoff Painton, Manager, Superannuation

Ms Louise Seeber, Acting Branch Manager Superannuation (Financial)

Ms Anne Collins, Procurement

Mr Michael Culhane, Branch Manager, Finance and Banking

Ms Ingrid Leonard, Team Leader, Finance and Banking

Mr Justin Bassi, Team Leader, Finance and Banking

Mr Ed Lekawski, Team Leader, Finance and Banking

Mr Phillip Prior, Group Manager, Budget Framework and Estimates Implementation Unit

Mr Alastair Hodgson, General Manager, Asset Management Group

Mr David Yarra, Division Head, Shareholder and Asset Sales Division

Mr Peter Diddams, Branch Manager, Commonwealth Shareholder Advisory Unit
Ms Marianne King, Branch Manager, Asset Sales
Mr Mark Heazlett, Branch Manager, Asset Sales
Mr Robin Renwick, Branch Manager, Asset Sales
Mr Neil Williams, Branch Manager, Asset Sales
Mr Robert Knapp, Division Head, Business Services Division
Mr Barry Jackson, Branch Manager, Property Management Branch
Mr Guy Verney, Branch Manager, Grants Branch
Ms Stacie Smith-Macnee, Branch Manager Insurance and Risk Management
Mr Michael Pahlow, Branch Manager, Commercial and Projects
Mr Rod Whithear, Branch Manager, Commercial and Projects
Ms Lisa Rauter, Director, Commercial and Projects
Ms Jan Mason, General Manager, Ministerial and Parliamentary Services
Mr John Gavin, Special Adviser
Ms Kim Clarke, Branch Manager, Entitlements Policy
Mr Rob Barnes, Branch Manager, Service Centre
Mr Ken Sweeney, National Manager, COMCAR
Mr John Edge, Branch Manager, Account Management
Ms Suzanne Pitson, Acting Branch Manager, Legal and Review
Mr Greg Smith, Ministerial and Parliamentary Services
Mr Rohan Verco, Ministerial and Parliamentary Services
Ms Sue Whisker, Ministerial and Parliamentary Services
Mr Greg Miles, Ministerial and Parliamentary Services
Ms Kim Baker, Ministerial and Parliamentary Services
Ms Helen Goddard, Ministerial and Parliamentary Services
Mr Wally Stopp, Ministerial and Parliamentary Services
Ms Beth Fiedler, Ministerial and Parliamentary Services
Ms Carolyn Hughes, Ministerial and Parliamentary Services
Mr Warren Benson, Ministerial and Parliamentary Services
Mr Paul Way, Ministerial and Parliamentary Services
Mr Clayton Conquest, Ministerial and Parliamentary Services
Ms Jane Wagner, Ministerial and Parliamentary Services
Ms Deborah Fulton, Ministerial and Parliamentary Services
Mr David Wilson, Ministerial and Parliamentary Services

Australian Electoral Commission

Mr Andy Becker, Electoral Commissioner
Mr Paul Dacey, Deputy Electoral Commissioner
Mr Tim Pickering, First Assistant Commissioner, Electoral Operations
Ms Barbara Davis, First Assistant Commissioner, Business Support
Ms Marie Nelson, Assistant Commissioner, Corporate Services
Ms Kathy Mitchell, Director, Funding and Disclosure
Mr Doug Orr, Assistant Commissioner, Elections
Mr Brien Hallett, Assistant Commissioner, Information and Research
Mr Andrew Moyes, Assistant Commissioner, Enrolment and Parliamentary Services
Ms Gabrielle Paten, Director, Parliamentary and Ministerial

Mr Ken Hunter, Assistant Commissioner, Information Technology

Ms Fiona Codd, Project Manager, Output Pricing Review

CHAIR—The committee is recommencing its examination of the Finance and Administration portfolio and, in particular, output 3.1, Ministerial and parliamentary services.

Senator ROBERT RAY—I want to go to a couple of questions that were taken on notice. They are questions Nos 55 and 56, outcome 3, output 3.1, on the topic of MOPS staff and salaries. I notice that in the answer provided to us there were certain deletions; they had had a line put through them. Am I right in presuming that this was an answer provided by the department for the minister's office and the line was put through by the minister's office and then provided to us without the appropriate deletions made?

Mr Suur—You are referring to the electronic versions of the answers. The hard copy answers which were provided to the committee on 23 January are the correct and final answers. What was provided on 24 January, at the request of the committee secretary, were some electronic answers, and they included draft answers. The one that you are referring to with deletions made was a draft answer. We sought to correct the electronic versions on that same day, 24 January, and we sent up replacement electronic versions.

Senator ROBERT RAY—Why did you send out a draft version?

Mr Suur—It was an error. The hard copy answer had already been tabled.

Senator ROBERT RAY—Are we supposed to eat this, are we, and not know that Mr Georgiou and Senator Harradine have appointed people outside the salary range or that there were two approved requests? We are not supposed to know that. Is that right?

Mr Suur—The final answer provided was the hard copy answer. That information that you have referred to was not in the final answer.

Senator ROBERT RAY—Who made the deletions that appear here? You say that this is a draft answer. How did it get into its final form? Was it the minister's office or the department that made those deletions?

Senator Abetz—I am given advice from time to time et cetera, and I do not want to go through it. There is only one answer, and that is the hard copy answer that the secretariat gave.

Senator ROBERT RAY—Who committed the error to send off the draft answer with these two names in it?

Dr Watt—The error was made by the department.

Senator ROBERT RAY—And why were the two names deleted? What was the policy rationale behind that?

Mr Suur—The names were deleted in the process of having the final answers cleared.

Senator ROBERT RAY—I think we can follow that. There is no advice to the minister. Is there a policy reason why the names of those two members of parliament were deleted? There may well be. I am asking whether there was.

Senator Abetz—The answer that I thought would be appropriate would be to indicate how often that discretion had been exercised but also not indicate who the staff members were. By a process of elimination, given that they work in very small offices and the other staff members in those offices were not necessarily aware of the circumstances, the privacy and arrangements would then come to light. I think the line that I have held on these matters is that gratuitously identifying staff, or through other mechanisms identifying staff—and I did

note, Senator Ray, it was your question; you said you did not want to know the employee's name—

Senator ROBERT RAY—No, the staff member's name.

Senator Abetz—Yes, the employee's or staff member's name.

Senator ROBERT RAY—But I said 'but their employer'.

Senator Abetz—Yes. My view was that if you have a staff of three and it is publicised that one of that staff of three has, it is not necessarily beneficial for office arrangements et cetera for that to be publicised. So that is the view that I take on these matters.

Senator ROBERT RAY—So you have sent an apology to Mr Georgiou and Senator Harradine for this mistake? You say there are privacy issues and you have breached those privacy issues. Have you apologised?

Mr Suur—We are in the process of doing that.

Senator ROBERT RAY—Are you? I cannot understand the privacy issue by deleting 'However, this could change in the future', other than you might have thought it was gratuitous stupidity to add that to an answer.

Senator Abetz—Sorry, which bit is this?

Senator ROBERT RAY—This is the second answer.

Senator Abetz—I think there was some extra verbiage that I thought was not necessary.

Dr Watt—I do not think there is much point in speculating on potential policy changes.

Senator ROBERT RAY—At least you do not have to issue an apology for this one, do you? Whoever originally drafted it might issue an apology. The second issue—and I am not sure whether this is a matter that had ministerial approval or otherwise—is that as a gold pass holder I was sent a fairly long screed about three weeks ago, I think. It was quite appropriate that it was based on legislative changes to the use of the gold pass which, after a lot of argy-bargy, went through the parliament last December. One of the aspects of that was to require me as a gold pass holder to send a copy of my marriage certificate to the department. Was that your direction, Minister, or was that the department's initiative?

Mr Gavin—The letter, as I recall, drew attention to the parliamentary superannuation regulations, whereby under the regulations you are required to provide a copy of your marriage certificate. We were simply saying that an easy way to provide evidence of marriage would be to give us the okay to approach the superannuation branch.

Senator ROBERT RAY—I have never supplied that to the superannuation branch and, to my knowledge, I do not think Senator Abetz or any other colleague has.

Mr Gavin—There is a regulation.

Senator ROBERT RAY—I do not care whether there is a regulation or not. In this instance I nominate my spouse as nominee, appropriately, and you take my word for it—and I think you should continue to do so. In terms of the gold pass, I do not believe it should be a requirement to have to send in a copy of a marriage certificate. I think you take action if you have doubt. What is your view on that, Minister?

Senator Abetz—I was not aware of that letter going out. I am not going to make a pronouncement here and now as to what my view is, but I guarantee that I will have a look at it and see what an appropriate position would be.

Senator ROBERT RAY—So you are in a position not to provide the letter but the form that you circulated? There was a form to be filled out to which the document was to be attached. Would you be able to provide that to the committee and the minister before we finish?

Mr Gavin—I certainly do not have it with me, but the form was in fact an authorisation for us to approach the superannuation branch, as I recall.

Senator ROBERT RAY—I am not filling it out, whatever the penalties, not because there are any doubts or anything else but because I just think it is inappropriate treatment of members of parliament.

Dr Watt—We are getting a copy of the form, Senator.

Senator Abetz—I assure you I will have a look at the issue. I was not aware of that circular having been sent out.

Senator ROBERT RAY—I assumed you were not. Minister, when we last had some dialogue on matters of entitlements, areas in which you have made improvements, I raised with you whether you would again look at the pressure on the way especially backbench members and senators operate here in terms of their staff travel budget. In some years they were finding it extremely difficult. We all know that in an election year we return a fair bit of surplus or do not fully utilise the entitlement, but in other years there is sometimes intense pressure. The counterargument is that it has always been thus. I understand that, but all these other things you have improved were always thus too. That is why I am wondering whether you have been able to give that any consideration during the break.

Senator Abetz—I have refreshed my memory on that issue. It was raised last time and you are quite right on that. I have asked the department to provide me with background information and options and a review is under way.

Senator ROBERT RAY—Thank you.

Senator FAULKNER—Can we get the usual update please, Ms Mason, possibly in tabulated form of—

Senator Abetz—I think it is all ready to go.

Senator ROBERT RAY—What do we want? We have not asked for it yet. Tell us.

Senator FAULKNER—When do we want it? I was going to add the words ‘of ministerial staff’, but you have anticipated me, Ms Mason or Minister.

Senator Abetz—I think you prefaced your question with ‘usual’.

Senator FAULKNER—The ‘usual’ tabulation of.

Senator ROBERT RAY—To which you have added a few other things which are also useful.

Senator Abetz—But that is not usual when we add the extra things. This happened on one notable occasion.

Senator ROBERT RAY—No, you have added opposition, Democrats, and that is all helpful.

Ms Mason—My colleague Mr Edge has the document you request.

Mr Edge—Yes, I have copies here.

Senator Abetz—No attachments?

Mr Edge—No attachments.

Senator ROBERT RAY—What is the total at the moment as we stand in February?

Mr Edge—Total staff numbers as at 1 February—are you asking me for government staff numbers?

Senator ROBERT RAY—Yes, thank you.

Mr Edge—There are 369.6.

Senator ROBERT RAY—Do you know how they compare to the number when we last looked at this?

Mr Edge—Yes. There are two fewer positions than there were in November.

Senator ROBERT RAY—There were 371 on the previous occasion.

Mr Edge—That is correct.

Senator ROBERT RAY—There may be crossovers here, so I will be careful, but can you identify where the two staff positions disappeared from? It could well be four gone and two created.

Mr Edge—There is one fewer consultant position. In November, there were 1.5 consultant positions; there is now 0.5 of a consultant position.

Senator ROBERT RAY—That was Mr Starr who has gone?

Mr Edge—That is correct. As I understand it, there is one fewer senior adviser position in the office of the Minister for Trade.

Senator ROBERT RAY—That has come off his establishment?

Mr Edge—That is correct.

Senator ROBERT RAY—We are talking about establishment figures, not filled positions?

Mr Edge—That is correct.

Senator FAULKNER—Senator Abetz, I would like to ask a question about the establishment figures. I think I know the answer to the question, but it would assist me if it were clear. You may recall that after the last election the former Leader of the Opposition, Mr Beazley, was provided an extra MOPS staffer through what I think is best described as an ‘act of grace’ appointment. I want to be assured that that is not counted as part of the opposition’s staffing establishment. I think it is an additional position.

Senator Abetz—My advice is that what you are suggesting is correct; it is not.

Senator FAULKNER—Thank you. So have you done the multiplier on the likely opposition staffing entitlement?

Mr Edge—The review of the opposition staffing numbers is done as at March each year, and it is based on the 1 March establishment figure.

Senator FAULKNER—What would be the figure if the multiplier were applied now?

Mr Edge—The figure would be 21 per cent of 369.6, which I think is about 77.6.

Senator ROBERT RAY—That is about the figure I have. I had to do the old factoring rather than long multiplication.

Senator FAULKNER—We are very impressed. I do not have any further questions on that issue.

Senator MACKAY—I have a question that may seem self-serving. I am curious as to the figure for the whips' contingent. What is the breakdown between the House of Representatives and the Senate? Under 'Government Whips' is an aggregate figure of eight. I am curious as to what the House of Representatives and Senate breakdown is.

Mr Edge—I could not provide you with that level of detail right now.

Senator MACKAY—I suspect that most of those staff must be down at the House of Representatives. We need a bit of solidarity from the whips here. Can you take that question on notice, Mr Edge?

Mr Edge—Yes.

Senator ROBERT RAY—Minister, we were discussing under PM&C Senator Conroy's arrangements and we now have the officials here. I am not going to go broadly on this, but I am correct, am I not, that it was the department that informed Senator Conroy that they did not want to pay the rent any longer on his office at 90 Collins Street?

Mr Edge—I am not certain about whether there was advice of that nature to the senator.

Senator Abetz—If you are not certain, we can take that on notice. I dare say that letters would disclose that.

Senator ROBERT RAY—Okay. While you are making those inquiries, would you find out whether it was strongly suggested to Senator Conroy that the attic at 4 Treasury Place would be a far better prospect for the Commonwealth than his renting elsewhere?

Senator Abetz—Rather than 'strongly suggest'—whether it was suggested or not we will see what the correspondence is.

Senator ROBERT RAY—I am sure it was strongly suggested to him because there is no direct rent involved, and I know the department of finance could work an imputed social opportunity cost and all the rest of it.

Senator Abetz—All I am quibbling with is the word 'strongly', and whether it was strongly suggested or otherwise suggested.

Senator ROBERT RAY—It was put in very strong terms to him that he move out. I am sure Senator Brandis was not implying that Senator Conroy capriciously shifted there and demanded expensive renovations.

Senator BRANDIS—Not only did I not say that, I said the opposite.

Senator Abetz—He was dragged into the premises screaming, I understand.

Senator BRANDIS—I said there was no suggestion that Senator Conroy had overspent or that money had been overspent on his behalf.

Ms Mason—We were watching PM&C earlier in a portion of the hearings and we have commenced background inquiries on the sorts of issues that you seemed to be interested in. It is quite usual when senators or members are looking for alternative office accommodation that our state managers would explore possible options that seem to meet their requirements and put those options forward for their consideration.

Senator ROBERT RAY—I was just making the point that he was virtually evicted from where he was and strongly counselled to go somewhere else, so holding him responsible for any refurbishment was not the best example we could have dug up. I am sure there are many more that we could have.

Senator Abetz—He was undoubtedly dragged screaming into the premises.

Senator ROBERT RAY—He is in the attic. He is not where the ex-governors-general and the rest are. I assure you of that.

Senator Abetz—Some people might describe it as the penthouse, but you describe it as the attic.

Senator ROBERT RAY—The only good news is that, if the place catches fire, he has no chance. I have nothing more on that.

Senator Abetz—Are there any other matters?

Senator FAULKNER—Yes. I saw an article in the *Herald Sun* newspaper on Christmas Eve.

Senator Abetz—On Christmas Eve?

Senator FAULKNER—Just a clip—I would have to plead guilty and say that I did not pore through the newspaper on Christmas Eve.

Senator Abetz—Good—that reassures me slightly.

Senator ROBERT RAY—Would you like to inform the committee where you were on Christmas Eve?

Senator FAULKNER—No, I would prefer not to at this stage, but I was working.

Senator ROBERT RAY—I know you were.

Senator Abetz—Doing the people's work, no doubt.

Senator FAULKNER—I was working. Nevertheless, in between—

Senator Abetz—Chardonnays?

Senator FAULKNER—working—

Senator Abetz—What does the article tell us?

Senator FAULKNER—In between appointments, I was able to read this clip. It is headed 'Cash sent to MP vanishes in post'. I do not know if there is any truth to it or not, but you might be able to confirm it. It says that Mr Tuckey's office had sent money through the post at the end of last year. It appears from the article that \$130 of taxpayers' cash was sent from the minister's Parliament House office to his electorate office but it vanished in transit. The envelope was lost. I understand it was one of these Express Post satchels. Has this incident been drawn to your attention, Ms Mason?

Ms Mason—No. I was not aware of it until now.

Senator FAULKNER—Are you able to say what guidance has been given to parliamentarians and their staff about putting cash in the post?

Ms Mason—I am not aware of any explicit guidance on that point.

Senator FAULKNER—Are you aware of the directions on Express Post satchels and envelopes which say that cash, gold and jewellery should not be mailed?

Ms Mason—I would have to review those guidelines. I am not right up to date with them.

Senator FAULKNER—Would you be willing to take my word for it?

Senator Abetz—Do we know from what bucket the \$130 came, if it is taxpayers' money? I do not know anything about this—whether it was to do with MAPS or to do with his department. It may be more appropriate in his department rather than with us.

Senator FAULKNER—Of course this could have come either from DOFA or from his home department. I accept that. I wondered if you were able to assist me on this, Dr Watt. Knowing how you like to chase down every last red cent in the Department of Finance and Administration, I knew you would be the man to know if \$130 went haywire in the post, courtesy of Mr Tuckey's office practices.

Dr Watt—Thank you, Senator, that is very kind of you. We are not aware that the missing cash came from the Department of Finance and Administration, but we are happy to look into the issue.

Senator FAULKNER—I would appreciate that.

Dr Watt—We are also not aware that we, the department, provide cash on any basis.

Senator ROBERT RAY—I think it is the home department. I think it is petty cash.

Senator FAULKNER—Anyway, if you could check that for me I would appreciate it. I suppose the issue here is that it is suggested—I do not know if this is right or wrong—that MAPS staff were responsible for this. I assume the department would not condone putting money in an envelope. I wondered if, as a result of this, any guidance might have been provided—or do you think this is just a unique situation for Mr Tuckey, who is pretty good at giving advice to everyone else? Perhaps he could send out a letter to all parliamentarians warning them of the risk?

Senator Abetz—I do not think that things like that are necessarily matters that the department would seek to micromanage individual officers on.

Senator FAULKNER—I see. So, as far as you know, this is an isolated incident, Ms Mason?

Ms Mason—I am not aware of any other incidents of this type. I have only just now become aware of the media article to which you refer. I am not aware of any specific guidance that MAPS may have issued on sending cash through the post, although there may be guidance that comes from elsewhere. We will take a look at that.

Senator FAULKNER—I must admit that I jumped to the conclusion—possibly unfairly, but probably fairly—that Mr Tuckey would be the only person stupid enough to do it.

Senator ROBERT RAY—No, there are others!

Senator Abetz—Mr Chairman, that does not assist the Senate estimates.

Senator FAULKNER—Do you reckon there are others? If it is unfair, then I shall not say it.

Senator Abetz—It may well have been a staff member or whatever, so let us not—

Senator ROBERT RAY—There would be plenty of others who are just as stupid!

Senator Abetz—They get away with it and the money does arrive at the other end.

Senator FAULKNER—That explains it then.

Senator McLUCAS—I want to follow up on some questions that were asked in two estimates hearings about a helicopter trip that Mr Entsch took. I understand that we put a question on notice in May which essentially was not answered—at least, to my satisfaction anyway. Subsequently, you wrote to the chair, Minister, explaining that you were not going to take any further action. The question I have is: there has been considerable interest in this matter and there are questions being asked about it—

Senator Abetz—I think it was of substantial embarrassment to you when the truth was revealed. I am surprised that you are pursuing it.

Senator McLUCAS—With respect, Minister, there has been no revealing of anything. What was—

Senator Abetz—You could have read about it in *The Cairns Post*.

Senator McLUCAS—I read *The Cairns Post* as well. What was the total cost of the helicopter charter?

Ms Mason—We do not have the cost of the helicopter charter to hand, but we could take it on notice.

Senator McLUCAS—Can I be provided with that figure, please?

Senator Abetz—Certainly you can, but we will have to take that on notice.

Senator McLUCAS—Thank you.

Senator Abetz—But the suggestion that there were extra costs incurred for non-parliamentary activities I think has been dealt with. There were not any extra costs.

Senator McLUCAS—I do not agree, Minister, because I do not have any data that would prove that one way or the other. That is why I require it.

Senator Abetz—Yes, you do—you have a federal member's say-so. But for your own cheap political reasons you do not want to believe him.

Senator McLUCAS—I am sorry, I just do not go on someone's say-so. I want to know what the cost of the trip was. You have agreed to provide that and I appreciate it.

CHAIR—We are not getting anywhere here. Senator McLucas, could you ask questions and we will try to elicit some answers.

Senator McLUCAS—Certainly. The second question is: can I have a list of the passengers on each leg of the trip, please?

CHAIR—You are taking that on notice, Ms Mason?

Senator Abetz—We are talking about questions F102 to F106?

Senator McLUCAS—That is right.

Senator Abetz—In May, or when the answer was provided—I am not sure when that was—I said it was not appropriate to comment at that time.

Senator McLUCAS—That is correct.

Senator Abetz—Since then, we have written to indicate that the matter—and somebody will correct me if I am wrong—has been investigated and all is clear and there is nothing arising.

Ms Pitson—Since the Senate estimates in May, this matter has concluded. My recollection is that we did advise the committee of that at the last Senate estimates.

Senator McLUCAS—You wrote to the committee—that is correct—and advised the committee that you did not intend to take any further action. That does not answer the questions that committee members have the right to know the answers to—that is, how much did it cost, where did it go and who was on the helicopter at various times during the event? What is being hidden here, Minister? If there is nothing to hide, provide us with this information and that will be all—

Senator Abetz—Senator McLucas, nothing has been hidden. I am surprised that you want to revisit this, to your own embarrassment, because I think Mr Entsch, after your allegations, got a degree of publicity for his genuine humanitarian efforts, along with, if I recall correctly, the owner-operator of the helicopter that provided assistance as well.

Senator McLUCAS—And certainly other members of the community are interested—

Senator BRANDIS—Chair, can I raise a point of order?

CHAIR—Yes.

Senator BRANDIS—Perhaps Senator Ray, as a senior member of the Privileges Committee, can assist in this. If a matter has been raised in a previous year at an estimates hearing and the department has, in response to questions taken on notice, responded in a manner that seems sufficient and satisfactory to it and considers the case closed, it seems to me that whether or not those responses are sufficient might be a manner of privilege but I do not see how the very same questions can be asked year in and year out when the department has finalised the matter.

Senator McLUCAS—The department may very well have finalised the matter; I do not have the information.

Senator BRANDIS—It might be a question of privilege as to the sufficiency of those answers in an earlier year, but it is not a matter of business for us tonight.

CHAIR—As I see it, Senator Brandis, these questions are not exactly the same as those asked before but additional questions about the cost of the flight and who were the passengers on the legs.

Senator BRANDIS—Chair, with respect, I think they are the same questions. Senator McLucas has told us that. Perhaps they are rephrased somewhat, but the same information is being sought, is it not, Senator McLucas?

Senator McLUCAS—I am still seeking to find out the information that has not been provided to me, which I believe the community has an absolute right to know.

Senator BRANDIS—The matter is closed, is it not, unless somebody wants to take it up as a matter of privilege?

Senator McLUCAS—It is fairly evident that there is something to hide.

Senator BRANDIS—That is cheap political point scoring, Senator McLucas, which I would like to say is unworthy of you but is not.

Senator McLUCAS—Why can't I know?

Senator Abetz—I would have thought that Senator McLucas would have quit while she was behind, but if she wants to continue we will continue—

Senator McLUCAS—You can make your judgment of where I am, Minister.

Senator Abetz—to indicate that, yes, Mr Entsch did buy a quantity of groceries at, I understand, quite substantial cost to himself for these people and the extra flying time and the costs associated with that, if there were any, were borne by the charter provider. I would have thought that it was a great indication of Australians working together to assist another fellow Australian—both of them out of pocket—and here we have a Labor senator seeking to besmirch both of these people to get some cheap, grubby political point. I find it quite astounding.

CHAIR—Minister, I think we are at the stage where Senator McLucas has asked a couple of questions and Ms Mason, I think, has taken them both on notice. Senator McLucas, do you have any further questions?

Senator McLUCAS—I would like to know the itinerary of the travel.

Senator Abetz—That depends on what you mean by ‘the itinerary of the travel’. I can indicate the place of departure and place of arrival; otherwise we might start asking all sorts of people about their itineraries, and I do not think that is very helpful and I do not believe that is necessarily the business of the Senate estimates.

CHAIR—As a matter of principle.

Senator Abetz—Yes. If you have got an allegation to make that something was out of entitlement, then make it. You did that. We have since indicated to you that the matter has been investigated. It was all within entitlement.

Senator ROBERT RAY—So are you going to take the question on notice if you cannot provide the answer now? With whatever limitations you want to put on it, are you taking it on notice?

Senator Abetz—I am seeking to know what is meant by ‘itinerary’.

Senator McLUCAS—An itinerary shows all points at which the helicopter stopped.

CHAIR—Subject to the restrictions you—

Senator ABETZ—We might then start asking questions about the government provided car which is paid for by the taxpayer, including the petrol, and ask for all stops that motor vehicle makes, Senator McLucas.

Senator McLUCAS—I think there is a substantial difference between a private plated vehicle and a charter.

Senator Abetz—I would suggest a degree of maturity and caution on this sort of line of questioning. You made a particular allegation last time, and that has been dealt with. But now you are trawling and fishing and asking for every stop along the way. The same question could be asked about every place that your taxpayer funded motor vehicle stopped at during the Christmas break.

Senator McLUCAS—As you know, Minister, this is germane to the whole issue.

CHAIR—Senator McLucas, do have any further questions?

Senator McLUCAS—No, those are all the questions I have. I would appreciate getting those answers in due course.

Ms Mason—Chair, we have some answers to questions previously asked. Would this be a convenient moment to provide them?

CHAIR—Yes, it would be.

Dr Watt—In relation to the government whips’ allocation, it is six for the Reps and two for the Senate.

Senator ROBERT RAY—This is staff, isn’t it?

Ms Mason—Yes, this is the staffing allocation.

Senator ROBERT RAY—This would be in the document that you gave us?

Senator FAULKNER—We will have to pass that on to Senator Mackay, Dr Watt, because she is the one who asked that question. She is now at another committee, but we can pass that on.

Senator ROBERT RAY—So that is six for the Reps and two for the Senate.

Ms Mason—That is right.

Senator ROBERT RAY—So there are eight in all.

Ms Mason—We have here the form you requested a copy of. It can be copied by the secretariat.

Senator ROBERT RAY—Thank you.

Ms Mason—The third portion of the answer is in relation to the lease and relocation of Senator Conroy's office. I understand that the lease on his former premises at 90 Collins Street expired and the landlord was unwilling to renew that lease because of—

Senator Abetz—So he was kicked out by the landlord.

Senator ROBERT RAY—Do you mean 'unwilling to renew that lease at that rental price'? Let us be precise.

Ms Mason—I am unsure of the reason.

Senator ROBERT RAY—We are talking about connotations. This is a slightly different connotation.

Senator BRANDIS—I think there has been a freedom to engage in connotations and innuendo from you and your colleague Senator Faulkner, Senator Ray.

Senator Abetz—In fairness, as I understand the situation—and if I am otherwise advised that will undoubtedly become apparent—and as suggested by the note I have in front of me, Mr Crean and others were in 90 Collins Street—

Senator ROBERT RAY—That is right, yes—as were your people when you were in opposition, it should be added.

Senator Abetz—Yes, that is right. And when they moved to Treasury Place, having just one office left—namely, the office of Senator Conroy—that did not, for whatever reason, appeal to the landlord. Therefore, Senator Conroy's lease was not renewed. Undoubtedly, they would have had Senator Conroy kept in the building if we had paid for the lease for the whole floor or whatever.

Senator ROBERT RAY—Which is all very reasonable, Minister. I was just making the point, in case there was any connotation that he sought to move, and sought to move to refurbished premises, that was not the case, and I think you have agreed with that too.

CHAIR—I did not think that was the connotation, Senator Ray.

Senator Abetz—Anyway, we now know that the landlord kicked him out—but not because of Senator Conroy's personal behaviour.

Senator ROBERT RAY—Do we know that the department encouraged him in strong or other terms—

Senator Abetz—The chances are they encouraged him to move, given that he no longer had a home at 90 Collins Street.

Senator ROBERT RAY—to move to 4 Treasury Place?

Ms Mason—The timing of the expiry of Senator Conroy's lease on the former premises coincided with the refurbishment of 4 Treasury Place—

Senator ROBERT RAY—That is right.

Ms Mason—and, as is common, because there was office space becoming available, that opportunity was made available to Senator Conroy.

Senator ROBERT RAY—So he saved the taxpayer a lot of money. Good on him. That is a first for him anyway.

Senator Abetz—We will let the spin doctors sort that out. That is not what estimates are for.

Senator ROBERT RAY—Do not upbraid Senator Brandis like that in front of him.

Senator Abetz—Any other questions or matters?

Senator FAULKNER—I have a brief question. I saw again a press clipping about a bit of a shindig around the car that the new member for Cunningham, Mr Organ, had ordered from the government. It said it was a gas guzzler that 'drinks 12 litres per 100 kilometres'. I do not know if that is right or not. This is one of the cars that is available on the certified list of cars that members and senators can choose from. This is some sort of six-cylinder supercharged turbo sedan. He was bucketed because it was suggested it was not fair that a Green member of parliament should have a petrol guzzling parliamentary car.

Senator Abetz—Can I just lay before the committee the very Green credentials of Senator Murray's parliamentary colleague Senator Lyn Allison, who wrote to me about the possibility of having the hybrid vehicle included on the list of options.

Senator ROBERT RAY—Which one?

Senator Abetz—The hybrid Toyota, which is electric.

Dr Watt—The Prius, I believe.

Senator Abetz—The Prius, that is it—electric and petrol.

Senator FAULKNER—This is what I was going to ask you.

Senator Abetz—She has now availed herself of that opportunity.

Senator ROBERT RAY—It is a bit of a breach of privacy but anyway, I will let that go.

Senator Abetz—No, she has publicised the fact.

Senator ROBERT RAY—Really?

Senator Abetz—She has publicised the fact, believe it or not. We did a joint press conference announcing it.

Senator FAULKNER—Funny, I did not see a news clip on that.

Senator ROBERT RAY—Did you invite Mr Organ to that?

Senator Abetz—He was not a member at that stage, when the announcement was made, but he would have been aware of that option being available to him when he made his choice.

Senator FAULKNER—It looks like Mr Organ, who got criticised in the press for this matter, made a reassessment and apparently got some other sort of car.

Senator Abetz—I believe that is the case.

Senator FAULKNER—The point is not so much the issue of the gas guzzling car as to the more general point about whether, in making a determination about which cars

parliamentarians can choose from, fuel consumption, fuel economy and environmental concerns in the broad are addressed.

Senator Abetz—They are now. I will be advised as to when that determination was made. I specifically put that in as a category or a consideration. If you want to access a vehicle outside of the specified list, occupational health and safety is one issue. Since my time in this position, the environmental aspect has also been included—at the suggestion, might I add, of Senator Lyn Allison. I pay tribute to her. It made good sense to me at the time. I am happy to say that that has been on the list since 9 April 2002. I am surprised you wonder about that because there was a circular to all senators and members dated 9 April 2002.

Senator ROBERT RAY—We are not aware of all circulars. We established that with my first line of questioning.

Senator FAULKNER—Not even when you send it itself.

Senator Abetz—This was under my signature.

Senator ROBERT RAY—Yes. You are not even aware of what your department sends out.

Senator Abetz—I would have thought you would pour over all of the ones with my signature on.

Senator ROBERT RAY—I usually file them straightaway.

Senator FAULKNER—What shape is the file?

Senator Abetz—The circular filing cabinet!

Senator FAULKNER—I am not very expert on cars; I would be the first to admit it. Is what is described as the supercharged \$400,000 six-cylinder Commodore S still on the list?

Senator Abetz—Yes, it is still on the list.

Senator MURRAY—You said ‘\$400,000’.

Senator FAULKNER—Did I? Let the record say ‘\$40,000’. I am reading this from only a newspaper article—hardly a very reliable source, as you would appreciate, Senator Murray.

Senator Abetz—For what it is worth, on the schedule I have the Commodore S—

Senator FAULKNER—I am calling this a Holden Commodore supercharged S six-cylinder.

Senator Abetz—If that is the VY, which I assume it is—like you, I am not aware of these things—supposedly it has a 13-litre per 100 kilometre automatic city cycle.

Senator FAULKNER—I am just asking you whether it still on the list.

Senator Abetz—Yes, it is still on the list.

Senator FAULKNER—So if you want to get one you can, and if you decide not to get one, for whatever reason, so be it. Could you take on notice to find out how many members and senators have that car or have ordered that car. I do not want to know the names, just the numbers.

Senator ROBERT RAY—Have you looked at the form which members of parliament fill out to order their car?

Senator Abetz—I must have, because I have undoubtedly signed one or two.

Senator ROBERT RAY—Let me draw your attention to a very easily overlooked fact. You would automatically assume that, if you wanted to order a tow bar, it would be considered an extra and would be crossed out on the form. However, deep down on the form where you do not read it says, ‘Tick here if you do not want a tow bar, otherwise it will be automatically supplied.’

Senator Abetz—Thank you for that.

Senator ROBERT RAY—It would be nice to redesign that form, because you might save a bit on tow bars if people do not read all the way down.

Senator Abetz—Thank you for that; we will have a look at it.

Dr Watt—The addition of a tow bar actually saves a lot on repairs.

Senator ROBERT RAY—If that is the reason it is there, if that is the rationale, leave it there.

Dr Watt—It is the same system on the executive vehicle scheme, where a tow bar is provided automatically.

Senator ROBERT RAY—This is for the executive vehicle. It is exactly the same.

Dr Watt—I believe that was the rationale for introducing it, but we will check that.

Senator ROBERT RAY—Don’t bother in that case.

Ms Mason—Another point to make about the form, from my understanding, is that it is not a form produced within the department; it is supplied to us by LeasePlan.

Senator ROBERT RAY—I know. They eventually charge you, and that is my point. You might be charged for this when you do not want to really be charged for it.

Ms Mason—Another relevant point to make is about resale value. Sometimes extras on vehicles, although they have an additional cost, do not necessarily increase the lease cost because the residual value is greater.

Senator ROBERT RAY—Fair enough.

Senator FAULKNER—Briefly, on another matter, you would be aware that the issue of spending on the House of Representatives printing allowance has had quite a bit of publicity over the past few weeks. No doubt that has been drawn to your attention.

Senator Abetz—Like you, I get the clips on the odd occasion.

Senator FAULKNER—Some of the articles I was referring to were well buried, but this has had quite a deal of media prominence, as you know. I am interested in understanding it from a departmental perspective: has any regular briefing been going to ministers about the usage of that printing allowance?

Senator Abetz—What briefings?

Senator FAULKNER—I am not asking what the briefing is; I am asking if the briefing goes to ministers—you or Senator Minchin?

Senator Abetz—Nowadays there would not be, because that entitlement is capped at 125.

Senator FAULKNER—Nowadays it is and I appreciate there is a cap, but I am just trying to understand how it has worked in the past.

Senator Abetz—Basically it was open-ended.

Senator FAULKNER—I know that. You said there is no briefing going to ministers. Have ministers been informed on a regular or irregular basis about usage of that entitlement over recent years?

Ms Mason—Details of the use of printing entitlement are included in the monthly management reports supplied to senators and members.

Senator FAULKNER—Yes, but I am talking about it going to your portfolio minister, not to all cabinet and non-cabinet ministers. I am asking if consolidated information is provided to either the portfolio minister or the Special Minister of State on usage of printing allowance historically.

Ms Mason—We do not produce regular reports of that nature.

Senator FAULKNER—You haven't produced those reports?

Ms Mason—I think that is a different question. We have from time to time produced reports but it is certainly not something that we do on a regular basis.

Senator FAULKNER—So it has been done irregularly?

Ms Mason—Yes.

Senator FAULKNER—Can you say when it has been done over the last two or three years?

Ms Mason—It has certainly been done within the last two or three years.

Senator FAULKNER—Yes, I am asking when.

Senator MURRAY—You had to do it for the audit report, didn't you?

Ms Mason—Yes, Senator.

Senator FAULKNER—Are you able to say?

Ms Mason—I do not have the dates of production of those reports with me tonight.

Senator Abetz—In fact, I think you are quite right, Senator Murray: it was in that scenario that some of the figures became apparent.

Senator MURRAY—If I may assist, I think that report covered the year 1999-2000. It is Audit report No. 5, so at least it is available for that year.

Senator Abetz—All the media coverage that was generated was the result of an FOI request.

Senator FAULKNER—Yes, I appreciate that. I have assumed that it is an FOI request because certainly the information, to my knowledge, has not ever been made public—has it?—except, one assumes, by a recent FOI request. The information has never been provided publicly before, has it?

Senator MURRAY—Apart from Audit report No. 5.

Senator FAULKNER—No, the Auditor-General reported on a pattern, I think it is fair to say, Senator Murray—

Senator MURRAY—No names—that is right.

Senator FAULKNER—Yes, it was a pattern. He did not identify individuals. That is right, isn't it, Ms Mason?

Ms Mason—That is my understanding.

Senator FAULKNER—But what is different in relation to the recent press articles is that the names of a whole range of individual members have been mentioned. That is true, isn't it?

Ms Mason—Yes.

Senator FAULKNER—You might say to us the period that this expenditure related to. It is now capped, as the minister correctly says. This related to expenditure prior to that particular entitlement being capped, didn't it?

Mr Gavin—It relates to the calendar year 2001 and from 1 January 2002 the entitlement was capped.

Senator FAULKNER—Was there an election at the end of 2001?

Senator ROBERT RAY—There must have been—I got my deposit back.

Senator Abetz—You might have to ask the Australian Electoral Commission that.

Senator FAULKNER—You recall there was an election at the end of 2001?

Mr Gavin—I certainly recall that. I did not think you seriously asked the question.

Senator FAULKNER—Maybe it was a tiny bit rhetorical. You might recall that in that election campaign the member for Paterson, Mr Horne, was, as a result of information that had been leaked against him at an earlier stage, very heavily criticised in relation to the expending of his printing allowance. Were you aware of that background?

Mr Gavin—Frankly, no.

Senator FAULKNER—Were you aware of that, Senator Abetz?

Senator Abetz—I was aware that adverse publicity was generated about Mr Horne.

Senator FAULKNER—Did we get to the bottom of how Mr Horne's name got into the public arena?

Senator Abetz—No, I do not think we did.

Senator ROBERT RAY—You answered some of my questions on that on notice, didn't you? I asked some direct questions as to whether anyone—either you or anyone in your office—directly or inadvertently leaked that, and that was firmly put down. So we can rule out your office.

Senator Abetz—Yes.

Senator ROBERT RAY—That leaves two possibilities: the department or the Auditor-General's office. I think that is where we left it—as to how the information got into the public domain. Are there any other possibilities that you know of, Dr Watt, outside the two I have just listed?

Dr Watt—I am not able to speculate.

Senator ROBERT RAY—You must know where the information is held and who has access to the information. Let me rephrase it to make it easier for you: apart from the department, was it only the Auditor-General's office that had access to those files? Maybe the Ombudsman or someone else came in. I do not know. That is why I am asking—to narrow it down.

Senator Abetz—I would have thought Mr Horne's office would have been provided it through monthly management reports. Who knows? There may have been a dissatisfied staff member in Mr Horne's office.

Senator ROBERT RAY—So that is a third possibility.

Senator Abetz—The possibilities, if you were to exercise your mind, could be quite extensive.

Senator ROBERT RAY—I am not sure they are. I am trying to narrow them down. You say it did not come from your office.

Senator Abetz—Chair, with respect, this is speculation. It is not something that the departmental officials—

Senator ROBERT RAY—Chair, this is relevant. If this information did leak out of the department, we are entitled to pursue it. We are not saying that it did.

Senator Abetz—That is a different question and that is quite proper.

Senator ROBERT RAY—Before we can even ask that question, I want to know what other possibilities there are, because it may well not have leaked out of this department.

Senator Abetz—But it is not for the departmental officials to comment on.

Senator ROBERT RAY—No, but it is for them to comment on how well they protect the information and who has access to it. That is my question.

Senator Abetz—They are different questions to the one you asked and they are perfectly appropriate.

Senator ROBERT RAY—With respect, that was the question I was asking.

Senator Abetz—No, it was not.

Senator ROBERT RAY—Yes, it was.

Senator Abetz—You were asking who else might have leaked it.

Senator ROBERT RAY—I am sorry, but I did not ask that question. Do not misrepresent me. I asked who had access to the information.

Senator Abetz—No, you said there were two possibilities as to the source of the leak. I then gave you a third possibility, after which I said to you that we could then go on with other possibilities and it is not within the province of the department to answer. I am sure the *Hansard* will bear me out on that. The last question you asked is appropriate, as it is clearly within the province of the department to answer it.

Senator ROBERT RAY—How soon after the department sent the minister's office the list of printing allowance expenditures did the material appear in the press?

Senator Abetz—We could also ask how soon after was Mr Horne's office made aware of it.

Senator ROBERT RAY—You can ask further questions. I am sitting on this side of the table to ask questions. I have asked the question.

Senator Abetz—Yes, but it is the sleazy innuendo that comes with it, Senator Ray. We could also ask how soon after the Auditor-General compiled a list for himself did it leak out.

Senator ROBERT RAY—You may well have to ask that too. I asked the question. I am asking for an answer.

Ms Mason—Senator, those are not questions that we have answers to at this time.

Dr Watt—But we are happy to get them for you.

Senator ROBERT RAY—I go back to who had access to this information. We know the minister's office did, we know the department did and we know the Auditor-General did.

Senator Abetz—We know Mr Horne's office did.

Senator ROBERT RAY—Depending on whether he had it on an annual basis or a financial year basis, it may well be a different figure.

Senator FAULKNER—Senator Abetz, you do not know whether his office had access to it or not, because you do not know how he handled his management reports, with respect. That is an assumption on your part. How would you know? They had only gone to him.

Senator ROBERT RAY—Let us put that down as a possibility. Having established those three possibilities, is there anyone else, any other department or section, who would have had access to this information?

Senator Abetz—This is once again getting into the realm of speculation.

Senator ROBERT RAY—No, it is not.

Senator Abetz—What you can talk about is the department of finance, who has it within the department or to whom they might send it to—

Senator ROBERT RAY—Dr Watt and the department would know whether another department sought that information off them—almost certainly they would not have—or whether some other agency of government had sought that information. That is not out of order, Senator Abetz, and it is not speculation.

Senator Abetz—That is right.

Senator ROBERT RAY—That is the question I am asking, not your spin or reinterpretation of my questions. So I ask the question.

Dr Watt—We are not aware that any other department sought that information, nor did we provide it to any other department.

Senator ROBERT RAY—Or any other agency?

Ms Mason—Aside from the Audit Office, which has already been mentioned.

Senator ROBERT RAY—Yes, absolutely.

Dr Watt—Again, we are happy to check that and confirm it.

Senator ROBERT RAY—Thank you.

Senator FAULKNER—And you have taken on notice over the past three years the occasions when details of usage of the House of Representatives printing allowance have been provided to the responsible minister? I want to know when—that is all.

Dr Watt—We will get you that information.

Senator FAULKNER—Thank you.

Senator ROBERT RAY—As for the future, the minister has pointed out that this entitlement is capped. It will not be, but if it were used to its maximum by every member of the House of Representatives—and I say 'if'—this would involve an \$18 million expenditure per year and in fact a \$54 million expenditure over the cycle of the parliament. That is quite a large amount of money. Does that then present the possibility that the department will then regularly keep the minister informed of this large amount of expenditure? You may not have done it in the past, which you are going to answer on notice, but I am asking: is it the future intention to on a half-yearly or yearly basis keep the minister informed of exactly how much is being spent in this area?

Senator Abetz—Whilst it was uncapped, I was not informed. Now that a cap has been put in, I doubt that those that spent below the cap would feel a burning need to spend up to the cap. Chances are that those who have spent over the cap will reduce their expenditure—

Senator FAULKNER—There are three presumptions.

Senator ROBERT RAY—But you are answering a question I have not asked. I might go on and ask it, but I may not. I am asking: now that this has been formalised with a cap on it, will the department regularly report the amount of expenditure to the minister on a three-monthly, six-monthly or annual basis? You would then, Minister, pick up if there were any problems or anything else. I am asking if this large chunk of money is going to be regularly reported to you as minister. I am not asking you to take any action on it at this stage. This would be a normal departmental function, I would have thought.

Ms Mason—We brief the minister on various matters from time to time as the need arises. It would probably be reasonable, having instituted an improvement, to monitor the effect of that improvement and to provide reports of that nature to the minister.

Senator ROBERT RAY—Is there any reason why there will not be future public accountability—this is a question to the minister, so the department should not rush in—in publishing, because you already publish certain matters, the amount spent on printing by each member of parliament, irrespective of their party affiliation?

Senator Abetz—We do not publish that.

Senator ROBERT RAY—I know. I am pretty certain I know what you do not publish. I am asking: is this an area that you will publish on in the future?

Senator Abetz—I would doubt it.

Senator ROBERT RAY—So it will just be subject to FOI each time, with all the spin that is involved there? That is very wise.

Senator FAULKNER—Was a tabulation ever done and provided to the minister on the basis of expenditure in calendar year 2001? I do not doubt it may have been done to develop a response to the FOI, I do not know.

Senator Abetz—My memory suggests that I did get one, but I am not sure. We can check on that.

Senator FAULKNER—Can you help us with that, Ms Mason?

Ms Mason—I would have to check. I cannot help you right at this moment, but we can certainly check our records.

Senator FAULKNER—Was this material that is now in the public arena, courtesy of an FOI, developed in response to the FOI or had the work already been completed in the department so that a response was able to be easily given to whoever made the FOI request?

Mr Gavin—The minister was provided with the list in the context of the FOI request.

Senator ROBERT RAY—That is normal procedure.

Mr Gavin—It has been normal procedure through a number of administrations, that is right.

Senator ROBERT RAY—And that is provided for information. There is no veto or anything else by the minister because it is the FOI officer who determines these things. I am just trying to have the record complete.

Mr Gavin—That is right. The decision maker makes the decision and notifies the minister's office.

Senator FAULKNER—Were all members of the House of Representatives on the list? I appreciate the information I have seen in newspapers goes to 28 or 30 members of the House of Representatives. Did the information passed to the minister include all members?

Senator ROBERT RAY—It is 28.

Senator FAULKNER—I thought it was. That included all members?

Mr Gavin—Yes.

Senator FAULKNER—Was any analysis made by the department of the expenditure and was that provided to the minister or was it effectively just a list of sums expended?

Mr Gavin—No analysis was made.

Senator FAULKNER—None at all? So the point was not made, for example in relation to Mr Horne, that 13 Liberal Party members of the House of Representatives in fact spent more than he did in calendar year 2001? That point was not made?

Mr Gavin—It was not.

Senator Abetz—But of course he did not have the opportunity to spend—

Senator FAULKNER—This will be good.

Senator Abetz—in November and December.

Senator FAULKNER—No, he did not, that is true. He was defeated, many think as a result of the publicity claiming that he was the biggest spender on printing allowance in the Commonwealth of Australia when in fact those other 13 members spent more than him, in one case nearly double.

Senator Abetz—The unfortunate situation was that at the time he was, I think, the biggest spender.

Senator ROBERT RAY—Come on!

Senator Abetz—And that alerted others to the possibilities, as a result of which we kept it.

Senator FAULKNER—You have just made the statement that unfortunately at the time he was the biggest spender. What does that mean? At what time was he the biggest spender?

Senator Abetz—As I understand it, the ANAO figure was on the financial year, not the calendar year.

Senator MURRAY—That is correct.

Senator Abetz—Senator Murray is confirming that. When you make these comparisons, it has to be apples with apples.

Senator FAULKNER—Fine. You had figures relating to the financial year provided to you too, did you?

Senator Abetz—No, the Australian National Audit Office did.

Senator ROBERT RAY—And you, though.

Senator Abetz—As did I, as did Mr Horne.

Senator FAULKNER—Did you get a comparative list of expenditures in the financial year 2002-01?

Senator Abetz—Not in that year but I would assume of that year, I think. Making sure that we are absolutely clear as to what we are talking about, because if the Audit Office had audited the financial year 2000-01—

Senator MURRAY—1999-2000.

Senator Abetz—Sorry, I understand the ANAO figures were for the 1999-2000 financial year and the FOI figures were for the calendar year 2001.

Senator FAULKNER—Yes.

Senator Abetz—So we are talking about different periods.

Senator FAULKNER—You had provided to you, did you, figures for the financial year 1999-2000? They were provided to you as well as to the Audit Office?

Senator Abetz—Yes.

Senator FAULKNER—When did that occur?

Senator Abetz—I do not know.

Senator FAULKNER—Could you find out?

Senator Abetz—I can find out, yes.

Senator FAULKNER—Thank you. Can you tell me who provided it, please? Mr Gavin, can you assist us?

Senator Abetz—The department would have provided me with the figures, no doubt.

Senator FAULKNER—That was provided by the department, was it, Mr Gavin?

Mr Gavin—I am afraid I was on leave at the time.

Senator FAULKNER—Can we check that? Can we also check whether figures for the financial year 2000-01 were provided and whether in all cases this related just to those MPs who had a high expenditure on printing allowance or whether it related to all MPs, as in the case of the advice provided to Senator Abetz in relation to calendar year 2001?

Ms Mason—Yes. We do not have that sort of detail here tonight, but we can certainly check.

Senator FAULKNER—Anyway, I will look at the answers to those questions on notice and we will address it at a later stage. I assume it was the Audit Office that determined to use the comparator of the financial year 1999-2000. I think at the time that was the applicable financial year that they were considering in their report. You would recall that, Mr Gavin, wouldn't you?

Mr Gavin—That is absolutely right. It was the Senate resolution.

Senator FAULKNER—So we will have a look at the answers to those questions on notice and follow them up at a later stage. Senator Abetz, given these figures, have you sought an explanation from any of the members concerned about the level of their expenditure?

Senator Abetz—No, I have not. The Labor government at the time determined that there ought to be an uncapped entitlement. Some MPs have considerable airline bills footed by the Commonwealth, but I do not write to them and ask how come their travel budget is so much higher than somebody else's. Unless the suggestion is made that improper use has been made of something or of entitlements, I do not go writing off to MPs seeking an explanation—otherwise, I might write to some of your colleagues in relation to other matters.

Senator FAULKNER—Seeing that you have made the point about Mr Horne and the fact that he did not expend any moneys after the election in 2001, which is obviously true, can I ask on notice—because this is why Senator Abetz thinks that Mr Horne was so far down the list—for a disaggregated figure for the expenditure of all of the 28 listed members of the House of Representatives; that is, both parties—

Senator ROBERT RAY—You have that list.

Senator Abetz—The list of 28, or whatever.

Senator FAULKNER—Yes. Can I ask for the expenditure of all of those after the federal election? Of course, in the case of Mr Horne, we know that he lost his seat, so obviously it will be zero. I would like to compare the expenditure for the other 28 in that two months after the federal election.

Ms Mason—We will do our best. I am not sure whether our figures can be narrowed down to a precise date, because they are normally compiled on a monthly basis.

Senator FAULKNER—What I am interested in here is when this material was printed, not when it was paid for.

Senator ROBERT RAY—That is going to be hard.

Senator FAULKNER—It may be hard, but I am not going to have some suggestion made that bills coming in after the election in some way make the comparison invalid. I want to see whether Senator Abetz's point is valid or not. He said that of course Bob Horne's figure would be lower because he spent no money after he was defeated.

Senator Abetz—The *Hansard* will show what I said.

Senator FAULKNER—I want to know how many others spent any money after the election.

Senator Abetz—It is obvious that Mr Horne, much to Senator Faulkner's regret, is unable to continue to expend taxpayers' money.

Senator FAULKNER—It does not come down to when bills were paid; it comes down to when this printing entitlement was used.

Dr Watt—We appreciate the point you are making, Senator; but, as Senator Ray said, it will be a test of the completeness of the record.

Senator FAULKNER—I understand that and, if it is not possible to do, no doubt, as has occurred in the past, someone from MAPS will contact me.

Ms Mason—We will certainly do that. I have already said we will do our best on it, but there are probably five potential dates. There is the date when printing is ordered, the date when printing is done, the date when printing is delivered to the office, the date when it is invoiced and the date when it is paid. So there are a number of different dates and I am not sure which particular date we will use for the answer, but we will do our best; we understand what you want.

Senator ROBERT RAY—Where is the bucket of money to pay for this? Even though it is now capped, do you have a proximate assessment of what may be involved financially in a year and that is allocated into your budget or is the whole \$18,750,000 put aside for this? I do not think it is. Could you tell us exactly how this is financed and how it is balanced?

Ms Mason—We make estimates each year, and the estimate for printing is included in a special appropriation, and there is an estimate there for that purpose.

Senator ROBERT RAY—I think that if you look to your right you might have that estimate for me.

Ms Mason—It does form part of an appropriation that contains a number of different items.

Senator ROBERT RAY—So it would not be published. Is there any way to disaggregate what your estimate is? And do you adjust that in an election year?

Ms Mason—We have an estimate for the total appropriation, but breaking it down is more difficult because it is dealt with as a total appropriation. It will cover printing, rent and all sorts of other things.

Senator ROBERT RAY—But when you get that approximation you use a building block to get to it. I am wondering what the building block is. I am not going to go back to this and say a year later, ‘Oh, you miscalculated this,’ because it is a variable matter—I understand that.

Ms Mason—I am informed that the figure that we have used in building up the estimate and compiling the various components is a worst-case scenario. It is the total potential cost if each person used the entitlement to the cap.

Senator ROBERT RAY—So that is the building block?

Ms Mason—Yes.

Senator ROBERT RAY—And the Department of Finance and Administration accept that all, do they? You can put your other hat on.

Mr Gavin—This is a special app, so it has not got quite the same force as seeking—

Senator ROBERT RAY—Yes, I think I understand that. We have had another example of this. Travel allowances in the Senate were in exactly the same position, weren’t they?

Mr Gavin—Yes.

Dr Watt—Bearing in mind these are early days for the new arrangement, whether we would use the same approach when setting future levels of expenditure and when we have some information on usage is another matter. But, as an approximate effort for the first year or two, when you have no historic information to draw on, it is one way of going about it.

Senator ROBERT RAY—Thank you.

Ms Mason—The benefit of having it capped is that we at least have an outside cost. When it was uncapped it was more difficult to estimate.

Senator ROBERT RAY—For every entitlement you cap you have our support. Uncapped entitlements are a menace to members of parliament, no matter where they appear. A couple of them are inevitable—you cannot do anything about them—but wherever you can cap you should cap.

Senator MURRAY—If I may say so through the chair to Senator Ray and those at the table, there is a reference point because the 1999-2000 report gave an average. So, with this claim that capping it will result in increased usage, you have that point to rate it against.

Senator ROBERT RAY—Yes, but your problem with that evidence is that in a financial year the highest at that stage was 200-odd thousand, and we see examples of 400,000.

Senator MURRAY—Yes, but it was a non-election year, like they are going into now.

Senator FAULKNER—A non-election financial year—that is what it was.

Senator MURRAY—That is right. Minister, I do not have that many questions. I just want to follow up some material that you answered previously. There were some outstanding parliamentarians management reports from the 1999-2000 year which had not yet been certified. I assume those are now all cleared. Is that the case? I had an answer to a question on notice given to me. It detailed a small number. I just want to know whether they have now been cleared.

Senator Abetz—I think there are still a few that do not like certifying.

Mr Barnes—I do not have those exact figures here for you on certification, but we can examine that as you wish.

Senator MURRAY—Let me phrase the question to go on notice. I do not need the names. I just want to know how many have still not certified the 1999-2000 parliamentarians management reports—the year-end one.

Senator Abetz—That is the end of financial year?

Senator MURRAY—That is right. The same question for the financial year 2000-01, and again I do not need to know the names but the numbers of members and senators who are refusing to certify reports, as distinct from qualifying them to the best of their knowledge, which I think is what most people do. There was an intention by the department to benchmark entitlements expenditure, and in the DOFA review relative to that I was advised that Finance would be aiming to develop benchmarking options by 30 June 2002. I want to confirm that those benchmarking options have been developed and are in place.

Ms Mason—We have not yet completed that work. It is still in train. We are considering benchmarking options but have not yet concluded the work.

Senator MURRAY—Can you give me an idea when you expect it to be completed and why there is a delay? What is the difficulty?

Ms Mason—The reason for the delay is that it is a complex matter because, in deciding on which basis one might benchmark, there are risks attached to any methodology that is used and it is difficult to pin down the most appropriate one in the circumstances. Those issues are being worked through. We do not have a precise date for estimated completion of that work.

Senator MURRAY—But obviously from the perspective of proper management the best deadline date is the end of a financial year because then you implement the benchmark options. So I would assume you would be trying for 30 June this year.

Ms Mason—You are quite right, that would make good sense—if we were going to adopt a benchmarking regime, to commence it on a full financial year basis.

Senator MURRAY—I advise you that I will return to the question until such time as you tell me it is done.

Senator Abetz—Without getting into a discussion here, how do you benchmark, say—I will pick two of my colleagues—the member for Wentworth and the member for Kalgoorlie? In fairness, how do you benchmark—without being too unkind—our senatorial colleagues? In Tasmania, for example, we do not have any government members in the House of Representatives and government senators are asked to do more, and I would have thought that Democrat senators, with workload and other requirements, may well be in a different position in relation to their electorate offices from, let us say, a senior opposition person or indeed a senior government minister in the Senate. Those are some of the difficulties.

Senator MURRAY—I have understood, Minister, that it is a little complex. Nevertheless, the department accepted that it would be doing benchmarking and I would like to know where it would—

Senator Abetz—The pathway to hell is marked with good intentions. It is difficult.

Ms Mason—May I clarify: I think what we said we would do is examine options for benchmarking. I do not think we indicated that we had yet arrived at the point where we were recommending that that was what should be done.

Senator MURRAY—At some stage you have to come to a decision and there will be some categories for which benchmarking is much easier than others. I would not expect you to take a view that no benchmarking applies across all items and I would not expect you to take a view that benchmarking applies to every item. I have merely put you on notice that I will revisit this and I would like, if possible, to get some advice, if you are in that position—if you are not, don't—as to when you would expect it to be completed.

Ms Mason—I do not think that we can give a firm date. It is certainly something that we have looked at, but it is complex.

Senator MURRAY—I will return to it at the next estimates and perhaps you could be ready with your answers then.

Senator Abetz—Some of the things that are benchmarked or determined by outside bodies like the rent tribunal are the salary we get paid, electorate allowance and postage allowance. Trying to benchmark other aspects like the amount of travel we might do and the amount of travel allowance we might claim is going to be a very difficult task. People have different portfolio responsibilities. These days, surprisingly, as Special Minister of State, I claim less in travel allowance than when I was Parliamentary Secretary to the Minister for Defence. I can do so much more in my electorate office.

Senator MURRAY—I will conclude on this note. My staff inform me, and I have also authenticated, that the nature and quality of management reports keeps improving and that should be recognised. It is far superior to what it was when I came into the Senate and it is still improving every year.

Senator Abetz—Thank you, Senator Murray. The department deserves a lot of praise for the ongoing review of the monthly reports. I am sure those comments are very much appreciated and echoed by all senators.

Senator MURRAY—Frankly, we appreciate your making it easier for us because it was absolutely useless and a mess before.

Senator ROBERT RAY—When postage went from 45c to 50c, did you get any complaints? I do not know if you would have got the complaints. Everyone I talked to went to their post office to get 5c stamps and could not get them. Has that been the general view? It was unbelievable. This is not your responsibility directly, but you, along with the presiding officers, provide a certain amount of stamps for us.

Senator Abetz—I will give Senator Alston a hospital pass. It might be his responsibility as Minister for Communications, Information Technology and the Arts.

Dr Watt—It is also Senator Minchin's as my shareholder, Minister.

CHAIR—On that note, thank you, gentlemen. The committee has now concluded its examination of output 3.1. After the break, we will resume with the Prime Minister and Cabinet portfolio, the Office of the Status of Women and the Australian Public Service Commission. We will go back to the Australian Electoral Commission but certainly not before 9 p.m. Dr Watt, we have finished with the department, so thank you very much for your assistance.

Proceedings suspended from 7.03 p.m. to 8.19 p.m.

PRIME MINISTER AND CABINET PORTFOLIO

Consideration resumed.

In Attendance

Senator Abetz, Special Minister of State

Department of the Prime Minister and Cabinet

Executive

Mr Andrew Metcalfe, Executive Coordinator, Government and Corporate

Economic policy advice and coordination

Mr James Horne, First Assistant Secretary, Industry, Infrastructure and Environment

Ms Jenny Goddard, First Assistant Secretary, Economic

Social policy advice and coordination

Ms Rosemary Calder, First Assistant Secretary, Office of the Status of Women

Ms Sandra Parker, Assistant Secretary, Office of the Status of Women

Ms Miranda Pointon, Acting Assistant Secretary, Office of the Status of Women

Ms Francine McAsey, Director, Coordination

Ms Joanna Davidson, First Assistant Secretary, Social Policy

Ms Helen Hambling, Assistant Secretary, Work and Family Taskforce

International policy advice and coordination

Ms Gillian Bird, First Assistant Secretary, International

Support services for government operations

Ms Barbara Belcher, First Assistant Secretary, Government

Mr David Macgill, Assistant Secretary, Legal and Culture

Parliamentary and Government

Ms Barbara Belcher, First Assistant Secretary, Government

Mr David Macgill, Assistant Secretary, Legal and Culture

Mr Paul O'Neill, Assistant Secretary, Awards and National Symbols

Mr Peter Hamburger, Assistant Secretary, Cabinet Secretariat

Mr Greg Williams, First Assistant Secretary, Government Communications

Dr Susan Ball, Assistant Secretary, Information Services

Ms Julie Yeend, Assistant Secretary, Ceremonial and Hospitality

Mr Jamie Fox, Head, National Security Campaign Taskforce

Mr Terry Crane, Acting Assistant Secretary, Corporate Support

Ms Trish Corbell, Acting Senior Adviser, Services and Security

Ms Fiona O'Loughlin, Acting Senior Adviser, Financial Management

CHAIR—I welcome back Mr Metcalfe, the minister and officers from the Department of the Prime Minister and Cabinet. The committee will continue its examination of the Prime Minister and Cabinet portfolio and commence with outcome 2, Office of the Status of Women.

Senator CROSSIN—I want to ask about my question on notice No. 803, which I gave notice of on 16 November. Is there a response to that yet? It was a 26-part question.

Ms Calder—The office has prepared a reply and has provided it to the Prime Minister's office, so it is in process.

Senator CROSSIN—When did you provide that to PM&C's office?

Ms Calder—It was provided to the office on 2 December and revised on 19 December.

Senator CROSSIN—So I should expect that any day now?

Ms Calder—I think that is correct.

Senator CROSSIN—If I do not have it by the next sitting period, I will be asking for it in the Senate. So I am giving you notice of that. You are telling me that the hold-up is not at your end. Is that what I am hearing?

Ms Calder—I am explaining the date on which we lodged the material.

Senator CROSSIN—That was a response to all 26 questions?

Ms Calder—Yes, it is a full response.

Senator CROSSIN—I just want to go back over some of the answers I received to questions from last November. I am sorry if they are going to duplicate some of the questions later on, but this is the order of the papers I have here. At that time you told me that the Partnerships against Domestic Violence Task Force had last met on 25 and 26 July last year. Has it met since last July?

Ms Calder—Yes, it met last Monday and Tuesday—the first Monday and Tuesday of February.

Senator CROSSIN—Was that meeting held here in Canberra?

Ms Calder—Yes. Two meetings a year are held in Canberra and one is held elsewhere.

Senator CROSSIN—Were sitting dates for the rest of the year set at that meeting?

Ms Calder—I do not have the dates with me but, yes, there was an agreement about meeting in May or June. I am sorry, I did not bring those dates with me, but I think it is May.

Senator CROSSIN—In an answer that you gave me about the Partnerships against Domestic Violence Task Force, you told me that funding agreements were negotiated in December 2000 with successful Indigenous organisations. Have those organisations been notified of their successful funding provisions?

Ms Calder—Yes. Funding agreements were negotiated in December with successful Indigenous organisations.

Senator CROSSIN—Are you able to give me a list of those organisations and the amount that each organisation received?

Ms Calder—Yes, we can do that if I can take it on notice.

Senator CROSSIN—How is that funding allocated? My understanding of the process is that the task force makes recommendations and then they are in some way either declined or accepted by the minister. Is that the way it works?

Ms Calder—In the area of priorities and general directions, that is the case. The task force made recommendations to the minister, in broad terms, in the middle of 2001 on the basis of material arising from the evaluation of the first phase of Partnerships. Those broad directions and the specific areas of new work were identified for the minister's consideration. She progressed those recommendations and a further round of Indigenous and other project funding was approved.

The Indigenous family violence grants have throughout the process been different. The focus of the grants has been on communities assisting themselves. So the very broad terms were set at the outset of that program. The task force has, in a sense, taken an interest but not

had anything further to add other than learning from the projects as they have concluded. The last phase of funding was to progress communities that had capacity building grants and were able to progress to major projects and for some additional work for major projects that had indicated a capacity to undertake more work. So that was all pretty much within the general framework for the program that was established some time ago.

Senator CROSSIN—So there are particular criteria that people are looking to allocate this funding against. Is that correct?

Ms Calder—There are criteria that are used to assess the capacity of communities to undertake the projects they propose—the nature of the project. The principal criteria are that the projects need to be embedded within a community, that the community is supportive of the project, that the community has the resources to undertake the project and that the project is within the parameters of the program's guidelines, which are essentially to reduce or mitigate family violence in communities.

Senator CROSSIN—Those funding agreements were renegotiated in December. Will the funding have flowed through to those organisations by now?

Ms Calder—It is in train. I have had seven weeks leave, so I am not completely across all the detail, and I apologise for that. But they are certainly in train. The negotiations with Indigenous communities are quite often fairly lengthy.

Senator CROSSIN—What was the total amount allocated under those December agreements?

Ms Calder—I do not have those figures in front of me. I will take the question on notice. I have the total sums but not the actual figures for the December round.

Senator CROSSIN—Flowing from that, I am interested to know what is left in the bucket of money for the PADV area once you subtract the December figures.

Ms Calder—Are you talking about the indigenous family violence program?

Senator CROSSIN—That is what I assume the funding agreements in December were based on.

Ms Calder—Yes. There was \$6 million under the Indigenous Family Violence Grants Program, and \$0.3 million—\$300,000—has not yet been allocated from that total bucket. That is likely to be applied, after the minister's consideration, to some further mentoring for the new projects and evaluation.

Senator CROSSIN—So you are expecting to have at least allocated most of that \$6 million by this budget round?

Ms Calder—The amount of \$5.3 million has already been contracted to community projects, and \$0.4 million has been applied to a mentoring program to assist communities with their projects. There is only an outstanding \$0.3 million.

Senator CROSSIN—I refer to paid maternity leave and to the answer you gave me about the interdepartmental working family task force. Is there any particular time line attached to that task force for the production of a report to government?

Ms Calder—No. The interdepartmental task force is working on options without a particular set of time lines to address.

Senator CROSSIN—How regularly does it meet?

Ms Calder—I am not on the task force, so I cannot respond to that.

Senator CROSSIN—Is OSW on the task force at all?

Ms Calder—OSW services and resources the task force.

Senator CROSSIN—But it is not directly represented on the task force?

Ms Calder—We are represented on the task force, but I have not been able to attend a meeting.

Senator CROSSIN—So the task force has not met very often then. It must have met while you were away.

Ms Calder—It did. I took leave early in December and there were meetings in December and January; I have only just returned.

Senator CROSSIN—Were they the first meetings of the task force?

Ms Parker—The task force has met around three times.

Senator CROSSIN—It has met three times.

Ms Parker—Around three times, yes. We did not attend the first meeting, but we have attended two meetings subsequently.

Senator CROSSIN—So it must be meeting almost monthly if that is the case.

Ms Parker—Yes.

Senator CROSSIN—That is a cross-agency group, is it not?

Ms Parker—Yes, it is.

Senator CROSSIN—From DEWR to A-G's to—

Ms Parker—FACS and OSW.

Senator CROSSIN—Since the handing down of the HREOC report, have the options in that report figured heavily in the deliberations of the task force?

Ms Calder—A considerable amount of work has been done on the information in the report. Again, I will ask Sandra Parker to comment.

Ms Parker—It is one of the considerations. It has certainly been looked at and the committee has looked at costings, which have been made public, of the HREOC recommendations, but it is one of many things that the task force is considering.

Senator CROSSIN—Could you clarify what you just said to me? Has the committee actually put out its own comment in relation to the HREOC report, in relation to costings—

Ms Parker—No.

Senator CROSSIN—or are these still Department of Finance and Administration costings you are using?

Ms Parker—The Department of Finance and Administration, yes. That is right.

Senator CROSSIN—Which are not necessarily the task force's costings.

Ms Parker—No, that is true.

Senator CROSSIN—That is the way I understood it was. Is that right?

Ms Parker—Yes.

Senator CROSSIN—In an answer to a question I asked about relevant stakeholders who met regularly with OSW to discuss policy issues, you talked about a number of peak women's

groups. You mentioned the four national women's secretariats. Can you name the four funding bodies again, just to refresh my memory? They are the YWCA, BPW—

Ms Calder—NCWA and the Rural Women's Coalition.

Senator CROSSIN—As well as the YWCA and BPW?

Ms Calder—Yes.

Senator CROSSIN—You also said in your reply 'As well as representatives from other women's NGOs'. Is it possible for you to specify those NGOs?

Ms Calder—It depends on the context you are looking at. The four NGOs that you have just named have all established consortia, so they now all have a broader base with which they work. For example, the YWCA consortium is called WomenSpeak and it has 18 NGOs in its membership. The National Council of Women of Australia consortium is called the Australian Women's Coalition and it has some eight members. So we now have a variety of ways of meeting with NGOs: we meet through those consortia and obviously we meet, and I meet, directly with women's organisations as they seek to meet with me.

Senator CROSSIN—Are you able to provide to this committee a list of the breakdown you have just mentioned to me—how the four secretariats have almost become an umbrella group for eight or 18 NGOs?

Ms Calder—Yes, we could.

Senator CROSSIN—If you could provide that sort of tree to this committee, that would be good. Are there any NGOs that fall outside of that loop?

Ms Calder—Yes, there are a few. Some NGOs were interested in joining the consortia and then, for various reasons, chose not to and advised us of that decision. In some cases it was a question of resources and time. There are a few that I think have not associated themselves with those associations because they are primarily, if you will, 'women at work' associations—professional bodies. There is a mix of those within and without the consortia.

Senator CROSSIN—I would not mind also having a list of those if you have one. What I am trying to get a handle on is, apart from the organisations you provided to me in a table—who had been to the capacity-building workshops or the other workshops you run—what formal mechanism is OSW now embarking upon to hear the views of NGOs other than through the four secretariats? Ms Calder, is that simply a day-by-day request from them to meet with you?

Ms Calder—There are a variety of mechanisms used. The most significant one is the development of consortia and the regular meetings that those groups have with the office—regular meetings that were initially with the original, individual secretariats and are now with the expanded consortia secretariats and various members.

Senator CROSSIN—So, when you meet with the YWCA, you in fact are meeting with an umbrella group that represents 18 NGOs?

Ms Calder—And they bring others to that meeting, whether it is face to face or a teleconference. I also meet on an ad hoc basis with a very wide variety of women's organisations. We also have the biannual women's conference, which includes a full day assigned to NGO issues and workshops, which we attend.

Senator CROSSIN—How often would you meet with the members of the four secretariats?

Ms Parker—We have a monthly teleconference with the secretariats and around two meetings a year with them in Canberra, and we have roundtables with them and other government departments.

Senator CROSSIN—Is that with all the NGOs they represent?

Ms Parker—Not all of them. Usually they bring about four representatives with them to those meetings—up to about four so that the meetings are a manageable size. Their role is to go and meet with the consortia and then come back with their representative views.

Senator CROSSIN—Are there any plans to have the roundtable again this year?

Ms Calder—The biannual conference was announced as a budget initiative to, in a sense, upgrade the roundtable to be much more inclusive of a wider variety of women and their organisations.

Senator CROSSIN—That occurred last year, did it not?

Ms Calder—No, that was announced in the budget of 2001. The first conference was held in August 2001.

Senator CROSSIN—And is it right that we have not had one since?

Ms Calder—The next conference is to be held at the end of March this year.

Senator CROSSIN—Perhaps you might be able to provide us with details of that. It is on the web site no doubt.

Ms Calder—Yes, that is correct. Could I just correct something I said. I indicated that the YWCA had 18 organisations. I apologise, they have just updated that information and it is 19 organisations. The NCWA had eight; nine now. The Foundation for Australian Agricultural Women has seven. BPWA has three.

Senator CROSSIN—Surely there must be more than 37 peak women's organisations in this country.

Ms Calder—I think the word 'peak' is significant. We believe these secretariats encompass a very comprehensive membership of the women's sector. There are many more organisations—some of them are issue specific or state or locality specific.

Senator Abetz—Like EMILY's List.

Senator CROSSIN—That is not a non-government organisation, I am afraid, Senator Abetz. It is a good try, but it is not an NGO. Ms Calder, how many women's organisations or peak NGOs attended your conference in August 2001?

Ms Calder—We had 690 delegates. I do not have in front of me the total number of NGOs represented.

Senator CROSSIN—You could take that on notice.

Ms Calder—Yes.

Senator CROSSIN—Has your women's development program been finalised?

Ms Calder—Yes, it has. What do you mean by finalised?

Senator CROSSIN—The answer you gave me was that the selection process for the funding was to be finalised and applicants would be formally notified in the future. Have those applicants been identified?

Ms Parker—Yes, they have, and we are currently negotiating contracts.

Senator CROSSIN—When were they identified?

Ms Parker—They were notified just before Christmas.

Senator CROSSIN—Could you provide us with a list of those?

Ms Parker—Yes, certainly.

Senator CROSSIN—What is the aim of that development project?

Ms Parker—The aim of the women's development program is funding non-government women's groups. Basically, it aims to strengthen the voice of women, improve the status of women and contribute to policy areas affecting women.

Senator CROSSIN—This is like phase 2 of the capacity building workshops, is it?

Ms Parker—The capacity building workshops were specifically about skill development. The women's development grants provide for some capacity building for individual organisations but also for research activity to inform policy.

Senator CROSSIN—What was the total budget allocation for that?

Ms Parker—The total for 2002-03 is \$468,428.

Senator CROSSIN—And they are funds that have to be expended by a certain time?

Ms Parker—By the end of June this financial year.

Senator CROSSIN—And some of those organisations are still having their funds channelled to them. Is that correct? So they have four months to complete a project or to undertake whatever they said they would do in order to get the funding?

Ms Parker—That is right. Most of them submitted projects on the understanding of the time frame. We negotiated that on the way through.

Senator CROSSIN—Could you provide us with a list of those?

Ms Parker—Certainly.

Senator CROSSIN—We might follow that up in May. Can I take you to a more recent issue, which is that the OSW hosted a conference on the cost of domestic violence to business just a number of days ago in Melbourne. Is that correct?

Ms Calder—That is correct, Senator. It was not on the cost of domestic violence per se but on the—

Senator CROSSIN—The cost to business of domestic violence.

Ms Calder—Yes, but on the relevance of the business place providing assistance to people experiencing domestic violence and identifying the cost to business of not doing so.

Senator CROSSIN—How many delegates were invited to the conference?

Ms Calder—I cannot speak for the number of organisations that were canvassed. We did a mail-out that was in the hundreds and 350 delegates attended.

Senator CROSSIN—What sorts of sectors were the 350 delegates from?

Ms Calder—A very wide range of businesses primarily and a smaller group of people from government departments and community groups.

Senator CROSSIN—Can you give me an indication of what sorts of businesses you were targeting?

Ms Calder—We wrote to all major businesses in Australia using well-established databases. We attracted a range of businesses, from the obvious large named organisations through to smaller locally based businesses. They included organisations such as Qantas, legal firms and transport companies. I do not have the list in front of me and perhaps it is not appropriate to read them into a transcript.

Senator CROSSIN—How were the potential delegates identified?

Ms Calder—From mailing lists related to business—the Fortune 500 list. We used various organisations and asked them to forward mail and we also had our own list.

Senator MOORE—Did this focus on small business as well as large organisations?

Ms Calder—Yes, it did.

Senator MOORE—So the whole concept was on the impact in employment of domestic violence?

Ms Calder—No, the focus was on the importance of workplaces recognising the impact on their employees for those who live or cope with family conflict and the consequences to business of not paying attention to it.

Senator MOORE—And workplaces of all sizes?

Ms Calder—Workplaces of all sizes.

Senator MOORE—So it went from self-employed up to large corporate organisations?

Ms Calder—We possibly did have some self-employed people, but largely we had small companies through to the vast organisations in Australia.

Senator CROSSIN—Who were the sponsors of the conference?

Ms Calder—There were four business sponsors: Philip Morris, Qantas, Liz Claiborne and Darrell Lea, and the Office of the Status of Women supported the conference with some of the costs.

Senator CROSSIN—Were the potential delegates identified by the four sponsors as well?

Ms Calder—The range of delegates was, as I said, drawn from the mail-out which was undertaken—

Senator CROSSIN—Whose mail-out—yours or the mail-out of the four sponsors?

Ms Calder—It was a range of mailing lists identified by a range of players. There is a working group which has been working on the business approach to domestic violence since December 2001. That working group helped identify the sources of mail-outs and some of those organisations approached businesses to attend and hosted tables.

Senator CROSSIN—Did OSW contribute to the mailing list or did each of these four sponsors request you to invite particular companies that they wanted to be invited to this conference?

Ms Calder—It was a mix. The mailing list included the OSW mailing list and the mailing lists of a number of organisations supporting the strategy, who included the conference flyer in their mail-outs. A number of companies hosted tables and brought businesses as their guests. So it was a mix.

Senator CROSSIN—I still do not think I have had a definitive answer from you. Did you use a mailing list from any of those four sponsors?

Ms Calder—No.

Senator CROSSIN—Did either of those four sponsors sponsor a table and bring invited guests to the conference?

Ms Calder—Yes, they did.

Senator CROSSIN—Who were they?

Ms Calder—I do not have that list in front of me. We could provide you with the list of people who attended and the tables that they were allocated to.

Senator CROSSIN—You mentioned the working group. Who has sat on that working group since 2001?

Ms Calder—The working group has grown since 2001. It began with Qantas, Clayton Utz, Telstra and McDonald's. It has grown to include the Equal Opportunity for Women in the Workplace agency, Stratford Management Pty Ltd, the Benevolent Society—it is chaired by an organisation called Southern Family Life, which is a welfare organisation—CEO Challenge (Brisbane), the Gold Coast Domestic Violence Service and the Department of Employment and Workplace Relations.

Senator MOORE—How did you get a chair onto the working group? That is a very diverse group and it seems to have evolved in that period. Was it a matter of self-identification?

Ms Calder—Yes, it was. The working group came out of the business events we held in association with the August 2001 conference, and businesses indicated their interest in the issue for business. As a result of that interest, an informal group met and the working group progressed from there. The chair of the working group is provided by Southern Family Life, which is an organisation that has done a great deal by working with small business in their local community. It has also been the conduit for some of the international activity in business in the workplace.

Senator MOORE—And that is a Queensland based organisation?

Ms Calder—No, that is a Victorian based organisation. The other organisation that has done quite a bit of work with business, again in the local community, is the Gold Coast Domestic Violence Service, which is why it is also a member of the working party.

Senator CROSSIN—Did the minister's office have any input into the list of invitees?

Ms Calder—To the conference?

Senator CROSSIN—Yes.

Ms Calder—No.

Senator CROSSIN—Can you perhaps provide us with conference proceedings or materials that were allocated?

Ms Calder—I can provide you with a folder in relation to the conference. There are no proceedings as such.

Senator CROSSIN—You have brought the folder with you, have you?

Ms Calder—Yes, I have.

Senator CROSSIN—Do you want to table that for us?

Ms Calder—Yes, I can.

Senator CROSSIN—Who were the key speakers at the conference?

Ms Calder—I will have to refer to the program. Do you want me to go through the program?

Senator CROSSIN—Just the key speakers. If there are 100 of them, perhaps do not go through all of them.

Ms Calder—Minister Vanstone was a lunchtime speaker together with Paul Charron of Liz Claiborne Inc. of the United States of America. The keynote speaker was Dede Bartlett, who is from New York. She is the founder of the corporate awareness and domestic violence workplace programs of Philip Morris Companies Inc. and is a board member of the United States Corporate Alliance to End Partner Violence, and there was a range of other speakers.

Senator CROSSIN—Did the minister's office have some input into the list of speakers?

Ms Calder—The minister's office was kept informed of the program as it was proposed by the working group and, yes, it commented but otherwise had no particular input.

Senator CROSSIN—Were people aware that a representative from Philip Morris was actually a conference sponsor?

Ms Calder—The working group was aware, if that is what you mean by 'people'.

Senator CROSSIN—Were other delegates at the conference aware of who the four major sponsors were?

Ms Calder—All of the materials announcing the conference and inviting people to attend contained information about the sponsorships.

Senator CROSSIN—Were there any conference speakers who pulled out when they found out that one of the sponsoring companies was a tobacco company?

Ms Calder—Not that I am aware of.

Senator CROSSIN—So the task force was actually in charge of project managing the conference in conjunction with OSW. Is that correct?

Ms Calder—Are you referring to the Partnerships Against Domestic Violence Task Force?

Senator CROSSIN—No, the working group.

Ms Calder—The working group is a business working group, together with community agencies. Yes, it was the base of the planning for the conference.

Senator CROSSIN—What was the role of Quay Connections in this?

Ms Calder—Quay Connections was a company which was successful in responding to a tender to provide public relations and community awareness around the conference.

Senator CROSSIN—Are you able to provide us with a copy of the tender documents for that?

Ms Calder—I am not sure; I would have to seek some advice on that.

Senator CROSSIN—What was the amount, at the end of the day, that they were given to perform this task?

Ms Calder—I will just look that up. It was a recently let contract so I might have to take that on notice, if I could. Again I apologise, I would normally know this; but I was on leave.

Senator CROSSIN—It is not in your annual report, is it?

Ms Calder—No, it is a recently let contract. It was let late in December.

Senator CROSSIN—So Quay Communications was the company which predominantly managed the conference for you or publicised it for you. Is that right?

Ms Calder—No, that is not correct. They had a public relations, public affairs, community awareness contract to ensure that the conference became visible to the community. As you would appreciate, as part of the strategy we are trying to raise awareness amongst those who do not attend the conference as well as those who do.

Senator CROSSIN—How much did each delegate pay to attend the conference?

Ms Calder—The conference was free to delegates.

Senator CROSSIN—Can you give me a breakdown then of how much sponsorship was provided by each of the four sponsors and OSW?

Ms Calder—I can give you the areas that the sponsors met in terms of the costs. Philip Morris provided the majority of the sponsorship including the costs of the venue, catering, invitations and conference resources. Qantas provided international flights for the keynote speaker and conference delegates. Liz Claiborne brought their CEO from the United States as the keynote speaker and met all associated costs. Darrell Lea provided sponsorship by providing product.

Senator CROSSIN—What is the amount?

Ms Calder—I do not have the amount. We have not sought those amounts from those individuals.

Senator CROSSIN—How was it arranged then? Weren't amounts given to OSW and then you paid the bill? Who paid the bill at the end of the day?

Ms Calder—The individual sponsors met their own costs.

Senator CROSSIN—How much money did OSW put towards it?

Ms Calder—OSW provided a total of \$32,000 in funding for the accommodation and travel for the guest speakers, apart from the ones I have identified, and media coverage for the outcomes and key messages of the conference. That \$32,260 plus GST actually includes the Quay Connections contract.

Senator CROSSIN—Ms Calder, would you say that this was Philip Morris sponsoring a Commonwealth activity or the Commonwealth actually sponsoring an activity on behalf of Philip Morris?

Ms Calder—There were four business sponsors of a corporate conference that OSW hosted.

Senator CROSSIN—Of which Philip Morris, you are telling me, was one of the major contributors of the four sponsors.

Ms Calder—It was one of the major contributors, yes.

Senator CROSSIN—So would you see this predominantly as a Commonwealth activity that Philip Morris sponsored or would you see this more as the Commonwealth sponsoring a Philip Morris activity?

Senator Abetz—I think those options limit the situation. The truth is that there was a partnership—and, as I understand it, that is what the whole program is called: the Partnerships Against Domestic Violence program—and the idea of getting businesses and community groups involved is part and parcel of that. It was deliberately designed to be a partnership.

The way that you have sought to portray it, Senator, is not exactly the way that it was framed. That is why it does not fit into your suggestions as to what it was; it was in fact a partnership.

Senator CROSSIN—But a partnership might also suggest that the five players involved had an equal role in that partnership. You cannot tell me how much Philip Morris provided to this conference. You do not know if it is more than the \$32,000 that OSW provided. It could be three times as much as OSW provided.

Ms Calder—As you say, Senator, that is the case. It is a partnership, as Senator Abetz has said, and across the whole program Partnerships Against Domestic Violence has partnerships between parties that bring very different things to the partnership. Many do not bring funds at all.

Senator CROSSIN—Can you tell me why a United States clothing company was invited to participate in the conference rather than an Australian clothing company?

Ms Calder—Liz Claiborne Inc. has an international program addressing domestic violence both within its corporation and within the community. It is an outstanding program that is widely regarded as pre-eminent in the United States. We have not found anything like it in Australia.

Senator CROSSIN—That might be a reason why that person would be a guest speaker as opposed to a sponsor of such a conference.

Senator Abetz—But providing the guest speaker was part of their sponsorship.

Ms Calder—They sought to be a sponsor of the conference in response to our approach to them. It was their request.

Senator CROSSIN—Were other Australian companies invited to be sponsors of this conference?

Ms Calder—We have Darrell Lea and Qantas.

Senator CROSSIN—I mean other Australian companies.

Ms Calder—We were seeking sponsorship—

Senator Abetz—We have Darrell Lea and Qantas.

Senator CROSSIN—We know that. Were other Australian companies besides those two ever invited to jump on board?

Ms Calder—A number were approached. Others sought to assist without becoming sponsors. There were a number of organisations that, as I said, brought people to the conference, and that included travel and other arrangements.

Senator CROSSIN—Can you tell me if Quay Connections is actually doing any other work for OSW or the Commonwealth at the moment?

Ms Calder—They may be for the Commonwealth but not for us.

Senator Abetz—In fairness, the Commonwealth is a big area and—

Senator CROSSIN—But not for OSW.

Ms Calder—No, not at the moment.

Senator CROSSIN—So they have no current contract with OSW in any area.

Ms Calder—They have no current contract.

Senator CROSSIN—What involvement did the minister's office have in the conference's organisation?

Ms Calder—The minister's office has an adviser who attends the working party, and the development of the program and arrangements and materials for the conference were all provided to the minister's office as they were developed.

Senator CROSSIN—And were they signed off by the minister during that development?

Ms Calder—No, it is not that sort of relationship. This is a working party of businesses and community groups, in which we participate and provide support.

Senator CROSSIN—So the minister had no right of veto over any matter to do with the conference?

Ms Calder—The working party sought her advice throughout the process.

Senator CROSSIN—So you are telling me it was irrelevant whether she approved or disapproved of Philip Morris being a sponsor. Is that right?

Ms Calder—No, I am not. I am saying that there was not a formal arrangement but that the minister's advice was sought and her support for the conference was critical.

Senator CROSSIN—And support for the four sponsors?

Ms Calder—She was advised of the interest from sponsors and was in agreement with those sponsorships.

Senator CROSSIN—Who was responsible for actually soliciting the sponsorship?

Ms Calder—A number of them were already on the working party and offered themselves. I would have to take advice on how Darrell Lea came to be a sponsor, because I was not present at the time. As I said, we approached Liz Claiborne for a speaker and they offered to become a sponsor.

Senator CROSSIN—How did Philip Morris get involved? Was it because of the work that they do—

Ms Calder—Philip Morris is a member of the working group.

Senator CROSSIN—Yes, but did they in any way get on board because of the Altria Group work they do in the USA?

Ms Calder—You would have to ask Philip Morris that question. I can say that they are a member of the working group because of their interest in the issue as an employer in Australia and because of their history, through their international organisation, of addressing this issue.

Senator CROSSIN—Which is that group I have mentioned.

Ms Calder—Yes.

Senator CROSSIN—So you cannot tell me how much they provided in sponsorship, only the types of areas they picked up.

Ms Calder—I cannot tell you the costs they bore as a sponsor.

Senator CROSSIN—What benefit did you get out of sponsoring this conference?

Ms Calder—As I said, 350 delegates attended. They were all asked to provide a feedback form. You would appreciate that receiving 154 feedback forms is quite a high return. In those feedback forms, 128 delegates gave the conference a rating of five out of five, 'very informative'; 24, 'informative'; one was not sure; and one did not answer the question. Eighty-five companies have shown interest in joining the working group—which looks like a

working army now—with a further 31 wanting information about the working group. And 131 delegates expressed interest in receiving further resources and newsletters about business and domestic violence.

Senator Abetz—That is a pretty good return on an investment by OSW of \$32,000.

Senator CROSSIN—What benefits did sponsors receive over that weekend? Were their products advertised?

Ms Calder—There was no product advertisement. Again, for the benefits to the sponsors, you would have to ask them. They have all committed substantial man-hours to the working group over a lengthy period. I think it represents an investment in the issue by those companies.

Senator Abetz—But sponsors were acknowledged.

Ms Calder—Yes, sponsors are acknowledged on all the material.

Senator CROSSIN—Did the idea for the conference come predominantly from the business working group?

Ms Calder—Yes, it did.

Senator CROSSIN—Do you know how much the conference cost to stage in total?

Ms Calder—I do not, no.

Senator CROSSIN—So OSW just had to pick up the tab for their bits. Is that right?

Ms Calder—As a partner, we met our costs.

Senator CROSSIN—I might leave it there and see if there is anything we want to follow up in the coming weeks.

Senator Abetz—If you do have other questions that you think of later, feel free to put them on notice.

Senator CROSSIN—I will do that. There are a few other areas I want to touch on, though, before we finish.

Senator MOORE—Does the folder have examples of promotional material that was put out about the conference to tell people about it?

Ms Calder—No, I am sorry. This is the folder that was provided to delegates.

Senator MOORE—Could we get hold of something like that? You said that there was no product endorsement. It would surprise me if there was no signage around. I would like to look at the brochures to see how the sponsors' names were put on the poster.

Senator Abetz—That is why I made the comment that sponsors were acknowledged but there was no product promotion.

Senator MOORE—In terms of endorsement at the actual conference, was there signage around that acknowledged that Liz Claiborne, Darrell Lea and Philip Morris were participating as sharing partners with the OSW in providing the conference?

Ms Calder—There was signage with the 'Breaking Point' logo for the conference on the plastic hanging signs that one has these days, and the names of the four sponsors in the same type face and size as on the conference material.

Senator MOORE—Okay.

Senator Abetz—But before dessert and morning tea were Darrell Lea thanked for their product?

Ms Calder—I would have to take advice, Senator Abetz—but there were chocolates at every table.

Senator Abetz—There were? Very good.

Senator FORSHAW—All you need is a coffee company and you are set really!

Senator CROSSIN—So there were chocolates on each table. Was there a packet of cigarettes or a packet of Kraft cheese on each table then, Ms Calder?

Ms Calder—A packet of chocolates.

Senator CROSSIN—No cheese?

Ms Calder—No cheese.

Senator FORSHAW—It is fattening.

Senator CROSSIN—Let us go to the CEDAW report—if there is such a thing after so many years. You provided me with the answer to a question I asked about the CEDAW report back in November. Is that where it is? It is at the back of the folder, is it? I want you to clarify for me whether I have the sequence of this right: the fourth and fifth combined report to the CEDAW committee was due to be completed in August 2000.

Ms Calder—That is correct.

Senator CROSSIN—I understand that the fourth and fifth report is yet to be sent to the CEDAW committee, is that correct?

Ms Calder—That is correct.

Senator CROSSIN—The delay, as I understand it, was due to the government's review of the United Nations treaty system. Is that right?

Ms Calder—That is correct.

Senator CROSSIN—The government's report has not been finalised?

Ms Calder—A final draft has been completed.

Senator CROSSIN—So when you replied to me by saying that the government is still considering its response to the report, are you talking about the report of the review of the UN's treaty system or the final draft?

Ms Calder—No, I am not sure of the words I used, but I think I explained that we were completing the final draft as a result of all the consultations that go into that process. We have a final draft ready, but there has been a request from the CEDAW committee that Australia consider delaying submission of the report until 2004, as they have a backlog of submissions to attend to.

Senator CROSSIN—Given, though, that this was due to be completed in 2000, is the government looking at acceding to that request or lodging the report anyway?

Ms Calder—The request is being considered and the options are being considered.

Senator CROSSIN—Are you in a position to tell us whether or not you are going to delay reporting?

Ms Calder—No, I am not because it is being considered by the government—the request and the final draft.

Senator CROSSIN—Has the 2000 government review of treaties had any impact or led to a delay in the CEDAW report being finalised?

Ms Calder—Yes, it did, and I think I have explained that in previous answers, Senator. As a result of the government's review, we waited until that review concluded before continuing with the process of preparing the report.

Senator CROSSIN—So that review has been completed and you have gone ahead and prepared your final draft. Is that right?

Ms Calder—Yes.

Senator CROSSIN—Can you tell me why it has been eight years, as I understand it, since we have submitted a report to the CEDAW committee?

Ms Calder—I can only refer to what I know which is that the fourth report was not submitted. I believe it may have been around an election period, but I would have to check that. This is a combined fourth and fifth report—

Senator CROSSIN—Yes, this is actually the fifth report that was due in 2000.

Ms Calder—Yes.

Senator CROSSIN—The fourth report was later anyway.

Ms Calder—Yes, very.

Senator CROSSIN—So the fourth and fifth combined report is not available to the public yet? It has not been signed off by government, is that right?

Ms Calder—That is correct.

Senator CROSSIN—And you cannot tell me when it will be available?

Ms Calder—No, because it depends on the response to the CEDAW committee's request.

Senator CROSSIN—You have not been in a position to advise the UN CEDAW committee that you will further delay your submission to the report until 2004 as yet?

Ms Calder—Their request to Australia is under consideration.

Senator CROSSIN—I see. We might have to follow that up in the May estimates, which I am sure we will do when we read this transcript. Are there changes which have been made based on the government's response to your final draft?

Ms Calder—The final draft is prepared on the basis of extensive consultation with stakeholders from a range of areas and that is particularly all government departments, state and territory governments and NGOs—and ATSIC, HREOC and a variety of others.

Senator CROSSIN—It will include, no doubt, an analysis of women's positions in Australia?

Ms Calder—It works to a series of set headings. I do not have them with me, Senator, but yes.

Senator CROSSIN—Is it likely to be unusually long, seeing we have not reported for at least the last eight years?

Ms Calder—No. As a result of the government's review process, one of the tasks we undertook was to ensure that the report is concise and precise. Historically, some of the reports have been very large.

Senator CROSSIN—What is the rationale for making it concise and precise? Is it because you believe that the reporting system to the United Nations is onerous?

Ms Calder—We are responding to the requirements of the government's review that Australia's reports be as concise and as useful as possible.

Senator CROSSIN—Bearing in mind there are particular headings that CEDAW want you to report against, does that mean there will be perhaps a lack of detail and information in that report?

Ms Calder—I do not believe so. As I said, it is concise and precise. The intention is to ensure that the information is useful and appropriate.

Senator CROSSIN—Were any NGOs consulted in the format of the report?

Ms Calder—Not in the format; in the process of preparation of material for the report, yes. The office has a consultative group of NGOs that advise on matters to do with the international issues that we address. They have been consulted; they have consulted their own groups. NGOs undertake, as you might be aware, a shadow report, and they keep us informed as that process progresses.

Senator CROSSIN—Is it possible to let us know which NGOs were consulted in the writing of this report?

Ms Calder—I could do that, but I am sorry I do not have that information in front of me.

Senator CROSSIN—Were any major issues presented to OSW by these organisations in the formulation of this report?

Ms Calder—They would be represented in the material. We have an extensive process that includes teleconferences. It would have progressed around this report for over two years.

Senator CROSSIN—They no doubt will be reflected in the combined fourth and fifth report.

Ms Calder—Yes.

Senator CROSSIN—Is it now a policy of this government that reporting to the United Nations be concise, rather than overly informative and largesse in nature?

Senator Abetz—The government's review of the United Nations treaty system is that the report should be concise.

Senator CROSSIN—Is that review publicly available?

Senator Abetz—I am not sure of that. I will take that on notice; I do not know whether it is or not.

Ms Calder—The advice in front of me is that one of the outcomes of the government's review is to ensure the preparation of 'economical and selective treaty reports where appropriate'. I apologise: I was using the word 'concise'; it is 'economical'.

Senator CROSSIN—Whatever that means. Do you have a definition of what that might mean?

Ms Calder—I do not have one here.

Senator Abetz—I think you can take it as meaning the plain English usage of the words.

Senator CROSSIN—Some of us might take that to mean telling the United Nations as little as possible.

Senator Abetz—That is for you to put whatever spin you want on to it, but we have had some pretty lengthy tomes in recent times that I am not sure necessarily assisted people with certain pronouncements. Clearly, people who read the reports did not digest the whole amount. Hopefully, smaller reports will be of benefit to them.

Senator CROSSIN—Going back to the conference on the weekend that we were talking about, who was responsible for organising the sponsorships? Are you saying it was the working group or the sponsors themselves volunteered?

Ms Calder—It was a mixture. As I said, the working group produced two of the sponsors from amongst their number.

Senator CROSSIN—So that was Qantas and Philip Morris?

Ms Calder—Yes. I would have to take on notice to find out the way in which Darrell Lea came on board, and Liz Claiborne responded by offering to be a sponsor.

Senator CROSSIN—And you are not aware of the different tasks sponsors undertook and their different payments for certain aspects of the conference? They all came together through Quay Connection, is that right?

Ms Calder—No. Quay Connection had nothing to do with that. The working group was the planning group for the conference.

Senator CROSSIN—The secretarial support is provided by the OSW; is that correct?

Ms Calder—That is correct.

Senator CROSSIN—So in a sense the OSW became the main conduit for this conference—that is, you took delegates and registration papers—

Ms Calder—No. The working group was the main conduit for the conference. Philip Morris provided most of the secretarial support for the planning of the activity and OSW handled the registrations.

Senator CROSSIN—So when people wanted to register for this conference they would contact you?

Ms Calder—Yes, I think that is correct.

Senator CROSSIN—But the details of the conference were organised by Philip Morris; is that correct?

Ms Calder—They organised the physical handling of the planning at the hotel, and so on. The sponsors took different roles.

Senator CROSSIN—I understand. Just going back to CEDAW, the optional protocol, have you provided any new or additional advice to the government regarding the signing of the optional protocol of CEDAW?

Ms Calder—We provide advice on the optional protocol from time to time as issues arise.

Senator CROSSIN—When was the last time you might have provided that advice?

Ms Calder—I do not have that in front of me, but I could provide that advice.

Senator CROSSIN—That advice, of course, is either accepted or rejected. I am not going to ask what the advice is. I know better than to ask that. But that advice, of course, is then subject to either acceptance or non-acceptance by this government; is that right?

Ms Calder—Yes.

Senator Abetz—That is what democracy is all about.

Senator FORSHAW—What?

Senator Abetz—Elected governments make decisions. A professional public service provides advice which it is up to the democratically elected government of the day to either accept or reject. If it was not, basically there would be no need for government because everything could be done on public service advice. Then we would all be out of a job.

Senator CROSSIN—Ms Calder, were the opinions of women's organisations actually presented to the government in the communication advice that you gave them?

Ms Calder—If you are talking about the most recent advice, I would have to go back to that event. As you would be aware, we provide regular briefing with each sitting session of parliament. I think that would probably be the most recent advice on the optional protocol that would be based on our policy advice.

Senator CROSSIN—I assume you would be getting feedback from your four secretariats or other NGOs about the optional protocol. Are these views from the four secretariats or NGO women's organisations passed on to the government in that advice?

Ms Calder—Yes, when it is appropriate, of course. The secretariats meet with the minister and other members of government and provide their own advice directly.

Senator CROSSIN—Do you know whether or not the decision by the government not to sign the optional protocol has been reviewed since the government completed its review of the UN treaties?

Ms Calder—I am not aware, Senator.

Senator CROSSIN—You do not know if one has impacted on the other?

Senator Abetz—With the UN treaties, are you talking about the review?

Senator CROSSIN—I am talking about the review of the treaty system.

Senator Abetz—That was in relation to reporting, as I understood it.

Senator CROSSIN—I thought it was in relation to a whole lot of matters.

Senator Abetz—This is more for DFAT than A-G's, I think.

Senator CROSSIN—I would not have thought so. The question I am asking is: now that the government has actually finished its review of the treaty system, do you know whether or not there has been a change or a revision by the government in its decision not to sign the optional protocol?

Senator Abetz—That is a policy decision, and the policy decision has been announced. I think you can take it that, until such time as there is another announcement, that position will remain the same.

Senator CROSSIN—With all due respect, Senator Abetz, the policy decision was, 'We are not signing the optional protocol until we have undertaken a review of the UN treaties committees.' That review has now been undertaken. What I am asking is: has there now been a decision to review the decision not to sign the optional protocol?

Ms Calder—The position is that the optional protocol is not signed, and has not been signed. The government's position remains as stated, as far as I am aware.

Senator CROSSIN—Has the OSW provided the government with any advice regarding the two CEDAW reservations currently in place?

Ms Calder—I think the answer is yes. I do not have the detail of that and it is some time back.

Senator CROSSIN—Can you take it on notice perhaps and update us with that. Would you know if that advice reflected the opinions of various women's organisations?

Senator Abetz—You will not get the advice, just the time.

Senator CROSSIN—You are not listening to the question. I wanted to know if the advice reflected the views of various women's organisations.

Senator Abetz—Yes, but it goes to what was in the advice. Therefore my point, with respect, remains. You can ask whether the department had input from certain organisations. Apart from that, I do not think you can fish as to what was in the advice.

Senator CROSSIN—I am assuming your answer, Ms Calder, will be the same as it was before—and that is, where appropriate, you pass on that advice to government; is that right?

Ms Calder—That is correct.

Senator CROSSIN—The third country report suggested that a modification of the reservation regarding the combat related employment in the armed services was being considered. Given that policy has changed regarding women in combat, has the OSW recommended at all that this reservation be removed?

Senator Abetz—Once again, you are seeking what advice has been given to the government and we are treading into that area where you will have to rephrase your question.

Senator CROSSIN—Ms Calder, have you reinvestigated this issue since this statement was made in 1995?

Ms Calder—As I said, I am aware that we have provided advice to government, but it is some time back. I would have to take that question on notice and provide you with those dates.

Senator CROSSIN—Given what you might have provided back then, as I understand it, there has been a policy change from the government regarding women in combat. Therefore, I am wondering whether that policy change from the government will now be reflected in the reservation being removed.

Ms Calder—I cannot comment on that.

Senator Abetz—That is a policy question for the government and, until it changes, the current situation remains.

Senator CROSSIN—It looks like one arm of government has changed the policy. I am asking whether it has been reflected in other areas. You have already changed your policy statement in relation to—

Senator Abetz—That is in relation to defence.

Senator CROSSIN—combat related employment. I am asking whether that has flowed on to matters that the OSW deal with.

Ms Calder—That is a policy question and I cannot answer it.

Senator CROSSIN—You are aware that the government has changed its policy in relation to this matter?

Ms Calder—As you have just said, Senator, yes.

Senator CROSSIN—Yes, you are. But you have not been asked to look at removing the reservations in this area to reflect that policy advice.

Senator Abetz—What the department has asked for from time to time is a matter where I think we have to tread carefully. I am not aware of any proposed changes to ‘withdraw the reservation’. Is that the technical term? Yes, it is—from my days on the treaties committee. If the government intends to withdraw the reservation, that would be a question that I could take on notice for the relevant minister to respond to.

Senator CROSSIN—Perhaps I will ask you to do that, since you have kindly offered, Senator Abetz.

Senator Abetz—Done.

Senator CROSSIN—Ms Calder, going back to 1997, the recommendations presented by the UN CEDAW committee in response to our country’s report in 1995 stated that the government design a long-term strategy aimed at the full implementation of the convention. Has the OSW ever produced guidelines for the government to implement, which comply with this request from the CEDAW?

Ms Calder—That partly goes to the question of the nature of advice we give. I do not believe I can answer that.

Senator CROSSIN—I am not entirely sure that it does.

Senator FORSHAW—Hang on! Either you have or you have not produced guidelines. It is a straight yes or no, isn’t it?

Ms Calder—As I have said, I know we have responded. I do not have that information or the time and date.

Senator CROSSIN—No, this is the response that the UN CEDAW committee gave to this government in its response in 1997—it was actually responding to the 1995 report in 1997. In 1997, the UN CEDAW committee suggested that guidelines or a long-term strategy be developed to implement the convention. Have guidelines or a strategy ever been devised by this government?

Mr Calder—I would have to take that on notice. It is not in my memory. As I said to you, I know that we have responded on some of those issues at various times when issues have arisen, but I do not have the dates in my mind.

Senator CROSSIN—Do you know if in fact this government has a commitment to actually implementing that convention?

Senator Abetz—Whether or not a government has a commitment is clearly a policy issue. With respect, you cannot ask an official whether the government is committed or only half-baked committed or whatever to a certain matter. They provide advice from time to time to government. Whether or not we are committed or how committed we are is a matter for public discussion and also for the relevant minister to make determinations about from time to time.

Senator CROSSIN—Perhaps, Ms Calder, I could ask if you have been involved at all in looking at the 1997 recommendations that came from the CEDAW committee.

Mr Calder—In my time at the office I have certainly reviewed all of that material, but I cannot recall—I would have to give you that advice on notice—whether or not I have been party to any such advice.

Senator CROSSIN—I will ask you to do that. In 1997, I understand that the UN CEDAW committee also recommended that, in future, this country’s report should include an analysis

of the success and shortcomings of new policies with a view to providing data for future action. It went on further to say that ‘the government should monitor the impact of recent policy changes’. Therefore, does your latest draft report take on board that recommendation from the 1997 committee report?

Mr Calder—As I said, the draft report is under consideration at the moment, so I am not able to discuss it any further.

Senator CROSSIN—You are not able to tell me, for example, whether new policies such as the baby bonus would be included in an analysis in that forthcoming report?

Senator Abetz—Chances are that she could tell you, but she will not—

Senator CROSSIN—Because you are here, Senator, no doubt.

Senator Abetz—because of the restrictions that we have indicated to you earlier. When the report is made public—

Senator CROSSIN—Without telling me the content of the report, are you able to tell me whether or not the United Nations committee’s recommendations about the format of the report have been taken on board in this draft report?

Senator Abetz—Once again, that is going to be disclosed in the report. We are not going to divulge piecemeal the bits and pieces of it. I do not know what is in the draft report, but it may well be that certain recommendations have been accepted or that some have not or it might be that all have been rejected. But until such time—

Senator CROSSIN—So it is not with proud confidence that you are able to tell me that you have embraced their recommendations wholeheartedly?

Senator Abetz—Wait and see—watch this space.

Senator CROSSIN—No doubt—we will. On the Beijing Plus Five Platform for Action, are you able to tell me what the OSW has presented as fundamental steps that need to be taken in order to progress towards providing equal opportunities for women in Australia?

Senator Abetz—I am sorry; what was that question again?

Senator CROSSIN—It is the action that flows from the Beijing Plus Five platform.

Senator Abetz—But you asked about what the OSW had—

Senator CROSSIN—Whether or not the OSW have taken steps that need to be taken in order to comply with that report. Those of us who know these reports know what we are talking about.

Senator Abetz—Yes, but the problem is that, once again, you potentially get into the area of what advice OSW has given the government.

Senator CROSSIN—No, this is your government’s Beijing Plus Five Platform for Action. I guess in simple terms I am asking whether or not the OSW has actually progressed that platform for action.

Ms Calder—The office prepared a plan of action for the Beijing Plus Five Platform for Action, which was released by the minister in, I believe, 2001. It is now some time back. It was one of the first, if not the first, of the national action plans released as a result of Beijing Plus Five. It has been very widely distributed throughout Australia. It is written to provide advice and direction for other sectors to address the outcomes of the Beijing Plus Five action document. As an office, OSW has undertaken to work with all Commonwealth government agencies to assist them in addressing the outcomes of that Beijing Plus Five document that are

relevant to them. We have met with a variety of departments, and staff of the Office of the Status of Women are working with a range of departments in addressing some aspects of the plan that are relevant to their work.

Senator CROSSIN—Do you conduct a review of the implementation of the Platform for Action, or the plan of action, or is that each government department's responsibility?

Ms Calder—The Beijing Plus Five Action Plan that was produced by OSW is a broad direction statement of strategies that others—including ourselves of course—can undertake to address outcomes of the Beijing Plus Five document. So it is essentially a self-help guide. That does not lend itself to a review but, in the fullness of time, if there is an appropriate point at which progress against that is monitored, then it could be done.

Senator CROSSIN—Is there anywhere within government, if it is not your office, that is measuring any compliance with the plan of action in relation to this particular obligation? You have put out a self-help guide and it stops there. Your office is not tasked then with ensuring this is implemented, monitored or evaluated in anyway?

Ms Calder—No. We provide advice and support to our Commonwealth government agencies and departments in their response to the plan on an appropriate basis.

Senator CROSSIN—So there may be some departments or agencies that are totally ignoring the plan of action? Who would know if they are complying or not?

Ms Calder—We have provided information to all government departments and most agencies, and are on a regular basis in touch with many of them. We have a Women's Policy Officer Network, which meets usually twice a year, that discusses, amongst other things, that document and work within agencies. So there is a progress process.

Senator CROSSIN—But no-one is actually tasked with the responsibility of ensuring the plan of action is implemented, monitored or evaluated. Is that correct?

Ms Calder—That is correct.

Senator MOORE—And there is no consideration at the biannual women's roundtables of this being an agenda item to touch base on? I know that that same forum was used in developing the process up to Beijing and at various times afterwards.

Ms Calder—As I said, the roundtable has been replaced with the biannual conference and the process around Beijing Plus Five is supported through the various networks that the office has, including those with our Commonwealth government departments and agencies.

Senator CROSSIN—I would like to move to Partnerships Against Domestic Violence. I have probably covered some of this in my earlier questions. Is the Partnerships Against Domestic Violence Taskforce scheduled to meet some time this year?

Ms Calder—It met last week and it will meet again in May.

Senator CROSSIN—The meeting last week was actually the Indigenous—

Ms Calder—No, it was the Partnerships Against Domestic Violence Taskforce.

Senator CROSSIN—It was not the specific Indigenous reference group?

Ms Calder—There is not an Indigenous reference group in that sense. There is an Indigenous Family Violence Grants Program, which is the money we discussed earlier.

Senator CROSSIN—I am thinking of the Indigenous Women's Advisory Group.

Ms Calder—That is a different group. It is not particularly associated with Partnerships Against Domestic Violence. It advises the office across all policy areas relevant to their work.

Senator CROSSIN—Has there been a decrease in domestic violence since the PADV initiative began?

Ms Calder—The only data that we have to indicate the levels and incidence of domestic violence in Australia is the 1996 women's safety survey of the ABS. That data is the basis from which we work. The only way of measuring change would be by a similar survey at an appropriate time.

Senator CROSSIN—It is very hard to know if there has been any improvement or otherwise if no data has been collected since 1996.

Ms Calder—That does not go to the issue of what the individual projects are doing, and many of them do have an outcomes measurement around the group that they may be working with. The Indigenous family violence projects in some instances are looking at changing the levels of violence in communities, and to some degree some can report on changes. But if you are asking about the overall incidence in the nation, that would have to be measured by a similar survey.

Senator CROSSIN—Do you know if there is one—

Senator Abetz—But, would you agree, that nowadays, and in Indigenous groups as well, there is a greater likelihood, against a lot of previous reluctance, to report that sort of domestic violence? So if you are going on the basis of the number of cases reported potentially you might even have an increase in domestic violence, but you would not blame the campaign as having been a failure.

Senator CROSSIN—We will give you the brief, Senator Abetz, and you can come to this side of the table, if you like.

Senator Abetz—I am just trying to add to the answer.

Senator CROSSIN—We might get onto the increase in reporting in a minute; we are just actually looking at whether or not there has been—

CHAIR—It is an interesting observation.

Senator CROSSIN—a decrease in the statistics.

Senator Abetz—But you asked for a figure as to whether there had been a decrease in domestic violence—

Senator CROSSIN—We have questions about increasing reporting.

Senator Abetz—and one of the real problems with domestic violence has been a lack of willingness to report. That has been matter of great concern, I would have thought, to everybody in the parliament, and I was just making the observation that if you talk about whether there has been a reduction in domestic violence the fact that more people are reporting it may well be of great benefit to help get rid of the problem.

Senator MURRAY—It is true, is it not, that specific populations are being assessed for the incidence of domestic violence, amongst other antisocial activities? I am referring to groups like prisoners. I have seen the research for women prisoners, for instance, a number of whom record domestic violence as a feature of their past lives. There are studies now into the contribution that makes to subsequent adult problems. That is correct, isn't it?

Ms Calder—That is correct.

Senator CROSSIN—So, Ms Calder, you are telling me that you do not have any updated figures from 1996 on the decrease in domestic violence. Similarly, my next question was

going to be: do you have no concrete evidence as to whether there has been an increase in the reporting of domestic violence? At this stage, if I understand you correctly, the only way you can in fact measure the success of the PADV is through the outcomes and outputs of each grant or each project.

Ms Calder—With each project and the overall evaluation, which is an evaluation not of the levels of violence but of the effectiveness of projects and their abilities to achieve the goals they set, which may range across a wide variety of work.

Senator CROSSIN—I go to the money that was allocated back in the middle of January—14 January, I think—for finding ways to reduce Indigenous family violence. Senator Vanstone was in the Territory, I think; in Alice Springs. Are these four of the projects that would have been allocated moneys in the December round?

Ms Calder—Yes, I think that is correct.

Senator CROSSIN—Are you able to tell me how much each of those four organisations received and over how many years?

Ms Calder—I do not think I have that information. Bear with me for a moment.

Senator CROSSIN—It would probably be part of that large list I asked you for earlier this evening.

Ms Calder—I do not think I have those ones with me. Some of them are still in negotiation, which is why I believe I do not have them.

Senator CROSSIN—If there was a press release about those four in January, they would not be in negotiation.

Ms Calder—We do have them apparently. The groups that I have in front of me are the Port Hedland Sobering Up Centre Group Inc. of South Hedland, Western Australia, with funding of \$136,650; the Ngnowar Aerwah Aboriginal Corp., Wyndham, Western Australia, with funding of \$112,000; the Western Arrernte Families Against Violence Relahka Project, Intjarntnama Aboriginal Corporation, Northern Territory with \$143,000.

Senator CROSSIN—Is this funding provided over months or years, or does it vary?

Ms Calder—I do not have that detail in front of me. It would be within the cycle of the program round, which is 2002-04.

Senator CROSSIN—Are these called pilot programs, trials or projects?

Ms Calder—These are all major projects. It is under the heading 'National Indigenous Family Violence Grants Program'. The fourth one is called *Strengthening Community*, Tapatjatjaka Community Government Council, Northern Territory, with \$157,630.

Senator CROSSIN—The press release of 14 January says that the program has already funded 66 projects.

Ms Calder—That is correct.

Senator CROSSIN—I assume these are projects under the 2002-03 strategy.

Ms Calder—Round 1 was 2000-02, round 2 was 2001-03, and then 2002-04.

Senator CROSSIN—What round do these 66 projects that have already received funding come under?

Ms Calder—Through those two rounds.

Senator CROSSIN—I would like to ask about the windows on women web site. How could we let that go after last week's launch. What is the overall cost to date for that web site project?

Ms Calder—It is a substantial project, as you would be aware, Senator. I am just a bit reluctant to try to remember the full cost, because it is in various bits. 'Women's Data Warehouse: Window on Women' has expenditure to date of \$1.176 million.

Senator CROSSIN—What is the total anticipated expenditure?

Ms Calder—There is an ongoing program of expenditure against that project as it will be purchasing data from ABS and other suppliers of data over its lifetime.

Senator CROSSIN—Did this money come out of the \$5.5 million allocated for Informed Choices for Australian Women?

Ms Calder—That is correct.

Senator CROSSIN—Is there a review mechanism to measure the use or the practical application of the web site?

Ms Calder—Yes. On the site there will be a measure of the use and—

Senator CROSSIN—The number of hits, for example?

Ms Calder—Yes, and the extent to which people use the data—the number of reports requested and so on.

Senator CROSSIN—Is that data that will be collected by OSW? You know how you go to some web sites and you can see a counter that indicates that it has been 'hit' so many times. Will that be publicly available or just information available to OSW?

Ms Calder—I cannot answer that question. I should know, but I cannot. We will take it on notice. It is something we will be collecting internally, because it is actually a very complex web site.

Senator Abetz—Haven't you looked it up yet?

Senator CROSSIN—I was there at the launch. I do not remember seeing you, Senator.

Senator Abetz—No. Does it tell you when you look it up how many hits the site has had?

Senator CROSSIN—No, it does not. Not that I am aware of. It certainly will not tell you how many reports have been asked for.

Ms Calder—No, it will not do any of that.

Senator CROSSIN—How and when is the web site updated? Do you have somebody on staff doing this continually or is it project work?

Ms Calder—It has a project manager, and data is being added continuously.

Senator CROSSIN—And will that be an ongoing responsibility of OSW?

Ms Calder—Yes, it will.

Senator CROSSIN—I have just one other section and we are finished.

Senator Abetz—Good. How many have you got, Senator Murray?

Senator MURRAY—El zippo. If I start on this field you will be here a long time.

CHAIR—Senator Brandis has a brace of questions, but he is not here.

Senator FORSHAW—He has gone to check out the web site.

Senator CROSSIN—Ms Calder, I understand that Ita Buttrose was contracted through OSW in August 2001 for consultancy services in relation to a public relations campaign in conjunction with the Corporate Alliance to End Partner Violence. Is that correct?

Ms Calder—That is correct.

Senator CROSSIN—Is that linked in some way to the program under which last week's conference was conducted?

Ms Calder—Yes. It is in the continuum rather than linked, I suppose. The first national women's conference included a speaker from the United States, Kim Wells, who is the executive officer of a United States organisation called the Corporate Alliance to End Partner Violence. Kim Wells was a featured speaker at that conference.

Senator CROSSIN—Was that last weekend?

Ms Calder—No, it was the August 2001 national women's conference, Australian *WomenSpeak*. To maximise the benefit of her presence in Australia, a business breakfast was organised in Sydney. In much the same way as we have discussed, around the conference OSW put together a mailing list and sought people's attendance at that business breakfast. The contract with Ita Buttrose was let to provide public relations services for the visit of Kim Wells to both the conference and that business breakfast.

Senator CROSSIN—Back in August 2001?

Ms Calder—That is correct.

Senator CROSSIN—I understand the Write Communications Group received three consultancies from OSW on Partnerships Against Domestic Violence: A Business Approach. Is this another project under the same strategy?

Ms Calder—Yes, it is. Write Communications were engaged for three events, not three contracts. There was a subsequent contract let to Write Communications for a small task related to an additional event.

Senator CROSSIN—The first was in November for \$71,500. Is that correct?

Ms Calder—The first contract ran from November 2001 to 30 June 2002 and was for \$80,300 including GST. We may have given you a figure that was not inclusive of GST.

Senator CROSSIN—Through the government *Gazette*, I understand that the original contract that Ita Buttrose was involved in was for \$30,800. Is that correct?

Ms Calder—That is correct.

Senator CROSSIN—Do you know whether Write Communications notated Ita Buttrose to work for them on these three projects?

Ms Calder—Ita Buttrose worked with Write Communications. It was an expanded team, in a sense.

Senator CROSSIN—Was that on these three projects?

Ms Calder—It was on the three events.

Senator CROSSIN—So the conference in 2001 and last week's conference are not connected in any way. Is that correct?

Ms Calder—That is correct.

Senator CROSSIN—But the conference in 2001 for which Ita Buttrose won the contract and the three events with the Write Communications Group are connected in some way. Is that right?

Ms Calder—The Ita Buttrose contract and the Write Communications Group contracts were for events associated with A Business Approach. The Ita Buttrose contract was for public relations support for the visit of Kim Wells and her speaking engagements at the first national women's conference, Australian *WomenSpeak*, in August 2001 and the first business event, which was held in Sydney shortly after that. The Write Communications Group work was in association with four follow-up business events which were held in Melbourne, Brisbane and Sydney.

Senator CROSSIN—The first contract with the Write Communications Group, as I understand it, was actually only gazetted for \$71½ thousand. Is that right?

Ms Calder—I would have to have that checked and provide you with advice on that.

Senator CROSSIN—I actually have a copy of the *Gazette* publishing system open in front of me, which specifies it was that.

Ms Calder—Which one was it?

Senator CROSSIN—It was \$71½ thousand.

Ms Calder—For which contract?

Senator CROSSIN—For the original contract in November 2001. The contract date is actually 21 November 2001.

Ms Calder—I will have to provide you with advice on that because that is not the figure I have.

Senator CROSSIN—How much in total is the figure that you have?

Ms Calder—It is \$80,300.

Senator CROSSIN—The *Gazette* then extends that contract by \$8,800 in April 2002.

Ms Calder—That is correct.

Senator CROSSIN—It extends it again, on 31 July 2002, by \$8,800.

Ms Calder—Can I take that on notice? I do not have the full information about that in front of me.

Senator CROSSIN—What I want to know is what the original Write Communications contract was actually asked to do. Why was there in fact a need for two further extensions?

Ms Calder—I can provide you with this advice: the consultancy with the Write Communications Group was to provide public relations services for and management of three corporate events. The business breakfasts that followed were held in Sydney, Brisbane and Melbourne. The principals to the contract were Louise Di Francesco; Elizabeth Flintoft, senior account executive with the Write Communications Group; and Ita Buttrose, consulting director. There was a subsequent extension, to my knowledge, for an additional \$8,800 in July 2002, which was for an additional business event.

Senator CROSSIN—The *Gazette* notices actually say something quite different about that. They are both put down as an extension of an existing consultancy relating to the management of public relations and media requirements for A Business Approach.

Ms Calder—I will provide you with advice on that. I do not have it in front of me.

Senator CROSSIN—What exactly was Ms Buttrose contracted to do in conjunction with the Write Communications Group?

Ms Calder—She was the consulting director and she provided a range of public relations work with the media throughout the period.

Senator CROSSIN—What exactly was Ms Buttrose asked to deliver in the course of these contracts?

Ms Calder—As I explained in relation to the other event, the purpose of the public relations consultancies was to ensure that we provided information about those business events, their purpose and the issue to people who did not attend the events as well as to those who did. So the purpose of the consultancies was to ensure that we got maximum media coverage of the issue, the speakers, the event and the working group.

Senator CROSSIN—Your first figures are clearly inconsistent with mine. I actually have a copy here of the *Gazette* contracts web site. It seems quite clear from this that \$71½ thousand was the first contract and there were two extensions of \$8,800 each.

Ms Calder—I will have to come back to you with advice on that, if I could take that on notice.

Senator CROSSIN—Did OSW have to assist Ms Buttrose in any way in completing these contracts?

Ms Calder—No.

Senator CROSSIN—Were you satisfied with the finished product, despite the fact that the contract had to be extended twice?

Ms Calder—It was for an additional event. I am giving you advice, to my knowledge, of an extension for one additional event.

Senator CROSSIN—Except that I have in front of me advice about two extensions.

Ms Calder—I will have to give you advice on why that is so, because it is not something that I am confident we have correct.

Senator CROSSIN—We may well revisit that in May. I am very interested to know why there was a need to extend the contract twice for the same amount and why in fact the three events were not, in hindsight, considered in the \$71,500 initially. Was the \$71,500 initially for the three events?

Ms Calder—I cannot answer that, because my knowledge is that we had one contract and let an extension. You have information that does not accord with my recollection. I will need to come back to you on that.

Senator CROSSIN—All right. Thank you.

CHAIR—Are there any further questions for OSW? Senator Brandis.

Senator BRANDIS—In view of the hour, I will put my questions on notice.

[9.56 p.m.]

Department of the Prime Minister and Cabinet

Mr Metcalfe—Mr Chairman, I want to add to a matter that was before the committee earlier today and which we said we would come back on if we were able to. That was the issue of the replacement dinner service which, as you will recall, was being purchased to augment the remaining parts of the 1927 dinner service. We were asked for advice as to the

design of the plates. The advice we have from Waterford-Wedgwood is that the settings are based on the design known as Golden Madrid. The border design has been modified on those plates to match as closely as possible the 1927 dinner service that the new crockery is augmenting.

Senator Abetz—I do not know why Labor is so interested. I doubt they will be using it for a while, but there you go.

CHAIR—Thank you, Minister and Mr Metcalfe.

Mr Metcalfe—Thank you, Mr Chairman and committee members.

CHAIR—That completes questioning of the Department of the Prime Minister and Cabinet. We will take a very short break and then we will commence with questions for Mr Podger and the Australian Public Service Commission.

Proceedings suspended from 9.58 p.m. to 10.04 p.m.

Australian Public Service Commission

CHAIR—I call the committee to order. I welcome Mr Podger and officers of the Australian Public Service Commission.

Senator FORSHAW—Welcome, at this late hour, Commissioner, and your staff. I want to raise the matter of complaints sought to be proceeded with by former employees. I do not want to go into the specific details of a couple of cases that have been drawn to my attention and to the attention of other members of parliament but I think you would be aware of the two instances that I will briefly refer to. The first case was in relation to a public servant who lodged a complaint relating to an exchange arrangement with the Senate. This officer was dissatisfied with the review undertaken by the Clerk of the Senate and sought to have the matter reviewed by the Parliamentary Service Commissioner. In this case the person concerned was advised that the matter could not be reviewed because the person was no longer an employee and the commissioner was only empowered to deal with employees.

A similar case involved somebody who made a complaint to the Merit Protection Commissioner regarding a performance report provided at the end of a period of employment. That person had a particular complaint about what was in that appraisal form. They claimed that it was not accurate and was at odds with a range of earlier reports and appraisals. At the end of the period of employment that less than complimentary appraisal affected a range of things such as pension and other entitlements. I am not sure if you have picked up the cases that I have referred to, but the point is that it would seem that there is a loophole or catch-22 situation here. A person who has been an employee but is no longer an employee cannot pursue a complaint before the Public Service Commissioner or Merit Protection Commissioner. This is the case, isn't it?

Mr Podger—I will ask the acting Merit Protection Commissioner for his views as well—that is Jeff Lamond—but my view is that the provisions in the legislation talk about an APS employee, so technically we do not have direct coverage. On your point about the catch-22, I have usually taken the view on this that, while I do not have the authority directly to go into it, I would normally go back to the agency concerned and draw attention to the fact that this has been raised and ask them whether, within their review processes, they might want to look at it. I have felt that the legislation does not authorise me to start tramping over what the agency has been doing in this area but that the person ought reasonably to have a chance to have some kind of examination of their case within the agency. That is usually the line I have taken. Mr Lamond might have something more to add.

Mr Lamond—Your understanding of the legislation is correct. The only capacity that is provided for a review is under the Public Service Regulations. Under regulation 7.2 an individual can seek a review of an action insofar as it is related to previous employment if it affected their separation benefits. I have to admit that, in terms of the reporting period for the year, I started acting on 7 June last year so most of the cases had been finalised beforehand and I am not personally aware of the cases to which you are referring.

Senator FORSHAW—I want to go back to you, Mr Podger. Are you saying that if you have a look at the information that is provided to you—the complaint—then in all cases, if you are unable to deal with it because of that restriction that the person is no longer an employee, you do then ask the agency or the department to have a look at it? Or do you use your discretion and have a look at it to see if you think there is some sort of basis to the claim before you refer it back?

Mr Podger—It is a bit more the latter case. I would not say that I do it every time, but I can think of a couple of occasions where I have felt that on the face of it there seemed to be something that was worth looking at. Therefore, I have passed it back to the agency and said, ‘You might look at this’ or I have sent them a copy of the correspondence and left it in their court. But I have to say that I do not think I have done it on every occasion, because there have been a few come in where on the face of it it has looked as if there really was not an obvious major issue. I do agree that I have been using discretion.

Senator FORSHAW—But in any event you are not—

Mr Podger—But I cannot remember those two cases that you mentioned. I do not recall them off the top of my head.

Senator FORSHAW—Obviously, as you understand, I do not wish to identify the persons on the record here. They are entitled to their privacy and maybe we can consider how we might raise that with you separately. At the moment we are looking at the fact that there is this restriction. I take it from what you have just said, however, that if you think there might have at least been some arguable case then you have drawn it to the attention of the department or agency and said that it might appear, at least to you as the Public Service Commissioner, that this is an anomalous situation that should be addressed or at least looked at. Do you agree with that?

Mr Podger—When I was an agency head I took the value about requiring a fair system of review as an obligation very much on an agency, but I also took it that legislation had given authority to the commissioner but it was constrained authority—

Senator FORSHAW—Sure.

Mr Podger—But it is an issue then for the agency to interpret what they mean by a fair system of review. I have, from time to time, passed things back to an agency head, given them a copy of the correspondence and left it in their court. When I have done that I have not pursued it further, because it is out of my court.

Mr Lamond—I would like to contribute something a little more. In terms of the reporting period for the annual report that is still current, and for my component of the Merit Protection Commissioner, in the course of that 12 months we received two requests for review relating to actions affecting former employees. In one case, we were unable to or did not accept the application for review. But in the other case we applied an alternative dispute resolution process and we actually achieved a conciliated outcome between the individual and the organisation. So cases are considered on their merits and on the basis of the information

provided. Certainly, as recorded in the annual report, where there is justification we will work to assist people.

Senator FORSHAW—Even though they are no longer technically an employee.

Mr Lamond—Yes. We can do that because there is a specific provision in the regulations that allows for review in exactly that circumstance—that is, where the action you are claiming or the action you want reviewed has a direct impact on your separation.

Senator FORSHAW—Mr Podger—you may wish to comment, Mr Lamond—would you be prepared to initiate any action to maybe rectify what appears to be at least an anomaly? Are there regular reviews of the legislation and the regulations where this could be considered?

Mr Podger—We look at the regulations as a matter of course and from time to time we will put something to the government asking whether they wish to vary a regulation or whether a direction of mine requires reconsideration. We have done that from time to time.

Mr Lamond—The regulations have been amended on three occasions since 5 December 1999.

Senator FORSHAW—This one has not been addressed.

Mr Podger—I am not aware of that one.

Senator FORSHAW—Would you consider having a look at it and making some recommendations?

Mr Podger—If you could provide a bit more clarity as to precisely what the anomaly is on it, we could have a look at it. It would be a matter of my raising the issue with the minister, if there was sufficient concern to change the regulation.

Senator FORSHAW—We could raise with you the individual cases, but obviously there are privacy and confidentiality constraints. As a general principle, it would seem that, if a person has a complaint but they are no longer an employee for whatever reason—that could involve a range of reasons as to why they are no longer an employee—technically they are prevented from pursuing a complaint after they have left the service.

Mr Podger—All I can say is that we could look at the matter. There will be a concern to ensure that by so doing we are not widening the role of the commissioner in areas where the government has felt, under the principles of the act of putting the main onus on agencies, that that is where the main responsibility should lie. I am not trying to get around the issue, but those are the considerations the government would need to take into account.

Senator FORSHAW—We may be able to provide some further representations to you or raise the matter but I am not going to identify the individuals concerned, for obvious reasons. I turn now to remuneration policy. Mr Podger, have you read an article in the *Public Sector Informant* written by Paddy Gourley, who is a former senior public servant regarding remuneration policy?

Mr Podger—I think he has had two articles on remuneration policy in the *Informant* late last year—two different editions of it.

Senator FORSHAW—The one I have is the September edition of last year.

Mr Podger—Yes, I have read that article.

Senator FORSHAW—So you are familiar with his—

Mr Podger—I will have to recall it but I remember the article.

Senator FORSHAW—You would recall that it was fairly strident criticism of the remuneration system. Let me just quote from the article headed ‘Costly, wasteful and pointless: the system that is squeezing the APS’:

The arrangements for fixing pay and conditions in the Australian Public Service are in a mess and should be scrapped.

He then goes on to argue his case. Do you have any response to the arguments that are being put?

Mr Podger—Very limited, because that is a comment on government policy on remuneration arrangements. Remuneration arrangements are very much within the province of government policy and are managed primarily through the employment portfolio, rather than my statutory commission. Some of the points he raised are interesting but some of the ones he does not raise are also matters that the government in its policy would have highlighted. For example, I think there has been concern about previous systems of remuneration which were centralised and had broad based increases across the place which did not take into account productivity within agencies and the capacity of agencies to pay. They presented significant problems in the past and successive governments have tried to open up flexibilities to ensure that arrangements are more productivity based. My own view is that Mr Gourley does not address that very well in his article, but he does raise some other interesting points about the nature of the operation of labour markets.

Senator FORSHAW—I note that you said that this is also an area for the Department of Employment and Workplace Relations, but you would acknowledge or agree, would you not, that having a functioning remuneration system is vital to the efficient functioning of the Australian Public Service?

Mr Podger—What I am saying is that, while I was willing to say something within my statutory responsibility—for example, to issue a report on the state of the service—I will touch on things around employment, including remuneration. In the report we got out last year we touched on some aspects of remuneration, so I am not going to suggest that it is outside my province to say anything on this matter, but I think the main points being raised by Mr Gourley are in fact government policy issues which would lie outside my province.

Senator FORSHAW—I understand what you have said there about Mr Gourley’s argument but I now want to focus on your responsibility and what you may have had to say or may believe is important in this area. I asked you if—and I assume you agree—for the efficient functioning of the Australian Public Service it is important to have an efficient, effective remuneration system. You state as much in your *State of the service report*, don’t you?

Mr Podger—I have a section in the *State of the service report* about wages and conditions issues in the APS and within that I talk a bit about agency bargaining and agreement arrangements. So, yes, I do comment about some aspects of that.

Senator FORSHAW—Let me quote from page 60 of the report:

The issue of the funding arrangements for agreement making is an ongoing one. Some agencies expressed concern about the funding arrangements for pay increases, questioning the sustainability of continuing efficiency dividends and indexation parameters that require the ongoing identification of productivity gains.

It goes on and then you say that this warrants further consideration. I just want to ensure that you acknowledge that this is, at least, an area that has been drawn to your attention.

Mr Podger—And I have drawn it to the attention of the parliament in this report and would hope that my comments will be considered by appropriate people around the place. I am not quite sure that it is my job to then follow all that through. The record stands for itself and I have said that these points warrant further consideration.

Senator FORSHAW—Can I take you to one area that has been identified as a problem in the system—overlapping salary ranges. Do you agree that a properly functioning promotion system should provide proper incentives for people to seek promotion, including the incentive of a reasonable increase in pay?

Mr Podger—As a general principle, yes. Indeed, one of the things we also have in the values is, of course, the merit principle. We have various arrangements to ensure that there are enough points at which there is open competition for promotion as part of the system, as well. So promotion arrangements and distinguishing between different levels is an important thing underlying the merit principle in the service.

Senator FORSHAW—Are you aware of the extent to which pay ranges in the Australian Public Service classification system have increased and the extent to which they now overlap—are you familiar with that?

Mr Podger—It is an issue that I raised in the report. Indeed, I have a paragraph on page 61 noting the matter and mentioning that it is something that needs to be watched carefully. Some overlap between the ranges is not a major issue. It may well be that, for reasons of performance or particular skills, a person who is an SES band 1 officer in one situation can rightly get paid a bit more than a person who is brand new and yet to be tested at SES band 2 in another place. In my view, that sort of thing is not in itself against the principles of merit and appropriate advancement. However, if that overlap becomes more extensive, I have some concerns that it could be used to circumvent the merit principle—that is, people could be advanced in pay without having been through a proper open competition.

Senator FORSHAW—If I understand what you are saying, that would presumably be more pronounced if the maximum of the lower classification position is substantially higher than the next highest classification level?

Mr Podger—The more there is that overlap, the more that is at risk. Sometimes the money overlap may be more than the actual incidence of people in the overlap. What I want to keep an eye on is the situation where there is both the monetary overlap and the emergence of significant numbers of people at the lower level who are being paid more than significant numbers of people at the higher level. That would raise some matters of some concern to me.

Senator FORSHAW—So it is a matter of concern to you that there is a disincentive or possibly a potential for disincentive for people to seek promotion or advancement if the salary overlaps are substantial?

Mr Podger—The disincentive issue has not been my primary concern, although I can see that there are issues around that. My primary concern has been the merit principle—that is, that there should be open competitive processes for people as they advance through the Public Service career structure. That is an important principle for the professionalism of the service. So, for example, we have guidance to departments at lower levels that moves towards broadbanding, which have brought about some quite useful improvements in career planning and training, ought to have, nonetheless, some steps in them which require a competition for advancement. It is that side of things that is my particular focus of attention. I see overlapping pay rates as potentially undermining that—not if there are reasonably small numbers or if

there is not a great deal of overlap but, if the overlap becomes substantial, the risk of undermining the merit principle becomes something of concern to me.

Senator FORSHAW—You can raise your concerns about these issues in the *State of the service report* or in the annual report. What other opportunities do you take or means do you employ to try and raise the issue further?

Mr Podger—If the issue starts to emerge as a major one—and all I have done is flag it as a risk and as something that needs to be monitored closely—if it became apparent from the data, either the data we collect directly or the data we collect through the department of employment, that an agency was starting to have very major overlaps, it would be a matter that we would then discuss with that agency as to what they are doing. We would raise questions with them about whether they are undermining the merit principle.

I mentioned the non-SES issue and the guidance from the commission about care with broadbanding. Before that guidance came out, one or two agencies had broadbanded beyond what this guidance says. The role we have played is to monitor those agencies closely, working with them to see whether in fact this is becoming an issue, by looking at their rates of advancement, the way they are managing it, their movements of mobility in and out of their agency and that sort of thing, to see whether what is a risk problem in fact becomes a real problem. So that is the sort of thing the commission would do.

Senator FORSHAW—You have not had to do that as yet; is that what you are saying?

Mr Podger—The only ones we have done so far in directly looking at it like this have been on the below SES broadbanding issue, not on the overlap of pay. I have not pursued that specifically with an agency at this point.

Senator FORSHAW—Okay. Let us move on. What effects do you think the growing differences in remuneration across Public Service agencies are having on the staffing system in the Public Service as a whole?

Mr Podger—Very briefly, we have reported some reduction in mobility between agencies within the service over the last few years, but we do not see that at this point as being a major problem caused by difference of remuneration. We are still looking at what the underlying forces behind that are. One of the forces is in fact a positive one—that is, a number of agencies like Centrelink, the Child Support Agency and others have developed much better career management arrangements, much better training and development processes and, in so doing, reduced their turnover. That reduced turnover has actually reduced the mobility. To the extent that that is what has been happening, I am not concerned about the reduction in mobility, but I have flagged in the report that we need to keep an eye on whether in fact the variations in pay might also add to a reduction in mobility. But at this stage there is no evidence to suggest that that is a significant problem. Again, on page 60 we refer to this issue and say that we will be doing some further work on that in the coming year.

Senator FORSHAW—That is page 60 in the—

Mr Podger—The *State of the service report*.

Senator FORSHAW—You mentioned productivity improvements at the outset and that that is a part of the remuneration fixing system. Is there any reason to believe that a system that fixes pay and conditions based on productivity improvement necessarily aligns relative levels of remuneration with the priorities of government functions?

Mr Podger—I assume once again you are referring to some of the material in Mr Gourley's article.

Senator FORSHAW—Not necessarily.

Mr Podger—One of his arguments, as I recall, was a concern that relying on the capacity within an agency's budget in order to set pay within that agency might be affected by whether an agency has more money or less money according to priority policies from the government. The system, which has been around for some years, has always had that as a risk. I guess one has to bear that in mind when looking at it. But, interestingly, most agencies in setting their pay do actually address the point that Mr Gourley raised, that there is a labour market across the service, and they watch very closely what is being done in different agencies. So, while the funding arrangement is primarily a within agency arrangement, including taking into account productivity gains that can be found within an agency, agencies are also having to take into account the movements across the labour market. I suspect that that is why you have not got as much variation in the pay rates as some people suspected there would be.

Senator FORSHAW—Mr Gourley does refer to this issue in his article, as you recalled. Could it be that the present productivity based system gives some remuneration advantage to inefficient organisations, because they have a greater scope to improve productivity and make the necessary cash savings, while efficient organisations will find that difficult?

Mr Podger—I remember that argument being pressed very firmly a number of years ago when the first stage of agency bargaining came in. Before it was on pay rates, it was on conditions and a whole range of other things, with offsets required to be paid for within agency productivity. That was a very common argument. After I do not know how many years of having some form of agency bargaining based on productivity being applied, it seems to be a bit harder to continue to apply that argument, because everybody has had to tighten their belts and bring in a fair range of efficiencies over the years. I am not sure that there is anymore a major issue about rewarding the inefficient. I hasten to say that agencies do have to take into account their own labour market arrangements, so they are not just each of them doing their own thing without looking at the others, and they are required under the government principles on agreement making to abide by some general policy guidance. That, again, constrains some of the variation that might otherwise occur.

Senator FORSHAW—Do you think that the higher paying agencies would generally be those that would be more important in terms of government priorities?

Mr Podger—I see no evidence in a systematic way on that. For example, I know from material that the employment department has gathered and shown to us that there is no obvious difference in patterns of small agencies and large agencies. They have not been able to detect an obvious set of agencies who are able to pay the higher rates.

Senator FORSHAW—Do you have a view about whether it should or should not be so?

Mr Podger—I am simply saying: like other things, there is a risk. But I do not see this as a demonstrated major issue at the moment.

Senator FORSHAW—Would you know whether or not the mobility of staff moving from higher to lower paying agencies is being facilitated by special arrangements for those moving that would, in effect, put them in a financial advantage compared to staff already in the lower paying agency?

Mr Podger—I have not got direct information on that. From personal experience in encouraging somebody to transfer to an agency I have managed, on the basis that I felt the person was worth while recruiting, I have clearly had to make sure that I matched their existing pay rates. But I have also taken care that in doing so I have not got a major anomaly with my own agency's remuneration policies, that there is a consistency with my agency's

remuneration policy. Certainly I have matched pay in order to recruit people on transfer from other agencies and paid them a bit more than the average I have been paying, but I have not paid outside the explicit remuneration policies we have circulated.

Senator FORSHAW—What about those moving between other agencies?

Mr Podger—I am not aware of any systematic problem. I have heard anecdotes, but I have not seen anything. From the commission's database and the database we draw on from employment departments, I am not aware of evidence of that being significant. But I have heard anecdotal evidence.

Senator FORSHAW—Moving on, as time is drawing to a close, has the Public Service Commission conducted any examination of the effect of devolved pay and conditions on the working of staffing policies within the Public Service?

Mr Podger—We have not done direct work on that. We have tangentially done some work, but not directly, on what the devolved arrangements might have done overall. The sort of tangential work we have done would be like the work we did with the management advisory committee on performance management, where we identified through working with agencies that good practice in performance management came about in particular with a more integrated approach to performance pay, performance appraisal, business planning, corporate planning and so on. Returning to the business objectives and the outcomes that are required of an agency, getting that alignment is in fact good practice and has led to improvements. I will give a little example. Centrelink in their changed classification arrangements have developed much more considered career planning around their customer service offices, which they believe has led to better performance and better skilled staff in their system. They see their classification and pay arrangements as being a component of their overall success. We have not done direct work on the problems around it, but we have seen some evidence in particular cases where alignment appears to have contributed to improvements in performance.

Ms Tacy—Some information in a forthcoming report of the management advisory committee looks at a number of different staffing issues, including an analysis of graduate intakes and employment, if you include that in your concept of staffing policies. As part of that research, interviews were done with a series of agency heads. A part of that was talking to them about attraction and retention issues in a devolved environment. The view coming through very strongly was that they felt that the devolved arrangements had assisted them in attracting and retaining the capabilities that they were after.

Senator FORSHAW—Mr Podger, would you consider conducting an examination of the effects of devolved pay and conditions as part of the work you do for the *State of the service report*?

Mr Podger—I have indicated in this year's *State of the service report* that there are aspects of that which relate to my responsibilities in ensuring that the values are being abided by. Those are the areas on which I have been focusing my attention. I am a bit nervous of my being asked to do a wider review which actually implies my commenting on the government's remuneration policy. It seems to me that would be outside what one would expect me to comment on. What I could look at are aspects of where management by agencies within parameters that the government have set has not led to some problems around the performance, capabilities and values of the agency.

Senator FORSHAW—Are you aware of any independent studies that may have been undertaken?

Mr Podger—I am not aware of any. I am aware of commentaries such as Mr Gourley's, but I am not aware of any detailed studies being done.

Senator FORSHAW—Mr Gourley has made a comment that relates to earlier questions I was asking you about whether one should expect to see higher payment levels reflecting the government priorities in terms of functions. He states in his article:

How do the current arrangements fit with Government policy priorities? If they did, it might be reasonably expected that agencies with higher priority tasks would pay more. The following is a list of agencies (selected at random) and ranked from higher to lower payers at the maximum of the APS Level 4 in early August 2002, an important recruitment point: Family Court, Joint House Department, Public Service Commission, Bureau of Statistics, Tax, Australian Protective Service, Attorney-General's, Defence, DEWR, Veterans' Affairs, Prime Minister and Cabinet, Health, and Treasury. This is the priority the industrial relations system currently accords these organisations at this important pay point. Presumably the Treasurer is content with a wooden spoon for his department.

Do you have a response to that criticism, which is fairly strident and, at least from Mr Gourley's perspective, argues that you have got the lower pay level predominating in Prime Minister and Cabinet, Health and Treasury.

Mr Podger—If I look at it the other way around, there are always issues of supply and demand. Which departments, out of the pool of departments in which people apply for Public Service jobs, do people identify as their priorities? Quite frequently you will find PM&C and Treasury are higher than others. You have also got to take into account that you are seeing pay rates; you are not seeing other issues of conditions—the way they are handling their career planning, their promotion arrangements or a whole lot of other factors. I have not done a review on what they are like at the EL1 level or on whether Treasury has more EL1s and EL2s as their overall picture because that is the way they manage their staff. I think the issue is a lot more complicated than simply saying, 'Here is a story which must tell you which agencies are higher priority than others.' It is to do with the management decisions made within the agency.

Senator FORSHAW—These are Mr Gourley's views.

Mr Podger—I know.

Senator FORSHAW—What I am seeking is your response to what he has written as a fairly critical analysis of what is happening in the Public Service.

Mr Podger—I do not see it as my job to give a commentary on all these matters. My job is to look at aspects to do with reporting on the state of the service and the values and issues of that. Some of the arguments that Paddy Gourley has put in his article are interesting things that are worthy of consideration by policy advisers and policy makers across the government, but I think on other things they are a little simplistic and you would have to look at them a lot more closely. I do not think that looking at a comparison of pay rates at one level tells you much about whether the devolved system is providing better alignment with business objectives or better performance of a Centrelink or a health department or a Treasury within a devolved environment than in a centralised system.

Senator FORSHAW—Maybe somebody should do the study and see if we can find out. Can I take you to your own agency's certified agreement. What was the total cost to the Public Service Commission of the negotiation, settlement and ongoing implementation of its last certified agreement? You might want to take this on notice, because I would like details—full costs of staff, time of those directly involved in the work, travel, printing, consultancies, and any other costs, including the amount of time each staff member would have devoted to

consultation, reading documentation and attending meetings, and time spent in implementing the agreement.

Mr Jones—I head the corporate team in the commission and I was involved in negotiation of that agreement. We can take that question on notice and we can provide you with the core costs. We could not go as far as the time that staff might have spent reading drafts and so on of the agreement, but we can certainly give you the core costs involved for staff who worked on the development of it, and those sorts of costs.

Senator FORSHAW—What are the approximate per year costs of improvements in pay and conditions for the commission's current certified agreement?

Mr Jones—I can take that on notice.

Senator FORSHAW—What productivity improvement measures were adopted as a result of the certified agreement?

Mr Jones—I can take that on notice.

Senator FORSHAW—What are the approximate cash savings arising from each of these measures, and how and when are they to be realised?

Mr Jones—We costed the agreement at the time we made it, so I can provide the documentation that we had.

Senator FORSHAW—I thought I would read them into *Hansard* so that you do not have to then provide them again.

Mr Jones—Some of the specifics we might not be able to find, but certainly we can respond to the general inquiry that you are making.

Senator FORSHAW—I will ask the questions and you provide the answers and then we can revisit them afterwards and see whether or not they are complete or need further elaboration. I asked about the approximate cash savings arising from each of these measures and how and when they are to be realised. Why doesn't the annual report include any of this kind of information? Is there a reason for that?

Mr Jones—It does not, at the level you are talking about. It makes some general commentary about the certified agreement having realised the benefits that were expected of it. In fact, it comments on an evaluation that was conducted that showed that we had achieved greater productivity benefits than we had anticipated and that we actually revised our certified agreement during the last financial year to offer a small additional reward to staff, to recognise the additional productivity. It has not, at the level of the questions you have asked me, but at the broader level it does comment on the evaluation that we undertook.

Mr Podger—The certified agreement is a three-year agreement. We are in the process of negotiating the next—we hope—three-year agreement, so you are asking questions about processes three years ago. This year's annual report was reporting more about evaluation of how we had gone against that, but it certainly would not contain the details you are asking about.

Senator FORSHAW—Yes, but you do not publish this sort of detail or anything like it in your annual report, do you?

Mr Podger—The evaluation we undertook is referred to in the annual report.

Senator FORSHAW—But the costs?

Mr Podger—It does not detail the costs, no.

Senator FORSHAW—The specific productivity improvement measures are not identified either, are they?

Mr Podger—They are not listed in this report, no.

Senator FORSHAW—Last year, the Department of Employment and Workplace Relations published a survey which indicated that more than 40 per cent of agencies thought that identifying further productivity improvements in current funding arrangements was a highly significant impediment to successful agreement making. Is that the case with your agency? Do you find that is a difficulty?

Mr Podger—Not at the moment. The commission has actually reported a surplus for the last couple of years. As Mr Jones has mentioned, we have found that the productivity gains have been a little bit more than we had figured into the CA and therefore we were able to offer a small additional increase in the last year of the current certified agreement. I am aware that there are agencies, as it was reported in the *State of the service report*, who have drawn attention to some problems on the funding side.

Senator FORSHAW—You say it has not been a significant impediment in your agency's case. Can you tell me what productivity measures you intend to pursue in the future and the extent of the cash savings you intend to realise?

Mr Podger—We are early in the process of negotiating the next agreement.

Senator FORSHAW—I thought I would get in early too.

Mr Jones—Yes. Some of the productivity savings we are looking at are a continuation of some changes that we have made over the last 12 months which were changes to our organisational structure, to our way of operating and some cultural changes that were about the workplace. These are enabling us to achieve flexibilities which we had not achieved in the past and basically mean that we can achieve greater productivity with some of the resources we still have. We have further work to do on that for the new agreement. That is just an indication of some of the things.

Senator FORSHAW—And the extent of the cash savings, can you tell us anything about those?

Mr Jones—In respect of the new agreement, I cannot do that yet, no. It is not the right point in the cycle.

Senator FORSHAW—In respect of your intent, what you are hoping for with the agreement.

Mr Jones—We have not really reached that part in the process yet, but we are coming to it.

Senator FORSHAW—That is a fairly substantial figure—more than 40 per cent of agencies thought that identifying further productivity improvements and current funding arrangements were highly significant impediments to successful agreement making. Does that cause a degree of concern for you, Mr Podger, that we have over 40 per cent of agencies saying that it is a highly significant impediment? One would assume that it is not going to get better but it could actually get higher.

Mr Podger—I do not think there is anything further I can add to the fact that I have referred to this in the *State of the service report*.

Senator FORSHAW—You could have a go. Here is your chance.

Mr Podger—I hasten to say that I also refer in the *State of the service report* to some unease, that some agencies seem to be able to afford pay increases that are a little bit higher

than are happening out in the labour market at large. That also is an issue which I think people have to keep an eye on.

Senator FORSHAW—Yes, but you have somewhat avoided answering the question—and I say that with due respect—by drawing attention to another area of concern. You would be concerned that it is more than 40 per cent now and that one assumes that trying to continue to find further productivity improvements could well become more difficult as time goes on and this percentage figure could well increase rather than decrease. Then you ultimately have a bigger problem on your hands, haven't you, across the service?

Mr Podger—There is potentially a problem if we cannot maintain pay rates that attract the best and brightest. At this stage, there is no evidence of a major problem in the sorts of people we are attracting as graduates, but some agencies have been reporting some problems in some areas of skills.

Senator FORSHAW—Yes, but I am asking you about the specific findings about identifying further productivity improvements and current funding arrangements.

Mr Podger—But the consequences of that being a problem is that they cannot afford to offer a pay increase as much as they thought they ought to be able to.

Senator FORSHAW—The consequences are that they might even be able to negotiate an agreement or they will have difficulty in finalising agreements or even getting started in the negotiating process because they are being told by government on the one hand that they have to do this but they could well be finding it more and more difficult. Without additional funding arrangements, they get into a bit of an impasse, do they not?

Mr Podger—I do not think I can comment further. I have acknowledged that there is an issue and that it is just one of a number of issues in this area, but it is not for me to comment more than that.

Senator FORSHAW—The hour is late, Mr Podger, and we can return to it on another occasion I am sure. In your *State of the service report 2001-2002*, at page 29, in relation to alleged leaks you state:

In all, agencies reported 20 cases where an investigation identified an employee as the source of a leak. The outcome in nine of these cases was termination of employment.

Can you, Commissioner, indicate in which agencies the nine cases of termination of employment for leaking occurred?

Mr Podger—There is an error in those figures. I do not have in front of me what the error is but there is an error. The issue was not to do with a leak; as I recall, the issue was to do with inappropriate use of information. So it was not abiding by confidentiality arrangements.

Senator FORSHAW—You have just answered my next question—

Mr Podger—It is an error.

Senator FORSHAW—which was that they were not leaks. They were unauthorised access or something like that.

Mr Podger—There was a misunderstanding from the agency questionnaires that came in, and there was an error on the commission's part in misinterpreting the information provided.

Senator FORSHAW—In any event there were 20 cases where the investigation identified the employee. The report says:

The outcome in nine of these cases was termination of employment.

That is correct.

Mr Podger—I understand that sentence is correct, but I would like to confirm that.

Senator FORSHAW—Can you tell me in which agencies the nine cases of termination occurred?

Mr Podger—I would have to check, but I know that one of the agencies involved was the Child Support Agency.

Senator FORSHAW—Would you confirm for me that in fact eight of the nine cases were in the Child Support Agency?

Mr Podger—I will take that on notice.

Senator FORSHAW—Can anyone confirm that?

Mr Podger—I am sorry but I do not have that here. I do know that the Child Support Agency was the main one, so we are obviously in the right ballpark.

Senator FORSHAW—So you will take it on notice to confirm that. Can you tell me in which state or states the terminations occurred?

Mr Podger—I would have to ask the Child Support Agency because that was not in any of the questions that we asked.

Senator FORSHAW—We know their employment was terminated not for leaking but for unauthorised access. Were they accessing their own files?

Mr Podger—I do not have that level of detail. We would have to go to the Child Support Agency and whatever other agency was involved in this to find that out.

Senator FORSHAW—It makes it a bit difficult for me to go any further if you cannot. At this point in time tonight can you tell me anything further about the situation, such as what files were accessed, were they doing it for any other individuals and how they were caught?

Mr Jones—The level of information collected was very general. It was in the order of how many cases and how many terminations. It did not go beyond that.

Senator FORSHAW—I confirm that you will take on notice to provide answers to those questions you have indicated. I would also like you to seek to obtain and provide the following information: in which states did the terminations occur; were these people accessing their own files or were they the files of other people; were they accessing the files for other individuals; and how were these employees caught.

Mr Podger—Clearly, I would have to refer those questions to the agency.

Senator FORSHAW—I appreciate that.

Mr Podger—That is what I will do. There is no way that I would have any of that information within the commission.

Senator FORSHAW—I understand what you are saying. With that, I can say that I have finished with Mr Podger, Mr Lamond and the other officers at the table.

CHAIR—Are there any further questions for the Public Service Commission? There being none, Mr Podger, I thank you and your officers for your patience throughout the day. I also thank you, Minister. There being no further questions, that completes the examination of additional estimates for 2002-03 by this committee. The committee has set 26 March 2003 as the date for the submission of written answers to questions taken on notice.

Committee adjourned at 11.06 p.m.
