



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

FINANCE AND PUBLIC ADMINISTRATION  
LEGISLATION COMMITTEE

**Estimates**

THURSDAY, 26 MAY 2011

CANBERRA

BY AUTHORITY OF THE SENATE

## **INTERNET**

Hansard transcripts of public hearings are made available on the internet when authorised by the committee.

The internet address is:

**<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to:

**<http://parlinfo.aph.gov.au>**

**SENATE**  
**FINANCE AND PUBLIC ADMINISTRATION LEGISLATION COMMITTEE**  
**Thursday, 26 May 2011**

**Senators in attendance:** Senators Abetz, Coonan, Cormann, Polley, Faulkner, Fifield, Forshaw, Ferguson, Kroger, Ludlam, Mason, Parry, Ronaldson, Ryan and Stephens



## **FINANCE AND DEREGULATION**

### **In Attendance**

Senator Penny Wong, Minister for Finance

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

#### **Executive**

Mr David Tune, Secretary

#### **Outcome 1**

Mr David Martine, Deputy Secretary, Budget Group

Mr David Nicol, First Assistant Secretary, Budget Policy and Coordination Division

Mr Peter Saunders, First Assistant Secretary, Strategic Policy Division

Mr Stephen Clively, First Assistant Secretary, Government and Defence Division

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

Mr David de Carvalho, First Assistant Secretary, Social Welfare Division

Mr Stein Helgeby, Deputy Secretary, Financial Management Group

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

Ms Lisa La Rance, Acting Assistant Secretary, Cash Management Branch

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

Ms Sharon Ong, Assistant Secretary, Superannuation Branch

Mr Jonathan Hutson, First Assistant Secretary, Superannuation Administration Reform

Dr Greg Feeney, Assistant Secretary, Funds Branch

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

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

Mr Lembit Suur, First Assistant Secretary, Financial Framework Division

Ms Julia Sisson, Acting Assistant Secretary, Financial Framework Policy Branch

Ms Susan Page, Deputy Secretary, Deregulation Policy Division

Mr Peter McCray, First Assistant Secretary, Deregulation Policy Division

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

#### **Outcome 2**

Mr Rick Scott-Murphy, Acting Deputy Secretary, Asset Management and Parliamentary Services

Mr Andrew Smith, Acting First Assistant Secretary, Property and Construction Division

Mr John Edge, First Assistant Secretary, Government Business, Special Claims and Land Policy

Ms Stacie Hall, Assistant Secretary, Government Businesses Advice Branch

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

Mr Phil Smith, Assistant Secretary, Insurance and Risk Management Branch

Mr John Grant, First Assistant Secretary, Procurement Division

Ms Laurie Van Veen, Assistant Secretary, Communications Advice Branch

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

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

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

**Outcome 3**

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

Mr Keven Whitton, Acting Assistant Secretary, Entitlements Policy

Mr Greg Miles, Assistant Secretary, Entitlements Management

Mrs Kim Baker, Assistant Secretary, Client Services

Ms Yvette Sims, Assistant Secretary, Accountability and Reporting

Ms Maree Faulkner, National Manager, COMCAR

Mr Jason Ford, Acting National Manager, COMCAR

**General**

Ms Jenet Connell, Deputy Secretary, Chief Operating Officer

Mr David Yarra, Chief Audit Executive

Mr Michael Burton, First Assistant Secretary, Chief Financial Officer

Mr Graham Fry, First Assistant Secretary, Chief Information Officer

Mr Stephen Taylor, Acting First Assistant Secretary, Corporate Services

Mr Michael Nelson, Assistant Secretary, HR Services

**Australian Electoral Commission**

Mr Ed Killesteyn, Electoral Commissioner

Mr Paul Dacey, Deputy Electoral Commissioner

Mr Kevin Kitson, First Assistant Commissioner

Mr Paul Pirani, Chief Legal Officer

Ms Rachel Harris, Chief Finance Officer

Mr Pablo Carpay, Assistant Commissioner, Roll Management Branch

Ms Marie Neilson, Assistant Commissioner, Elections Branch

Dr Cheryl McRae, Assistant Commissioner, Strategic Capability Branch

Ms Kathy Mitchell, Assistant Commissioner, Education and Communications Branch

**Future Fund Management Agency**

Mr David Neal, Acting General Manager and Chief Investment Officer

**ComSuper**

Mr Richard Bridge, Chief Governance Officer

Mr Peter Cormack, Chief Executive Officer/Commission for Superannuation

Mr James Peterswald, Chief Operation Officer, APS Schemes

Mr Chris Ramsden, Chief Financial Officer

Ms Danni Woods, Executive Manager, Communications

**Australian Reward Investment Alliance**

Mr Peter Carrigy-Ryan, Acting Chief Executive Officer

**Medibank Private Ltd**

Mr James Connors, Senior Government Advisor

Ms Catherine McGovern, General Manager, Government and Public Affairs

Mr Michael Sammells, Chief Financial Officer, Finance and Corporate Services

**Committee met at 09:04**

**CHAIR (Senator Hurley):** Good morning. I would like to welcome everyone back this morning. I declare open this meeting of the Senate Finance and Public Administration Legislation Committee. The Senate has referred to the committee the particulars of proposed additional expenditures for 2010-11 for the parliamentary departments and the portfolios of Prime Minister and Cabinet and Finance and Deregulation. The committee may also examine the annual reports of the departments and agencies appearing before it. The committee has fixed Friday, 8 July 2011 as the date by which answers to questions on notice are to be returned. The committee's proceedings today will continue with its examination of the Prime Minister and Cabinet portfolio. Under standing orders 26 the committee must take all evidence in public session. This includes answers to questions on notice. Officers and senators are familiar with the rules of the senate governing estimates hearings. If you need assistance the secretary has copies of the rules. I particularly draw the attention of witnesses to an order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised and which I now incorporate into *Hansard*.

*The extract read as follows—*

**Public interest immunity claims**

That the Senate—

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

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

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

(1) If:

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

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

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

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

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

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

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

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

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

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

I would also like to request that if senators wish to table any documents or provide additional information during the proceedings that they please bring a duplicate copy so that copies can be made available as quickly as possible for other members of the committee.

#### **Australian Reward Investment Alliance**

[09:06]

The committee will begin today's proceedings with the Department of Finance and Deregulation Outcome 1 Program 1.2 and then follow the order set out in the circulated program. I welcome back the Minister for Finance, Senator the Hon. Penny Wong, Mr Tune and officers of the department. Please be aware that the committee may examine ComSuper and ARIA concurrently with Program 1.2, public sector superannuation. Mr Tune, do you have a statement?

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

**CHAIR:** Before I hand over to Senator Cormann I would just like to place on record the committee's appreciation of Senator Michael Forshaw's contribution to this committee over

many years and particularly since I became chair. We are going to miss his corporate knowledge and experience from this committee. So, thank you very much. This is his last estimates.

**Senator CORMANN:** You would be aware that in February when I do not think we had ARIA here I asked some questions about whether ARIA had a conflict of interest policy and that was taken on notice. I received an answer which says, 'The risk management plan may include a broad conflict of interest policy.' That is not really an answer to the question. I will ask you the question again: do you or do you not have a conflict of interest policy?

**Mr Carrigy-Ryan:** The answer to your question is yes, we do. There are three components to a conflict of interest policy and they apply across a range of activities, from the provision of financial and investment information to members of our schemes to the conduct of trustees and senior staff. Our AFS licence, the financial services licence through ASIC and our APRA licence requires us to have a conflict of interest policy and that policy is directed to ensuring that financial services are provided fairly and honestly to our members. The prudential framework through the APRA regulatory mechanism requires obviously our trustees to act in the best interests of members. The conflict of interest policy that we have sets out our statutory and trustee obligations and it was last reviewed in 2010. The fit and proper policy, which is a policy in relation to appointees to our board, also addresses the conflict of interest issue. Finally, the PSS trust deed, which governs the workings, if you like, once people are appointed to our board, has specific provisions in clause 7 about conflicts of interest disclosure and participation in discussions at board meetings and so forth after those disclosures are made.

**Senator CORMANN:** Why did you not say all that in your answer to the question on notice? Why did you say 'may' include conflict of interest policy?

**Mr Carrigy-Ryan:** My apologies. My understanding was that your request was that we attend this committee meeting to answer the questions.

**Senator CORMANN:** I asked the question at the time and I did say that, given that you were not at the last one, I was keen to have you here. But, if there is a question on notice which was taken on notice, surely you answer it on its merits irrespective of what further discussions we might have down the track. Anyway, I move on. Have any members of the board of trustees or any employees of ARIA actually declared any conflicts of interests?

**Mr Carrigy-Ryan:** There is a policy and a practice at each meeting where a standing list of memberships or directorships or other interests that trustees have in relation to the board is disclosed. That is updated at the start of every trustee meeting. There is also an annual disclosure that trustees and staff are required to make. Further, trustees on appointment through clause 7 of the trust deed that I mentioned are required to make a disclosure of interest that is tabled at the trustee meeting.

**Senator CORMANN:** So is that a yes?

**Mr Carrigy-Ryan:** Yes.

**Senator CORMANN:** Have you updated your conflict of interest policy to reflect the spirit of the Cooper review recommendations?

**Mr Carrigy-Ryan:** My understanding is that the Cooper recommendations are still the subject of deliberation by government. There are some recommendations that have been accepted; some are not.

**Senator CORMANN:** So that is a no?

**Mr Carrigy-Ryan:** No, but, when those final decisions are made, of course we will, and our documents and policies on conflict of interest are updated on a regular basis to take account of changes in regulatory prudential or industry standards.

**Senator CORMANN:** Do some of your trustees who govern the ARIA affairs sit on other superannuation boards or work for other superannuation service providers, fund managers and so on?

**Mr Carrigy-Ryan:** There are trustees who are members or trustees of other superannuation funds, yes. To my knowledge none of our trustees work for other superannuation funds in an employee capacity if that is what you are referring to.

**Senator CORMANN:** I am asking whether there are any that sit on your trustee board and then sit on other trustee boards of other superannuation funds.

**Mr Carrigy-Ryan:** Yes, there are.

**Senator CORMANN:** Are there just two, three or four that sit on more than one board?

**Mr Carrigy-Ryan:** There are probably three trustees that sit on other, what might be described as superannuation, boards.

**Senator CORMANN:** Three out of how many?

**Mr Carrigy-Ryan:** Seven.

**Senator CORMANN:** Three out of seven sit on other boards. How many other boards would they sit on?

**Mr Carrigy-Ryan:** In the case of two of them I think it is one other trustee board, and in the case of one other I think it is two other trustee boards, but I can clarify that.

**Senator CORMANN:** You keep those details?

**Mr Carrigy-Ryan:** Yes, we do.

**Senator CORMANN:** Is it public information which trustees on the ARIA board sit on other superannuation related boards?

**Mr Carrigy-Ryan:** That would be disclosed by the other boards. I do not know if there is a register of which boards the trustees sit on that is maintained by APRA. I can follow that up for you if you wish?

**Senator Wong:** No, trustees of superannuation funds are generally public information.

**Senator CORMANN:** Yes, sure.

**Senator Wong:** The fund will disclose that often in their own reports.

**Senator CORMANN:** The question is: do we have to hunt around or are you at liberty to give us the details of the trustees that are sitting on other boards?

**Mr Carrigy-Ryan:** We can provide you with that information. That is public information.

**Senator CORMANN:** Thank you. Talk us through how you manage a circumstance where ARIA might be in a competitive or conflicting position with one of the other super funds, where the trustees on your board are also sitting on the board of another super fund?

**Mr Carrigy-Ryan:** ARIA's charter in relation to superannuation funds is limited. The members of our schemes are Commonwealth employees and people who are members of the PSSap, the open accumulation scheme that we have, are free to join other superannuation schemes but it is the default scheme of most large Commonwealth government employers.

**Senator CORMANN:** Are you saying you do not compete for business hence you do not have a conflict?

**Mr Carrigy-Ryan:** We do compete for business in the sense that our members have freedom of choice to join whichever super fund they wish. That is for those people who are employees of the Commonwealth post-2005 when that accumulation plan started.

**Senator CORMANN:** Have there been any arrangements or contracts between ARIA and other providers on which ARIA trustees sit as board members, and is that something that would be disclosed?

**Mr Carrigy-Ryan:** Do you mean other superannuation funds?

**Senator CORMANN:** Your trustees are on a number of boards, are they? I am trying to get a sense of how you manage your conflicts of interests.

**Mr Carrigy-Ryan:** There are multiple service providers in the industry; there are fund managers, there are custodians, there are advisers.

**Senator CORMANN:** Indeed.

**Mr Carrigy-Ryan:** Some may be used by other superannuation funds. If the only relationship between a trustee and that service provider was the fact that they provided services to another fund, I do not think the appointment of a service provider per se would of itself—

**Senator CORMANN:** I am only interested in those where trustees on the ARIA board are also either trustees on other boards or are involved in other businesses that provide superannuation services and where their services may be contracted. I am interested in the services that ARIA might contract but has a direct involvement.

**Mr Carrigy-Ryan:** ARIA does not contract services to the extent that we employ service providers. We use fund managers, accountants, tax advisers, custodian banks—all of those sorts of service providers would be used by all superannuation funds in Australia.

**Senator CORMANN:** Can you articulate your long-term investment strategy?

**Mr Carrigy-Ryan:** Our long-term investment strategy on our default or balance funds is to return a real return of 4.5 per cent per annum which translates to notionally about seven per cent.

**Senator CORMANN:** What share of your total assets are invested in hedge funds?

**Mr Carrigy-Ryan:** If I can take you to our annual report there is a break up in there. It would be approximately 10 per cent at the moment.

**Senator CORMANN:** How does that compare to industry average?

**Mr Carrigy-Ryan:** We are probably slightly higher than other funds.

**Senator CORMANN:** What do you mean by slightly higher?

**Mr Carrigy-Ryan:** We probably have a slightly higher asset allocation to that asset sector.

**Senator CORMANN:** So you say you are on 10 per cent approximately, but what is the industry average?

**Mr Carrigy-Ryan:** I will have to get that information for you. I do not have it with me.

**Senator CORMANN:** What is the reason for you having a slightly higher asset allocation to hedge funds?

**Mr Carrigy-Ryan:** We regard that sector as a defensive sector and its returns through the global financial crisis demonstrated that effect.

**Senator CORMANN:** It is a bit counter intuitive, is it not, for hedge funds to be doing well during the financial crisis?

**Mr Carrigy-Ryan:** I think it depends on which ones you had.

**Senator CORMANN:** Yes, that is true. So you were lucky, you had the good ones?

**Mr Carrigy-Ryan:** I would prefer to say it was our investment strategies.

**Senator CORMANN:** It was scientific.

**Mr Carrigy-Ryan:** Our defensive investment strategy was more successful than some others, yes.

**Senator CORMANN:** You got the science of hedge funds right where others got it wrong.

**Senator Wong:** I do not think Mr Carrigy-Ryan suggested it was a science. He just talked about a defensive investment strategy.

**Senator CORMANN:** Investing in hedge funds—

**Senator FIFIELD:** It would be more art than a science.

**Senator CORMANN:** Art? Okay, you got the art of investing in hedge funds right where others obviously did not get it quite so right. What share of your total assets are invested in private equity?

**Mr Carrigy-Ryan:** I will get you the exact numbers. It would be the order of 10 to 15 per cent.

**Senator CORMANN:** How does that compare to industry average?

**Mr Carrigy-Ryan:** Again, that is probably a slightly higher allocation—remembering that a vast bulk of our funds are defined benefit funds of the CSS and PSS that we hold for long periods of time. So we are a long-term investor.

**Senator CORMANN:** What about the other asset classes—shares, property, bonds, cash? Give us a sense of where you sit with all of them compared to the industry average and the reasons.

**Mr Carrigy-Ryan:** I can get you some contemporary information on that which I do not have with me but which I will provide to you as part of—

**Senator CORMANN:** You will provide on notice?

**Mr Carrigy-Ryan:** That is correct.

**Senator CORMANN:** So what, in your balanced option, have been the returns for the PSS accumulation fund over one, three and five years?

**Mr Carrigy-Ryan:** As at 30 April, those numbers for financial year to date for the PSS is 7.7 per cent. For three years it is -0.35 per cent and for seven years it is 6.29 per cent.

**Senator CORMANN:** So how many of the members of your board of trustees are either current or former senior officers of the trade union movement?

**Senator Wong:** It did not take that long to get there, did it?

**Senator CORMANN:** It is a fair question.

**Mr Carrigy-Ryan:** Our board is like a lot of other funds; we comply with the equal representation rules. Three of our members are nominated by the ACTU, three are nominated by the government as employer, and an independent chairman is appointed by the government after consultation with the trustees.

**Senator CORMANN:** Out of the three that are appointed by the government is there a former senior union official among them?

**Mr Carrigy-Ryan:** Yes, there is.

**Senator CORMANN:** How many?

**Mr Carrigy-Ryan:** One.

**Senator CORMANN:** Of the seven members on the ARIA board of trustees now, three of them are current and one is a former senior officer of the trade union movement. Is that equal representation? Does that work in the balance of equal representation?

**Senator KROGER:** It does if you are on the union.

**Senator CORMANN:** In terms of numbers, four out of seven beats three any day where I come from.

**Mr Carrigy-Ryan:** Those appointments are made in accordance with the legislation that governs the operations of schemes.

**Senator CORMANN:** Talk to us about how your board operates. Does it operate completely on consensus or are there votes when you have got contested decisions?

**Mr Carrigy-Ryan:** Our board operates as a collegiate board, and my experience over a range of boards for the last 25 years would indicate that most successful boards operate on that basis.

**Senator CORMANN:** There are never any votes like four beats three?

**Mr Carrigy-Ryan:** I could think of very, very few occasions over the last 10 to 15 years that I have been associated with this board and its predecessors where that has occurred.

**Senator CORMANN:** So, we have got one independent chairman, leave that to one side, we have three nominated by the ACTU which gives them 50 per cent of the board, taking the chairman aside, and three appointed by government. How long has the former senior union official been on that board as a government appointment?

**Mr Carrigy-Ryan:** My recollection was that appointment was made in late 2009 but I can check the details exactly of that.

**Senator CORMANN:** Has there ever been a contested decision since late 2009 where the four either current or former union officials prevailed over the view of the minority on the board?

**Mr Carrigy-Ryan:** Not to my recollection. As I mentioned to you before, the board acts as a collegiate board rather than a voting one.

**Senator CORMANN:** Yes, not to your recollection. That is a bit of a qualifier there.

**Mr Carrigy-Ryan:** I am present during most deliberations of the board so that is my firm recollection. If I can just correct that appointment date, in our annual report at page 2 it notes that appointment was made in March 2009.

**Senator CORMANN:** The ABS figures show that only 41 per cent of public sector employees are union members but 59 per cent of Australian public sector workers are of course then not trade union members, yet unions have a majority on your board. Why is that a fair reflection of the employer/employee balance?

**Mr Carrigy-Ryan:** Those appointments are made in accordance with the statutory provisions that I mentioned to you before: three nominees from the ACTU, three nominees from the government and an independent chairman.

**Senator Wong:** Can I just make the point—

**Senator CORMANN:** I was waiting for you to make the point, Minister.

**Senator Wong:** These people contribute to running the superannuation fund and I just think this is an unnecessary politicisation. The chairperson is a Mr Tony Hyams, who might be known to you, I think. He was a Victorian member of parliament from your side of politics.

**Senator CORMANN:** He is the independent chair, is he?

**Senator Wong:** Correct. Would you like me to talk about the politicisation because he was formerly a Liberal Party member or possibly still is. I have never asked him. Would you like me to talk about—

**Senator CORMANN:** You were much nicer yesterday, Minister. You obviously had a very late night.

**Senator Wong:** I find these sorts of things really quite—

**Senator CORMANN:** You are touchy asking about representation.

**Senator Wong:** No, I think the way in which sometimes people on your side—

**CHAIR:** Senator, Minister.

**Senator Wong:** I am trying to finish, he just keeps interrupting me.

**CHAIR:** Yes, if I can just remind you, Senator Cormann, the standing orders are the same. You have put a question and when you make statements you have to allow the witnesses to respond. Minister, you have the call.

**Senator Wong:** Thank you. To be honest with you, when I first looked at this board I was not aware of Mr Hyams' background and I would not have raised it except in relation to the sort of inferences that you are making. The other board member that I would like you to perhaps be aware of is Mr Tony Cole, who I understand is a former secretary of the Treasury. So let us just get some perspective here.

**Senator CORMANN:** I am very happy to get some perspective, but I still note that, out of a board of seven, three are currently nominated by the ACTU and one is a former senior union official, which gives the union movement, at a very senior level, the majority on that board.

**Senator Wong:** I should also say to you that Mr Trewin is also on the board. Is that how I say his name—the former statistician?

**Mr Carrigy-Ryan:** Former Commonwealth Statistician Dennis Trewin.

**Senator CORMANN:** That is good.

**Senator Wong:** Really?

**Senator CORMANN:** Minister, your point is?

**Senator Wong:** My point is that there are people on this board from a range of backgrounds with a range of expertise, and that is as it should be.

**Senator CORMANN:** Including four—

**Senator KROGER:** Tony Hyams is not just a former member. He has a greater career in former investment banking and current investment banking. So I think it is a bit of a slight to suggest that he is a Liberal—

**Senator Wong:** A good appointment?

**Senator CORMANN:** Yes, which is why he is the chair.

**Senator Wong:** Come on, I was not doing that, Senator. I was not doing that at all. I was making the point that we have appointed people to this board on the basis of a broad range of experience and on the basis of merit. I think he does an outstanding job. I am simply making the point that there is a wide range, if you want to go down the politician affiliation path, of political affiliations on this board. I do not think that is the relevant issue. I do not think Mr Hyams' past in terms of his political background is at all relevant.

**Senator CORMANN:** Minister, I hear what you are saying.

**Senator Wong:** I was just trying to clarify because you keep using four-three and the list I had in front of me did not have—

**Senator CORMANN:** That was the advice that Mr Carrigy-Ryan gave me.

**Senator Wong:** No, I should just let you know there is a vacancy at the moment.

**Senator CORMANN:** So it may be evened out to 50-50 including the independent chair?

**Senator Wong:** I am not making any comment about that, I am just letting you know.

**Senator CORMANN:** It might go even worse?

**Senator Wong:** Have you finished?

**Senator CORMANN:** Well, I am asking the question.

**Senator Wong:** I have not finished my answer to the previous one. What I am saying is that the four-three that you use assumes an outcome in relation to that vacancy.

**Senator CORMANN:** Minister, the four-three figure is not my figure. Stop saying it is my figure. It was the figure that was given to me by Mr Peter Carrigy-Ryan, so stop saying it is my figure.

**CHAIR:** Minister, please complete your answer.

**Senator Wong:** I am not going to bother speaking if you are just going to interrupt the entire time.

**Senator CORMANN:** I am asking questions of Mr Peter Carrigy-Ryan.

**Senator Wong:** I am the minister at the table and I was answering a question.

**Senator FAULKNER:** Your interpretation of the evidence provided by the witness was—

**Senator CORMANN:** The figure of seven was his figure entirely and I think you know it.

**Senator FAULKNER:** If I was in the Liberal Party I would not have reacted the way you did to persons being concerned about Liberal Party—

**CHAIR:** Minister, you have the call. You were in the process of responding.

**Senator Wong:** The four-three assumes the full complement has been appointed. As I understand it there is currently a vacancy, only recently made so.

**Mr Carrigy-Ryan:** Last Friday week.

**Senator Wong:** There you go. I did not know about that. I am glad I have not been in the dark for too long.

**Senator CORMANN:** Has it been filled?

**Senator Wong:** It was only last Friday.

**Senator CORMANN:** It has been filled?

**Senator Wong:** It was only last Friday that it became vacant.

**Senator CORMANN:** Okay. How many times has ARIA or its representatives met with the Defence Force Welfare Association in the past 12 months?

**Mr Carrigy-Ryan:** I do not know the answer to that question.

**Senator CORMANN:** So there may not have been any meetings at all?

**Mr Carrigy-Ryan:** That is quite possible. On the other hand there may have been, of which I am not aware.

**Senator CORMANN:** Are you aware then of the concerns of the Defence Force Welfare Association about inadequate veterans representations on the board of trustees after the merger of ARIA with various other boards? Is that something that you are involved in as a management process?

**Mr Carrigy-Ryan:** No, that is a government policy process. You are talking about the merger of the ARIA and the MSB boards and the consultation process with relevant groups that has gone on about that process; that is a government policy issue and probably not one that is appropriate for me to make comment on.

**Senator CORMANN:** I was interested to know whether you had been involved in any way, shape or form in that process, that is all.

**Mr Carrigy-Ryan:** Not personally.

**Senator CORMANN:** People from ARIA?

**Mr Carrigy-Ryan:** I do not know about our board members.

**Senator CORMANN:** You will take on notice whether ARIA has such involvement, what the nature of that involvement has been, what the outcomes of any discussions have been and how any concerns that may have been raised are proposed to be addressed.

**Senator Carr:** Yes, I can take that on notice.

**Senator CORMANN:** Thank you. I will move to ComSuper. Is ComSuper here as well for this part of the session?

**Senator Wong:** In relation to your question before about concerns regarding the involvement of former members of the military, as you may or may not know, the government has been seeking to merge—

**Senator CORMANN:** I do know; there is legislation in the parliament.

**CHAIR:** Can we just allow the minister to speak, because then I need to make the statement?

**Senator CORMANN:** She makes all these assertions.

**CHAIR:** Minister, you have the call.

**Senator Wong:** You are very defensive, Senator. I was trying to be polite. I said as you may or may not know. Then I was going to say that we have introduced legislation in the parliament to merge the boards. Some of the issues you raise, because they have been raised with the government, have been reflected in the amendments in relation to board composition. I just wanted you to be aware of that fact.

#### ComSuper

[09:34]

**CHAIR:** I welcome Mr Peter Cormack, Chief Executive Officer and Commissioner for Superannuation, and other officers. Would you care to make an opening statement, Mr Cormack?

**Mr Cormack:** No I do not, thank you.

**Senator CORMANN:** How has the proposed outsourcing of the public sector superannuation accumulation plan been progressing?

**Mr Tune:** That has been handled jointly by ComSuper but, largely, by the department; so we should take that one, I think.

**Senator CORMANN:** It comes into this area though, does it not?

**Mr Helgeby:** The proposed outsourcing of the administration of PSSap is progressing quite well. Because it has yet to be finalised or announced, it is still a process that has a degree of commercial-in-confidence about it, but it has been progressing satisfactorily and with no major issues.

**Senator CORMANN:** So you will meet the deadline of 30 June 2011?

**Mr Helgeby:** That date will not be met, but I would anticipate a date during 2011.

**Senator CORMANN:** So by the end of the year?

**Mr Helgeby:** By the end of the year.

**Senator CORMANN:** When we talk in October it will be pretty well done?

**Mr Helgeby:** I would anticipate that well before we get to October it will be possible to—

**Senator CORMANN:** Identify the autumn deadline.

**Mr Helgeby:** Not just to identify the deadline, but to identify a full timetable.

**Senator CORMANN:** I am jealous about all this coffee that is making the rounds. Minister, you could have organised one for me!

**Senator Wong:** I was just thinking my receptionist is very kindly doing that because the secretary was looking like he was fading.

**Mr Tune:** I am paying for it, Senator.

**Senator CORMANN:** I am not going to go there. Which company or companies have been contracted to deliver these services?

**Mr Helgeby:** Because the process is yet to be completed I cannot discuss that.

**Senator CORMANN:** Can you discuss the process you are using to choose the companies?

**Mr Helgeby:** Yes. It was an open tender process which commenced in about—

**Mr Cormack:** Late November 2010 we released the tender.

**Mr Helgeby:** Sorry, in late November last year. It had a closure date of sometime in mid to late January. We have been in an evaluation process since then.

**Senator CORMANN:** When will you be in a position to provide us with a list of all of the companies that have been contracted?

**Mr Helgeby:** We are proposing only to contract one company, and that company would be known and announced at the completion of the contract process.

**Senator CORMANN:** And the value of the contract? That is not commercial-in-confidence.

**Senator Wong:** Yes it is, because it is an open tender process. What are you prepared to pay, Mr Helgeby?

**Mr Helgeby:** Once it is decided—

**Senator Wong:** Precisely. Of course it is disclosed.

**Senator CORMANN:** In that context, how do you manage conflicts of interest in terms of potential tenderers?

**Mr Helgeby:** We have a variety of advisers in the process—legal advisers, probity advisers in particular. We have been taking probity advice all the way through the process about the conduct, and that includes regular disclosures of any potential conflicts of interest and regularly seeking advice from our probity advisers.

**Senator CORMANN:** So you have got a number of external business, legal, probity advisers?

**Mr Helgeby:** We have advisers in the legal area. We have advisers in the industry sector as well.

**Senator CORMANN:** What sort of advisers are in the industry sector?

**Mr Helgeby:** Advisers who are familiar with the superannuation administration sector.

**Senator CORMANN:** Such as?

**Mr Hutson:** There are four advisers that have been assisting us with the outsourcing of the PSSap plan. Those advisers were all appointed following requests for quotation or requests for tender. Would you like to know the names of the advisers?

**Senator CORMANN:** Yes.

**Mr Hutson:** We have DLA Piper, who are our legal advisers; KPMG, who are one of our business advisers; SuperRatings, who are another business adviser; and our probity adviser is Clayton Utz.

**Senator CORMANN:** Excellent. What savings do you expect to make out of this contracting out process over the next five years? Have you got a figure around that?

**Mr Hutson:** When the decision was made to announce the outsourcing, a savings of \$5.3 million per annum was estimated.

**Mr Helgeby:** That number was disclosed in the budget papers back in, I think, 2009-10.

**Senator CORMANN:** I am not suggesting that it is otherwise. Thank you for assisting us. Is the cost of the external business and legal advisors something that is publicly disclosed as well?

**Mr Helgeby:** It will be on AusTender.

**Senator CORMANN:** That is something that is paid for by government or by fund members?

**Mr Tune:** By government. Government provided some money under this measure when it announced it for the conduct of the tender and the process of the outsourcing.

**Senator CORMANN:** Are there any plans to outsource any other functions or tasks of ComSuper?

**Mr Tune:** No.

**Senator CORMANN:** In the ComSuper annual report it shows that ComSuper revenue increased quite dramatically in 2007-08 from the previous year. What did that relate to? Was it only a one-year spike?

**Mr Ramsden:** There was a spike in that year. We negotiated with our clients and received an increase in one of our fees. There was also some additional—

**Senator CORMANN:** When you say you negotiated with your clients, who did you negotiate with?

**Mr Ramsden:** This particular increase was negotiated with the Department of Defence. It is one of our clients for our military schemes. We negotiated a fee increase with them. That was part of that increase. We also received some additional revenue for some project activity that we did. There was also a minor amount of additional revenue which was provided to ARIA.

**Mr Ramsden:** In Budget Paper No. 1, statement 6, page 70, it shows that the staff in ComSuper will reduce in the next financial year by 80 people.

**Mr Cormack:** That is correct.

**Senator CORMANN:** So that is about 15 per cent, is that related to the contracting?

**Mr Ramsden:** It is partially related to it, yes.

**Senator CORMANN:** How much of it is not related to the contracting?

**Mr Ramsden:** We estimate that around 56 of those would relate to the contracting activity.

**Senator CORMANN:** So that means that 24 of them are related to it. Is that the efficiency dividend?

**Mr Ramsden:** No, that is not correct.

**Senator CORMANN:** What is the 24?

**Mr Ramsden:** The additional revenue I mentioned that we got was related to some project activity. That project activity has since ceased. We have not factored in any additional FTE for next year for any further project activity.

**Senator CORMANN:** Will that staff reduction for savings out of the outsourcing in any way impact on your ability to perform your duties?

**Mr Cormack:** No, we do not see that will impact at all. The trustees are generally very happy with the service we are providing across our range of KPIs.

**Senator CORMANN:** You are happy with your level of staffing in ComSuper?

**Mr Cormack:** We have adequate numbers at the moment. I think you are always looking in these administration businesses for efficiency gains. We are quite happy with what we have at the moment.

**Senator CORMANN:** Has ComSuper experienced any issues of fraud in the past few years?

**Mr Cormack:** Not that I am aware of, no.

**Senator CORMANN:** I see somebody coming up that feels he might have something to contribute.

**Mr Bridge:** ComSuper has experienced occasional instances of attempted fraud and, in some cases, fraud—principally matters of external fraud. I think Peter was thinking about instances of possible internal fraud, although over the past many years we have had occasional instances of attempted fraud involving past staff members as well.

**Senator CORMANN:** What level are we talking about? What is the extent of it?

**Mr Bridge:** Compared to our numbers, a very, very small extent. We have coming up to around 700,000 superannuation scheme members, past and present, and also around 200,000 pensioners. We have experienced some instances where we do not get good notice of when a pensioner passes away and their pension payment continues.

In those instances there are recoveries and, in some cases, criminality has been proven. We have investigated those issues and, in some cases, assisted in the prosecution of people. The courts have convicted people of receiving false benefit or general dishonesty by continuing to receive payments where perhaps their father or mother has passed away, the pension has continued to be paid and ComSuper was not notified, and we did not pick it up. In some cases tax returns continued to be lodged on behalf of that person; so elaborate schemes.

**Senator CORMANN:** Can you give us a flavour of a value range? What is the biggest fraud and what is average?

**Mr Bridge:** The numbers are very small.

**Senator CORMANN:** That is all relative.

**Mr Bridge:** As I said, we have 700,000 members. Over the past three or four years that I have been in ComSuper we have had perhaps half a dozen cases of overpayments of pension. The biggest I am aware of would be in the range of \$200,000 or \$300,000.

**Mr Cormack:** I think we need to take on notice to provide the details of those.

**Senator CORMANN:** Thank you. In relation to the level of super contributions paid by ComSuper, I notice that the CPSU is making a series of claims against ComSuper as part of an agency specific bargaining claim. In particular I am interested in the claim that ComSuper should pay a guaranteed minimum of 15.4 per cent super contribution for staff in accumulation schemes, regardless of which scheme. Do you do that now?

**Mr Cormack:** I think we are part of the way through negotiations with the CPSU. They have not been completed.

**Senator CORMANN:** Sorry?

**Mr Cormack:** We are still in negotiation with the CPSU in relation to the current enterprise agreement.

**Senator CORMANN:** I am trying to get a sense—

**Senator Wong:** He has not finished. I think he is in the middle of something.

**Mr Cormack:** I am just reluctant to say what the position is until we resolve. It is all hypothetical, the claims that the CPSU have put, until we reach agreement.

**Senator CORMANN:** That is why I sought to clarify. I was not asking you about what your bargaining position is; I was asking you about what the current status is. In terms of your super contribution that you pay to your staff now, what is the proportion that would receive 15.4 per cent and what is the proportion it would receive less?

**Mr Ramsden:** I do not know the exact figures. We would have to get those exact figures. The majority of our members would subscribe to the PSSap scheme and be paid 15.4 per cent.

**Senator CORMANN:** Is it 50-50, 60-40, 70-30?

**Mr Ramsden:** I do not know the exact figures but I would suspect it would be greater than 90 per cent, would be my guess.

**Senator CORMANN:** Greater than 90 per cent?

**Mr Ramsden:** That would have to be my guess.

**Senator CORMANN:** Would it be fair to say that nearly all members of ComSuper would get the 15.4 per cent?

**Mr Ramsden:** That is only one scheme. People within ComSuper can be members of either the CSS, PSS or PSSap. Of those people that are not members of the PSS or CSS I would suggest—but I would have to check—the vast majority of those are members of PSSap and would receive the 15.4 per cent contributions.

**Senator CORMANN:** Across all schemes what sort of—

**Senator Wong:** The other two are defined benefits.

**Mr Ramsden:** The other two are defined benefits, and the 15.4 per cent does not relate to those schemes.

**Senator Wong:** So the effective contribution rate would be substantially higher.

**Senator CORMANN:** Yes. I should have probably started off with this, but how are things going in the context of the restructuring of ComSuper in the last few years? Can you give us a bit of a flavour on how the restructuring has settled down?

**Mr Cormack:** I think it is going well. We have had significant change at management level. The satisfaction of staff seems to be improved. Our performance seems to be improved. There is always work to do on the front but I think, from what we have done in the last 12 months certainly, it shows signs of improvement across the board.

**Senator CORMANN:** You said before you had 700,000 members or customers.

**Mr Cormack:** Approximately, yes.

**Senator CORMANN:** Approximately. Again, you might take it on notice, but how many of them are currently in service and how many are retired?

**Mr Cormack:** Putting the 200,000 pensioners aside I think there is about a 50/50 split between contributors and preserved members.

**Senator CORMANN:** You say things are going well, what are the key indicators on service delivery? What are the key indicators that you measure yourself against in terms of performing well and things going well?

**Mr Cormack:** We report to over 200 KPIs for a trustee client, so I cannot recall what each of those are individually. Our performance generally across the board has improved over the last year in most areas. The customers, according to the trustee discussions I have had with them, are happier with ComSuper's performance than they have been for a long time.

**Senator CORMANN:** So you are tracking in the right direction production of statements, payments of benefits timing, accuracy, quality and customer feedback?

**Mr Cormack:** I think we started from a position a few years ago where we were not at industry standard but we are certainly heading towards that very quickly and having industry standard in most of those measures at the moment.

**Senator CORMANN:** What has been the level of staff turnover within ComSuper?

**Mr Cormack:** Year-to-date is about 17 per cent. About half of that is transfers to other agencies, so it is about eight per cent voluntary.

**Senator CORMANN:** Is there a demographic within ComSuper that is more prone to staff turnover than others—for example, SES level, middle management or junior positions?

**Mr Cormack:** There will be but I do not have the numbers now. We have it split between operating groups, various levels of staff on APS grades and ACS and so on. I can provide that but I do not have it at the moment.

**Senator CORMANN:** Are all the key positions at SES level currently filled?

**Mr Cormack:** We are interviewing for one CIO role at the moment.

**Senator CORMANN:** How long has that position been vacant?

**Mr Cormack:** Approximately six weeks.

**Senator CORMANN:** Are you going to be impacted by the implementation of the SuperStream recommendations? How are you going to be impacted?

**Mr Cormack:** Yes we will and, in fact, we have one of the SES staff on the SuperStream working party. The TFN issue will not have a great impact; in the public sector we do not have actually a great problem in contacting members and so on. In terms of the electronic contributions and electronic rollovers, SuperStream certainly will impact. It will impact all providers, but there is no final position, as you probably know, and we are very close to what is going on.

**Senator CORMANN:** What sort of investments have you made in achieving efficiencies through your IT systems in the past three years?

**Mr Cormack:** IT investments?

**Mr Ramsden:** I would not have those exact numbers, I would have to take that on notice.

**Senator CORMANN:** Has it been a significant strategic focus or are you just going through the business as usual maintenance?

**Mr Cormack:** It is a strategic focus now. We have upgrade work to do on major applications and continual reinvestment in the admin business is just a feature of the business. We do need to invest in the upgrade of capital, which is a product that runs our military business and the[unclear 09:53]equivalent for our civilian business. We are currently assessing the financial impacts of that and what we need to do and what the costs will be.

**Senator CORMANN:** Given that, are there major IT capital expenditure projects which you see coming along which will require funding in the future?

**Mr Cormack:** The major investment will be around the capital system which runs our pension system with our military business. We are currently waiting on costings and going through an exercise to establish the real cost of that. The second phase of that will be to establish whether we can fund that through our own resources or we need to request funding. We are not in a position to know at the moment.

**Senator CORMANN:** There is a chance that you might be able to fund it from within your existing resources?

**Mr Cormack:** That is what we are going to look at and then try to do.

**Senator CORMANN:** Good on you. Have you tendered for administration of super arrangements for other employer super agencies?

**Mr Cormack:** No, we are not in a position where we can do that.

**Senator CORMANN:** What are your current superannuation advice delivery and fund information arrangements?

**Mr Cormack:** In terms of member advice or financial advice?

**Senator CORMANN:** Yes.

**Mr Cormack:** We do not provide it. In fact, that is a function that the trustees have not asked us to provide. We do not provide financial advice to any of our members.

**Senator CORMANN:** What percentage of your overall budget is allocated to servicing your customers?

**Mr Cormack:** I do not know how to answer that. The response would be 100 per cent.

**Senator CORMANN:** One hundred per cent?

**Mr Cormack:** I am trying to understand the question. We do not have any marketing budget and we do not look for new business. We are totally focused on delivery for our 700,000 clients, that is why I respond in that fashion.

**Senator CORMANN:** Did you take an active involvement in the FOFA or Cooper reviews?

**Mr Cormack:** No, we were not involved.

**CHAIR:** Any further questions? If not, thank you very much for appearing before us.

**Senator CORMANN:** Could I just quickly ask one more question of ARIA? I can see the gentleman at the back. It is just one.

**Senator Wong:** He should have left. Next time leave; do not give him a second bite at the cherry!

**Senator CORMANN:** It is an easy one. We had a quick discussion before about your investment in hedge funds and that as part of your overall asset allocation, your investment in hedge funds is slightly higher than the industry average. You mentioned this has been in part because you were so good at the art of it; it has been a good part of your defensive strategy. Do you regard hedge funds as a defensive sector in the long term?

**Mr Carrigy-Ryan:** In the long term?

**Senator CORMANN:** Yes.

**Mr Carrigy-Ryan:** We assess each market sector when we do major reviews of our investment strategy annually and particularly tri-annually. I think the answer to that question sadly depends: it depends on the state of the market; and it depends on what your views about the performance of other asset classes are over the investment horizon you are looking at.

**Senator CORMANN:** Where you sit now, do you consider hedge funds to be a defensive sector for the long term?

**Mr Carrigy-Ryan:** Yes. In the structure of our portfolio, which we have structured as a long-term investment portfolio, yes we do regard that sector as a defensive component of it.

**Senator CORMANN:** Thank you very much.

**Senator Wong:** Chair, I wonder if it is possible that you could change over and we could just have a two-minute break between the agencies.

**CHAIR:** Yes, I think that would be appropriate for us.

**Senator Wong:** Thank you, I would appreciate that.

**CHAIR:** Then we will call forward the Future Fund.

**Proceedings suspended from 09:58 to 10:05**

**Future Fund Management Agency**

**CHAIR:** Welcome back. We would also like to welcome Mr David Neal, acting general manager and chief investment officer and other officers of the Future Fund Management Agency. Mr Neal, do you have an opening statement?

**Mr Neal:** No.

**Senator CORMANN:** Given that you are not making an opening statement, to kick us off can you perhaps talk us through any of the changes that have occurred in your investment,

strategy, in your corporate arrangements or in whatever that is relevant since we last met in February?

**Mr Neal:** Certainly. Since the last time we spoke there has been relatively minor change to the portfolio. We continue to build our investments in some of the areas of private markets, private equity, real estate and infrastructure. There has been a gradual increase in that portfolio. Much of that has been funded out of the cash holdings that we had. Overall I would say that the positioning and stance of the portfolio is very similar to the last time we spoke.

**Senator CORMANN:** How is your strategy to down sell your shareholding in Telstra tracking?

**Mr Neal:** As you know and as we have discussed, the board has a strategy of selling that down over the medium term. We released details on 24 March that indicated that the fund had fallen below the substantial shareholding threshold of five per cent. At that time we had 620 million shares. In respect of any activity on our strategies from there, it is our view that as a stated seller of the Telstra holding it is inappropriate for us to provide any more detail about what our activities are other than to reiterate that the board is a stated seller over the medium term. It intends to rebalance its portfolio such that our holding in Telstra is appropriate for the long term.

**Senator CORMANN:** What is the current balance of the Future Fund?

**Mr Neal:** When we published our last statement on 31 March, our quarter end statement, it was \$74.6 billion total fund assets.

**Senator CORMANN:** That is up from how much when it first started, when it was first set up?

**Mr Neal:** I am not sure that I can recall exactly that number. The total funding that we have received I think is in the region of \$50 billion.

**Senator CORMANN:** Setting up the Future Fund was a very good investment then, was it not, Minister?

**Senator Wong:** Yes.

**Senator CORMANN:** Thank you. I really appreciate that. Talk us through your investment strategy in relation to that \$74.6 billion in assets.

**Mr Neal:** I suppose the overarching principle is that we want to construct a portfolio that has, we believe, the highest possible chance of delivering on the mandated returns of delivering high returns, recognising the mandate also specifies to do this without taking on excessive risk. We look to balance those two as sensibly and as optimally as possible. The way we have approached that is to construct a highly diversified portfolio in the first instance. We have looked to spread our risk exposures across as many different but efficient sources of risk as we can.

We recognise that the world is still recovering from a significant crisis and that there are many hurdles in place for the long-term path of the global economy. As a result I would describe our strategy as being moderately defensive. It is a risky portfolio; it does take a significant amount of investment risk to generate high real returns. But I think that we have an eye to some of the headwinds that are affecting the globe currently.

**Senator CORMANN:** You gave me the \$74.6 billion figure and you looked back to what the most recent figure was; is that an externally available figure?

**Mr Neal:** We produce an update on our portfolio and our performance on a quarterly basis.

**Senator CORMANN:** That is externally, so how often do you track it internally, is that consistent?

**Mr Neal:** Every day.

**Senator CORMANN:** So you track it every day internally and then you provide a public update every quarter?

**Mr Neal:** Correct.

**Senator CORMANN:** How much does the Future Fund currently hold in foreign exchange holdings, in emerging market currencies?

**Mr Neal:** In emerging market currencies we have roughly 10 per cent of the portfolio.

**Senator CORMANN:** Ten per cent of your portfolio, which is about \$7.4 billion?

**Mr Neal:** Correct.

**Senator CORMANN:** What sort of emerging market currencies are these funds invested in?

**Mr Neal:** I would have to take on notice the exact number but my recollection is they are quite deliberately and specifically diversified across 15 or 16 different currencies—so a very, very broad basket.

**Senator CORMANN:** Such as?

**Mr Neal:** Such as the Asian nations, Latin American nations and some of the Eastern European nations. It is a very broad representation with roughly equal weights across all of those currencies. The idea is to get exposure to those currencies because they should over the long term do well as those nations continue to develop, but to be highly diversified, recognising that any individual currency could have a fair amount of risk specific to that nation.

**Senator CORMANN:** What is the current Australian dollar value of the exposure in each of those countries? You might have to give that to me on notice.

**Mr Neal:** I cannot give you the individual currencies now, no.

**Senator Wong:** Excuse me. Thank you.

**Senator CORMANN:** Thank you for what?

**Senator Wong:** Thank you for giving me a minute to speak.

**Senator CORMANN:** You are now going to provide the answer, are you?

**Mr Neal:** Yes. I can tell you that the total is roughly 10 per cent of the total fund. I cannot give you a breakdown here today; I would have to take that on notice.

**Senator CORMANN:** On notice you will give us a breakdown including what the current Australian dollar value is of exposure in terms of each one of those 15 currencies? That will be of interest.

**Mr Neal:** Yes.

**Senator CORMANN:** Can you tell me how much the Future Fund has gained or lost on emerging market currency foreign exchange positions over the past three financial years?

**Mr Neal:** I cannot give you the precise figure on that. I would have to take that on notice. That is a complicated question.

**Senator CORMANN:** A complicated question is it?

**Mr Neal:** It is a complicated question. I do not have the detailed numbers.

**Senator CORMANN:** I am sorry about asking complicated questions. As you have taken that on notice, I suspect you will take this on notice too. I am interested in relation to each emerging market which firm or firms hold the mandate for the positions taken by the Future Fund, or are you able to tell me that now?

**Mr Neal:** In emerging markets?

**Senator CORMANN:** Yes.

**Mr Neal:** I can tell you that. Because of the currency exposure specifically, we oversee the management of those quite carefully. We have a number of managers who invest in emerging market entities, stocks or debt securities. Those aggregate up to a certain amount of emerging market currency exposures. We then have a manager called Ashmore Investment Management Limited, who is one of the largest most highly regarded emerging market experts globally, I would argue, who manage that overall exposure for us so that it is risk managed as a total exposure. The answer in terms of who manages the emerging market currency exposure for us would be Ashmore.

**Senator CORMANN:** I will put some other questions in relation to all these on notice. Minister, I have a question in relation to the reappointment of the chairman of the Future Fund for one year. That was said to be for 'a transition phase' of the fund. What sort of transition phase is that? It is a transition phase from what to what?

**Senator Wong:** I think it reflected a number of things. One was Mr David Murray's advice to the government that for personal reasons he did not wish to be reappointed for the full five-year term. Obviously we are very pleased that Mr Murray agreed to stay on for another year to work with the fund and the government on the transition to a new chair. I might get Mr Helgeby to talk about the process of the CEO appointment. We obviously had a situation where we had a new CEO appointment process around about the time that the government was considering the composition of the board of guardians. Those sorts of transition issues were at the forefront of our minds. I might get Mr Helgeby to add to that.

**Mr Helgeby:** A new CEO has been appointed and I think he takes up in July. That process was running around about the same time when the Future Fund board appointments needed to be considered. In that time frame, there was actually not just the reappointment of Mr Murray but also other board appointments that needed to be considered: Dr John Mulcahy, Mr Stephen Fitzgerald and Ms Carol Austin.

**Senator CORMANN:** Thank you, Mr Helgeby. I might just leave it here for a moment and let my colleagues take over.

**Senator KROGER:** First of all, I would like to congratulate the gentlemen at the table for the current bottom line on the Future Fund. I think it really is a demonstration of the stewardship that you provide, and it is great to see it going so well.

**Senator Wong:** Do not let him become complacent.

**Senator KROGER:** I did not say that.

**Senator Wong:** Well done, and keep doing it or something.

**Senator KROGER:** Minister, I think it is always appropriate to commend good outcomes when they are achieved. It really is a great outcome. I am interested to go back to the initial investment approach of the Future Fund, your primary consideration and what oversight there is given by government in terms of that consideration. I am seeking qualification. The portfolio update as at 20 March 2011 states that the key objective is to achieve at least a CPI plus 4.5 per cent per annum outcome; is that correct?

**Senator Wong:** 4.5 to 5.5.

**Senator KROGER:** What government oversight is there of the Future Fund? What is the process there?

**Mr Helgeby:** The Department of Finance and Deregulation provides an oversight function of the Future Fund and in particular provides advice to the minister about governance issues around the Future Fund. Our role is primarily to look at governance issues as they arise and to monitor performance against the mandate. [10.20]

We work regularly with the Future Fund to understand their performance and the drivers of that performance, and to understand the likelihood of the Future Fund achieving its mandate over a longer term. In providing our advice, we very much take the view that the Future Fund was established to meet long-term needs, and that long-term investment strategies and considerations are fundamental to its purpose. They are the ones we focus on.

**Senator KROGER:** I notice in your portfolio update that that is underscored. It is a 10-year strategic approach to investments or divestments, and that has been the approach taken. What I am hearing is that it is very much a performance against the mandate criteria. I understand that you divested the shareholdings in Lockheed Martin Corporation. Is that correct?

**Mr Helgeby:** I think that is really a question for the fund itself.

**Mr Neal:** That is correct, yes, along with a range of other holdings that we felt were in breach of the cluster munitions convention and the mine ban convention.

**Senator KROGER:** When was that decision taken?

**Mr Neal:** The policy decision was taken probably some time ago.

**Senator KROGER:** This is by the Future Fund?

**Mr Neal:** By the board. Its position on these issues is that if an economic activity for an entity based in Australia is illegal in Australia then that should not really be considered as an investment. If it contravenes an international convention that Australia has ratified, it should also not be considered as an investment. That is the policy decision. You will recognise that we are a building organisation so it takes us some time to put in place the resources and the processes to do an effective job. We excluded some companies some time ago, I think towards the end of 2009, where there was very clear and incontrovertible evidence—

**Senator KROGER:** Are you talking about military contractors?

**Mr Neal:** Yes, that would be right. There was very clear evidence there. Essentially they publish those details on their website, so that was easy for us. We then built the resources and a process to—

**Senator KROGER:** Can I go back to that for a moment? Can you on notice provide a list of those companies? It is a fairly transparent process in terms of what you ultimately have shareholdings in, is it not?

**Mr Neal:** It is. We have published a list of the companies that we have excluded. I have the full list here. My colleague would be able to tell me which were the first two.

**Senator KROGER:** What I am seeking to ascertain is that they were more than military contractors.

**Mr Neal:** I am not sure I would know that for sure. They were companies for which our research indicated there was very strong evidence that they were significantly involved in the construction of cluster munitions or land mins. The precise details of whether you would describe them as you are suggesting, I would not know, but we had pretty strong evidence that they are involved in those two activities.

**Senator KROGER:** How would you determine whether they were involved in the development of cluster munitions? What is that definition of being involved in cluster munitions? There are many companies that make components that are used for a whole swathe of things that could be used for cluster munitions, and would be prejudiced by that definition. How do you make that definition?

**Mr Neal:** That is absolutely right. This is certainly not a black and white area. Rarely is it an area of black or white. There are shades of grey. We engage an external research firm that specialises in making those assessments.

**Senator KROGER:** They do it for investment agencies, do they?

**Mr Neal:** Correct. My understanding is that it is a research service that they provide to a large number of like institutions. We take that research and we form our judgement as to where we put that bar. Clearly just being involved in producing the steel that goes around the outside does not seem to us as being a reason to exclude; you cannot exclude steel manufactures because their steel happens to be used. It needs to be much more directly involved in the construction of the prohibited product. So, we have to form that judgement. As a check against our research and to make sure that we have done an appropriate and diligent job, we triangulate with what our other peer funds around the globe are doing to see if we have missed anything. We use that to help us with that research. At the end of the day we form our own views as to which ones we believe there is significant strong evidence that they are involved in those activities. Then we monitor that, because of course it is possible that they may cease to be involved and then we have to take that restriction off.

**Senator KROGER:** Is it possible for the delineation to be provided, because it is a huge, grey area? Could you table that? I think that would be very helpful for us to understand the process.

**Mr Neal:** I am sure that we could summarise that, yes.

**Senator KROGER:** That would be terrific. In relation to Lockheed Martin, which is clearly the No. 1 military contractor in the US and which is involved in the Joint Strike

Fighter project and huge, huge contracts, can you take me through the reason why we divested our interest in Lockheed Martin on the basis of their alleged involvement in cluster munitions?

**Mr Neal:** I cannot take you through the detail of the Lockheed Martin research. I am afraid I do not have that to hand. We can certainly take that on notice. The only thing I can say is that the process that I tried to outline identified Lockheed Martin as being involved in a significant way in the production of those types of products.

**Senator KROGER:** I would also be interested if you could provide the timing of this. The legislation in relation to cluster munitions has only just gone through the Senate, so I would be interested in terms of the timing of when these decisions were made.

**Mr Neal:** They were out of the portfolio on 5 April. That was when we removed them from the portfolio. The decision would have been made prior to that, during March.

**Senator KROGER:** When you are making an analysis on the basis of research and a whole swathe of other factors, on things that, to put in your terms, do have an area of grey, to what extent is the department of finance and the Treasurer involved in those deliberations?

**Mr Neal:** They are not. I think the board sees this as very much their role to manage this portfolio in line with the mandate. It is structured independently for investment decisions to be made by the board. We clearly brief the department on those sort of activities but we do not involve them in the decision itself.

**Senator KROGER:** So you advise the department after you have made the decision as to what the investments are that you are or not divesting in, if you believe it would be of interest to them?

**Mr Neal:** Obviously they are aware of our policy. As that policy leads to an action, we brief them on that action at that time.

**Mr Helgeby:** If I can clarify, that is very much ex post. The Future Fund will—

**Senator KROGER:** After?

**Mr Helgeby:** Yes. They will inform us about the processes and policies that they think are of importance, but the department does not take any role in that decision making process.

**Senator KROGER:** Thank you. I noticed in the *Australian* today, and whilst I do not believe chapter and verse what I read—

**Senator WONG:** That puts you aside from some of your colleagues, Senator.

**Senator KROGER:** I think it is an indication of the arbitrary, if you like, nature of some of these decisions. That is in relation to the whole issue of companies involved in the development of nuclear energy. To what extent does the political environment, whether here or overseas, frame the decisions that are made by the Future Fund?

**Mr Neal:** I do not believe it does. We are very much aware that our responsibility is to manage a portfolio—in line with the mandate that we are given and the act that governs our responsibilities—to maximise the financial return. The board recognises though that it cannot be open slather; there has to be some restrictions. The restriction it has chosen to apply is that should not invest in any company in Australia where that company is engaged in activities that would be illegal in Australia. That seems a very clear definition of a rule, and a very objective rule that we should apply. The equivalent of that for us on the international scene

would be companies that contravene a convention that Australia has ratified. Those are essentially the rules that we apply.

**CHAIR:** Senator Kroger, before you go any further there has been a change of plans. There is more interest in this area, so we are going to adjourn for the morning tea break now. Have you many more questions? Senator Ludlam has some commitments elsewhere.

**Senator KROGER:** I have another five or 10 minutes, Chair.

**CHAIR:** Would you mind if, when we come back from the break, we go to Senator Ludlum to do his bracket, and then we come back to you?

**Senator KROGER:** It directly follows on from what I have been saying.

**Senator LUDLAM:** Mine are on the same topic.

**Senator KROGER:** Maybe I will finish up. It will only be five minutes or so.

**CHAIR:** Yes. I am just trying to balance other committee responsibilities.

**Proceedings suspended from 10:32 to 10:50**

**Senator KROGER:** I want to explore further how the Future Fund can maintain independence in its economic decision making from the world of politics around it. I find that an interesting one. How do you consider investments in China, for example, without considering the politics between countries? Or if the politics between nations changes but the investment in that country may not have changed, it may still be a good investment, do you take that into account? I am interested in your observations, Mr Neal.

**Mr Neal:** I think I understand that question. I think I may have misconstrued the last question. Clearly, in making investments we are essentially putting a value on a future stream of cash flows. Those cash flows are influenced by policy decisions made by governments around the world. The environment and the likely influence of those policy decisions and our assessment as to how they may change is clearly a factor. Perhaps the most important one is monetary policy, but there are all sorts of government policies that are important for us to understand.

**Senator COONAN:** How do you factor in sovereign risk?

**Mr Neal:** There is all sorts of research on what those risks are, and we assess those risks in the context of a multitude of other risks. How do we factor it in? For example, if there was a restructuring in Greece, we would understand the potential implications for our portfolio. There are direct impacts and there are secondary impacts to understand. We work very hard to try and understand what those impacts would be: is that tolerable; what return do we get for the investments that we have; does that trade-off seem appropriate to us; is there a better way of structuring the portfolio?

**Senator COONAN:** How do you factor in something like Basel III and the potential impact on the financial industry?

**Mr Neal:** The first observation I would make is that to a first order, those things are largely in the price already. You have to be very humble in investment markets and you have to understand why your view might be different to the market's view. Basel III is well known and will be reflected already, at least to some degree, in the price. You have to have a view as to why yours might be different. So, these things are already in the price of the assets that we hold. What we are really looking at is the likelihood of changes in that, or the likelihood that

the market has under or over estimated the impacts from some of those things. That is essentially our job, and the job of the investment managers we employ.

**Senator KROGER:** You talked about how the decisions in relation to legal companies and illegal companies were easy, black and white, when we were discussing cluster munitions. I am interested to know what your considerations are, and I am sure that they have been taking place, in relation to plain packaging and the possibility of the introduction of plain packaging legislation here in Australia where it has not been adopted in other countries. Would there be considerations with the government adopting a position on the tobacco industry through plain packaging? Would that influence any current investments that the Future Fund has?

**Mr Neal:** In terms of the assessment of what we were talking about before regarding exclusions or not? No, because we do not believe that the manufacturers are doing anything that is illegal in Australia so there is no consideration as to whether we should exclude tobacco. What we do, and more importantly what we require our investment managers to do—the vast bulk of all of our investments are essentially run through external investment managers—is to take into account and integrate a broad suite of issues when they are evaluating the different investments that they can invest in. That would include the influence on any one share price of that type of policy decision, and indeed every other policy decision that is made by the government here and anywhere else in the world. I guess there is an impact, but it would be very small. The impact on those manufacturers of one nation having one policy will be taken into account by the people who select those stocks for us and the relative price that they pay for those stocks.

**Senator KROGER:** Just finally, your view is that there would be no change taken to consideration of the parameters or the approach to investment in tobacco companies, for instance, Philip Morris, British American Tobacco or other tobacco companies, which is essentially return on investment in those companies?

**Mr Neal:** That is correct, providing they comply with Australian law when they are operating in Australia or international conventions that Australia has signed.

**Senator KROGER:** Thanks Mr Neal.

**Senator LUDLAM:** Thanks, Mr Neal, for coming in. I would like to start off this morning by congratulating the fund on the decisions that you have made around the divestment of companies involved in the manufacturing of cluster munitions; in particular, the fact that the fund appears to have gone even further than the legislation would have compelled you to do. I am interested to know what process you went through, if you could describe it fairly briefly, to identify first that you needed to do so in the absence of enabling legislation, and then what your process was for deciding who should be the target of the divestment.

**Mr Neal:** We discussed this a little before and I have taken on notice to provide the detail of that process.

**Senator LUDLAM:** Okay, I will not dwell on that then. I can check the transcript. I just want to offer my congratulations on behalf of the Greens. This is somewhat in contrast to the issue that has been raised in the press this morning, that the Future Fund is quite heavily invested in companies involved with nuclear weapons. Let us start at the beginning: will the

Future Fund consider withdrawing from the companies that are involved in the fabrication of nuclear weapons?

**Mr Neal:** The board's policy is pretty clear. The board will consider the financial benefits of investing in any company, providing its activities in relation to its Australian operations are legal according to Australian law. The international version of that is the international conventions that Australia supports. So, if there were a company that was in breach of either of those two then we would exclude them from our portfolio.

**Senator LUDLAM:** Okay, that is good news. Based on the statements made by your spokespeople as they have been reported this morning in the *Age*, I think your spokespeople have been very, very poorly advised. I am wondering whether the fund has received legal advice on the treaties that Australia has signed up to on nuclear weapons. I particularly draw your attention to article VI of the non-proliferation treaty which mandates that state parties holding nuclear weapons disarm and abolish those weapons. That appears to have been ignored in the statements that this is a non-proliferation treaty. It is a non-proliferation and disarmament treaty, and I wonder whether the fund received legal advice on what our treaty obligations in Australia actually are.

**Mr Neal:** To my knowledge, no, we have not received legal advice on precisely that.

**Senator LUDLAM:** All right. That is okay, it was a yes or no question. That is fine.

**Mr Neal:** Okay.

**Senator LUDLAM:** What I might do then, in the absence of that, is invite you to seek advice. I am going to draw your attention to a couple of instruments and treaties that Australia is a party to that relate directly to the issue of nuclear weapons, and directly contradict the statements that your spokesperson has made in the press today. If those statements were inaccurately quoted I am happy for you to contradict them or clarify them. The key one really is the nuclear non-proliferations treaty, and specifically article VI. The South Pacific Nuclear Free Zone Treaty Act 1986 and the Weapons of Mass Destruction (Prevention of Proliferation) Act 1995 explicitly prohibit the economic activity of manufacturing nuclear weapons in Australia. That contradicts one of the statements that has been made.

The other thing I would want to draw your attention to is the decision of the World Court in July 1996 which ruled that the threat or use of nuclear weapons is generally illegal, and that states have an obligation to conclude negotiations on their elimination. Were any of those treaty obligations discussed by the fund before the decision was made to make the statements that were made this morning?

**Mr Neal:** I think I would like to take the bulk of that on notice. The one comment that I would make is that we are not aware of any of the companies in our portfolio manufacturing nuclear weapons in Australia. Other than that I think that is a detailed question with some detailed points that I would need to take on notice. I would find that difficult to answer here.

**Senator LUDLAM:** You have just divested in a number of companies that manufacture cluster munitions, but none of them are undertaking that activity in Australia either, are they?

**Mr Neal:** Our understanding is that the treaty that Australia has signed in that regard is an international treaty that is essentially stating that this is an illegal activity for these things to be manufactured anywhere in the world.

**Senator LUDLAM:** I just quoted you the World Court decision. It is not identical. It is not a convention—

**Senator Wong:** Precisely, I was just going to say that. I think Mr Neal has said he would take on notice the propositions you have put. I accept your view in terms of what you have just put to him, but the board has made a distinction, as I understand, in its public comments between the international agreements that Australia is party to in terms of cluster munitions and the prohibition in Australian law for the manufacture of such nuclear weapons within Australia.

**Senator LUDLAM:** I think there is a distinction being drawn that I am not sure is appropriate. The very same companies that you made a welcome decision to divest in because they are manufacturing, or may be involved through subsidiaries of manufacturing cluster weapons overseas, nobody has accused any of those companies of fabricating those weapons in Australia. I do not think the distinction is accurate to say just because they are not making nuclear weapons in Australia it means you are off the hook.

**Senator Wong:** That is not what I was saying. In terms of your questioning you were conflating the two, and I was attempting to communicate what I understand to be the board's position. I think Mr Neal has taken on notice the propositions you have put, so I am sure the Future Fund will consider them.

**Senator LUDLAM:** That is wonderful. Can I invite you, Mr Neal, to seek legal advice on this question, and perhaps clarify the position of the fund down the track?

**Mr Neal:** I will put that to the board.

**Senator LUDLAM:** That would be greatly appreciated. In a number of other countries, including, I suppose, Norway, the Norwegian pension fund, the New Zealand pension fund, under similar circumstances to Australia have divested in a similar list of companies which the Future Fund is currently invested in.

[11.05]

I think it would be a powerful statement and probably untenable for the fund to maintain its investments in these companies, particularly as the Australian Foreign Minister and former Prime Minister has done an enormous amount of work in the last three years involving Australia in international diplomatic efforts to abolish these horrible weapons. For us to discover as Australian taxpayers that we are invested in the production of them I think sends a profoundly contradictory signal.

**Senator Wong:** That is probably a question for me rather than Mr Neal, Senator, don't you think?

**Senator LUDLAM:** Certainly, Minister.

**Senator Wong:** I think that the government's position in relation to nuclear non-proliferation and disarmament is clear, and we have consistently held that position and strongly advocated for it.

**Senator LUDLAM:** I was just acknowledging that.

**Senator Wong:** I think the question here is what is the best way to pursue those policies. The proposition you are essentially making is that somehow involving the government in investment decisions of the Future Fund is one of the ways those policies should be pursued.

**Senator LUDLAM:** Yes, that is a fair characterisation.

**Senator Wong:** Yes, and you are entitled to put that view. I put this view; this is a fund which has under management just under \$75 billion of investment for the future good of the country. Both parties of government have taken a very strict view, and I think the correct view, about the importance of the fund operating its investment strategy without government interference. If you look at the legislation that established the fund, if you look at the investment mandate, it is clear that the practice that is being observed is one which seeks to ensure that the board takes responsibility for these matters and that we do not have politicians making decisions from time to time about directing where investments should go. As a matter of principle I think that is the sensible thing to do.

You have raised a number of matters and they are also in the media. They are matters which Mr Neal has taken on notice and which I am sure will be considered by the board. However, I think it is important just to take a step back, notwithstanding the views we have as a government—and I think our record on nuclear non-proliferation disarmament is clear—about what is the appropriate way to ensure those objectives are furthered.

**Senator LUDLAM:** Minister, I was directing my questions at Mr Neal for precisely those reasons. Mr Swan was very clear, almost to the point where it appeared he was distancing himself from the decision of the fund's board on cluster munitions. I am not expecting political intervention in this instance. I am expecting common sense that the best way to pursue the fund's objectives of maximising returns for our superannuation funds, and the best way at the same time to be at least consistent with the objectives of Australian foreign policy, is not to be investing in companies that produce weapons of mass destruction. I think I have made that point reasonably clear. I very much look forward to following this matter up. Thanks, Mr Neal.

**Senator FIFIELD:** Mr Neal, I have been out of the room during some of the evidence of the Future Fund this morning so if you have covered this territory already please let me know. On the matter of international conventions which you say you take heed of, that Australia is a signatory to, where do you seek advice on those conventions? Do you seek that from the department of foreign affairs, do you seek it from the Attorney-General's Department, or do you seek that from the department of finance, like the parent department for the agency to provide to the fund the government's position on these matters?

**Mr Neal:** I think probably all of the above, depending on the context.

**Senator FIFIELD:** So the fund as an independent agency chooses whatever source that it feels it needs to give effect to that protocol that you follow conventions and treaties that the Australian government is a signatory to?

**Mr Neal:** Precisely.

**Senator FIFIELD:** Is that a protocol that the fund has established for itself, or is that something which is in the legislation establishing the fund, or is that a part of the mandate from the government to the fund?

**Mr Neal:** It is a policy that the board has established for itself.

**Senator FIFIELD:** I was just interested as to the mechanisms that you use to seek advice on those matters. With something like the cluster munitions issue, did the agency seek advice from the department of foreign affairs, or what were the sources of advice on that issue?

**Mr Neal:** Not having conducted that research personally, I do not know for sure whether there was a conversation with DFAT or not. I would have to take that on notice.

**Senator FIFIELD:** If you could, I would just be interested as to how that research is undertaken. I appreciate that you have staff who would do that. The staff who would do that, are they the actual fund managers whom you have appointed or are they actually staff of the agency itself?

**Mr Neal:** It would be both. Our investment managers are aware of our policy, and we require them to implement that policy. Clearly with these types of issues, we need an overall view ourselves, and we need to monitor our compliance with that policy within the agency. We do have internal staff whose role it is to research those conventions and to implement that board policy.

**Senator FIFIELD:** At what level in the organisation is the decision taken as to whether an investment is contrary to the board's protocol or in line with the board's protocol?

**Mr Neal:** The policy, the process and the approach is decided and overseen by the board. The implementation of that policy is taken by the agency, essentially, and any ultimate decision to act is taken by the general manager.

**Senator FIFIELD:** If something is not clear as to whether it is in line with the protocol, then that would be escalated to you; otherwise there would not be the need to reference you if the relevant staff felt that it was a clear case?

**Mr Neal:** No. Any decision to exclude a stock from the portfolio as a result of those considerations is, we believe, an important one, and that would be discussed and approved by the general manager. Of course, there is always an option if we think we need to then discuss that with the board, if we feel that is appropriate.

**Senator FIFIELD:** As to those sorts of questions which come before you as to whether there should be an exclusion, how frequently does that happen? Does it happen every week, every month or a couple of times a year?

**Mr Neal:** It is not very frequent. Essentially there is a research provider which is scouring the global universe of investments on our behalf and advising us on the activities of those investments against the criteria that we have set. Most companies do not tend to change their activities that often. In our short history, there have been few of those discussions.

**Senator FIFIELD:** There is a given portfolio of investments here and here; they do not necessarily change that frequently, so it is something that would happen infrequently?

**Mr Neal:** Correct.

**Senator FIFIELD:** Thank you.

**CHAIR:** I do not believe there are any further questions, Mr Neal. We thank you and the other officers very much for appearing before us. We will see you next estimates.

**CHAIR:** I now welcome back officers from the Department of Finance and Deregulation. We now move to Outcome 1 Program 1.3 and then we will progress to Outcome 2 and Outcome 3.

**Senator CORMANN:** Could you give us a profile of the balance and expenditure for each of the Building Australia Fund, the Education Investment Fund and the Health and Hospitals

Fund over the past four years? Where did we start, what were the major milestones and where are we now?

**Mr Helgeby:** We might need a little bit of time to get the historical detail, but I can give you relatively current figures. I will start with the payments made from the Nation-building Funds to 31 March: \$3.2 billion for BAF, \$1.9 billion for Education Investment Fund and \$0.8 billion for the Health and Hospital Fund. The initial credits provided to the funds were \$10.9 billion for BAF, \$6.5 billion for the education fund, and \$5 billion for health and hospitals.

**Senator CORMANN:** That is where it started?

**Mr Helgeby:** The initial credits were those numbers, totalling \$22.4 billion, of which \$10.9 was in the BAF, \$6.5 million in the Education Investment Fund, and \$5 billion in the Health and Hospitals Fund.

**Senator CORMANN:** What has happened with those funds since?

**Mr Helgeby:** Commitments have been made and payments have been made, and they are the two different concepts. The number I first gave you was in fact the payments made.

**Senator CORMANN:** What is the current cash balance in those funds?

**Mr Helgeby:** The cash balance in those funds today? I can give you the uncommitted balances, if that is what you would like?

**Senator CORMANN:** Yes, uncommitted balances?

**Mr Helgeby:** Uncommitted balances up to 31 March are \$1.5 billion in the BAF, \$2.5 billion in the Education Investment Fund, and \$0.5 billion in the Health and Hospitals Fund.

**Senator CORMANN:** Essentially you are on track to run those funds down, are you not?

**Mr Helgeby:** The government has made a series of decisions over time to use the funds for particular priorities, and the forward estimates include spending from each of those funds. The spending from each of those funds over the budgeted forward estimates period is a total of \$19.9 billion.

**Senator CORMANN:** When these funds were first set up, was it envisaged that they would be run down over time?

**Mr Tune:** Yes. It was the intention.

**Senator CORMANN:** The intention was to run them down?

**Mr Tune:** Yes.

**Senator CORMANN:** To zero?

**Mr Tune:** Not necessarily to zero, but obviously to utilise the funds for projects over time.

**Senator MASON:** The Education Investment Fund, Mr Tune?

**Mr Tune:** Yes.

**Senator MASON:** Are you saying that the intention was to run that down in the short term or medium term?

**Mr Tune:** Yes. It was set up as a fund like that, whereas the fund—

**Senator MASON:** Hold on. As I understand it, when the Coalition government set up that fund, they did it so that the interest could be expended on capital works in universities.

**Mr Tune:** That is correct.

**Senator MASON:** Not the capital.

**Mr Tune:** That was superseded. The old higher education fund was rolled into the Education Investment Fund and legislation changed the nature of the fund.

**Senator MASON:** Well, changed the name. How much money has the current government put into the Education Investment Fund?

**Mr Tune:** I would have to take that on notice, about what was new money vis-a-vis—

**Senator MASON:** Yes, new money. You might want to have a look at that.

**Mr Tune:** I will take it on notice.

**Senator CORMANN:** Let us go back to the start. When these funds were set up in their original iteration, they were set up as a couple of funds that would generate income, were they not?

**Mr Tune:** Correct. They generate income, but they were to be utilised for projects. So there was a program to run them down.

**Senator CORMANN:** The income was to be utilised for projects?

**Mr Tune:** No, not just the income; the capital as well. That is the point Senator Mason was making. With respect to the original higher education fund that the previous government set up, Senator Mason is correct, only the interest was being used. These funds are different.

**Senator CORMANN:** Yes, I know. I am going back to the original iteration. What sort of funds were set up by the previous government? We had the Future Fund.

**Mr Tune:** And you had the higher education fund.

**Senator CORMANN:** We had the infrastructure fund, the communications fund. What happened to the communications fund?

**Mr Tune:** That was rolled into the BAF.

**Senator CORMANN:** So that was rolled into government spending, essentially?

**Mr Tune:** Into the fund, and then as projects were announced, the funding was drawn from the BAF and utilised for projects, both the capital and interest.

**Senator CORMANN:** So we have half a million left in the Health and Hospitals Fund, so that will be gone pretty soon, I suspect. Then we have \$2.5 billion in the Education Investment Fund. Presumably the intention would be to run it down to zero?

**Mr Tune:** That is the government's decision about when and how it draws it down.

**Senator CORMANN:** Does the government have a current strategy to either build the fund or to just use it as a recurrent expenditure opportunity?

**Mr Tune:** The government has announced projects from the funds, the HHF and the EIF in the current budget, half a billion to the EIF for a regional education round, and \$1.8 billion from the Health and Hospitals Fund for a regional health round. So, it has made some decisions in the budget to draw down some money from the funds and to utilise those for particular projects which have been assessed by the boards of those two funds as meeting the criteria set down in the legislation for them.

**Senator CORMANN:** Given the track record over the last three years, the money is not just going to sit there, is it?

**Mr Tune:** It is a decision to be made by the government in the future.

**Senator CORMANN:** So there are no current plans to grow the funds?

**Mr Tune:** There have been no balances added to the funds in recent times, that is correct.

**Senator CORMANN:** Because there is not much scope to add balances to the fund right now, is there?

**Mr Tune:** The funds were initially put in place as a result of surpluses. But there is also earnings on the funds, so they accumulate in the funds as well.

**Senator CORMANN:** What sort of interest do you get on your earnings out of those funds?

**Mr Tune:** The funds are invested by the Future Fund.

**Mr Helgeby:** They are invested on a fairly conservative basis, so they would earn a little bit above cash rates.

**Senator CORMANN:** A little bit above cash rate. Can you give us a dollar figure on how much you are planning?

**Mr Tune:** Since they were put in place, net earnings has been \$1.9 billion across the three funds: \$0.9 billion in the BAF, \$0.6 billion in the EIF, and \$0.4 billion in the HHF.

**Senator CORMANN:** Do you have a figure in the budget about how much interest you expect to make across those three funds over the forward estimates? I see somebody nodding behind you.

**Mr Tune:** Apparently it is in the budget.

**Senator CORMANN:** Do you have a figure for that?

**Mr Tune:** For this financial year?

**Senator CORMANN:** For over the forward estimates; how much do you think you will make?

**Mr Helgeby:** I can give you the expected net earnings across the forward estimates period. We are counting the forward estimates period from April 2011 to 2014-15, for each of the funds. In the case of the Building Australia Fund, it is \$1.044 billion.

**Senator CORMANN:** Can you not give me a consolidated figure?

**Mr Helgeby:** I can add them up. I might just run through them individually first—\$1.0441 billion for the BAF, \$825.1 million for the EIF and \$2.0604 billion for the Health and Hospitals Fund.

**Mr Greenslade:** That totals \$3.9 billion. Those numbers are in the budget papers and in Finance's portfolio budget statements tables 3.1.2.1—

**Senator CORMANN:** Sorry, which table?

**Mr Greenslade:** In our portfolio budget statement. But just for future reference, tables 3.1.2.1, 3.1.2.2 and 3.1.2.3 contain the numbers.

**Senator CORMANN:** So \$3.9 billion over the forward estimates, is that what you said, that you expect to make?

**Mr Greenslade:** Yes.

**Senator CORMANN:** How much are you paying on government net debt? How much net interest payments are you making over the forward estimates to pay for the level of government net debt?

**Mr Helgeby:** That is really a question for the Australian Office of Financial Management and Treasury.

**Senator CORMANN:** It is in the budget papers. Finance does not have a handle on that?

**Senator Wong:** No, it is not that we do not have a handle on it. There is no need to make those sorts of comments.

**Senator CORMANN:** It is about \$26 billion.

**Senator Wong:** No, Senator. We had this argument yesterday. You should not make petty political points about the fact that different officers have different responsibilities under the administrative orders. Mr Helgeby is just saying that that question should be directed to Treasury.

**Senator CORMANN:** Okay. I will ask the question to the Treasurer, too, but I will just put it into context. You expect to make \$3.9 billion over the forward estimates from these funds that largely originated because of the efforts of the previous government, and you would be paying \$26 billion worth of net interest to service government net debt. Can you tell me exactly on which page in your portfolio statements I will find that figure?

**Mr Greenslade:** Pages 56 and 57.

**Senator CORMANN:** Thank you. Given the current rate of spending over the forward estimates, is there a time line by when the funds are expected to run out? Do you have some projection beyond the forward estimates?

**Mr Tune:** No, there is not.

**Senator CORMANN:** What is the balance in those funds expected to be by 2014-15?

**Mr Greenslade:** The closing balance at 2014-15 for the Building Australia Fund is \$3.05 billion; the closing balance for the Education Investment Fund is \$3.46 billion, and the closing balance for the Health and Hospitals Fund is \$1.87 billion.

**Senator CORMANN:** Is that because there is additional money put into it? You have told me that the present balances were \$6.5, \$2.5 and \$0.5 million.

**Mr Helgeby:** We are moving between concepts here. We were talking about uncommitted balances. Those are essentially net of decisions, but the cash flow associated with those decisions can extend over quite a period of time. The numbers we have just been citing are really cash position numbers at a point in time.

**Senator CORMANN:** So you cannot actually tell me now what the uncommitted balances are likely to be in 2014-15 because you do not know what commitments might be made between now and then?

**Mr Tune:** We are taking the situation as it is now assuming it stays constant, and then projecting it out against the interest income and the drawdown that is implicit in the committed funds as distinct from the uncommitted ones.

**Senator Wong:** I would make the point, because this is one of the areas which contributed to your costings error, that obviously expenditure out of the funds will hit the bottom line.

**Senator CORMANN:** What is your point, Minister?

**Senator Wong:** This was an issue of some controversy post the election. If you do not want the expenditure from the funds to hit the bottom line, you need to offset, and that is what the government has done. For example, the HHF round that has been announced in the budget was offset by savings. It is not a bucket of money that you can simply spend from without hitting the bottom line. That is why the government, unlike the opposition in its election costings, offset the expenditure from the funds. A very fiscally responsible—

**Senator CORMANN:** Yes, we had a conversation yesterday on how your net spending is increasing over the forward estimates once you take tax increases and other revenue measures out.

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

**Senator CORMANN:** That is exactly right.

**Senator Wong:** That is wrong. Senator. I really like the way the opposition, when it is confronted with the facts, simply says something that is not true.

**Senator CORMANN:** It is true.

**Senator Wong:** No, it is not.

**Senator CORMANN:** I am happy to have the conversation again.

**Senator Wong:** If you dismiss revenue measures as being savings, then your \$50 billion of savings which is in fact an \$11 billion black hole gets even worse. This is the ridiculous position where your shadow Treasurer asserts a certain number, and you come in here and put something which in fact shows that you have even fewer savings even than you are alleging.

**Senator CORMANN:** I dismiss that you have made spending cuts to the tune of \$22 billion, because you have not.

**Senator Wong:** You are just doing it again.

**Senator CORMANN:** That is a statement of fact.

**Senator Wong:** Stop. You should tell the truth.

**Senator CORMANN:** You do not have spending cuts of \$22 billion—

**Senator Wong:** You should tell the truth.

**Senator CORMANN:** That is the truth. That is the fact.

**Senator Wong:** If you say that savings measures cannot include revenue measures, then your black hole just got bigger. You cannot have it both ways, Senator. You cannot say the government's spending cuts are not spending cuts because they include revenue measures, but we are going to count all of these revenue measures in our so-called \$50 billion worth of savings, that in fact is found to be an \$11 billion black hole. It is ridiculous.

**Senator CORMANN:** You can make that assertion as often as you want to. It does not make it more accurate.

**Senator Wong:** It is really kindergarten style politics. It is like saying: 'We have a different rule to the government's because we are the opposition. We are going to ignore the way budgets have always been done.'

**Senator CORMANN:** The rule, of course, that you have pursued with these capital funds is that you are treating capital funds, or things that were in their initial iteration capital funds, like a recurrent expenditure fund. That is obviously not the way, certainly, the higher education investment fund was set up. It is not the way these sorts of funds should operate in the ideal circumstance. Given the way you are running this as if it is just another recurrent program, I can understand why you are making some of the statements that you are making.

**Senator Wong:** Expenditure from these funds hits the bottom line. That is the fundamental budget accounting problem that contributed to the error in your election costings. It might be something that you might want to understand.

**Senator CORMANN:** Mr Tune, what are the administration costs for each fund? Are you able to talk us through those?

**Mr Greenslade:** If you want access to that information, management fees are contained in the tables I referred to previously.

**Senator CORMANN:** Sorry, costs of administration are a percentage of the value that is in the fund, or is it a dollar figure?

**Mr Greenslade:** Management fees are withdrawn from the fund. The costs of managing the funds are taken from the funds, much the same arrangement as for the Future Fund.

**Senator CORMANN:** Is it a percentage of the value that sits in the fund or is it a dollar flat fee? How does it work?

**Mr Greenslade:** It is not a percentage. They take out actual expenses, so they will have some staff of their own and they will employ investment managers to undertake the investments, and those will be the costs.

**Senator CORMANN:** So they take some money out. How is the quantum of the money they take out determined? How much is it? Who decides how much it is going to be? How does it work? Talk us through it.

**Mr Greenslade:** If I might just give you an indication of the dimension, the management fees for this year were around \$10 million for the BAF, \$6.7 million for the Education Investment Fund, and \$5.8 million for the Health and Hospitals Fund.

**Senator CORMANN:** The arrangements for each fund in terms of the costs of administration are the same, is that correct?

**Mr Greenslade:** Yes, essentially. For all three funds, as well as for the Future Fund, the Future Fund Management Agency's expenses of managing the funds and getting earnings from those investments are deducted from the fund.

**Senator CORMANN:** On notice, as I do not expect you to go through this now, can you give us the detail on the administration costs of each fund for each financial year since 2007-08?

**Mr Greenslade:** Yes, I can.

**Senator CORMANN:** So they are effectively jointly administered through the Future Fund?

**Mr Greenslade:** Yes. Exactly how they are managed within the Future Fund Management Agency is more a matter for the agencies to handle, but essentially yes.

**Senator CORMANN:** When you say the agencies to handle, what is that?

**Mr Greenslade:** The Future Fund Management Agency.

**Senator CORMANN:** But the health department does not have any involvement?

**Mr Greenslade:** No. These are purely investment costs.

**Senator CORMANN:** Are the investment mandates for each fund identical, or are there differences?

**Mr Greenslade:** They are the same.

**Senator CORMANN:** What is the investment mandate?

**Mr Greenslade:** The investment mandate is essentially to achieve the three-month bank bill swap rate plus 0.3 per cent per annum, calculated on a rolling 12-month basis.

**Senator CORMANN:** Is that net of fees?

**Mr Greenslade:** Yes, essentially.

**Senator CORMANN:** Have you been achieving that mandate?

**Mr Greenslade:** If I could just point out, it is not something that I achieve for the Future Funds Management Agency.

**Senator CORMANN:** I am sorry; when I say 'you', I mean the royal you, so to speak?

**Mr Greenslade:** Yes, it has been exceeding its benchmark since the funds were set up. The most recent portfolio update, to which Mr Neal referred earlier, includes information on the returns of the nation-building funds and over the last 12 months each of the funds returned 5.4 per cent which exceeds the mandated benchmark return of 5.2 per cent.

**Senator CORMANN:** When the Building Australia Fund was established, the Minister for Infrastructure, Transport, Regional Development and Local Government, Minister Albanese, specified that the funds would be sourced from budget surpluses. The government has not delivered a surplus yet. It has had four deficit budgets. It seems unlikely that you will be able to deliver on that commitment, does it not?

**Senator Wong:** With the surpluses that we have projected under this budget, it will return to surplus in 2012-13 and beyond. We have had a period which has been dominated, as you know, by the global financial crisis, with \$130 billion hit on government revenue.

**Senator CORMANN:** When Minister Albanese said that funds for the Building Australia Fund would be sourced from budget surpluses, will the surplus that you are projecting from 2012-13 onwards be used towards further building up the Building Australia Fund?

**Senator Wong:** That is a decision that government would need to consider. But I would again make the point that what we have done is to offset spending, so a very substantial investment in regional Australia through the Health and Hospitals Fund and the regional round of the Education Investment Fund have been offset. That is, we have made room for that spending.

**Senator CORMANN:** Mr Tune, how many staff in your department are responsible for managing the Building Australia Fund?

**Mr Helgeby:** We do not actually manage the Building Australia Fund.

**Senator CORMANN:** Sorry, manage the relationship; you manage it through the Future Fund, I understand that.

**Mr Tune:** There is a branch in Mr Helgeby's group that manages the relationship with the Future Fund, in relation to both Future Fund operations and the various infrastructure funds we are talking about here.

**Senator CORMANN:** So you have a branch which looks after all of the funds, like the Future Fund—

**Mr Tune:** It manages the relationship with the Future Fund, which is actually managing the funds.

**Senator CORMANN:** How many people?

**Mr Tune:** I will get that for you.

**Mr Helgeby:** About a dozen people are in that branch as a whole.

**Senator CORMANN:** Do you expect some savings as the value of the funds goes down?

**Mr Helgeby:** In one sense the work on the nation-building funds is quite a small part of the overall work. The Future Fund is probably more important in terms of both the workload applied and, going forward, its role in the scheme of things. So yes, there may be some efficiencies along the way, but they will be compensated by changes to the strengthening of our role in relation to the Future Fund.

**Senator CORMANN:** I might leave it there.

**CHAIR:** Are there any further questions for program 1.3?

**Mr Tune:** I notice that Senator Ryan has just appeared. He was asking me some questions yesterday about the department of finance and a regulatory plan. I have been waiting for him to return so I could give him an answer. Basically, the OBPR's annual report for 2009-10 noted that we did not provide an annual regulatory plan. That is correct. In fact, the way this operates is that at the beginning of a financial year, the requirement is that you submit a plan of regulatory activity that you intend to undertake in the portfolio over the ensuing 12 months. Finance had a nil return for that. We did not plan to undertake any additional regulatory activity. The oversight was that we did not submit that to OBPR as we should have done. But, the practical answer was nil; it just did not get recorded as such. We have rectified that for 2010-11. Once again, it was a nil return but we did actually notify this time. So we are now compliant.

**Senator RYAN:** Thanks. I appreciate that.

**CHAIR:** Did you have any follow-up questions?

**Senator RYAN:** No.

**CHAIR:** Thank you. That deals with program 1.3. We are now moving to outcome 2.

**Senator Wong:** I am just checking whether officers in outcome 2 in the room next door might make their way through.

**Senator CORMANN:** I will be referring to property, IT, and some more act of grace payments.

**Senator Wong:** What else?

**Senator CORMANN:** A couple of budget measures that are related to the department of finance but where you are not the lead agencies, Stronger Super, AFP forensic facility, NBN implementation.

**Mr Tune:** Okay.

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

[11.45]

**Senator CORMANN:** Maybe we will start on something easy and straightforward. Your predecessor, former finance minister Lindsay Tanner, introduced guidelines for Australian government agencies to occupy 16 square metres per occupied work point because that 'would improve the efficiency and effectiveness of Commonwealth property management.' How is the implementation of that policy going?

**Mr Scott-Murphy:** If you bear with me for one moment, I will refer to my notes on the property data collection and the efficiencies that have been achieved. In November 2010, Finance published the *Australian government office occupancy report* which was based on data that had been collected in September 2009. That report is published on the Finance website. It collected the data and the data was verified independently by KPMG between February and June 2010. We consulted agencies quite extensively in the development of that report. In particular, each agency was asked to provide commentary on their data to ensure that it was presented in context. The key purpose of the first data capture was to establish a baseline from which to compare changes over time, to look at the trends, and to analyse those trends to forecast the efficiencies that could be achieved. It is important to note that the efficiencies are harvested when agencies either enter into new lease commitments or undertake major refurbishments of their current tenancies.

**Senator CORMANN:** So you do not go to people who are sitting behind their desk and say, 'You have too much space; you have five metres more than you should have and we are going to take a bit of space away from you'?

**Mr Scott-Murphy:** That is correct. It is not done on an individual basis.

**Senator CORMANN:** It is averaged out. So you could be sitting in eight square metres because somebody else has 25 square metres, or something?

**Mr Scott-Murphy:** It is certainly an average, and the basis is the area per occupied work point. The standard metric for measuring area is the net lettable area, and there are certain allowances made for special needs of some agencies, for example, for those that have a shop front that needs to provide access to the public, those spaces are not taken into account. That is just one example.

**Senator CORMANN:** How do you adequately measure a target like this 16 square metres? Is somebody going around with a tape measure to check how much space is allocated per work station?

**Mr Scott-Murphy:** The metric we adopted was one that was readily understood and readily verified. In other words, the net lettable area is a measure that is described in the lease

document itself and there is a standard industry measure for net lettable area. The number of occupied work points is also a relatively stable input to that measure, so that it can be easily verified by independent analysis—in this case, by KPMG—so they can look at selected samples of those agency tenancies, count the occupied work points and do the simple measure of how that ratio is developed to come up with the average area per occupied work point tenancy by tenancy.

Then, for each department, they are aggregated to come up with an average density. Where the savings are forecast, it is by tenancy as a new tenancy agreement is entered into or a major refurbishment is undertaken. At that point, the savings for those that exceed the target density are harvested on the basis of two-thirds is returned to budget and one-third is retained by the department to assist them to move towards more efficient use of their accommodation.

**Senator CORMANN:** Thanks for that. I really appreciate your genuine effort to provide some clarity around all of this. Do you have a dollar figure on how much has been saved as a result of this initiative, and how much is likely to be saved over the forward estimates?

**Mr Tune:** Yes, we do. We estimate the total savings to the budget of \$63.4 million over the period 2010-14.

**Senator CORMANN:** So, over the forward estimates, \$63.4 million?

**Mr Tune:** Yes. That is factored into the budget.

**Senator CORMANN:** You say it only applies to new leases of buildings. Can you give some examples of the sorts of buildings and the sorts of agencies that have been the first cabs off the rank that got caught up in this new policy?

**Mr Scott-Murphy:** I do not have those specific agency by agency measures in front of me.

**Senator CORMANN:** Are there many of them, or is there just a handful?

**Mr Scott-Murphy:** There is a significant number, but they are forecast in the future in most cases because it is when leases expire or when major tenancy refurbishments are undertaken that the savings become available to budget.

**Senator CORMANN:** Indeed. I cannot really ask you about the detail about what is forecast. I am more interested in what has happened so far. I cannot imagine that there have been hundreds of new leases and new refurbishments in that time. I am trying to understand how it has worked in practice and who some of the initial recipients of this new property guideline have been?

**Mr Tune:** Maybe if I give you a build-up of the savings, that might give you a feel for the quantum involved. As you would appreciate, this is being phased in over a lengthy period, as you are suggesting. The savings are \$2 million in 2010-11, increasing to \$13 million in 2011-12, \$21.1 million in 2012-13, and \$27.3 million in 2013-14, which gets you to the \$63.4 million that I mentioned. What I did not mention was now we have an extra budget year in there, 2014-15, and the projected save for that year is \$33.7 million. If you include the five years, it is a save of \$95.1 million to the budget. That gives you an idea of the sort of phasing approach. It starts reasonably slowly and then escalates.

**Senator CORMANN:** What about properties that are currently under construction, like the new ASIO building? Has that had to make changes to its design to fit with the policy?

**Mr Scott-Murphy:** Indeed, not so much changes to design but because we were undertaking the design while these metrics were being developed, we ensured that the design of the new ASIO accommodation does indeed meet the target density.

**Senator CORMANN:** Would you say that again?

**Mr Scott-Murphy:** We have ensured that, in the design of the fit-out of the ASIO building, it will meet that target density of 16 square metres per occupied work point.

**Senator CORMANN:** What have you done to ensure that?

**Mr Scott-Murphy:** It is in the design of the fit-out to ensure that the number of occupied work points within the net lettable area, after taking into account those areas which are excluded, meets the density target. It is an input to the design.

**Senator CORMANN:** Are there any costs that are associated with implementing these sorts of changes?

**Mr Scott-Murphy:** I am not sure what you mean; what sort of costs?

**Senator CORMANN:** Are there any costs associated, for example, with having to go to a different lease than what you otherwise would to accommodate the changed fit-out requirements?

**Mr Tune:** You are doing it on the expiry of a lease, so you are renegotiating a lease, and if that requires you to downsize, in effect, that is what you should do. As Mr Scott-Murphy mentioned earlier, one-third of the savings is retained by the agency and two-thirds go to the budget. That one-third is available for up-front costs that an agency may need as they renegotiate their lease or negotiate a new lease.

**Senator CORMANN:** So the finance department would not require agencies to go to a more expensive lease than the current lease to meet the guidelines, for example?

**Mr Tune:** No, there is flexibility there.

**Senator CORMANN:** What would happen if it was found out that an agency did not comply with the 16 square metre rule?

**Mr Scott-Murphy:** The savings are actually taken from their underlying departmental budget appropriation at the point that the lease is entered into.

**Senator CORMANN:** Are you saying that you have already made an assumption of what the costs should be in the context of a 16 square metre rule, and if the department does not comply, any additional cost just comes off their bottom line?

**Mr Tune:** It is taken away upfront.

**Senator CORMANN:** So that is sort of an additional efficiency dividend, so to speak?

**Mr Tune:** No. We are just taking the efficiency, and there is a very clear incentive for the agency to meet the 16 square metres. In fact, there are two incentives: one is that we have taken the money away upfront; and the second one is that they can keep a third of the savings that they are getting.

**Senator CORMANN:** They can as long as they do it.

**Mr Tune:** Yes, that is what I mean. That is the incentive.

**Senator CORMANN:** Sure. Essentially we have the 1.5 per cent efficiency dividend, and then we have the two-thirds of the 16 square metre rule efficiency dividend?

**Mr Tune:** Correct.

**Senator CORMANN:** With leased offices, there would not be a circumstance where an agency would have to terminate a lease. When you say you take the efficiency up front, how does that work in practice? Do you look at what the agency's lease arrangements are and say, 'We think you can, so therefore we will take it'? If there is no lease running out over the forward estimates, you do not go in and say, 'We still think you should be more efficient'?

**Mr Tune:** No, that is correct. It only applies to new leases and renegotiation points on existing leases.

**Senator CORMANN:** Going back to the question of costs, if you renew the lease and you stay where you are, but you have to meet the 16 square metre rule efficiency requirement, presumably you have to go through potentially a pretty significant refurbishment, do you not?

**Mr Scott-Murphy:** Yes. That is the reason why we provide one-third of the savings to be retained by those departments in order to assist them in improving their density with a refurbishment of their space.

**Senator CORMANN:** Is that adequate?

**Mr Scott-Murphy:** It has been by agreement with the departments, so they believe it is adequate.

**Senator CORMANN:** If you say we take two-thirds up front, and we are going to leave you one-third, that sounds to me like a centralised rule; it does not sound to me like a case by case proposition where you reach agreement with individual departments on what the arrangements are.

**Mr Scott-Murphy:** Each department has the right to seek exemption. They can apply to the finance minister to seek an exemption from that. There are very few that have indeed sought that. I would draw the conclusion that they have accepted that that is an appropriate ratio. Of course, it also means that, in some cases where they have long-term leases but undertake a refurbishment, a re-fit-out that will improve their density, they then have surplus accommodation. We provide that information to other agencies who may be seeking areas.

**Senator CORMANN:** So you can completely rule out that any agency would be required to break a current lease which might then cost them money? That would not happen?

**Mr Scott-Murphy:** I am not aware of any such cases.

**Senator CORMANN:** If the lease could be renewed in the existing location but the existing location is not suitable for refurbishment to meet the 16 square metre rule, what happens? Is the agency then required to move to a different location where the 16 square metre rule can be met?

**Mr Tune:** They have a choice. They can bear the additional cost and stay where they are, or they can move.

**Senator CORMANN:** So just cop the additional costs on the chin?

**Mr Tune:** It is up to them, yes.

**Senator CORMANN:** Well, they can move. Either way, compared to the status quo, if they cannot realise the efficiency, they stay where they are.

**Mr Tune:** That is the incentives I was talking about earlier. The incentive is to move. It is to meet the standard.

**Senator CORMANN:** The incentive is to move as long as there are adequate alternative options that are cheaper. That could well be a more expensive exercise.

**Mr Tune:** That is true.

**Senator CORMANN:** Is there enough flexibility in the system?

**Mr Tune:** If there was a situation where there was a really tight office market in a particular location and the move was actually going to increase costs substantially, yes, I would take that into account with the agency involved.

**Senator CORMANN:** Does your office comply with the 16 square metre rule?

**Mr Tune:** The department of finance is 14.5 square metres. I thought you might ask me that.

**Senator Wong:** I should let you know, Senator, which probably would not surprise you, I suspect my staff in my office are well below it.

**Senator CORMANN:** I have worked in one of those offices. I know very well how little space there is.

**Senator Wong:** They keep telling me that.

**Senator CORMANN:** I think that 16 square metres is a luxury, Minister. Given that sort of experience, I know exactly what you are talking about.

**Mr Tune:** That is an average for Finance that I gave you, Senator.

**Senator CORMANN:** What, the 14.5 square metres?

**Mr Tune:** Yes.

**Senator CORMANN:** So you gave me the average figure for the department? I asked you what your office was.

**Senator Wong:** You are not really asking him about his office, you have to be kidding. We are not doing that.

**Senator CORMANN:** Are we not?

**Senator Wong:** I just think that is inappropriate. Do you want me to check what your office is?

**Senator CORMANN:** Why is that inappropriate?

**Senator Wong:** What is your office?

**Senator CORMANN:** I do not know.

**Senator Wong:** Yes, it would be more than 16 square metres I reckon.

**Mr Tune:** The average in finance is 14.95 square metres.

**Senator CORMANN:** Excellent. Let me take the personal element out of the question. Are there different rules for SES staff or APS staff?

**Mr Tune:** Yes, there can be. Their agency determines that.

**Senator CORMANN:** The guidelines do not specify that?

**Mr Tune:** No, we do not go into that detail.

**Senator Wong:** It is an average.

**Mr Tune:** Each agency will work out what it should do with its SES officers or its directors or EL2 officers or its deputy secretaries, et cetera, and its secretary.

**Senator CORMANN:** So there is not like a table which says—

**Mr Tune:** No.

**Senator CORMANN:** On notice, perhaps, can you provide us with a list of all of the government agency offices and list their work place square metres of space allocated per person and the efficiency in dollar amount each agency office has achieved, and maybe provide details of what the work point space was in 2009? You talked about having had a benchmark set.

**Senator Wong:** We will take that on notice, but I am going to flag with you, if that is going to be an unreasonable amount of resources to compile that answer, that is the answer you may get. I am going to be upfront with you about that.

**Senator CORMANN:** Sure.

**Senator Wong:** This is a large department across a whole range of sites. We have more than one site. We will do our best.

**Senator CORMANN:** The thing is I always enjoy when you are being upfront with me, but it seems to me as if Mr Scott-Murphy has very detailed information about these things.

**Senator Wong:** If we have it, we will certainly look at it.

**Senator CORMANN:** It does not sound to me as if it is that difficult to get hold of it. I understand your pre-emptive strike.

**Senator Wong:** Thank you. It was not a pre-emptive strike. It was a note of caution.

**Senator CORMANN:** Yes. I guess it would be very difficult for you to sort of cost and assess and identify savings and targets and benchmarks if you did not have a degree of detailed knowledge around all of these things. I am interested over the forward estimates as to which agencies are expected to deliver efficiencies through this policy, given that they have lease renewals coming up or other such things that mean they fall within these new property guidelines. Thank you for that. Moving to information and communication technology, what is the current level of productivity improvement that is derived from IT?

**Ms Steward:** The productivity levels for IT vary. Our draft strategic vision for the use of ICT in government referred to work that has been undertaken across various sectors and the contributions that ICT can make to productivity in various areas.

**Senator CORMANN:** How has the productivity increase changed over time?

**Ms Steward:** In reference to a report that Telstra had produced, and again we have cited that in our strategic report, it is demonstrating a growing trend in terms of the contributions that ICT make to the economy and to various sectors. It does vary across sectors. There is a growing trend of positive contribution.

**Senator CORMANN:** When you say growing trend, there would have been a spike at the beginning when the network systems were introduced; has that slowed down back to sort of normal productivity gain trends?

**Ms Steward:** I think from the information that we have been able to see, it is a continuing upward trend.

**Senator CORMANN:** Do you put a dollar figure on those productivity improvements that you are anticipating?

**Ms Steward:** No, we do not at this time, and that is part of the work we are doing. One of the areas we look at and work with our agencies is particularly around how they utilise their own ICT for government services and administration, and the ways in which they can continue to derive operational efficiencies and the like. We are seeing across agencies significant efforts where they are able to do more with less, in terms of the way in which they would use the facilities, such as virtualisation, better storage, et cetera. So, as they can do that and it frees up resources to be able to be allocated to other activities, they therefore contribute to the overall productivity of the organisation or the program delivery.

**Senator CORMANN:** That sounds great. We have just had a bit of time on the 16 square metre productivity improvement program, and there is a figure in the budget on how much money that will save. Why would we not have a figure in the budget for expected productivity improvements from IT? Are they much less significant?

**Mr Tune:** There is the \$1 billion savings that came from the Gershon review a couple of years ago which are incorporated into the budget. That is the equivalent.

**Ms Steward:** That as well as the ongoing efficiencies that we have achieved through our coordinated ICT procurements, and again being able to derive better value in terms of what we procure. That adds to the continuing sound management in terms of how ICT is both procured and used, and where we look to have reuse rather than separate build across agencies.

**Senator CORMANN:** Some years ago some productivity improvements were identified in terms of the dollar value of those savings but there has not been an update in recent times. Additional savings have not been identified as a result of additional productivity improvements that were not anticipated back at that time.

**Ms Steward:** The continued work that we have undertaken on coordinated procurement around our volume sourcing arrangements has contributed additional moneys. Over \$54 million has been secured through the way in which we have revised the ways in which we go about managing that, and the provision of a central facility and service to agencies as they draw off a panel that we have created.

Similarly for the work we have done on desktops and areas like that, an addition of \$8 million of efficiencies and savings, and again the work we have done internally to provision those panels and improve productivity. The agencies do not have to duplicate a whole series of work and effort in that regard. We are continuing to do that across a series of things on telecommunications, including those common services that we do, and similarly on our data centre requirements and facilities to avoid the additional billion dollars in costs that were projected over the next 10 to 15 years. So, across a series of those elements in ICT which are

often the very large expenditure points, we have been able to put in place very effective operational arrangements to support agencies and drive productivity improvement.

**Senator CORMANN:** Are you tracking the whole of government spending on information technology and how that is driving productivity improvements?

**Ms Steward:** We do each year work with agencies in terms of how they are continuing to improve their own use, management and procurement of ICT. That is part of our ongoing benchmarking work. As I mentioned earlier, we are continuing to see significant improvements, particularly in areas of virtualisation. They are important parts of how we would get more out of some of our server environments in particular and what we are doing on our telecommunications, our LAN environments. We also continue to work with agencies as they may bring forward bids for government funding for initiatives, and looking at opportunities to be able to reuse existing capabilities, et cetera.

**Senator CORMANN:** Thank you very much. I will hand over to Senator Fifield.

**Senator FIFIELD:** Just on IT for a moment, officers would be aware of the Australian National Audit Office report released which revealed that 20 per cent of passwords employed by certain government agencies can be hacked using a brute force test. Are you aware of that?

**Ms Steward:** Yes.

**Senator FIFIELD:** Does any part of that ANAO report relate to the department of finance's IT activities? I know in certainly some of the coverage of that report, there was a bit of focus on the Department of Prime Minister and Cabinet. Is it also relevant for the department of finance?

**Ms Steward:** There are two different components to this: one in terms of the department's own domestic internal ICT operations. My colleague, Mr Graham Fry, will be able to address that. But for the broader things in terms of security, security management, Defence Signals Directorate is the authority within government that provides the policy direction and advice to agencies. I will hand over to Mr Fry.

**Mr Fry:** We do not talk in the security field about completely preventing attack. We only talk about what counter measures you can take, because you never know what you do not know. We have benchmarked ourselves against a set of criteria provided by the Defence Signals Directorate, and we have a very high level of compliance.

**Mr Tune:** Just to clarify, DSD has a set of things that are must-dos. These are the things you must do. We do all of those. There is a series of things you should do, or should try to do, and we comply with the vast majority of those as well. We are moving our way through the remainder of them.

**Senator FIFIELD:** Are there any lessons that have been learned, even from the experience of other departments, through the ANAO report that the department of finance is looking to take heed of?

**Mr Fry:** To apply internally?

**Senator FIFIELD:** Yes.

**Mr Fry:** The main lesson, I guess, is which items are most likely to be used in the current environment. The nature of security is the better you get at defending against one attack type, the less likely that attack will be the one you will have to worry about. People are not going to

keep doing things that do not work. It was very useful to see where the emphasis lay. That was helpful.

**Senator FIFIELD:** Do you have procurement people close to hand?

**Senator Wong:** Yes.

**CHAIR:** Can I just check that we have finished with government business and ICT, 2.1, or are we still going back and forth?

**Mr Tune:** Is it ICT procurement or general procurement?

**Senator FIFIELD:** General, but it can wait, if Senator Kroger has something on ICT.

**Senator KROGER:** I have a question in relation to AusTender.

**Mr Tune:** We will get the general procurement people to answer that.

**Senator Wong:** So there is no more ICT?

**Senator KROGER:** This is kind of ICT.

**Mr Tune:** We will start off with AusTender.

**Senator KROGER:** I am seeking confirmation that maintenance works were scheduled for the AusTender website on Wednesday 23 February from 5.15 pm to 9.00 pm?

**Mr Grant:** There are regular maintenance periods for AusTender. I would have to check if that date was actually one of them.

**Senator KROGER:** Were you aware that it was actually a budget estimates day?

**Mr Grant:** Usually the outage is very late at night. The answer is, no, I will have to check whether that was an outage day.

**Senator KROGER:** Thanks Mr Grant, because it was between quarter past five and 9 pm. Given the program of estimates, there are many that will consider that to be in the middle of the day as opposed to late at night. It would be good if you could look into it, because I would question the thinking behind having an outage during such a time.

**Mr Grant:** Let me assure you that, if it was, it would be coincidental, and we will make sure that does not happen again.

**Senator KROGER:** Thanks very much.

**Senator FIFIELD:** This is IT related, but it is probably more government business oversight. Mr Tune, I think you played a role in the appointment process for Mr Quigley?

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

**Senator FIFIELD:** You were not on the selection committee?

**Mr Tune:** No.

**Senator FIFIELD:** Was any officer of the department of finance?

**Mr Tune:** No, not to my knowledge.

**Mr Edge:** Just to clarify the question, you asked what was Finance's involvement in the appointment of Mr Quigley?

**Senator FIFIELD:** Yes.

**Mr Edge:** The appointment of Mr Quigley was a process that involved the appointment of an executive search firm, Egon Zehnder International. That firm provided a list of candidates

who may be suitable for the appointment. The list of candidates was considered by a committee of departmental secretaries, and the former secretary of the department of finance, Dr Ian Watt, was involved in that process.

**Senator FIFIELD:** Who appointed the search firm?

**Mr Edge:** It was the Department of Broadband, Communications and the Digital Economy.

**Senator FIFIELD:** So they appointed the search firm, the search firm searches the world, finds the list of candidates, and then we have the committee of department secretaries?

**Mr Edge:** The committee of department secretaries considered the recommendations of the committee.

**Senator FIFIELD:** Of which committee?

**Mr Edge:** I am sorry, the committee of departmental secretaries considered the recommendations of the executive search firm, Egon Zehnder.

**Senator FIFIELD:** Do you know which department secretaries were on that committee?

**Mr Edge:** The secretaries of the three central agencies and the secretary of the broadband department.

**Senator FIFIELD:** Okay, so Treasury, Finance, PM&C and broadband department?

**Mr Edge:** Correct.

**Senator FIFIELD:** So that would have been Mr Moran from PM&C, Dr Watt at the time from Finance, Dr Henry and broadband secretary at the time?

**Mr Edge:** I think it was Ms Scott at the time.

**Senator FIFIELD:** Thank you. How many candidates did that committee of secretaries look at?

**Mr Edge:** I would have to take that specific detail on notice. I think there were a couple of candidates that were considered, but I could not be precise about the exact number.

**Senator Wong:** I think these questions have been answered today in the DBCDE estimates.

**Senator FIFIELD:** I know there have been questions there, but the questions I will be asking go to the role of the secretary of the department of finance in that process.

**Mr Edge:** I believe I can actually answer your question. I have just been advised that it was a short list of four.

**Senator FIFIELD:** Thank you for that. Mr Edge, did you provide any support to Dr Watt in his role as a member of that committee?

**Mr Edge:** Dr Watt would have been briefed on the outcome of the executive search process, and we would have provided a briefing for him for the meeting that he attended.

**Senator FIFIELD:** Those four department secretaries then made a recommendation to whom?

**Mr Edge:** The evidence that has been presented in the environment and communications committee hearing was that the secretaries' committee provided recommendations which were then considered by cabinet.

**Senator FIFIELD:** So that would have gone via Mr Moran and PM&C to a cabinet submission, or via the secretary of communications and broadband?

**Senator Wong:** I think that goes to cabinet processes.

**Mr Edge:** Generally the process for such appointments is that there are recommendations made to the shareholder ministers and those recommendations are put to cabinet.

**Senator FIFIELD:** The shareholder minister in this case being the communications minister? Or is Finance the shareholder minister with communications the regulator?

**Mr Tune:** Joint shareholders.

**Senator Wong:** I am second fiddle in a lot of things, Senator.

**Senator FIFIELD:** Not in reality; maybe on paper.

**Senator Wong:** No, it is true. Finance ministers get to be second fiddle in a number of organisations.

**Senator FIFIELD:** You are certainly not second fiddle to Mr Swan. Mr Edge, I am asking you because you were there and I assume Mr Tune does not necessarily have any knowledge of these things, and I thank you for your entirely factual answer to my question as to whether you had a role in relation to this, which you did not. I will just ask this in relation to Dr Watt's role as secretary: what sort of due diligence or background checks or investigations of previous employment would Dr Watt have carried out as a member of this committee? I know that Egon Zehnder would have done some work themselves, and he would have been briefed on that, but it would not be unusual for members of a selection committee of this nature to themselves undertake their own inquiries.

**Senator Wong:** I think it was the way you phrased the question. Obviously Mr Edge can answer things that—

**Senator FIFIELD:** In his knowledge.

**Senator Wong:** Yes, but he cannot answer for what Dr Watt might or might not have done.

**Senator FIFIELD:** No, I appreciate that.

**Senator Wong:** It was the way you phrased the question. What did Dr Watt do?

**Senator FIFIELD:** Yes, I prefaced that by saying that I am asking Mr Edge because he was there, and to the extent that he has knowledge in supporting Dr Watt.

**Mr Edge:** To my knowledge, certainly I understand that Dr Watt met with Mr Quigley.

**Senator FIFIELD:** Do you know how many times Dr Watt met with Mr Quigley?

**Mr Edge:** I understand that he met with him on one occasion.

**Senator FIFIELD:** Was that in Canberra?

**Mr Edge:** I think so. I expect it would have been.

**Senator FIFIELD:** Do you know how long the meeting went for?

**Mr Edge:** No.

**Senator FIFIELD:** I am just wondering if it was just over a cup of coffee, 'G'day, good to put a face to a name' or if it was something that was of a more intense and methodical nature.

**Mr Edge:** I do not know what the duration of the meeting was.

**Senator FIFIELD:** Could you take that on notice?

**Mr Edge:** We could, yes.

**Senator FIFIELD:** Thank you; I would appreciate that. Did Dr Watt ask you to undertake any research into Mr Quigley's employment history?

**Mr Edge:** No.

**Senator FIFIELD:** So Dr Watt did not ask you to undertake any research or pull together any material in relation to Mr Quigley's employment background?

**Mr Edge:** No, not in addition to the material he would have been provided through the executive search process.

**Senator FIFIELD:** He did not ask you even so much as to do a bit of googling of Mr Quigley? It is amazing what you can find out from Google.

**Mr Edge:** He did not specifically ask.

**Senator FIFIELD:** Did you do any?

**Mr Edge:** We may have at the time.

**Senator FIFIELD:** Could you take on notice whether you did?

**Senator Wong:** Do you want him to take on notice whether he googled?

**Senator FIFIELD:** Whether he googled anything about Mr Quigley which he may have had printed off for the secretary.

**Mr Edge:** I think the answer to that is I probably did have a look on Google at the time, but I could not be more precise about the details of that than I have just answered.

**Senator FIFIELD:** Would you have provided to Dr Watt what you googled?

**Mr Edge:** I do not have any recollection of doing that. My recollection is that the material that Dr Watt would have considered would have been the material that would have been prepared by the executive search firm, and I would be pretty surprised if I would have printed anything off Google and put that with it.

**Senator FIFIELD:** So the material which Dr Watt had was the work that Egon Zehnder had undertaken?

**Mr Edge:** Yes.

**Senator FIFIELD:** Was there any other documentation of which you are aware that Dr Watt had before him as part of this process?

**Mr Edge:** Not that I can recall.

**Senator FIFIELD:** If you could take on notice if there were any other documents, whether it be from the department of communications and broadband or any other government agencies which Dr Watt had before him and considered as part of this process?

**Mr Edge:** Yes.

**CHAIR:** Now might be a good time to adjourn for lunch. We are getting through our agenda very efficiently. We will be calling on the Australian Electoral Commission after lunch at some stage. The secretariat has been in contact, and will be in contact with them. With the support of the committee members, which I support, we will come back at 1.40 pm.

**Proceedings suspended from 12:30 pm to 13:42 pm**

**CHAIR:** Welcome back. Mr Tune, did you want to take the opportunity to address Senator Ronaldson's issue before we continue on in the program?

**Mr Tune:** If I may. Yesterday we were discussing issues around the War Memorial with Senator Ronaldson and I mentioned during the course of the evidence that I could recall a discussion that I had with Mr Campbell where he had alerted us to the fact that the relevant date was June 2010 rather than September 2010 which we had stated in our original evidence in the February hearings. Mr Campbell has contacted us today and confirmed that he told me about this the day after estimates. I was in Brisbane at the time, on a plane heading towards the cyclones to inspect the cyclone damage up in Queensland; I think that was the situation. The upshot is that it left my mind at that point. I was not reminded of it until the letter came from the secretary of the committee seeking clarification, to which we responded and rectified the error at that point in time. My apologies to Senator Ronaldson in particular, and to the committee in general, that it slipped my mind. It is my fault rather than anybody else's fault in the department.

**Senator RONALDSON:** Thank you. I appreciate your clarification. Did Mr Campbell ring you immediately after your estimates or his estimates when the matter was discussed?

**Mr Tune:** It must have been ours. I think ours was the 22nd.

**Senator RONALDSON:** It was after Finance, but before Defence; is that right?

**Mr Tune:** I do not know when DAFT was on.

**Senator RONALDSON:** You are saying that it was the day after.

**Mr Tune:** It seems to me that it was immediately after the day we appeared.

**Senator RONALDSON:** So the day after the day you appeared; is that right?

**Mr Tune:** Yes.

**Senator RONALDSON:** Thank you.

**Mr Tune:** There is one other item, which is some information we undertook to provide more information on to Senator Kroger, if I may.

**CHAIR:** Yes.

**Mr Tune:** It relates to the outage of the AusTender website. The answer that we have received from the organisation that runs AusTender is that the outage was the result of a remediation to the AusTender site following technical problems with the hosting organisation's shared infrastructure. The outage was an urgent and unforeseen priority which was scheduled at the first out-of-hours opportunity on 23 February 2011. Normally AusTender availability is 99.8 per cent of business hours, nine to five local ACT time. The timing of the outage was scheduled so as not to impact whole-of-government tendering activity on the following business day. Normally routine maintenance is scheduled out of peak activity times between 2 am and 5 am.

**CHAIR:** Thank you for that. We will now continue with outcome 2, 2.1.

**Senator FIFIELD:** We will probably need Mr Edge. I appreciate that there are natural limits to the degree to which you will be able to help me and the extent to which I will be able to continue this line of questioning, but we will persist for a moment or two. From your role

in supporting Dr Watt in the NBN Co. CEO selection, are you aware of what due diligence was done in respect to the prospective candidates?

**Mr Edge:** The due diligence that was carried out by Egon Zehnder was not somewhere where I had visibility of the detail of that.

**Senator FIFIELD:** Are you aware of any other due diligence which might have been undertaken by the department of finance, Dr Watt or any other government agencies?

**Mr Edge:** No. I am not aware of anything.

**Senator FIFIELD:** That being the case, I think that is as far as I can proceed with that.

**CHAIR:** Any further questions in 2.1?

**Senator CORMANN:** Is this where I can ask about insurance?

**CHAIR:** Insurance and risk management?

**Senator CORMANN:** Yes.

**CHAIR:** That is in 2.3.

**Senator CORMANN:** We are sort of in that same outcome, so I think we can be flexible.

**CHAIR:** Senator Cormann.

**Senator CORMANN:** In relation to the detention centre network, which detention centres are Commonwealth property?

**Mr Tune:** Villawood and Christmas Island, but I would have to take the rest on notice.

**Senator CORMANN:** What are the insurance arrangements for these properties?

**Mr Tune:** The Commonwealth self-insures.

**Senator CORMANN:** When something happens at Villawood or Christmas Island is that a straight cost to the budget bottom line?

**Mr Tune:** The issue with insurance around the detention centre at Villawood is that through Comcover, the Commonwealth insurance fund, we insure the Department of Immigration and Citizenship for various things, including damage to property. I understand that the situation in relation to Villawood is that the outsourced manager of the centre, a company called Serco, also has some insurance arrangements in place and discussions are underway around coverage for that centre.

**Senator CORMANN:** That is in relation to Villawood. Is that a unique arrangement for Villawood, or are the arrangements the same across all detention centres?

**Mr Tune:** They are supposed to be the same. I answered the question about reinsurance, which is correct, but you are asking about insurance.

**Senator CORMANN:** Yes. You said that Serco has their own insurance so if there is property damage due to the events that we have experienced in recent times, is there a negotiation, discussion or a settlement conference where you identify who is to blame for what and a sharing of responsibility and costs? How does that work?

**Mr Edge:** That would be the process. There would be a discussion and negotiation between the parties around liability and coverage for the event.

**Senator CORMANN:** Over the last 12 months how often has that had to happen?

**Mr Edge:** I would have to take that detail on notice if you are asking how often the parties have met and discussed liability for damage to detention centres. I would definitely have to take that on notice.

**Senator CORMANN:** If you could. I am interested in how often there are incidents with damage to property and other incidents that have caused damage that have triggered payments through your Commonwealth government insurance arrangements, as opposed to the insurance arrangements of the contractor? With riots like we have experienced in Villawood and the sort of events on Christmas Island when you need to make a claim because of damage that has been caused, does that have an impact on insurance premiums moving forward?

**Mr Edge:** It can have. There is a range of factors that influence the setting of the premiums, but clearly claims can have an influence on that.

**Senator CORMANN:** Has it had an influence?

**Mr Edge:** In terms of the specific issue?

**Senator CORMANN:** In terms of the amount of claims that has been incurred over the last three years. What sort of impact has that had on your level of insurance premiums? Can you give me some facts and figures around how the level of insurance premiums has been trending?

**Mr Edge:** We would have to take specific details on notice. I think the important thing to get across is that there is a range of issues that are taken into account in terms of premium setting. Experience of claims is clearly very relevant to that and claims history for particular agencies will influence the level of premium that is determined. There is quite a complex actuarial process. We could certainly provide you with some general information about premium increases.

**Senator CORMANN:** How much are you planning to pay for insurance on detention centres next financial year and the financial year after that, and how does that compare with how much you paid three years ago?

**Mr Edge:** The way in which the system works is that the insurance premium for DIAC would have a number of components to it. There would be a property component and other components.

**Senator CORMANN:** Such as?

**Mr Edge:** There is a range of things. There are professional indemnity components and other components.

**Mr P Smith:** General liabilities; trips, slips and falls, those types of things; and motor vehicles. It depends on the assets and liabilities that they are looking to have insured.

**Senator CORMANN:** Are you able to break that down by insurance category, for want of a better word?

**Mr P Smith:** We have a breakdown by category. We do not have it with us now, but we can take that on notice.

**Senator CORMANN:** So you do not have any information about how much you pay for property insurance on detention centres?

**Mr P Smith:** Self-insurance; we do not have insurance.

**Senator CORMANN:** I thought that you self reinsured.

**Mr Tune:** Maybe we need to explain the basis of it.

**Senator CORMANN:** Please explain the process.

**Mr Tune:** There is something called the Comcover account which is a special account within the government that is administered as a quasi-commercial business and operated by Finance. We are the insurer.

**Senator CORMANN:** But you could only make provision for what you think the risk is going to be?

**Mr Tune:** Yes. People pay the premiums. We base those premiums on a risk, taking account of the factors that have been talked about. They pay that premium to us and it goes into an account and from that we pay claims as they arise, subject to us being liable for those claims, so in the situation you were talking about with Villawood there is a negotiation as to who is responsible between Serco and Comcover's clients.

**Senator CORMANN:** I will rephrase my question. How much did you put aside for your self-insurance, property insurance requirements, for detention centres in 2007-08 and how much are you putting aside for your self-insurance property insurance requirements through Comcover for next financial year?

**Mr Edge:** We could identify the component of the premium paid by DIAC for property and liabilities. We could certainly break that down to the 2007-08 financial year and the current financial year, but we would need to take that on notice because we do not have that detail with us now.

**Senator CORMANN:** Have any claims been paid out over the last 12 months in relation to incidents at any one of the detention centres?

**Mr Edge:** Mr Smith may be able to help you with that.

**Mr P Smith:** There would be some claims that have been paid out. The nature of those I would have to take on notice and get back to you.

**Senator CORMANN:** You really do not have that much information. The gentleman that was here before lunch was much more helpful than you are.

**Senator Wong:** You know enough about insurance to understand how it works and that we do not disaggregate a whole range of different components of events. It is an assessment of risk across government and premiums are set on the basis of risk. We will take on notice the questions and we will endeavour to assist in terms of what further information we can provide you.

**Senator CORMANN:** There are riots on Christmas Island, the events in Villawood and there is clearly damage to the property involved, but it is not sufficient for you to have an immediate, top-of-mind knowledge as to how much that is going to cost.

**Senator Wong:** In watching *Lateline* last night I do not think that you had a top-of-mind knowledge about the impact of royalty increases on the mining sector in WA.

**Senator CORMANN:** The impact is going to be a \$2 billion black hole in the federal budget because you did a dodgy deal with mining companies.

**Senator Wong:** It is unbelievable that you run around saying the sky will fall in if the miners pay a tax that they are agreeing to pay, but somehow the WA government can whop on another tax and it is all hunky dory, according to you. It is totally ridiculous and anybody watching your performance on *Lateline* would have understood how ridiculous it is.

**CHAIR:** Minister and Senators, I draw your attention back to estimates. As enthralling or disappointing, whichever way people want to look at what happened last night on *Lateline*, we are here for estimates.

**Senator CORMANN:** I think the minister has a bit of a track record over the last two days of provoking these sorts of incidents.

**CHAIR:** Senator Cormann, continue with your questions.

**Senator CORMANN:** I was quietly asking questions looking for answers. I am a seeker of the truth.

**CHAIR:** I called the minister as well as everyone else to order. Senator Cormann, please continue.

**Senator CORMANN:** Please keep protecting me from the minister, Madam Chair.

**CHAIR:** I do not think that I need to do that, but please continue.

**Senator Wong:** I am not going to do as Senator Macdonald does and call you a 'precious little petal'.

**Mr Tune:** Would you like me to answer your question.

**Senator CORMANN:** That would be great. I think that would be really helpful.

**Mr Edge:** In relation to the Christmas Island incident and Villawood, there actually has not been a claim lodged by the department to date.

**Senator CORMANN:** That is interesting. Is it possible that the department would cover these costs from within and not make an insurance claim?

**Mr Edge:** As I mentioned, there is another party involved here and I imagine there are discussions underway between Serco and DIAC in relation to those incidents.

**Senator CORMANN:** The first port of call is to ascertain whether the responsibility and liability for the events can be shifted to the contractor rather than having to take it on from the government's point of view. Is that essentially what is happening here? Is that the process we are still in?

**Mr Edge:** Yes.

**Senator CORMANN:** What about the detention centres in Inverbrackie and Northern; are they going to be part of the same insurance arrangement? Are they going to be Commonwealth property or are they going to be leased?

**Mr Edge:** I think our evidence in relation to other detention centres would be the same as the ones I have outlined for Villawood and Christmas Island in that we provide insurance to the Department of Immigration and Citizenship. There would be arrangements in place in relation to the manager of those detention centres, which I think is Serco. That is my understanding.

**Senator CORMANN:** But you are really providing us with a list of all of the detention centres, their insurance arrangements and how much provision is made within Comcover to insure the risk?

**Senator Wong:** We will take that on notice and provide you with that.

**Senator CORMANN:** Will you give us that 2007-08 financial year and every financial year moving forward?

**Senator Wong:** We will take it on notice and we will provide what information we can.

**Senator CORMANN:** Does Comcover provide all of the insurance claims of the Commonwealth or do you also take out other insurance through external providers?

**Mr Edge:** Effectively Comcover is the Commonwealth's self-managed insurance scheme. It provides insurance for Commonwealth agencies that are FMA Act agencies and a number of CAC, Commonwealth Authorities and Companies Act, entities as well.

**Senator CORMANN:** You are now talking about what Comcover covers, but the question was: are you accessing insurance or is the Commonwealth accessing insurance through other external providers?

**Mr Edge:** Through other providers. In terms of the Comcover fund, no. We have no reinsurance arrangements in place for the fund or other insurance providers. I think there is one exception in relation to—

**Mr P Smith:** We actually insure expatriates in Australia at the moment.

**Senator CORMANN:** Expatriates?

**Mr P Smith:** Commonwealth employees placed overseas.

**Senator CORMANN:** Explain what the arrangements are there.

**Mr P Smith:** We have an arrangement with accident and health for coverage for any medical conditions that they may encounter while overseas.

**Senator CORMANN:** Is it only in relation to health insurance rather than more broadly?

**Mr P Smith:** Correct.

**Senator CORMANN:** But when you say no in relation to Comcover, do all the Commonwealth's insurance requirements come through Comcover?

**Mr Edge:** No, not entirely. There is another organisation called Comcare which covers certain employee insurance arrangements, but I am unable to provide you with the detail of how that operates.

**Senator CORMANN:** Do Comcare and Comcover provide 100 per cent of the coverage?

**Mr Edge:** Yes, that is it.

**Mr P Smith:** There would be exceptions to the rule. For instance, with some Defence programs we have external insurance. Anybody that is not a general government sector body would have private insurance or self-insure themselves. We only deal with the general government sector. We do not deal with specialised military equipment.

**Senator CORMANN:** How do you know that the arrangement is value for money?

**Senator Wong:** Is this a question about reinsurance?

**Senator CORMANN:** This is a question on what we have just been discussing, the insurance arrangements of the Commonwealth. Given that you are doing it all in-house effectively—

**Senator Wong:** I suppose there are two components to that question. One is how premiums operate, how the Comcover fund operates—

**Senator CORMANN:** Taking it from both aspects.

**Senator Wong:** The second issue would be the decision in relation to reinsurance, which predates the government.

**Mr Tune:** As to the self-insurance issue around the operations of Comcover, we do reasonably regular reviews of the appropriateness of that. In fact I think we are about to start a review.

**Senator CORMANN:** Reasonably regular is—what?—every—

**Mr Tune:** It is every couple of years, or something like that, yes, just to make sure that it is operating effectively, just testing our position, basically. A large review on reinsurance was done a couple of years ago. Until 2006-07 there was not a reinsurance arrangement in place. It was decided, following a review of it, that it was not value for money. That had a \$50 million upfront amount, in effect an excess of \$50 million for each and every loss. Taking that into account, including the premiums we were paying for the reinsurance, a decision was taken by the previous government to stop reinsurance. We are in the process of reassessing that as well—

**Senator CORMANN:** Is that happening now?

**Mr Tune:** That is another regular review we are doing, but at this stage it looks as if continuing to self-insure and not have reinsurance is the appropriate way to go, but we will test that.

**Senator CORMANN:** The budget statement shows that the Comcover special account will be reduced from \$221 million to \$136 million over the 2011-12 year, which seems like a big reduction? What is causing that reduction in the special account?

**Mr P Smith:** I am sorry, which—

**Senator CORMANN:** It is page 46. It is actually your program. It is Finance budget statement program 2.3—

**Mr P Smith:** We can find out the specifics of that but I would hazard a guess that that might be the Pan insurance payment. It could be. I would have to double-check exactly what went into those figures.

**Senator Wong:** We will check that.

**Senator CORMANN:** This is your program, isn't it, program 2.3, insurance and risk management?

**Mr P Smith:** That is correct, but you have got to remember there are an awful lot of claims that go into that program. We have over 2,000 claims a year, so we would need to check what the major components of that were.

**Senator CORMANN:** How many pages has your program got in the portfolio budget statements?

**Mr P Smith:** How many pages has it got?

**Senator Wong:** Come on. You are having a go because he does not know straightaway why it is a particular amount in 2010-11, which is higher than 2011-12. I think that is a little unreasonable. He said he is taking it on notice and he will go away and find out.

**Senator CORMANN:** I am not having a go. I am just trying to find out the price.

**Senator Wong:** It sounds like it to me and it sounds petty.

**Senator CORMANN:** I do not mean to be petty; I just want to get an answer—

**Senator Wong:** It is completely petty. Asking a public servant, ‘How many pages in your public budget statement?’—I mean, really.

**Senator CORMANN:** I find it strange that when there is a drop like that and you have got a budget of \$221 million in 2010-11. It is going to be \$136 million in 2011-12 and that is the only thing in relation to that particular program that is in the portfolio budget statements. I find it strange that there would not be an explanation for it.

**Mr P Smith:** As I said, the majority would relate to Pan, but if you want specific details—

**Senator CORMANN:** To what?

**Mr P Smith:** The Pan Pharmaceuticals payout, but if you want specifics about exactly what makes up that number I would need to take that on notice.

**Senator CORMANN:** That would be very, very helpful.

**Senator Wong:** That is what he said to start with before you asked him how many pages there were in the PBS.

**Senator CORMANN:** Minister, you are obviously getting back into—

**Senator Wong:** No, I just think that your pettiness is ridiculous.

**Senator CORMANN:** It was much better half an hour ago.

**Senator Wong:** Public servants come to this table and they answer the questions to the best of their ability—

**Senator CORMANN:** And I ask my questions in the most courteous—

**Senator Wong:** and you open this petty sort of—

**Senator CORMANN:** I do not have to get any lessons from you about pettiness, Minister.

**Senator Wong:** particulars around how many pages are in the PBS. Why don’t you—

**CHAIR:** Senator Cormann and Minister, can I just remind you both that when you speak over the top of one another it is very difficult for Hansard to record these proceedings. I am sure you want to ensure that what you say is accurately reflected in *Hansard*. Senator Cormann, please continue with your questions.

**Senator CORMANN:** What was the payout for Pan Pharmaceuticals? It was \$55 million; wasn’t it?

**Mr P Smith:** No, that was the first case. I am talking about the flow-on cases.

**Senator CORMANN:** What is the total exposure there?

**Mr P Smith:** The total we paid out was about \$70-odd million, \$65 million plus a few additional.

**Senator CORMANN:** What is the extent of property damage to Commonwealth property as a result of the recent Queensland floods?

**Mr Tune:** I can give you a figure for the Queensland floods, the Victoria floods and Yasi—

**Senator CORMANN:** Yes, please do.

**Mr Tune:** It is only a current figure because some claims might still be coming in. It is \$36.4 million.

**Senator Wong:** This is over and above what we fund.

**Senator CORMANN:** I am just asking for some facts. All of that property came under the Comcover insurance—

**Senator Wong:** Yes.

**Mr P Smith:** Yes, that is claims to date on Comcover.

**Senator CORMANN:** The \$36.4 million is the claims to date.

**Mr P Smith:** Yes.

**Senator CORMANN:** My question was about the extent of property damage.

**Mr Tune:** You would expect it to be approximately the same.

**Senator CORMANN:** No, because presumably not all claims have been processed.

**Mr Tune:** No, and I said that. That is to date. We do not know—

**Mr P Smith:** The \$36.4 million are the reserves that we have accounted for which includes what we think the damage will be. As loss assessors go through, those reserves will be varied according to the information that flows into them.

**Senator CORMANN:** That is a bit different. The \$36.4 million is not just what you have paid out in claims, it is what you have paid out in claims plus what you can reasonably expect is coming your way—

**Mr P Smith:** It is our estimation of what the loss would be.

**Senator CORMANN:** and you adjust that as your information improves?

**Mr P Smith:** That is right.

**Senator CORMANN:** Do you make provision for these things out of your special account expenses?

**Mr Tune:** That is right. Most of that was a Defence base. The Amberley base up in Brisbane was most of that \$36 million.

**Senator CORMANN:** Can you provide some high-level detail around how that \$36.4 million is broken down?

**Mr Tune:** The \$36.4 million—

**Senator CORMANN:** A high-level breakdown, yes.

**Senator ABETZ:** The matter that I raised yesterday is, I understand, outcome 2—is that right—questions on notice 14(a) to (k) outstanding from the October and February estimates?

**Senator Wong:** I think that is right.

**Senator ABETZ:** Do we have an answer as yet?

**Senator Wong:** I thought that had been tabled.

**Senator ABETZ:** If it has been tabled, it happened this morning, I assume.

**Senator Wong:** Possibly later. We will check that. I know I saw it today.

**Senator ABETZ:** Can I inquire through you, Chair, of the secretariat whether they—no, they do not have it as yet.

**Senator Wong:** We will check with our office and send it through.

**Senator ABETZ:** If I may prevail I do not mind if we have finished outcome 2—

**Senator Wong:** I understand you want to ask questions on it.

**Senator ABETZ:** if I may then come back to it under another item? I think that was the only matter that I had with outcome 2. It has allowed Senator Cormann to draw breath.

**Senator CORMANN:** In terms of the risks that are managed by your office, are there any emerging issues in risk management, generally, that the parliament should be aware of? Are there some trends that are coming through?

**Mr Edge:** Trends in risk management?

**Senator CORMANN:** Yes.

**Mr Edge:** I think that part of the Comcover program is about improving Commonwealth practice of risk management, looking at best practice ways to manage risk across a variety of different agencies. In terms of the types of risks that the Commonwealth needs to manage, they have obviously been fairly consistent over time. Those are the risks around the types of insurance that the fund covers, whether it is professional indemnity, property loss and so on. Part of the funds and Comcover's activities are around working with agencies, surveying the risk management, techniques and approaches, doing benchmarking in terms of best practice and providing feedback to agencies about how they can achieve best practice in risk management.

**Senator CORMANN:** You say they have been consistent. What are the high-level risks that you are managing through your office? What are the types of risks?

**Mr Edge:** The types of risks that the fund covers are wide-ranging. There are the property issues that we talked about. There is also professional indemnity and the risks around actions by agencies that may result in legal claims against the Commonwealth. There are other types of risks to do with the general activities of government which may give rise to various parties pursuing legal claims against the Commonwealth.

**Senator CORMANN:** Are you involved at all in managing risks like fraud risk—identity fraud?

**Mr Edge:** No, they are not the specific risks that the fund deals with.

**Senator CORMANN:** There were a couple of budget measures where I understand the department of finance had some involvement, even though it was not the lead agency. In relation to the SuperStream initiative, PBS page 19, can you talk us through what the involvement of the department of finance is in relation to that?

**Mr Tune:** We will get the superannuation people back in.

**Senator CORMANN:** Sorry.

**Mr Tune:** While we are checking that, going back to the Comcover issue and the 2011-12 change that was in the PBS, the numbers are \$53 million for Pan and \$39 million for the flood adjustment, so it explains that change that was going on.

**Senator CORMANN:** I was close enough with \$55 million for Pan, then?

**Mr Tune:** Yes.

**Senator CORMANN:** So, with a stronger SuperStream, are you going to—

**Mr Tune:** I am just trying to confirm that, but I think the stronger super stuff is in the Treasury portfolio, which has the lead on the implementation of this. There is an element of that which relates to the flow-through of it into the operations of Comsuper. That money has been for the implementation of those aspects within Comsuper and that has been allocated to finance as part of the budget process.

**Senator CORMANN:** Is that the extent of your involvement?

**Mr Tune:** That is right.

**Senator CORMANN:** In relation to the AFP forensics facility, what is your involvement there?

**Mr Tune:** From memory, we are involved in the planning of that. A study is being done into the new forensics facility for the AFP, and our property people are involved in helping with the planning.

**Senator CORMANN:** To make sure that they comply with the 16-square-metre rule?

**Mr Tune:** Absolutely.

**Senator CORMANN:** That is good.

**Mr Tune:** A forensic facility is probably exempt, actually.

**Senator CORMANN:** Is that the usual process?

**Mr Tune:** Yes, quite often we will be involved in the preplanning phase. Often of course, if you take the example of Villawood, we are doing it on behalf of DIAC, so sometimes the money is actually allocated to us so we draw it down. The same thing happens with a number of other buildings.

**Senator CORMANN:** It is allocated to you in terms of doing the planning work?

**Mr Tune:** Yes, and the construction.

**Senator CORMANN:** Managing the construction?

**Mr Tune:** Yes.

**Senator CORMANN:** Are you essentially a bit of a service provider and the department is the customer so to speak?

**Mr Tune:** That is correct. We have expertise around project management in our property area. Other agencies use us or the government asks us to do it on behalf of those agencies.

**Senator CORMANN:** Against a fee, presumably.

**Mr Tune:** We do it within reasonable bounds, yes.

**Senator CORMANN:** What is the budget allocation for that project again?

**Mr Tune:** Which one?

**Senator CORMANN:** The AFP forensics facility.

**Mr Tune:** It is page 104 of Budget Paper No. 2, which are the budget measures. I think \$200,000 has been allocated overall.

**Senator CORMANN:** Is no capital funding allocated for this area?

**Mr Tune:** Not at this stage because we are in the early stages of it.

**Senator CORMANN:** Will there be some more expenditure coming down the track in relation to this?

**Mr Tune:** Subject to the feasibility study and subject to the government approving capital funding, yes.

**Senator CORMANN:** But you would not plan for it if there were not an anticipation—

**Mr Tune:** I am sorry; the other aspect of that I should mention is that it is quite possible that the AFP will be self-financing that. I will take that on notice.

**Senator Wong:** We will take that on notice but I have some recollection of that.

**Mr Tune:** So do I, now that I think about it.

**Senator CORMANN:** Did the AFP come to you and say, 'Can we have some money to plan and we will pay for the building?'

**Mr Tune:** They will pay for it, yes, through their depreciation funding or the normal capital funding that we provide to—

**Senator Wong:** They have a capital budget so they manage within that—

**Senator CORMANN:** To make efficiencies.

**Senator Wong:** Well, just manage their capital budget. We will take that on notice.

**Mr Tune:** We allocate a capital budget to each agency each year. There is some degree of freedom as to how they utilise that. Some of it is obviously for maintenance and so forth, but some of that can be reallocated to high priorities for the individual agency. My recollection is that the AFP are doing that with the forensic facility.

**Senator CORMANN:** How far advanced are you then with your planning?

**Mr Tune:** It probably has not started yet.

**Senator Wong:** The funding is for the 2011-12—

**Senator CORMANN:** Yes, I understand. But do you wait until 1 July sharp to—

**Mr Tune:** Probably not, no.

**Senator Wong:** I was just making the point that the funding to which you referred is not in the current financial year.

**Senator CORMANN:** I understand that. I know we had a discussion yesterday about act of grace payments in relation to a specific issue. Are act of grace payments an issue that actually comes under this outcome? I have got it listed here.

**Mr Tune:** Yes, it does.

**Senator CORMANN:** How many act of grace applications have been received across the department over the last three years?

**Senator Wong:** Across the whole of the government over the last three years?

**Senator CORMANN:** Channelled through the department. I am sure—

**Senator Wong:** We do act of grace.

**Senator CORMANN:** Sorry?

**Senator Wong:** Act of grace is administered by—

**Senator CORMANN:** That is what I am saying. You are coordinating it, so you would have a—

**Senator Wong:** I am just checking because yesterday I clarified with you that you said you only want it in relation to home insulation. You are now asking for how many act of grace claims there have been—

**Senator CORMANN:** That is right.

**Senator Wong:** across government over the last three years?

**Senator CORMANN:** Indeed.

**Mr Edge:** The total number of act of grace payments across government over the last three years—so you are talking about the last three full financial years?

**Senator CORMANN:** Yes, please. This financial year is not finished yet of course. But essentially 2008-09, or 2009-10, 2010-11 to the extent that you have it.

**Mr Edge:** Well, 2009-10 is 99; 2008-09 is 107; and 2007-08 is 109.

**Senator CORMANN:** And 2010-11, where we are now?

**Mr Edge:** I have got a figure up only until 31 March, but that is 52.

**Senator CORMANN:** Have you got a dollar figure for these financial years as well?

**Mr Edge:** I do—not all of them but I have dollar figures for 2008-09, which was \$3.2 million; 2009-10, which was \$949,000; and 2010-11 to date, \$1.2 million.

**Senator CORMANN:** You have got here, 107, 99, 57 so far—

**Mr Edge:** Fifty-two so far.

**Senator CORMANN:** Sorry, 52 so far this financial year. How does that compare to the number of act of grace payment applications received in each of those years?

**Mr Edge:** I do not have the information with me around the number of applications received for each of those years. We would have to take that on notice.

**Senator CORMANN:** Right now you have got the data to 31 March; do you know how many act of grace applications are currently pending for consideration?

**Mr Edge:** We may have that information here. I will just check with my colleague. We do not have that but we could probably get it quite quickly.

**Senator CORMANN:** That sounds good. How long does it take, on average, for such act of grace payment applications to be determined from the date when they are first received?

**Dr Verney:** That depends on the nature of the claim and the information that needs to be gathered in order to assess that claim and make a decision on it. Some of them vary, as you might expect, in terms of the complexity. Some are routine and straightforward. We have benchmarks for dealing with the claim processing. We tend to do approximately 60 per cent within 14 days; we do 70 per cent within 21 days, and the remainder within 35 days. Some of

them are complex and, as I said, it depends on the nature of each particular claim because each claim is considered on its merits individually.

**Senator CORMANN:** Out of the figures that you have mentioned—107, 99 and 52—is there an area of government that is particularly prone to being the recipient of act of grace payment requests?

**Dr Verney:** I might refer you to a submission that the department made to a Senate committee inquiry into discretionary compensation—

**Senator CORMANN:** I am sorry; I am not aware of all the submissions to all the Senate inquiries.

**Dr Verney:** We can provide that to you because it is publicly available.

**Senator CORMANN:** Maybe you can assist the committee by providing the information.

**Dr Verney:** Yes, we will do that. It shows where the claims come from primarily and the break-up. The bulk of the claims come from areas like tax, Centrelink, immigration and the Child Support Agency.

**Senator CORMANN:** Yes. Act of grace payments? In what sort of context from tax? Give us the flavour of the sorts of act of grace payment requests you get in relation to tax.

**Dr Verney:** It might be somebody requesting a waiver of their tax debt, for example, in relation to a scheme.

**Senator CORMANN:** Who makes those decisions as to whether that is granted or not?

**Dr Verney:** There are a number of decision makers in relation to this. Of course, there are the ministers. In relation to that, the Minister for Finance and Deregulation has delegated authority to the department, to the secretary, and then to the deputy secretary of the Asset Management and Parliamentary Services Group, to Mr Edge, and then me.

**Senator CORMANN:** You presumably have a tiered sort of approach in terms of your delegations.

**Dr Verney:** Yes.

**Senator CORMANN:** What would be your limit, Mr Tune?

**Mr Tune:** You can take that question.

**Dr Verney:** It is up to \$250,000.

**Senator CORMANN:** So, you can approve up to \$250,000?

**Dr Verney:** Yes.

**Senator CORMANN:** Is that your own personal decision or have you got a committee that assesses that?

**Dr Verney:** Each claim is assessed in terms of its circumstances and sensitivity. You might have one which is a low sum of money but which has a high sensitivity and therefore should be considered by a minister. So, there is a judgment to be made in relation to how those claims are handled.

**Senator CORMANN:** So, even if something comes within the financial authority, you might still make a judgment, 'Too hot to handle. We are going to get the—'

**Dr Verney:** It is not that it is too hot to handle, it is that the issues are significant. It might be that there is a proposal to do something that could, for example, circumvent the intention of parliament.

**Senator CORMANN:** That would be terrible. You could not have that.

**Dr Verney:** That is an important constitutional issue. Therefore, we are alive to those sorts of issues and how they might be handled.

**Senator CORMANN:** In relation to waiving tax debts, you would not get a minister to make a decision about that, would you?

**Dr Verney:** It depends on the sensitivity of the matter being considered.

**Senator CORMANN:** Have there been circumstances over the last three years where ministers have made decisions to waive tax debts?

**Dr Verney:** There have been cases, yes. Senator Colbeck, Dr Stone, Mr Tanner, and Mr Gray have all considered matters like that at times.

**Senator CORMANN:** Over the last three years?

**Dr Verney:** Over time, yes; they do arise.

**Senator CORMANN:** Give us an example of what would be a legitimate circumstance for an act of grace?

**Dr Verney:** I really cannot.

**Senator CORMANN:** You do not have case studies?

**Dr Verney:** You cannot generalise about those.

**Mr Tune:** Most of them are almost one-offs. The ones that I see and the ones that I see going through to the minister in terms of briefs to the ministers are backed up by quite extensive research; quite extensive discussions with the person making the claim; they thoroughly go through the circumstances they are facing and they go to the agency involved. If we are talking about a tax one, there are thorough discussions with the Australian Taxation Office. We would get a view from the tax office about whether there are extenuating circumstances. Sometimes they will say, 'We cannot help this person under the law, but we recognise there are very extenuating circumstances around hardship or whatever.' So, if it is not the law that can help, the only avenue to assist this person is an act of grace. That gets put into the briefing that is done for either myself or other delegates, including ministers, and then you make a decision based on the pros and cons of that. So, it is an individual judgment that is made at the end of the day, but backed up by quite extensive research, and some of that can take months to research.

**Senator CORMANN:** Is it a full-time job dealing with this? If there are 100 a year that is two a week.

**Dr Verney:** When I provide that submission to you, you will see the numbers that we deal with. In terms of act of grace and waiver of debt, numbers have increased over recent years. I think we may have looked at 700 claims last year.

**Senator CORMANN:** You have dealt with 700 claims last year, but you have only approved 52. No, hang on; last year there were 99.

**Mr Edge:** I think Dr Verney is referring to the previous full financial year.

**Senator CORMANN:** Yes, the previous full financial year. That is 2009-10, where you approved 99, but you received 700 applications. The trend is up. So, that is a full-time job, then, by the sounds of it?

**Mr Edge:** It is a full-time job for a number of staff in the department.

**Senator CORMANN:** So, not just one?

**Mr Edge:** Certainly not.

**Senator CORMANN:** Obviously a lot of research is done and that is, of course, what I would expect. In the circumstances where a decision about an act of grace payment is to be made by the minister, does that go with a departmental recommendation to the minister or is it just, 'This is what it is. You make a decision.'?

**Mr Edge:** No, there is a recommendation provided.

**Senator CORMANN:** And the recommendation is invariably accepted?

**Mr Tune:** I do not think we would go into that sort of detail. That is an issue of ministerial decision making.

**Senator CORMANN:** If ministers make decisions that go against departmental advice about waiving people's tax debts, why can we not ask questions about that? Who scrutinises that?

**Mr Tune:** Ministers can come to—or I can come to—a different judgment about what is being recommended.

**Senator CORMANN:** Who scrutinises whether these are proper judgments?

**Dr Verney:** In terms of scrutiny and review, the work is always subject to the sections of the Administrative Decisions (Judicial Review) Act, as well as to review by the Ombudsman.

**Senator CORMANN:** But that is assuming that somebody is going to lodge a complaint. If I get my tax debt waived, I am not going to complain.

**Dr Verney:** Yes, but in terms of procedural fairness, when every decision is made and people are advised of the decision, there is a flyer attached that says there are review rights so that people can exercise them.

**Senator CORMANN:** Yes. So, you have 700 clients, but you make 99 positive decisions, so there would be about 601 people that might potentially be aggrieved and they might try to seek a review. However, my question is on the other side of the coin. I am not asking you to give me specific cases with names and addresses of people. What I am interested in is whether there have been cases where the department has recommended not to make an act of grace payment but you thought it was a matter for ministerial decision making and the minister has decided to go ahead and make an act of grace payment, against what was the departmental advice. That is what I am interested in.

**Dr Verney:** There is a point to be made here. The decision is the personal decision of the decision maker. The department provides advice—and it will provide a recommendation—but it is the private and personal decision of the decision maker, and that decision can be reviewed and scrutinised externally.

**Senator CORMANN:** How would anybody know? I am being told I am not allowed to ask questions about it. It is a generic systemic question. I am not personalising it. How do we

know that the minister, whoever that is, is making appropriate judgments in relation to act of grace payments where the minister decides to go against a recommendation of the department, and essentially decides to allocate an act of grace payment where the department thought that that was not the right way to go?

**Senator Wong:** Obviously I understand the point you are making.

**Senator CORMANN:** I am not making a point, I am asking a question. I am trying to understand.

**Senator Wong:** This is the same system that, to my recollection, has operated under both parties of government. You do make a relevant point. Since coming to government, I think my predecessor instituted a range of additional processes around, for example, in relation to discretionary grants where cabinet ministers are required to disclose where grants are made contrary to the advice of the department. So, there is an additional transparency or system internally.

**Senator CORMANN:** What is that system?

**Senator Wong:** It is an internal system. This is not in relation to act of grace payments, but more generally in relation to discretionary grants to make sure ministers advise me quarterly or six monthly—I cannot recall—as to circumstances where they may have made a decision that was not consistent with the advice and the reasons for it. I think we published that. I take the point you are making, but this is the same arrangement that existed under both governments. People have review rights, obviously. Given that people have review rights, as with any decision, if a minister were to make a decision that was patently wrong, they not only would be ethically bound to try and exercise that discretion appropriately, but they would also know that those rights of review were available to the applicant.

**Senator CORMANN:** You always assume that I am making points that I was not. I am genuinely trying to understand where the safeguard is, and it is not directed at any particular minister in any particular government. I have chaired committees where we have made act of grace payments within an insurance company, and I understand what the system is and I understand some of the risks. I did it as part of a committee, which provides certain protections. I do not understand how a minister can make a decision and nobody would ever know. There is no public disclosure of where a minister has made decisions that went counter to the recommendations made by the department. I just do not understand where the public scrutiny comes in.

**Senator Wong:** In the decision.

**Senator CORMANN:** What do you mean ‘in the decision’?

**Senator Wong:** The decision is made and people—

**Senator CORMANN:** Is that decision published?

**Senator Wong:** People have a right of review of that decision.

**Senator CORMANN:** Yes, but that is only relevant when people get an adverse decision.

**Senator Wong:** So, you are worried when a minister says ‘yes’?

**Senator CORMANN:** There are some cases in Europe. In fact, there is a case that is currently being debated in the context of the candidate to replace Dominique Strauss-Kahn at the International Monetary Fund. The minister is dealing with exactly this sort of discussion.

As a minister for finance, she has made some decisions and some questions have been raised. I am trying to understand how that is being dealt with in an Australian context, and that is what I have been explaining. You talk about act of grace payments that involve waiving a tax debt. If the department makes a recommendation that there should not be a waiver, and the minister were to decide, 'I think there should be', how would there be any scrutiny over the merits or otherwise of that decision?

**Dr Verney:** As I said, in terms of the negative decisions, people are advised of that. The other avenue, of course, which the parliament has is through the Auditor-General to scrutinise the operation.

**Senator CORMANN:** But you are telling me I cannot ask questions about it.

**Dr Verney:** No. I am just pointing out that the Auditor-General can ask those questions.

**Senator CORMANN:** So, the Auditor-General can have a look at the individual decisions?

**Dr Verney:** The Auditor-General can look at what people do and has conducted performance audits in this area.

**Senator CORMANN:** So, the Auditor-General can review ministerial decisions to grant act of grace payments, and he can look at things that we—

**Dr Verney:** All I am saying is that the Auditor-General—

**Senator Wong:** The Auditor-General has very wide powers to audit the activities of portfolios. I think what Dr Verney is flagging is that the Auditor-General could do this if he thought it were necessary.

**Senator CORMANN:** But he has not, has he?

**Senator Wong:** I do not know whether or not he has.

**Dr Verney:** I am unaware of the Auditor-General looking at a particular decision.

**Senator Wong:** But obviously that is a matter for—

**Senator CORMANN:** That still leaves my issue unresolved. Where is the scrutiny as to where there are decisions to allocate and to agree to act of grace payments where a minister overrides a departmental recommendation? Where is the scrutiny as to whether that is a proper decision?

**Senator Wong:** As existed under you, I suppose the answer is that other than the rights of review, which as you rightly point out might be less likely to be exercised if there were a positive decision—but there are obviously rights of review—and then you are looking to the broader principles of ministerial accountability and the existing accountability mechanisms on executive government, which include the Auditor-General. You would understand why officers at the table would be reluctant to talk about any individual case.

**Senator CORMANN:** I am not interested in individual cases. I am interested in the systemic protections and checks and balances in the system that maximise the likelihood that all of the decisions that are made are right and proper. That is what I am interested in.

**Mr Tune:** The short answer is that, where the cases are negated by myself or the minister as a decision maker, there is a right of review.

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

**Mr Tune:** So, there is some accountability there and, if the person exercises their rights, we would have to respond.

**Senator CORMANN:** Yes.

**Mr Tune:** As to the other situation you are worried about, where the act of grace payment is made that may be contrary to a recommendation or may be consistent with the recommendation, there are no further scrutiny elements available other than the Auditor-General. That is the answer.

**Senator CORMANN:** Are those adequate checks and balances?

**Mr Tune:** I think you raise a fair point and I think it is worth thinking about, definitely.

**Senator CORMANN:** Thank you. I really do appreciate that.

**CHAIR:** Just before you go on, considering that Senator Abetz was here before, in relation to answers to questions on notice relating to the Senator Abetz's issue, I want the committee to note that we have received that. It is so noted.

**Mr Tune:** I need to go back a step, if I may, to the finance portfolio budget statements and the two issues you raised. As to both the AFP forensic facility and also SuperStream, money is given to Finance for us to conduct what are called gateway reviews. I am not sure whether you are aware what a gateway review is. It is largely around large projects, say, a large IT project or a large construction project. Finance runs a system which is also utilised overseas and in other state governments in this country whereby we take the implementation of that project through a series of gateways—right at the beginning, gateway zero through to five, which is the implementation of that project—and we check the processes and the governance arrangements in place for that particular project using external reviewers we contract in. We use the money that we are allocated to get those contractors in. Then we write a report and provide that to the institution or the agency that is responsible for the implementation of that particular project. The way it works is we get allocated those small amounts of money to conduct those reviews over the ensuing implementation period. I misled you, I am sorry, on what the money is for, but both of them are around gateway reviews.

**Senator CORMANN:** Yes.

**Mr Tune:** So, sometimes you see little bits and pieces on a measure with the Department of Finance and Deregulation with \$100,000 and \$200,000; that is generally what it is for.

**Senator CORMANN:** Thank you very much for that. I turn to government travel.

**Mr Tune:** Whilst we are waiting for the travel people—

**Senator CORMANN:** As to the additional savings from the whole-of-government procurement of travel—

**Mr Tune:** Yes.

**CHAIR:** While we are waiting for those figures, Mr Tune wanted to put something else on the record.

**Mr Tune:** Earlier you raised a question about total act of grace claims: 2008-09, 817 claims; 2009-10, 750 claims; 2010-11 to date, 553 claims. So, that is the total act of grace and waiver of debt claims received.

**Senator CORMANN:** I am going now to page 193 of last year's Budget Paper No. 2, where there was a budget measure of travel savings, additional savings from whole-of-government procurements. It was planned that there would be \$128 million in savings over four years for Public Service agencies on top of the \$32.8 million over the forward estimates period in respect of parliamentarians and their staff. Are you on track to realise these savings?

**Mr Grant:** Those savings have already been taken to the budget. In terms of delivering the benefit, in a review we did of the top 30 routes, which cover around 70 per cent of the travel, we are finding we are making about a 30 per cent savings. So, yes, we are well and truly covering those savings.

**Senator CORMANN:** Where in this year's budget papers can I see that the savings are actually happening?

**Mr Grant:** They would not appear in this year's budget papers because they appeared in last year's. They are taken over the four years out.

**Senator CORMANN:** They were taken out what?

**Mr Grant:** They are already in the base estimates, because they were taken last year and they are taken over the forward estimates period. Those savings have been taken.

**Senator CORMANN:** But presumably there would have been a staged approach to the new system?

**Mr Grant:** They were taken upfront.

**Senator CORMANN:** So, you took the money out of the budget upfront?

**Mr Grant:** That is right.

**Senator CORMANN:** You just assumed that you would be able to catch up?

**Mr Grant:** No, we did not assume it; we knew it.

**Senator CORMANN:** You did know?

**Mr Grant:** We did negotiations with airlines and travel management companies. We did some very clear modelling of 2007-08 actual fares against the new fares that were negotiated, and on that basis we consulted with each department and agency that gave up savings. As I said, we have done a six-month review of the top 30 routes, which is about 70 per cent of the travel, and we are achieving 30 per cent of the savings, which well and truly covers that return to budget.

**Senator CORMANN:** So, you have done some very clear modelling?

**Senator Wong:** It is not modelling.

**Senator CORMANN:** I just quoted Mr Grant.

**Senator Wong:** No, I am just trying to—

**Mr Grant:** This is actual savings.

**Senator CORMANN:** I have not got what you have got, Minister.

**Senator Wong:** I have only just got it. It is very interesting actually, but I cannot give you this one because it has lots of scrawl on it.

**Senator CORMANN:** So, are you going to give me the one without scribbling on it?

**Senator Wong:** We will try to, but I can tell you—you will be interested—let us have a look.

**Senator CORMANN:** Why do you not read it out to us?

**Senator Wong:** It is a table. We will try to get it copied.

**Senator CORMANN:** Give me the pertinent facts.

**Mr Grant:** Our reference point for savings is what was paid on average in 2007-08. That was the benchmark against which savings were calculated and taken out. For Canberra to Perth in 2007-08, the average price paid per ticket was \$727; the average price paid today is \$528. That is a saving of 26 per cent over the 2007-08 figure.

**Senator CORMANN:** What is driving that?

**Mr Grant:** We negotiated new price agreements. We did both route deals and also percentages off the public airfare.

**Senator CORMANN:** How does that work?

**Mr Grant:** 20 per cent off or 40 per cent off, depending on which one we are getting. So, not dissimilar to what you would actually do when you go online to book personally.

**Senator CORMANN:** So, you have a bulk price. Are there some routes where you get a higher discount than others?

**Mr Grant:** Yes.

**Senator CORMANN:** Which routes?

**Mr Grant:** I cannot tell you that. Part of that is because, if we told you that, the airlines who are in competition would actually know—

**Senator CORMANN:** You are saying it is commercial-in-confidence, and I accept that. When you started off, your colleague Mr Helgeby pre-empted my questions, because you actually do track against your targets how you are performing in terms of the savings that you were expecting; is that a fair statement?

**Mr Grant:** Yes, because when we undertook this process we used 2007-08 fares as the basis.

**Senator CORMANN:** So, what savings have been accrued? I know that you say you took the money out of the budget upfront, but I want to know what savings have actually been accrued.

**Senator Wong:** We gave you the 30 per cent figure.

**Senator CORMANN:** That was in relation to one route.

**Senator Wong:** No, that is the top 30 routes, the most travelled.

**Senator CORMANN:** Give me the dollar figure.

**Mr Helgeby:** The average cost for those top 20 routes is 29 per cent.

**Senator CORMANN:** I am asking a different question and you are giving me an answer to a question I am not asking. The target in the budget was \$128 million over four years. Presumably you would have had the targets on a yearly basis over the forward estimates from 2010-11 onwards. I want to understand, compared with what you expected to save in 2010-

11, how much have you saved? Compared with what you expected to save in 2011-12, how much do you now think you will save? I am looking for the global figure.

**Mr Grant:** Can I just explain? I am not sure that we can give you that figure, at least at this moment. Perhaps I can explain to you how it worked. We knew what we spent in 2007-08 and we knew it on a route-by-route basis. We undertook negotiations in a public tender process with a range of domestic and international airlines and we did route deals. We also did some percentage reduction off the public rate. We entered into contracts with those airlines, and because we knew what we were getting we returned in broad terms \$40 million a year to the budget. Consistent with what we do in coordinated procurement, agencies actually kept about one-third.

**Senator CORMANN:** It is the same as we have with the—

**Mr Grant:** That is right. There has to be something in it for the receiver as well. We monitor what is going on. As Mr Helgeby said, we have measured 29 per cent, to be precise, as being the savings on the top 30 routes.

**Senator CORMANN:** What was the saving?

**Mr Grant:** 30 per cent.

**Senator CORMANN:** Yes. What is the dollar figure?

**Mr Grant:** In dollar terms, I do not have that with me.

**Senator Wong:** We do not have that, but we will take that on notice.

**Senator CORMANN:** You have taken the money. You have left a third with the department's portion for what their travel was, but you do not actually know whether the savings have been accrued to the extent of the \$128 million. For all you know those departments might be managing their resources internally such that—

**Senator Wong:** It is \$160 million.

**Mr Grant:** No, that is not—

**Senator CORMANN:** No, it is \$128 million on Public Service agencies and \$32.8 on parliamentarians.

**Senator Wong:** That is correct.

**Senator CORMANN:** Yes, I know, but I was talking about departments at the moment. I was not actually talking about members of parliament.

**Senator Wong:** I am just making the point about the savings from the measure.

**Senator CORMANN:** \$128 million for the departments, which is what I am talking about.

**Mr Grant:** That is not correct, because we did not do an across-the-board savings, we did it on an agency-by-agency basis. We knew exactly what each agency was paying. We also knew what new fares we had negotiated and in fact when we did the savings we consulted with the agencies and each agency from whom we took savings actually agreed that that was a reasonable amount of savings to take. Those savings then went into the budget.

**Senator CORMANN:** So, when you say you did it on an agency-by-agency basis, some people did not get the same cut as others?

**Mr Grant:** That is correct, because some got better deals than others.

**Senator CORMANN:** Some got better deals. Why?

**Mr Grant:** Prior to the whole-of-government arrangement either groups of agencies or individual agencies did their own deals with the airlines. We brought in a whole-of-government arrangement.

**Senator CORMANN:** So, you have standardised it across government, and that means that if you had a department that did a lot of flying and had better deals than a smaller department, obviously for them the savings potential was less than for an agency that was flying less?

**Mr Grant:** No department was worse off and those agencies who were not getting as good deals are now getting as good deals as anyone else.

**Senator CORMANN:** I was not suggesting that people were worse off. I was just trying to understand what you were telling me and how it works. Are you looking at other contracting services across government to do the same, say, credit card services?

**Mr Grant:** We are having a look at what we might do with credit cards and accommodation, because they are all related to travel. We have also recently announced major office machines—printers, photocopiers, or the things that you would expect to be networked in that sort of area.

**Senator CORMANN:** Are you taking a whole-of-government perspective on credit card services or is it still managed on a department-by-department basis?

**Mr Grant:** At present it is department by department, but we are going through the same process of understanding how we work now, and working out what is required, because you have to know what your outcome has to be, and then we will move forward. If we think we have got effectively a benefit out of it, we will move forward to a whole-of-government arrangement.

**Mr Tune:** Each one is a case-by-case assessment and they take pretty thorough business cases to work through whether it is going to be value for money to do it or not. With some small things—buying pencils—there is probably no coordinated procurement.

**Senator CORMANN:** What about set-top boxes? No, that was a joke.

**Mr Tune:** We do not use them.

**Senator CORMANN:** You do not have any old televisions in your department, Mr Tune?

**Mr Tune:** Not with a set-top box. Some things are generally small and for the extra costs of administration versus a small cut in price it is not worth it.

**Senator CORMANN:** So travel is big one and credit card services might be. Are there others?

**Mr Tune:** Yes. As AGIMO went through earlier, there are other areas around IT where there is good potential and where we have had some of those flowing through at the moment. We have done a lot of work over the last four or five years on this particular area. I would not say that we are at the end of it yet, but the benefits are becoming a bit more marginal than they were with the lower hanging fruit.

**Mr Grant:** I might clarify something. We are in fact doing stationery and office supplies, which may include pens and pencils.

**Senator CORMANN:** Do you buy pencils centrally and then dish them out?

**Mr Grant:** No, there is no central buying. I need to make it clear that for the vast majority there is no central buying. It is a contract that the different agencies must use. It is a whole-of-government contract. There is one area where it is different, which is desktops.

**Senator CORMANN:** So, there is a whole-of-government contract in terms of stationery supplies?

**Mr Grant:** No.

**Senator CORMANN:** What was your point to clarify, Mr Tune?

**Mr Tune:** I used a bad example by using pencils.

**Senator CORMANN:** So you are thinking about taking a whole-of-government approach on stationery supplies; is that what you are saying?

**Mr Grant:** We are looking at whether it makes good sense.

**Senator CORMANN:** And whether it makes good sense to manage a contract centrally to provide pencils.

**Senator Wong:** What savings would be achieved and whether those are higher than whatever it might cost in terms of changing the arrangements.

**Senator CORMANN:** I understand the point.

**Senator Wong:** You need a net benefit to the budget.

**Senator RYAN:** Can I ask a follow up question?

**CHAIR:** Yes.

**Senator RYAN:** This is not meant to be flippant. Stationery is one of the areas that could make a difference. Do you assess the potential impact on the market? The moving of a massive government contract could end up being so significant that other players suffer significant losses of scale and different departments can create some of the competitive pressure that you may seek to be taking advantage of.

**Mr Grant:** Competition is one of the key things that you look at.

**Mr Tune:** You are not necessarily looking for a sole provider, either.

**Senator RYAN:** No, I appreciate that.

**Senator CORMANN:** I suspect that is because you want to spread your risk. Do you take a role in terms of the way credit card services are managed across departments at present in terms of the money flows?

**Mr Tune:** Under the requirements of the FMA Act. I do not think to that extent, but they are required to manage public monies in certain ways under that act.

**Senator CORMANN:** Do you take a role in relation to that?

**Mr Tune:** We do not go out and audit individual use of credit cards; that is a role for the Auditor-General. But there are rules around that.

**Senator CORMANN:** How do you go about identifying if there is fraudulent use of credit cards that are available to government employees?

**Mr Helgeby:** Departments have their own fraud control arrangements. They would be responsible for putting those in place and making sure they are adequate. In terms of breaches, there are processes in place to measure compliance across government and there is an annual report produced on compliance. Those issues or those breaches of compliance could include things in relation to credit cards. But as Mr Tune said, the key onus is on secretaries and CEOs to exercise financial controls and put in place appropriate financial controls in their organisations that ensure that the FMA, in particular, is appropriately implemented and observed. Our role is to keep an eye on or observing compliance and observing the function of that framework rather than going into individual agencies in relation to their particular practices on credit cards.

**Mr Tune:** I should add to what Dr Helgeby has said; the Auditor-General puts together compliance reports and they are published agency by agency.

**Senator CORMANN:** What is published agency by agency—compliance?

**Mr Tune:** The various regulations under the FMA Act, of which credit card use might be one. It is not the only one.

**Senator CORMANN:** As you are looking at the management of credit card services across government is that a responsibility that gets centralised into the finance department—managing fraud risk—or would that remain with individual departments?

**Mr Tune:** It will remain with the individual departments. I am surmising here a little, but what you might get from centralised usage is better reporting, which might assist an individual CEO to detect fraud that might be going on or incorrect use inside an agency. That might be a side benefit you get from it, but it would not be the primary purpose of our going in there with a coordinated procurement.

**Senator CORMANN:** Are these credit cards available across government departments limited liability cards or are they full government liability cards?

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

**Senator CORMANN:** I will leave it there for the time being in relation to Outcome 2.

**CHAIR:** Are we moving on?

**Senator FIFIELD:** I have some questions for Outcome 2.

**Senator Wong:** Is Senator Abetz likely to return?

**CHAIR:** I have not been advised.

**Senator Wong:** That was actually a question of Senator Fifield.

**Senator FIFIELD:** I will check.

**Mr Helgeby:** I would like to make a correction to some evidence given earlier today.

**CHAIR:** You can take the opportunity now.

**Mr Helgeby:** In discussions this morning Senator Cormann asked a question about net earnings in the forward estimates for the nation building funds. At that point I drew on a document that provided a figure for the Health and Hospitals Fund that I would like to correct. The question was about net earnings over the forward estimates period. I gave a figure of \$2.06 billion for the Health and Hospitals Fund. That figure was incorrect. The correct figure is \$0.6 billion. The error was an error in transcription of data between two

document sources. The implication of addressing that error is that a figure we used in that evidence of \$3.9 billion as the total is incorrect. The correct total is \$2.469 billion.

**CHAIR:** Thank you for that. Senator Fifield.

**Senator FIFIELD:** I have a question on procurement. This is a question that I ask from time to time about the Commonwealth Procurement Guidelines exemption which is available for Commonwealth departments and agencies who seek to purchase goods or services through Australian Disability Enterprises, which first came into being in 2008. As I have previously asked, what has been the take-up of that by Commonwealth agencies?

**Mr Grant:** I do not have any updates since you last asked. Last time you asked we indicated that we had done a range of things to facilitate access, which included the exemption, but also having them meet the buyers. Since then I think we also mentioned that there had been a reasonably sizeable contract with Centrelink for the provision I think of name badges, but I might not be correct on that. I do not have an update since then. One of the issues is that much of the business undertaken by businesses established to assist those with handicaps is below the \$10,000 threshold, which we do not pick up. It is certainly something that we continue to remind procurers about in our forums such as Procurement Discussion Forum. If you like, I am happy to see if I have any further information that I can provide later.

**Senator FIFIELD:** If you could. Is it something that the government monitors across portfolios? I know the department takes steps to remind purchasing officers across government that there is this exemption available, but is the take-up of that something which is systematically monitored or do you just become aware of particular instances?

**Mr Grant:** We usually do it annually, because working with FaHCSIA we have the ABNs of those businesses. We are able to have a look on AusTender annually at the contracts awarded. That usually takes place around September, because we have six weeks after close of 1 July where we do what we call a wash of information. It is September-October before we have that data.

**Senator FIFIELD:** What about in relation to the department of finance itself and its purchasing through Disability Enterprises?

**Mr Grant:** We do not have that information.

**Senator Wong:** We are looking behind us in the hope that someone will move, but nothing is happening. I do not think that we can help. We will take that on notice and see what we can provide to you.

**Senator FIFIELD:** I might return briefly to the matter of the department of finance secretary's role in the appointment of Mr Quigley. I will direct my questions to Mr Tune initially. Of the four secretaries who constituted the committee which provided the recommendation to government on the appointment of a CEO of NBN Co., two of those secretaries represented departments or portfolios that were co-shareholders, as you put it. Would a secretary of a department or portfolio that was a co-shareholder approach their role as a member of that sort of committee differently from the other secretaries who were not co-shareholders?

**Mr Tune:** I am speaking personally here. My personal view would be that the answer would be, no. I would expect all secretaries to be seeking the best possible candidate for the role. Whilst people on selection panels have different views at times about who is the best

candidate, everybody is looking for the best candidate. That is the way that I certainly conduct myself when I am on panels and I know my colleagues do the same. I do not think that you would find any different behaviour. In essence, you have a more formal relationship because you are the secretary of a department where the shareholder minister resides. But in practice I do not think so.

**Senator FIFIELD:** Mr Edge, from what you know in relation to Dr Watt's role on that committee, would that be your view as well? Is there anything that you are aware of that would indicate that task was approached by Dr Watt in a way other than what Mr Tune suggests?

**Mr Edge:** There is nothing that I am aware of that would indicate that.

**Senator FIFIELD:** Thank you for that. It has become clear through the Environment estimates committee in an answer to a question on notice in the communications that the government was not aware that Alcatel-Lucent was under investigation by the US Securities Commission and the Department of Justice for alleged violations of the US Foreign Corrupt Practices Act, prior to the appointment of Mr Quigley at NBN Co. Between 2001 and 2006, when the US SEC and Department of Justice allege that there was bribery and financial irregularities occurring when Mr Quigley was a senior executive at Alcatel. Mr Tune, with respect to the actual or perceived exposure of that Alcatel matter for Mr Quigley, is that the sort of thing that due diligence or background checks should have picked up?

**Mr Tune:** I cannot tell you. I was not involved. You would expect due diligence to be done, particularly if you are utilising a recruitment consultant. It is a matter of how far you can go and what you can do. Yes, due diligence is done, but you do it as well as you possibly can in the circumstances.

**Senator FIFIELD:** Do you think that the sort of issue which has now publicly been canvassed of Mr Quigley being a responsible officer of a company at the time that the US authorities were investigation allegations of bribery in the company is something that would have been material? I will ask the question through the minister. Do you think that is something which would have been material in the consideration?

**Senator Wong:** These matters are being well canvassed. Obviously both Mr Tune and myself were not in these positions at the time so we cannot give you a first-hand account. Senator Conroy has been asked extensively about them in the other estimates, and I would prefer to refer you to his answers.

**Senator FIFIELD:** I am asking you as a co-shareholding minister whether the sorts of issues, which are to do with ones of perception—I am not drawing any conclusions other than that they would be ones relevant for examination—would be material to the consideration of an appointment, just to determine whether they were relevant or not?

**Senator Wong:** I have answered the question, and I would refer you to Senator Conroy's responses.

**Senator FIFIELD:** So whatever Senator Conroy says is what you think as well?

**Senator Wong:** In circumstances where I was not in this role at the time of the appointment I cannot give you a first-hand discussion of it. I do not think it is for me to engage in a range of commentary and hypotheticals. We have assisted you through Mr Edge

in terms of the role of the portfolio. I am much more focused on how the project is progressing.

**Senator FIFIELD:** Do you have any concerns as a shareholder minister about the appointment process?

**Senator Wong:** I think Mr Quigley is doing a very good job.

**Senator FIFIELD:** That was not my question. My question was: do you, as co-shareholding minister, have any misgivings in retrospect? I know you were not the co-shareholder minister at the time, but do you have any misgivings about the appointment process and the due diligence, given that this significant matter appears not to have been discovered at that time?

**Senator Wong:** I think Mr Tune put it well. As I understand it—and obviously I am relying on the evidence that has been given—due diligence was undertaken. The government always tries to undertake due diligence to ensure there are processes in place and on this occasion an executive search firm was engaged to undertake it.

**Senator FIFIELD:** Minister, is it adequate for government in a role such as this to rely solely on the due diligence of a search firm?

**Senator Wong:** I understand the criticism your side of politics is making on the NBN and on Mr Quigley. You have canvassed all of this in great detail previously and in the other estimates, so I am not going to add commentary to it.

**Senator FIFIELD:** I am not asking you to add commentary.

**Senator Wong:** Yes, you are. You are asking me to give an opinion about something which has been canvassed very thoroughly in the public arena in relation to something which occurred prior to my being minister. As a shareholder minister, my primary focus is on the rollout of the NBN and the very many aspects of ensuring that project is progressed well.

**Senator FIFIELD:** Let me ask another question, because maybe my question was making an assumption which is wrong. Was the search firm engaged the only due diligence undertaken in relation to prospective candidates?

**Senator Wong:** I do not know. I was not the minister and you have asked questions of Mr Edge previously.

**Senator FIFIELD:** I will ask Mr Edge that question. Mr Edge, to your knowledge was the search firm engaged the only due diligence undertaken in relation to the potential candidates for NBN Co.?

**Mr Edge:** The usual process for such appointments also involves a private interest declaration by the individual, which covers a range of matters.

**Senator FIFIELD:** Which is a self-declaration where you answer a series of questions?

**Mr Edge:** That is right. It is a declaration by the individual. I have also been given a bit of information that may be of assistance around the process that Egon Zehnder undertook. There were Australian Police checks, background and referee checks, international criminal record checks and credit checks.

**Senator FIFIELD:** Who were they undertaken by?

**Mr Edge:** Egon Zehnder.

**Senator FIFIELD:** Did Egon Zehnder undertake the police checks?

**Mr Edge:** Yes. I am not sure how that works, but I understand that they did.

**Senator FIFIELD:** I will leave it there. It will be interesting to see with future appointments of this nature whether the same process is followed.

**CHAIR:** Are there any further questions in Program 2? Senator Abetz.

**Senator ABETZ:** We will take some time to digest those answers. You might like to take on notice the reason for the considerable delay in answering them, but other than that the actual content of the answers needs to be further researched.

**Senator Wong:** We were going to move to a different outcome.

[15:24]

**CHAIR:** We have now completed Program 2. I thank the officers. We now have Outcome 3. Welcome. We will commence with Senator Ryan.

**Senator RYAN:** I have some questions about the COMCAR fleet and the cars you drive. I will preface this by saying that I am slightly biased; my father was a diesel mechanic. As I understand it, you currently use Camry Hybrids, Ford G6E sedans and Holden Statesmen sedans in the COMCAR fleet. Have I missed any particular model?

**Ms Clarke:** I will call my colleague, the acting national manager of COMCAR.

**Mr Ford:** You asked about the makeup of our fleet. We currently have the Ford Falcon G6E, Holden Statesman, Holden Caprice, Toyota Camry, Toyota Tarago, Toyota HiAce and the Ford Transit Van.

**Senator RYAN:** Do you have the numbers of those vehicles handy?

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

**Senator RYAN:** I imagine the bulk of the fleet would be Statesman, Camry and G6E?

**Mr Ford:** The bulk of our fleet is Holden and Ford. There are 38 Ford Falcon G6E, 74 Holden Statesman, 16 Holden Caprice, 16 Toyota Camry or Toyota Tarago, one HiAce and one Transit Van.

**Senator RYAN:** For the bulk of the fleet, which is the Statesman, the G6E and then equal numbers of Camry and Caprice, are they all Australian made?

**Mr Ford:** They are.

**Senator RYAN:** Is that a policy of yours in terms of procurement?

**Mr Ford:** That is a requirement; that is right.

**Senator RYAN:** Is fuel economy and the cost of running them also part of the calculation in determining what you will purchase?

**Mr Ford:** Certainly it is. At COMCAR we are very conscious of our environmental obligations, which is why we have expanded or increased the numbers of hybrid vehicles in our fleet. It is now at over 11 per cent of the fleet, but we expect that to continue to increase.

**Senator RYAN:** The Camry is the hybrid vehicle?

**Mr Ford:** That is right.

**Senator RYAN:** The others are not, are they?

**Mr Ford:** No.

**Senator RYAN:** That was 16?

**Mr Ford:** You asked about fuel use. We maximise the use of E10 fuel across the fleet. If you exclude Western Australia and Tasmania, where E10 is not generally available, we are leading the way in terms of our use of E10. We are running at about 85 per cent usage.

**Senator RYAN:** When fuel economy is an issue, you mentioned the use of the hybrids and you are hoping to see that increase. Is that a specific decision to use hybrid vehicles and is that a separate calculus or a separate decision from the issue about fuel economy? You will probably appreciate where I am heading with this, given what I said at the start.

**Mr Ford:** It is not necessarily hybrids. We look at a range of factors when we are selecting a vehicle to go into the fleet, and that includes energy efficiency, the Green Vehicle Guide rating, passenger comfort, interchangeability—because vehicles are required for a range of work—practicality, which includes things like ease of fitting baby seats, and luggage capacity. As you mentioned, it is a requirement that vehicles are Australian made.

**Senator RYAN:** It is a requirement that they are Australian made. Did you take up the Camry hybrids since they have been made domestically?

**Mr Ford:** Yes, that is right.

**Senator RYAN:** Prior to that we had a small number of ‘Priorio’; Senator Faulkner informed me once that was the plural of Prius.

**Senator Wong:** He was just showing off.

**Senator RYAN:** He was, but I appreciate the correction. Are you giving any consideration currently to the new Ford Territory diesel that is coming out next month?

**Mr Ford:** We will continue to monitor all developments in the Australian automotive industry, and I would not rule out that particular vehicle, but it is really too early. I can only speculate on what we might do in the future. We will have to wait.

**Senator RYAN:** Have you considered the Territory before as a vehicle?

**Mr Ford:** No, not that I am aware of.

**Senator RYAN:** As I understand it, the fuel economy of a diesel Territory is exactly halfway between the Hybrid Camry and a G6E sedan, at roughly eight litres per 100 kilometres. Diesels are very fuel efficient, particularly on long trips. Why have you not looked at the Territory before? It is a domestically made vehicle. Is it up to the companies to nominate a vehicle? I am not sure how this works. I just know there is generally a sharing around between the brands.

**Mr Ford:** There is some sharing around between the brands.

**Senator Wong:** We can take on notice that you are keen on a Ford Territory COMCAR.

**Senator RYAN:** I am keener on a domestically produced innovative product—the first diesel engine in a passenger car produced in Australia. If one of the priorities of COMCAR is to support Australian made industry, then quite frankly a diesel Territory that is more fuel efficient than any other petrol car is something that I was interested in exploring.

**Senator Wong:** I am sure they will look at it now, given that you have raised it. It would be consistent with the approach that has been described in relation to the Hybrid Camry.

**Senator RYAN:** If there is a specific reason you had not previously considered the Territory, its unsuitability for one reason or another of the criteria you mentioned, I would appreciate it, but obviously if you had considered the Territory but discarded it for another reason then the engine inside it would not matter.

**Mr Ford:** I am not aware that we have considered it. However, we do consider a wide range of vehicles. While I am not personally aware of it, it may be now that we have had this conversation that we will explore that.

**Senator FIFIELD:** At the start of outcome 3 the department usually has a show bag of products which it tables—

**Mr Tune:** I think we tabled them; is that correct?

**Ms Clarke:** No. We have a show bag.

**CHAIR:** Does the committee wish to have these documents tabled? So ordered. I am sorry, I do not think it is actually a show bag.

**Senator FIFIELD:** It is the closest thing the department of finance produces to a show bag.

**Mr Tune:** I will send you our annual report if you like.

**Senator FIFIELD:** Ask David; is that what the icon says on the website?

**Senator Wong:** He is going to be very annoyed that I told you that. It is intranet, I am told.

**Senator FIFIELD:** I might start with the Caucus Communications Team. How many staff are currently employed there? I think there were six staff in February 2011; is that still the case?

**Ms Clarke:** That is current. As at 1 May there were six staff there.

**Senator FIFIELD:** Do you have any updates on support costs?

**Ms Clarke:** I will turn to my colleagues in corporate. I can run through those. The annual salary of parliamentary staff allowance entitlements is \$643,899 support costs, sorry.

**Senator FIFIELD:** That is up on the \$618,469 which we had at the last estimates? That is salary costs, yes.

**Ms Clarke:** That is salary costs, not including superannuation expenses.

**Senator FIFIELD:** Is that increase just because there are a few people who have had an annual increment and gone up in salary band?

**Ms Clarke:** I would think it is probably the case that actually contributed to that.

**Senator FIFIELD:** Is it still the same position classification as was previously advised; I think it is adviser A, adviser B, assistant adviser A, B and C and executive assistant-office manager?

**Ms Clarke:** I do not think there has been any reclassifications or changes to those classifications. I think they have remained constant. I am just reminded in the table we just tabled you will find details of the CCTU there.

**Senator FIFIELD:** Which page number?

**Ms Clarke:** If we turn to page three of the government personal positions as at 1 May 2011, you will see down the bottom there are three advisers, three assistant advisers and one executive assistant-office manager.

**Senator FIFIELD:** I am sorry, I interrupted you. You were going through the support costs.

**Ms Clarke:** Support costs, excluding the salary we just mentioned, paid by finance for the CCT in the period 1 July up to 30 April totalled \$50,299.40 comprised of \$24,065.38 for office support—

**Senator FIFIELD:** Office support, is that—

**Ms Clarke:** That is photocopier rentals, stationery, office consumables; \$17,295.13 for IT equipment and support, and \$8,938.89 for telecommunications.

**Senator FIFIELD:** Is that mobile phone bills and things of that sort?

**Ms Clarke:** And Blackberries.

**Senator FIFIELD:** Are they the only two figures, the salary costs and the miscellaneous support?

**Ms Clarke:** That is correct, yes.

**Senator FIFIELD:** During the last estimates I asked for a breakdown of travel costs and destinations undertaken by members of the Caucus Communications Team for the financial year which was taken on notice. I think the due date set by the committee for answers was 15 April and the response has only been received in the last few days. Was there any particular reason why it took so long to get the answer? I appreciate that when the committee receives those answers is not always a reflection on when the department submits the answer; it often has more to do with when the minister's office clears them. Was that a function of the minister's office delaying and clearing or the timing of the department submitting—

**Ms Clarke:** There were certainly some clearance processes.

**Senator FIFIELD:** I am sorry?

**Ms Clarke:** The clearance process certainly took time.

**Senator FIFIELD:** Those figures that were given for the nights of TA claimed were up until 1 February?

**Ms Clarke:** They would have been up until the last estimates, yes.

**Senator FIFIELD:** Given some time has elapsed since then are you able to update those figures for the period from then until now?

**Ms Clarke:** I would have to take that on notice. I have not got them with me.

**Senator FIFIELD:** I understand that the Caucus Communications Team has now been incorporated within the Prime Minister's office by a strategy unit; is that your understanding or is it something outside your knowledge?

**Ms Clarke:** It is outside the knowledge of Ministerial and Parliamentary Services.

**Senator FIFIELD:** Minister, is that something that you are able to shed any light on?

**Senator Wong:** No. Your proposition is that it has been taken into the PM's office?

**Senator FIFIELD:** Yes, it has been incorporated into a strategy unit within the Prime Minister's office.

**Senator Wong:** They are still in the same spot, but look—

**Senator FIFIELD:** They are still in their historic and traditional place of—

**Senator Wong:** I walk past as I go and get a coffee, so—

**Senator FIFIELD:** They are still behind the frosted glass?

**Senator Wong:** I think so. I will take that on notice. I am not across that.

**Senator FIFIELD:** Again, this may be outside your knowledge. I assume it would be. Are you aware whether or not the team has been incorporated into this strategy unit? Is it fair to assume that you are not aware of this strategy unit, of how things are configured within the Prime Minister's office?

**Ms Clarke:** Correct. In fact, we would have no visibility into what happens into anyone's offices.

**Senator FIFIELD:** While we have got the minister here, are you able to shed any light on what the actual functions of the Caucus Communications Team are?

**Senator Wong:** I can tell you how the department describes it. Just so you are aware, I think Mr Gray handles this. I do not have day-to-day involvement in this.

**Senator FIFIELD:** I appreciate that.

**Senator Wong:** Perhaps I will take it on notice and we can describe it properly. The note I have here is to provide secretariat support to the caucus and its committees; to provide support and training to government members, senators and their staff; and a communications link between ministerial offices, caucus committees and caucus members, but I am happy to get Mr Gray to take that on notice and provide you with a bit more information.

**Senator FIFIELD:** On Monday in this committee when we had the Department of the Prime Minister and Cabinet before us we were advised that the Prime Minister has employed on her staff a person to assist the Prime Ministerial spouse in the role that he performs. Are you able to advise what classification that position is?

**Ms Clarke:** No, I do not know who that person is. Again, we have no visibility into what happens and what duties are allocated in offices of either ministers or senators and members. I could not help you, I am sorry.

**Senator FIFIELD:** I think we might be in a catch-22 situation here. It is not one of your responsibilities. But when we had PM&C here they said, not unreasonably, that they do not have responsibility for the hiring of the Prime Ministerial staff, it is a matter for the Prime Minister, but they were aware that there was a part-time position which was providing support for Mr Mathieson and that matters to do with issues such as classification et cetera would need to be directed to Ministerial and Parliamentary Services.

**Senator FAULKNER:** That is not something that is—

**Senator FIFIELD:** No, I asked Ms Clarke about classification.

**Senator FAULKNER:** But the issue is that you have to know the name of the—there are always issues around privacy in these things, as you appreciate. I have been at this committee for many, many years. The actual functions of what a member of personal staff does is a

matter for the office holder. In this case it would be Ms Gillard, the Prime Minister, and it would be a matter of directing a question specifically to her. In other words there is no way that the Department of Finance and Deregulation is able to make a judgment about what individual members of ministerial staff are doing, what their job description might be, which I am sure you appreciate.

**Senator Wong:** Or any personal staff.

**Senator FAULKNER:** That is true, or any personal staff, but in this case you are asking specifically about a staff member in the Prime Minister's office.

**Senator FIFIELD:** Correct, which is why I asked the Department of the Prime Minister and Cabinet about the duties of that person, which they were forthcoming on.

**Senator FAULKNER:** The issue here is you are asking an agency. If I were asking the questions, which I am not, I would ask the minister at the table during examination of the Department of the Prime Minister and Cabinet to take on notice a question to the Prime Minister about the functions, responsibilities and duties of a member of her personal staff. That is the logic of it, or that is how it has traditionally occurred. I am trying to be of assistance here. I hope I am helping.

**Senator FIFIELD:** As always. The Department of the Prime Minister and Cabinet were helpful in relation to the duties of the person concerned. My question here was about that person's classification. I guess in that case what I will need to do, given that it is not a widely known position, is to find out through other means the name of the person. I will not necessarily raise it here but I will then seek advice as to what classification that person is. For instance, if I were asking what the classification was of the Prime Minister's chief of staff and what they were paid, that would be simple because there is a classification of Prime Minister's chief of staff and I would be told that. I appreciate that there is greater knowledge about some positions and who is in them—

**Senator FAULKNER:** But with due respect, even there I can perhaps again assist Senator Fifield. It has not been uncommon for some issues such as salaries being paid, particularly salaries above the range—this is an issue that was first canvassed in this committee during the life of the Howard government for these things—just in the interests of privacy actually not to be canvassed in the committee. I think in part what you say is true but, like all these things, the full story is sometimes a little different. We have always tried to take account—I have as now currently a member of the government but previously in opposition—and members of the coalition, both in government and opposition, do try to take account of those privacy issues and respect them as we deal with those sorts of matters. While I understand the point you are making, even those issues are not quite as black and white as you might have suggested.

**Senator FIFIELD:** I was not suggesting any shades or any hues.

**Proceedings suspended from 15:47 to 16:02**

**Senator FIFIELD:** Most of the Prime Minister's personal staff are full-time positions or are some of them divided into part-time positions? She has an allocation of, what is it, 53 full-time positions at the moment, but are any of those construed as being job share?

**Ms Clarke:** I would have to take that on notice. I do not have it on me. I do not know.

**Senator FIFIELD:** But there would be nothing to stop the Prime Minister or any minister for that matter splitting one full-time job between two people?

**Ms Clarke:** It is like an electorate office. There many people who actually choose to have two part-timers sharing a position. That is quite normal really.

**Senator FIFIELD:** Could you take that on notice? Also, if there are any part-time positions in the Prime Minister's office—obviously I am not looking for people's names—can you tell me when those positions commenced?

**Ms Clarke:** I will take that on notice.

**Senator FIFIELD:** You may have this with you now, but you may have to take it on notice. Since the last estimates the dates of any new commencements of people in the Prime Minister's office and the classifications of those commencements?

**Ms Clarke:** We will take that on notice, too.

**Senator FIFIELD:** Looking at what you have tabled, the current establishment for government personal staff positions is 420?

**Ms Clarke:** That is correct.

**Senator FIFIELD:** For the opposition it is 88?

**Ms Clarke:** Yes, that is right.

**Senator FIFIELD:** In the budget just handed down the government has announced that it will spend \$7.2 million over five years on the total of 10 new government and non-government staff?

**Ms Clarke:** That is correct.

**Senator FIFIELD:** Do you know how many of these positions will be employed on the government's side?

**Ms Clarke:** If you bear with me I will go through my notes and find them for you.

**Senator FIFIELD:** Thank you.

**Ms Clarke:** There is one on the government side.

**Senator FIFIELD:** One non-government—

**Ms Clarke:** One on the government side.

**Senator FIFIELD:** Nine on the non-government side?

**Ms Clarke:** That is correct.

**Senator FIFIELD:** I think \$700,000 has been allocated for the current financial year; is that right?

**Ms Clarke:** That is correct.

**Senator FIFIELD:** Can you tell me whether that relates to appointments on the government side or the non-government side? I guess it must be primarily non-government?

**Ms Clarke:** That costing would actually relate to the full 10 positions that have been created. You would not be just omitting—

**Senator FIFIELD:** That is one year's worth, that \$700,000? Are you able to advise which officers receive the extra staff on the government side?

**Ms Clarke:** Yes, that is Senator Faulkner.

**Senator FIFIELD:** Was that the position that Senator Faulkner gets as a former opposition leader?

**Senator FAULKNER:** You could say that of Senator Minchin and Senator Turnbull.

**Senator FIFIELD:** That is right.

**Senator FAULKNER:** At the moment. I was very delighted to receive a letter, but at the moment I can say to you it is not being filled in its entirety. But I will look at that over the fullness of time.

**Senator FIFIELD:** I had not realised until I was flicking through before that former opposition Senate leaders had that.

**Senator FAULKNER:** You might take account of the fact that I think the benefit of these things in this case is two from the opposition and one from the government, but these change. Obviously Senator Minchin will be leaving the Senate, but the critical point about them is that they do not count in the establishment for the purposes of the calculation.

**Senator FIFIELD:** You are not in the 420.

**Senator FAULKNER:** Yes, for the purposes of calculation of government and opposition staffing I think that is a very important principle, which I know that around the table people accept.

**Senator FIFIELD:** I think it is also the case that other positions allocated to whips also do not count in that 420.

**Ms Clarke:** That is correct: they are separate.

**Senator FIFIELD:** That is opposition whips, government whips, house whips, Senate whips, Nationals whips?

**Ms Clarke:** Yes, indeed.

**Senator FIFIELD:** Greens?

**Ms Clarke:** Greens as well.

**Senator FAULKNER:** Special Minister of State.

**Senator FIFIELD:** Wherever you look there is a former—

**Senator FAULKNER:** I am being immodest here.

**Senator FIFIELD:** Wherever you look there is a former Special Minister of State in this building.

**Senator ABETZ:** That is true; I could not agree more.

**Senator FIFIELD:** In relation to these 10 positions, does the term non-government mean opposition or does it mean non-government in the more general sense?

**Ms Clarke:** It means non-government—

**Senator FIFIELD:** I guess non-government is a broader term than opposition. Opposition is a subset of non-government.

**Ms Clarke:** It is non-government in the broader sense.

**Senator FIFIELD:** Is it non-government in the sense that it does not include opposition?

**Ms Clarke:** Shall I just tell you? It is the Greens and the Independents.

**Senator FIFIELD:** I think from memory, just looking at this issue of government staff as the 420 and the 88 opposition, there is a formula that determines that, which I think is 21 per cent of not the entire government allocation but 21 per cent of some percentage of the government allocation; is that right?

**Ms Clarke:** That is correct. It is 21 per cent of the government allocation excluding the ones that have been allocated to the former leaders and the whips. I think that is about it at the moment.

**Senator FIFIELD:** Is it 21 per cent of the 420?

**Ms Clarke:** Yes, that is correct.

**Senator FIFIELD:** My maths is not that quick, but 88 is 21 per cent of 420?

**Ms Clarke:** My maths is not that good without a calculator, but I would say so.

**Senator FIFIELD:** There is nodding all around. In relation to the staffing levels of the Independents, excluding those additional nine positions, they have increased over time. I just want to check these figures. Correct me if I am wrong, but I think at 1 May 2010 there was an allocation to Mr Katter, Mr Oakeshott and Mr Windsor of two staff each at that time?

**Ms Clarke:** I will actually have to take that on notice. I do not have the year-ago comparisons.

**Senator FIFIELD:** I think they had—

**Senator ABETZ:** Can I ask what the total complement is for each of those offices now?

**Ms Clarke:** The total number of personal staff positions?

**Senator ABETZ:** Yes.

**Ms Clarke:** For Mr Crook, it is three; for Senator Fielding, it is two; for Mr Katter, it is three; for Mr Oakeshott, it is three; Mr Wilkie, it is three; Mr Windsor, three; and Senator Xenophon, two.

**Senator FIFIELD:** As on your tabled document?

**Ms Clarke:** Yes, that is correct. That is what I am reading from, sorry.

**Senator FAULKNER:** Don't you use those now?

**Senator ABETZ:** Yes, I am. It is a burden we all suffer from.

**Senator FIFIELD:** I think from memory as of 1 May 2010 Mr Katter, Mr Oakeshott and Mr Windsor each had two staff. Senators Fielding and Xenophon had two staff each, but subsequently the number of positions allocated to Messrs Katter, Oakeshott and Windsor increased. I think as of today they have three staff each, as you have just told us.

**Ms Clarke:** Yes.

**Senator FIFIELD:** With the additional allocation of the nine staff to the Greens and the Independents, can you tell us what the allocation of those nine is between the Greens and the Independents?

**Ms Clarke:** To the Greens there were two allocated—

**Senator FIFIELD:** So, this table of 1 May does not reflect these Independents?

**Ms Clarke:** The bit I just read out reflected parliamentarians not affiliated with a major political party.

**Senator FIFIELD:** Let me just go to the Greens table. The Greens table of 1 May does not take into account any of these additional nine?

**Ms Clarke:** Yes, it should. I just had a thought, though. If you wanted to compare what was happening in 2010, for the last estimates, you could look on the website, because we tabled these same documents. They would be on the committees page.

**Senator FIFIELD:** How many of the nine have been allocated to the Greens, did you say?

**Ms Clarke:** Two went to the Greens, to Senator Brown.

**Senator FIFIELD:** He had 13 positions before this recent allocation.

**Ms Clarke:** And then received two, I would say, yes.

**Senator FIFIELD:** What levels were those two at?

**Ms Clarke:** He has had an on and an off. The two comprises one senior adviser, one adviser, one assistant adviser—

**Senator FIFIELD:** There are two extra positions.

**Ms Clarke:** Yes. It appears that one executive assistant position was taken away.

**Senator FIFIELD:** So, one executive assistant position was taken away. There were three of those. One of those was being traded in for—

**Ms Clarke:** For one of those.

**Senator FIFIELD:** a senior adviser or—

**Ms Clarke:** Yes. One executive assistant position came off and a senior adviser, adviser and assistant adviser came on the books.

**Senator FIFIELD:** Mr Bandt remains unaltered. He was two and remains two?

**Ms Clarke:** Yes, that is correct.

**Senator FIFIELD:** For the Independent members is it safe to assume that seven have gone to the Independents?

**Ms Clarke:** Yes, that is correct.

**Senator FIFIELD:** Who have the seven gone to?

**Ms Clarke:** We will actually probably call them ‘not affiliated with a major party’. One to Mr Oakeshott, one to Mr Windsor, one to Mr Wilkie, one to Mr Katter and three to Mr Crook.

**Senator FIFIELD:** Three to Mr Crook?

**Ms Clarke:** Yes, and that is why he then appears as having three on that table that we circulated to you.

**Senator FIFIELD:** So, until this extra \$700,000, Mr Katter, Mr Oakeshott, Mr Wilkie and Mr Windsor had two positions each?

**Ms Clarke:** I do not have the figures from last time. I am assuming that is correct, yes.

**Senator FIFIELD:** Are you assuming that they have not had anything taken away, I guess.

**Ms Clarke:** That is correct.

**Senator FIFIELD:** Mr Crook would have had no additional staffers. If he has been given three and has three—

**Ms Clarke:** Yes, he started off with none and got three.

**Senator FIFIELD:** That allocation is a decision of government or does government give you the criteria and you apply the criteria?

**Ms Clarke:** The allocation of staff to senators and members is a decision of the Prime Minister.

**Senator FIFIELD:** That was within the gift of the Prime Minister. How is that communicated to finance? Is it by way of letter from the Prime Minister or her office?

**Ms Clarke:** Somebody writes usually on behalf of the Prime Minister to the employing senator or member and says that there has been a decision to allocate this many staff and, 'I am copying this to the Special Minister of State, whose responsibility is to administer the positions', and we get a copy of that and we act on that letter.

**Senator FIFIELD:** For these 10 positions there is a constant amount of \$1.6 million allocated until 2014-15. I think that is right.

**Ms Clarke:** That is what is in the budget papers, yes.

**Senator FIFIELD:** Is that operating on the assumption that there will be no changes to people's pay over that time?

**Ms Clarke:** I did not do the costing. The people who do costings do costings. I would think that the \$1.6 million actually incorporates pay increases, changes to whatever might happen in the future, but I would think that they would only increase because of the rounding.

**CHAIR:** We will move to Ministerial and Parliamentary services.

[16:19]

**Senator ABETZ:** There are three distinct areas, two of which I have given notice of. The first one, however, I have not. It has been drawn to my attention that members of parliament who have private plated vehicles need to provide a list of nominated drivers, which is a fair and reasonable thing. I am told that if you get a new vehicle or an updated vehicle the department requires a complete new list of nominated drivers, because the list is attached to the registration of the vehicle. Has anybody thought of just scratching out the old registration number on top of the form and inserting the new registration number rather than requiring everybody to go through this time-consuming nonsense of filling out a whole list of nominated drivers?

**Ms Clarke:** We are always looking for business improvements. The requirement for a nominated driver form is something the Rem Trib actually requires. I think we are actually looking as to whether or not there is any benefit to anybody in having a nominated driver form, since it does not seem to attach to insurance. It seems to be a fairly old process that has been continued. We are having a look at that in the interim. I take your point.

**Senator ABETZ:** If you can get rid of it completely that would potentially be even better.

**Senator FAULKNER:** I gather what you are saying is that the department is reviewing this, which is fine. But does that mean, if there is no form to fill in outlining who would be a

nominated driver, clearly the whole concept of nominated drivers falls to the ground; is that what you are suggesting?

**Ms Clarke:** That is correct, yes.

**Senator FAULKNER:** In that instance—it sounds a bit pejorative—it would effectively be open slather for a member of parliament who could basically have anybody at all drive a vehicle? I am not saying that is necessarily a bad thing. It is what happens in everyday life, I suppose, anyway. But is that conceptually what you are looking at?

**Ms Clarke:** Yes, indeed. We think it might have been attached to insurance. That was the requirement. It actually was not the requirement for entitlements purposes or accountability purposes but for insurance, and our investigations to date are showing that we do not think it is in fact relevant anymore. So, we are continuing to look at it. But, yes, it would mean that anyone who was not nominated would be able to—

**Senator FAULKNER:** The only thing that I would suggest when you review this is that you should consider putting constraints around commercial considerations and the like. That is the difficulty or a possible weakness.

**Ms Clarke:** It is, except you will call the Remuneration Tribunal determinations all required entitlements to be used for parliamentary and electorate but not commercial. They are quite specific.

**Senator FAULKNER:** Indeed.

**Ms Clarke:** So, you would think that the overarching—

**Senator FAULKNER:** So that constraint would override that?

**Ms Clarke:** Yes.

**Senator FAULKNER:** I understand that. Is that happening at the moment?

**Ms Clarke:** We are looking at it at the moment. Yes, we are looking at it now.

**Senator FAULKNER:** Given that is being reviewed currently, are you able to say when we are likely to see some sort of outcome?

**Ms Clarke:** It is actually a Remuneration Tribunal determination so if we think it is not appropriate anymore, and we will write to the tribunal and it will be up to them to remove it. I really cannot give a time frame.

**Senator FAULKNER:** But one assumes that this would be a matter that the department or the minister would place before the Remuneration Tribunal.

**Ms Clarke:** Absolutely.

**Senator FAULKNER:** That would not occur of course until the department—or it is unlikely to occur—concludes its consideration of it?

**Ms Clarke:** That is right.

**Senator FAULKNER:** I understand the Remuneration Tribunal constraint. I appreciate that. Are you able to give us an indication when it is likely that the department will conclude its consideration of this?

**Ms Clarke:** I think we will conclude our consideration within the next two weeks.

**Senator FAULKNER:** Are there any other matters apart from that that are being considered contemporaneously with the issue of nominated drivers?

**Ms Clarke:** Absolutely. The Williams report, the review of the Ministerial and Parliamentary Services, our administration of entitlements and also our interactions with senator and members, is certainly the impetus now for quite a bit of change in terms of process improvement and improvement in our services to senators and members. There is quite a bit going on. I think Helen Williams also talked about changing arrangements for Canberra TA evidence requirements, and we are looking at that too.

**Senator FAULKNER:** I appreciate that. This is not being driven specifically by the issue of that one matter of the nominated driver; it is a broader consideration?

**Ms Clarke:** It is a much broader consideration.

**Senator ABETZ:** I understand you have been given some notification of the next two areas. I will seek to be as discreet as I can. If I were to refer to the immediate past chief of staff of the current Prime Minister you would know who I was talking about without mentioning a name?

**Senator FAULKNER:** So would everyone else. I do not know what you are going to ask—

**Senator ABETZ:** The issue is not to gratuitously use individual's names. Were you provided with notice of that inquiry or not?

**Ms Clarke:** Yes, we were, this morning at about 11 o'clock.

**Senator ABETZ:** Help me as much as you can. Is that person still employed under the Member of Parliament (Staff) Act?

**Ms Clarke:** Yes, that person still is.

**Senator ABETZ:** Can you advise in which office?

**Ms Clarke:** In the same office.

**Senator ABETZ:** At what level?

**Ms Clarke:** The position is principal adviser.

**Senator ABETZ:** Does that have an entitlement such as a car attached to it?

**Ms Clarke:** As a senior position, yes, it does.

**Senator ABETZ:** When was this person stopped from being classified as the chief of staff?

**Ms Clarke:** We answered a question last time on notice about when the new chief of staff was employed, which was February this year. So, I am assuming it would be roughly the same time.

**Senator ABETZ:** One would assume so. Could you take that on notice? That would be most helpful. If I can then move to the next topic, and if I were to refer to the person as a deputy mayor of Marrickville council we would understand who I was talking about. Is this person still employed in the member for Grayndler's office?

**Ms Clarke:** I do not know that person by that title.

**Senator ABETZ:** But do we know who we are talking about?

**Ms Clarke:** I have that name that you sent to us this morning.

**Senator ABETZ:** That name that I sent to you this morning—is the person who has that name still employed in the member for Grayndler's office?

**Ms Clarke:** No, they are not.

**Senator ABETZ:** Do we know when that employment ceased?

**Ms Clarke:** It ceased on the 3rd of the 5th.

**Senator ABETZ:** Of?

**Ms Clarke:** 2011.

**Senator ABETZ:** So very recently?

**Ms Clarke:** That is correct.

**Senator ABETZ:** Do we know on what date that person commenced?

**Ms Clarke:** That person has had a series of employment contracts and they have been a casual person on a short-term basis. There was an original period of employment back in—

**Senator ABETZ:** Which started when?

**Ms Clarke:** The 23rd of February 2009 to the 20th of the 3rd 2009. I guess we would call it episodic.

**Senator ABETZ:** For the period when the person finished on 3 May, when was the appointment for that period that ended on 3 May 2011?

**Ms Clarke:** The 25th of the 4th 2011.

**Senator ABETZ:** Would it be fair to characterise it as very episodic, as in there were a lot of these short-term contracts?

**Ms Clarke:** There are certainly short-term contracts.

**Senator ABETZ:** How many? Do you have it in front of you so we do not have to decide on a descriptor but an actual number?

**Ms Clarke:** I have that here—five contracts.

**Senator ABETZ:** Five contracts between 23 February 2009 and 3 May 2011; is that right?

**Ms Clarke:** Yes, that is right.

**Senator ABETZ:** During that period did he only ever work for the member for Grayndler?

**Ms Clarke:** I am not sure. I will need to confirm that.

**Senator ABETZ:** Thank you.

**Ms Clarke:** I can confirm that for those contracts and those periods he was employed for the member for Grayndler.

**Senator ABETZ:** Given the number of contracts that he has had—without delaying the committee any further—can you please take on notice the period of each of those contracts and the classification as to whether it was a full-time or part-time position during that time?

**Ms Clarke:** Certainly.

**Senator ABETZ:** Was that person employed in May 2010?

**Ms Clarke:** Not by the member for Grayndler.

**Senator ABETZ:** There was some hesitation in answering. He may have been employed by another member?

**Ms Clarke:** I do not have a contract here.

**Senator ABETZ:** You can take it on notice. He commenced employment on 23 February 2009 with the member for Grayndler?

**Ms Clarke:** Yes, that is right.

**Senator ABETZ:** Thank you. That is the end of my questions for MAPS.

**Senator FIFIELD:** Minister, just going back to the budget announcement of the additional \$7.2 million for additional staffing positions, could you tell the committee what the rationale was for that particular budget measure?

**Senator Wong:** That is not really a matter for the department in the sense that these are government decisions.

**Senator FIFIELD:** That is why I asked you. I said ‘minister’.

**Senator Wong:** I missed that. I would have to take that on notice. In terms of the measures description—

**Senator FIFIELD:** It is on page 199.

**Senator Wong:** The measure description states:

The additional staff will allow Members and Senators to better manage their workload and provide them with greater capacity for consultation.

You would have to agree that the circumstances of the parliament have necessitated a greater workload on members and senators, but particularly on our crossbenchers. I will not take that on notice, because I have answered your question.

**Senator FIFIELD:** Do you know whether there is a rationale as to why—I will use the MAPS language—parliamentarians not affiliated with a major political party in the House receive three additional staff, whereas those in the Senate receive two, being balance of power holders in both chambers?

**Senator Wong:** I am not sure I can add to what the measure description states. I do not think I turned my mind to that angle of analysis when I was handed the tabled document. Perhaps I should be more aware of senators feeling like we are not getting as much as we should.

**Senator FIFIELD:** I was not suggesting that was necessarily the case. I am looking for the rationale.

**Senator Wong:** I suppose there would be an argument. The argument, which I feel almost loath to make, that some of our colleagues in the House of Representatives may put is that obviously the House of Representatives members have electorates to service.

**Senator ABETZ:** As do senators.

**Senator Wong:** Perhaps in a different way, and obviously the additional parliamentary load, in the context of this parliament, has been more significant. If I can add anything to that, I will do so.

**Senator FIFIELD:** Thank you for that. Also, the biggest single change in staffing seems to be in relation to Mr Crook, so can you advise as the circumstances that may have changed there?

**Senator Wong:** I am advised that Mr Crook did not have an additional staffing allocation previously so this brings him up to the same level or complement as other members of the crossbenches.

**Senator FIFIELD:** He was elected at the same time as Mr Wilkie. I am wondering what has changed in the intervening period.

**Senator Wong:** I could not answer that. All I can say is that if you look at the third to last page of the document that was tabled, Mr Crook is at the same staffing allocation as other members of the crossbench and the House of Representatives.

**Senator FIFIELD:** That is right, which is what prompted my question because he was not previously.

**Senator Wong:** I do not have an answer on the sequencing issue.

**Senator ABETZ:** Is it fair to say that the department administers the decision made and the decision is actually made by the Prime Minister as to the extra staff allocations?

**Ms Clarke:** That is correct. Decisions as to staffing allocations are the Prime Minister's prerogative.

**Senator ABETZ:** So the questions as to rationale for these we should possibly be asking of the Prime Minister, and I would like to ask that that be placed on notice and, via the secretariat, ask the Department of the Prime Minister and Cabinet what the rationale for it is.

**Senator FIFIELD:** Indeed. I was asking Senator Wong as the minister representing the SMOS, who may have an insight. Minister, in looking at the staffing here, do you think that Senator Xenophon has a lighter workload than—I will not mention any particular lower house Independent—lower house Independent members?

**Senator Wong:** I know Senator Xenophon's staff and he has extremely good staff.

**Senator FIFIELD:** Indeed he does. Are you saying that one or two of Senator Xenophon's staffers are worth three of anyone else's? It may well be so.

**Senator Wong:** I have not dealt with Mr Crook's staff in the same way.

**Senator FIFIELD:** I am not talking about any particular Independent member, just Independent members in general.

**Senator Wong:** I see the point you have made and I have taken that on notice in terms of any additional explanation that I can give. You have a question that has been asked by Senator Abetz. I am not sure I can add to that. Staffing is always a difficult issue, because every MP and senator would probably have a reasonable argument about more staff. Leaders on both sides of politics have had to make a judgment about how to allocate, and I suspect your perspective on that decision depends on how the decision impacts on you. That is inevitable.

**Senator RYAN:** Or as Senator Fifield was getting to, which chamber you might be in.

**Senator Wong:** I will leave that. Even referencing the argument that others might put got me into trouble in this room so I dare not do it again.

**Senator FIFIELD:** We will agree on our mutual regard for Senator Xenophon and his staff. Minister or Ms Clarke, I would like to come back to the government and opposition staffing allocations. We were talking before about the 21 per cent of the government staffing establishment which determines the opposition's staffing establishment. Do you know how that 21 per cent figure was arrived at?

**Ms Clarke:** I believe it is quite historical. It was set when Mr Howard came to office and has been in place ever since. So the mythology goes, he was asked what applied when we were in office and applied it similarly, so that is what has continued.

**Senator FIFIELD:** Do you know what the background was at that time as to how that was reached?

**Ms Clarke:** We have looked for documents, but there are none. As I said, it is in the mists of time now.

**Senator Wong:** I thought that was a little unkind to former Prime Minister Howard.

**Senator FIFIELD:** Yes, 'mists of time'.

**Mr Tune:** We will say '15 years ago'.

**Senator FIFIELD:** That is right. It does not seem that long ago. Ms Clarke, I assume it is ultimately a matter for the Prime Minister of the day to determine what the appropriate percentage is?

**Ms Clarke:** That is correct.

**Senator FIFIELD:** Minister, are you aware of any examination by the government in relation to the allocation of staff to government and opposition?

**Senator Wong:** Of the 21 per cent figure?

**Senator FIFIELD:** Yes.

**Senator Wong:** Not to my knowledge.

**Senator FIFIELD:** That is fine. That is all I have for the moment. I think Senator Kroger has some questions.

**CHAIR:** I would like to ask some questions, before going to Senator Kroger, in relation to the computer systems and the arrangements between the Department of Parliamentary Services. Can we get an update as to the progress of what is happening with that and whether or not senators and members have been advised of what changes, if any, are going to affect their computer systems?

**Mr Sheridan:** The date for the transfer of EOIT to DPS is set at 1 July. The transfer is proceeding. The team is already working in the DPS premises at the moment. We anticipate there being a generally seamless change. The contracts that provide these services are continuing in the way that they continue now, so we are not anticipating a major change at all in that regard. I understand that as DPS has run the network previously what is really changing is the ownership and support of the assets. I am not anticipating that senators or members will detect a particular change.

**CHAIR:** Will they receive correspondence advising them of the change?

**Mr Sheridan:** I anticipate DPS will do that. I will have to take on notice where they are up to, because I have not spoken to them about that.

**CHAIR:** I would like to move on to the subject of management reports. Ms Clarke, you alluded to there being some changes over and above the issue that Senator Abetz raised in relation to nominating drivers for senators and members. Can you advise the committee as to whether or not there have been any changes to the management reports and the allocation of budget items?

**Ms Clarke:** Yes. As part of the recommendations of the Williams report Helen Williams looked at a number of aspects that were most frustrating senators and members, and one of those was the design of the monthly management reports. As a consequence, she recommended that we have a look at those and make them more user friendly, and that is what we are in the process of doing now.

**CHAIR:** Has there been an uptake in terms of those management reports as far as being certified by members and senators?

**Ms Sims:** I have certification rates for every month since 2009-10 and 2010-11 with me, if you would like me to go through the percentages or I could table that information.

**CHAIR:** It would be helpful if you could go through them.

**Ms Sims:** These are as at 13 May 2011. For July 2009 it was 95.59 per cent; August 2009, 94.27 per cent; September 2009, 94.71 per cent; October 2009, 94.71 per cent; November 2009, 94.71 per cent; December 2009, 93.86 per cent; January 2010, 93.45 per cent; February 2010, 90.79 per cent; March 2010, 92.11 per cent; April 2010, 89.91 per cent; May 2010, 87.67 per cent; June 2010, 82.46 per cent, and the end of financial year 2009-10, 76.42 per cent. For the current financial year, July 2010, 88.99 per cent; August 2010, 88 per cent; September 2010, 85.33 per cent; October 2010, 84.05 per cent; November 2010, 80.54 per cent; December 2010, 82.08 per cent; January 2011, 78.63 per cent; February 2011, 69.29 per cent, and March 2011, 47.01 per cent.

**CHAIR:** Do you have an explanation as to why there has been a significant drop? We have gone from 94 per cent down to, in some instances, 78 per cent.

**Senator KROGER:** I would like to seek a clarification. Are we talking about certification within 30 days or 60 days?

**Ms Sims:** It is the certification period. Typically what we find is that it can take up to six months for us to receive the maximum number of certifications for each month. Over time we see that the number of certifications for each month will increase. I would expect that at the next estimate hearings, for example, the percentage for this financial year for the months that I have read out will have increased.

**CHAIR:** Have you done any reviews or consulted with senators and members about the enormous amount of time that is dedicated by staff to complete and check off these management reports before they are signed off?

**Ms Clarke:** At this stage we have not. One of the Williams report recommendations was that we consult senators and members, looking at the MMRs and how we could improve them. Part of the arrangements will be to talk to senators and members about how we can reduce the amount of time and make things a little easier. Ms Williams also made a recommendation that the certifications that occur monthly in fact cease on a monthly basis and occur just with the six-monthly tabling reports.. Perhaps that will actually reduce the amount of time spent doing that as well. I think there are some initiatives there that will help.

**CHAIR:** Were there any recommendations regarding more transparency in terms of being able to adequately check off the budget allocations, for instance, for consumable goods in offices, like stationery?

**Ms Clarke:** We have a series of arrangements in place for that to occur. Were you thinking of anything in particular?

**CHAIR:** I think I raised this at the last estimates in relation to our normal practice. Some people have had a series of errors on their management reports, and have been trying to ascertain whether certain items had been delivered. We are having to go through Western Australia to order stationery and go to your state manager to try to ascertain whether or not that has been approved for payment. I was wondering whether there was a better method or more accurate way of ensuring that those items have been received in offices.

**Ms Clarke:** The monthly management reports look to the past, so you would actually have to ring up and make an inquiry about what level of budget you had. There is a practice of letting senators and members know when they make a large order. We ring up their office and say, 'Do you know what you've ordered and do you think you've got enough budget?', because it is really only in the senators' and members' offices that they know, when they have ordered something that has not come through to MAPS yet to pay, that they have actually done that. We have that check as well.

There are a few other things that we do in terms of the expenditure against the budget. At the time of placing the order the cost of the order is provided to the staff member concerned. The orders of office requisites through OfficeMax require two employees—one orders and one certifies. So, that is a check as well. As I mentioned, MAPS contacts officers do confirm large orders, just to make sure that there is sufficient capacity in the budget. Certainly we will be doing that with the new video cameras that have been allocated to OfficeMax, now that people are ordering those. We will be making sure that, if large orders are placed, we will be ringing up and saying, 'Have you got the funds for that?', and making sure that is the case.

Details of office requisite purchases are provided on a delivery docket from OfficeMax so you know how much is coming in, and we have also got details coming out of course in subsequent MMRs. As I just mentioned, MAPS is able to provide ad hoc balances of office requisites and budgets at any time. There are quite a few checks and balances in the system at the moment.

**CHAIR:** I am pleased to say that just recently having gone through our management reports we found a significant error. I am quite happy; I now have some budget for some of those consumables, which had been incorrectly allocated. I wanted to check to see whether there could be more streamlining/transparency in terms of the way we deal with these matters.

**Ms Clarke:** There are certainly a lot of checks in place to enable that to occur.

**CHAIR:** So, you will be consulting. Do you have a timeframe for when you will be consulting with senators and members to improve this process?

**Ms Clarke:** We have just been given a few suggestions from the Special Minister of State about who we should consult with and we are going out, after estimates, to do that, so I cannot give you an exact timeframe. But if you are looking for an overall implementation schedule for the Williams report, it is up on the Finance internet site and you can see there what our milestone aims are. We will be updating that quarterly so you will get a fair idea.

**Mr Tune:** That sets it down recommendation by recommendation, so you can see the recommendation in the report. Finance has accepted every recommendation in the report, and then you can see the implementation timeline that is attached to that recommendation. There are high priority items, which we are working on, and we hope to have some things done in the next couple of months. Others will take time. There are big improvements in the IT system that are needed. We just allocated some dollars inside the organisation to enhance the IT systems in MAPS, which are needed. Yes, we are on to it. It is going to take us a little time, but it is a high priority in the organisation.

**CHAIR:** I think it is for senators and members, but more so for our staff, because it is very time consuming dealing with this. Senator Moore has a follow-up.

**Senator MOORE:** Ms Clarke, when was the Williams report finalised and accepted by the minister?

**Ms Clarke:** It was sent to the department in February this year.

**Mr Tune:** It was initially done for me.

**Senator MOORE:** When did you get it and accept it?

**Mr Tune:** I will have to check.

**Senator MOORE:** And then do you share your acceptance or not with the minister?

**Mr Tune:** It was 21 April.

**Ms Clarke:** That is when it was put on the internet. It was dated in January.

**Mr Tune:** January 2011 was when we received it. I think I accepted all the recommendations within a couple of weeks of that.

**Senator MOORE:** I looked at the schedule on the internet to see when things were supposed to be concluded, and we will be following those up in estimates. I have an ongoing question about the fact that we seem to succeed up to about 90 per cent and then we average out between 90 and 80 as it goes on. It is my understanding that there are a certain number of parliamentarians, for whatever reason, who just do not do it. They have a principle objection to it, and some of that gap relates to a couple of individuals; is that true?

**Ms Sims:** I know there are people who do not certify more than one month in a row, but as to who those people are I would have to take that on notice.

**Senator MOORE:** I do not need to know. We have had this discussion at length before. It would seem to me that—and I refer to them as the ‘rump’, in terms of their responses—those are the people. Ms Clarke, I take it that you are doing the process for the consultation?

**Ms Clarke:** No, I will not be. Those that know about the MMRs, what can be done and what can be achieved will be doing those.

**Senator MOORE:** I know you said that it is going to be after estimates and we understand the pressure that estimates puts on the department. Is it considered that some of those people who are well known to the department as not contributing to the management reports for a long period will be part of the consultation?

**Ms Clarke:** Those that we have been asked to consult with have been given to us by the Special Minister of State, and I do not know that that was taken into account.

**Senator MOORE:** I know the Special Minister of State looks after this element. It seems to me that as we have had this discussion for years in estimates it would be useful—and I will take it up with the Special Minister of State—that the people who have the most objection to the system need to be consulted so we can continue to find out why they object. These same questions have been asked for at least nine years, that I am aware of, at this area and we have still not cracked 100 per cent. Not one month—ever—have we cracked 100 per cent in terms of getting people certifying management reports. In terms of the consultation process, that is a suggestion.

**Ms Clarke:** That is a good suggestion.

**Mr Tune:** Can I go back to the question that you raised about the transfer of EOIT from Finance to DPS?

**CHAIR:** Yes.

**Mr Tune:** DPS has just advised us that they plan to write to senators and members in the next two to three weeks about the details.

**CHAIR:** Thank you.

**Senator KROGER:** This might be a follow-up question to Ms Clarke. In relation to independent verification of purchasing within senators' and members' entitlements—for instance, publications—is there any independent verification? I understand that with our newspapers that we order, however we order them, they would send invoices in to the department and so on for payment, but is there any independent verification at some stage in case somebody has circumvented it somewhere; so that that is done other than through the reports? I note on my reports it indicates the quantity per newspaper received.

**Ms Clarke:** When you say 'independent verification' I am just not sure what you mean?

**Senator KROGER:** Whether there is some sort of auditing process. Whether there is a random audit process to indicate that those papers are going to that individual and so on.

**Ms Clarke:** That would be on the basis of your monthly management report. You get details of how many papers you received and what the cost was, and we would then ask you to certify they had come through and if there were any issues. That is something that gets tabled on a six-monthly basis in the tabling reports on the Finance internet page.

**Senator KROGER:** But there is no other process whereby that is verified?

**Ms Clarke:** Not from our perspective, because those are going directly to senators and members.

**Senator KROGER:** Thank you for that. I have another question in relation to the survey that went out, I think it was about a month ago, in relation to the ESA for staff. Firstly, what was the purpose of that survey?

**Ms Clarke:** The survey is actually being conducted as part of the requirements of the current enterprise agreement, which said that within the current life of this agreement a survey of the working hours of electoral officers, in view of whether the ESA as it currently stands is sufficient, would be examined.

**Senator KROGER:** Was there a slow take-up of survey participation?

**Ms Clarke:** I will just call on a colleague who will be able to help you.

**Senator KROGER:** Thank you, Ms Clarke.

**Mr Whitton:** We have actually conducted only the first part of the evaluation of electoral officer working hours, and that was the timesheet exercise where we asked individual electorate officers to provide us with records of their hours over a month. That has been concluded; that was conducted mainly through March. I would have to take on notice the exact number of responses that we got, but we did get in excess of 100 timesheets back. The second and third parts of that evaluation is a survey of senators and members, which will be done through a telephone survey, and then an online survey of electorate officers. Those two parts of the evaluation are yet to commence but they will be kicking off probably in the next week.

**Senator KROGER:** That is a voluntary process, an opt-in process?

**Mr Whitton:** We did seek an opt-in from senators and members and we have had a number of responses to that, but not as many as we would have liked, so there will be calls to senators' and members' offices seeking further volunteers. But, yes, it will be a voluntary survey, so, if a senator or a member has not volunteered but does not wish to participate when they are called, then they could say no.

**Senator KROGER:** Was there an email sent around and then withdrawn? Did something happen like that?

**Mr Whitton:** What actually occurred was the settling of the questions for the telephone survey and the online survey took us a little longer to settle than we had imagined, so a circular was sent out saying that we had anticipated the survey commencing in April. We then sent out a further circular to say that there had been a slight delay and that we would notify senators, members and staff when the second and third parts were commencing, and I expect that circular to go out shortly.

**Senator KROGER:** Finally on that, for that to be a valid representation of the views, what sort of participation rate would you think would be necessary to get a good cross-section of what is necessary to frame considerations for all of this?

**Mr Whitton:** We were looking for a participation rate of in excess of 50 senators and members, so we will see how we go with that. I do not think we have actually set a benchmark for the online survey, but we have contracted a survey company to help us with this and we will be seeking their advice about the validity of the responses that we get.

**Senator KROGER:** Thank you very much. I have got one further matter I just wanted to cover on travel. I am not quite sure who will address that, but perhaps, Mr Tune, I could start off with you. Regarding the change of approach to travel, whereby the decision was made for the government to take a single agent approach rather than each department being responsible for their own travel arrangements and so on; has that been a cost-effective decision?

**Senator Wong:** We did cover quite a bit of this already.

**Senator KROGER:** Have you? Before?

**Mr Tune:** Yes. We were talking about travel services of the parliamentary travel—

**Senator Wong:** This is whole-of-government procurement?

**Senator KROGER:** Yes.

**Senator Wong:** Yes. Senator Cormann asked quite a few questions. I do not mean to put you off; I just was—

**Senator KROGER:** If they have been asked then I am very happy to look at the *Hansard*. Thank you, Minister.

**Mr Tune:** If there is anything extra we will have a look at that if you still have questions after that.

**Senator KROGER:** I will have a look at that first thing.

**Mr Tune:** Thank you.

**Senator KROGER:** Thank you.

**Senator ABETZ:** If I may, I have just one further question for Ms Clarke in relation to the member for Grayndler's staff member I was inquiring about. Was that person employed in the month of December 2010, if your records disclose that?

**Ms Clarke:** No, they were not.

**Senator ABETZ:** Thank you.

**Senator FIFIELD:** Are you aware of what the rationale is for the extra allocation of staff to Senator Brown?

**Senator Wong:** Not in specific terms. I could only go back to the general proposition which is in the budget measure description.

**Senator FIFIELD:** I think we all accept that there is a particular focus on Independents in this parliament and they have a unique position, which is recognised, but I cannot see what has materially changed. Obviously, there will be more Greens in the new Senate and those senators will get staff as all senators do, but are you aware of any further rationale for those given to Senator Brown?

**Senator Wong:** I have just answered that.

**Senator FIFIELD:** So, you are not aware of any further rationale other than what is mentioned in the budget?

**Senator Wong:** No. I said I am not. That is right. If there is anything further I can assist you with, I will, but again I would say my experience is that any decision regarding staffing allocation can always be applauded or criticised, often depending on which perspective you take. We have provided additional staff to crossbenchers, broadly, the Greens and the Independents, which I think is a really sensible position in light of the nature of the parliament.

**Senator FIFIELD:** Just in relation to the—

**Senator Wong:** As I understand it, the ratio of opposition staffing has not changed. You are not losing any.

**Senator FIFIELD:** I had no fear. In relation to the Independent staffing arrangements in the House, the only thing that surprises me is that these additional increases were not part of whatever the original agreements were with the Independents to gain their support, unless these additional staff allocations were like stage 2 of the agreement.

**Senator Wong:** That is an assertion by you.

**Senator FIFIELD:** No, it is a question as to whether it is part of the agreement with each individual Independent.

**Senator Wong:** As you know, first in relation to agreements with the Independents, those were detailed and made public. The measure describes why this additional allocation has been made and I think those of us—all of us—having been in this minority government parliament over these last months, would recognise that there is a greater workload on the crossbenchers than, I would say, in previous parliaments. So I think it is a pretty good thing to ensure that they are supported in making their decisions.

**Senator FIFIELD:** I might put questions on notice through the committee to the Prime Minister: is there any rationale in addition to that in the budget papers; and is it as a result of any further agreement or discussion with the Independents?

**CHAIR:** As there are no further questions, I thank the officers. We will call forward the Australian Electoral Commission.

#### Australian Electoral Commission

[17:12]

**CHAIR:** I welcome Mr Ed Killesteyn, Electoral Commissioner, and officers. Mr Killesteyn, do you have an opening statement?

**Mr Killesteyn:** No, Chair.

**CHAIR:** Then we will go to Senator Abetz.

**Senator ABETZ:** I have two discrete areas. The first one is in relation to donations received by the Australian Labor Party from Shenglong Australia Investments Group Pty Ltd of \$100,000, Shangjin-Lin of \$50,000, and Yi Lin for \$50,000. Is anybody aware of those?

**Mr Pirani:** No, I am not aware of the specific donations you are referring to, but I am responsible for the funding and disclosure area.

**Senator ABETZ:** At least I know to whom I should be directing the question, so thank you for that. If you do not know, then I daresay when I ask you whether those entities or people have lodged donor returns you would be unable to respond?

**Mr Pirani:** I cannot comment about those specific ones. I am certainly aware from previous returns about various companies in mainland China that have made donations to various sources. There are articles in the *Sydney Morning Herald* that were written about those donations and the AEC was approached by reporters from the *Sydney Morning Herald* about our ability to force companies outside Australia to lodge donor returns under the Commonwealth Electoral Act. So, I am aware of the issue generally, but I am not aware of the specifics that you are referring to.

**Senator ABETZ:** I do not know how robust it is, but what about an article on newmatilda.com of 12 April 2011?

**Mr Pirani:** No, I am not aware of that article.

**Senator ABETZ:** As I understand it, with these three donations, if you are not aware of the specifics then it would make it difficult for me to pursue that further. I was going to ask about the steps you had undertaken to trace the donors, and so on.

**Mr Pirani:** Donations being made from outside Australia has been an issue that the AEC has been aware of. The issue is whether the provisions of the Commonwealth Electoral Act are capable of being applied to companies outside Australia.

**Senator ABETZ:** These are companies and individuals who allegedly are in Australia.

**Mr Pirani:** There was an article done by Deborah Snow in 2009—that is my recollection—in the *Sydney Morning Herald* that pointed to a number of donations that had been made by various companies. One of them was a company that did have an office in Sydney, but the actual donation came from mainland China. The question became about our ability to track down who made that donation, but we were not able to get beyond that the company was not incorporated in Australia and we could not locate the identity of the persons who were behind it. I am more than happy to take it on notice and have a look at it.

**Senator ABETZ:** This is after that, clearly, and the Labor Party did disclose it, but as I understand it these entities have not lodged donor returns as required. I understand that you may be aware that the contact address for Shenglong (Australia) Investment Group, which is PO Box 348, Eastwood, New South Wales, is the PO box for Onward Business Consultants Pty Ltd. I am just wondering: have any inquiries been made in relation to that? That does not ring any bells with you?

**Mr Pirani:** No.

**Senator ABETZ:** Clearly, you would not have spoken to Xen Ky Li of 16 Flagstone Street, Harrison, a director of Pearlsull International either.

**Mr Pirani:** No.

**Senator ABETZ:** Did any of your staff? Did the AEC send letters to those three entities?

**Mr Pirani:** Again, I would have to take it on notice. We do have a practice of sending out letters where we have an address in Australia to chase up returns. We match the returns that the political parties put in with us with donor returns and we do have a practice whereby follow-up letters are sent out, but I will have to take on notice the specifics that you are mentioning.

**Senator ABETZ:** As I understand it, the New Matilda article—and that is what I am going on and I do not know the robustness of it—asserts that the three donors that I have mentioned have been written to and that on the Labor return the supplied street numbers actually do not exist. But if you are not aware of the full details, what I think I will need to do is to put a lot of these questions on notice to the Electoral Commission.

Unless I get some more inspiration, I will move on from that topic and go to the other discrete topic, which is in relation to GetUp. I say publicly to you, Mr Pirani and your officers: thank you very much for wading through all the materials that I have provided to the AEC about that. I received a letter yesterday or the day before indicating that on the technicalities GetUp might be an entity but it is not an associated entity and that if it were unincorporated, yes, it would be an associated entity, but because it is incorporated it becomes a different body to all the people that make up the entity. I accept all that. Can you just confirm to me that if GetUp were not incorporated the AEC's decision might be different in relation to the status of an associated entity?

**Mr Pirani:** If it were not incorporated then the previous practice of the AEC, as we deal with any voluntary association or unincorporated entity, is to look at the antecedents and associations of the persons who make up that body. So, yes, it would be a relevant factor that we would weigh up and take into account.

**Senator ABETZ:** Given the smorgasbord of Labor, union and green entities that would make up that, I daresay that would be—

**Mr Pirani:** Certainly the list of people that you provided me with that had previous associations with the union movement or the Labor Party would be a factor that we would take into account, but again we are dealing with a hypothetical situation because GetUp is a corporate entity and, as such, the corporate entity is separate from its board, its members and the people who have funded it and set it up. So, as a matter of law, the situation we are faced with is that GetUp has to be only assessed against whether it operates wholly or to a significant extent for the benefit of one or more registered political parties. At the moment, we have examined the entity's activities and we do not believe it meets the test of operating wholly or to a significant extent.

**Senator ABETZ:** Is the test for that on the balance of probabilities or beyond reasonable doubt?

**Mr Pirani:** A breach of a reporting obligation in part 20 of the Commonwealth Electoral Act is enforced under section 315 as a criminal offence, so we are talking about beyond reasonable doubt.

**Senator ABETZ:** I accept that is hypothetical, but if the test were on balance of probabilities, it would be a lot more likely that GetUp would be seen as an associated entity because the test would not be as rigorous.

**Mr Pirani:** Again, we are speaking hypothetically. We have two issues. Firstly, the nature and wording of the current test: wholly or to a significant extent. If it was on the balance of probabilities then it may be possible to reach that conclusion, but again at the moment we are talking about beyond reasonable doubt and we are talking about a test that says 'wholly or to a significant extent operating for the benefit', so I have got to look at the operations of the entity, not just the people associated with it, where it gets its funding from and matters of that ilk.

**Senator ABETZ:** In your detailed letter to me I note that you indicate that the AEC is 'unable to take any action on statements made by GetUp that may be regarded as inconsistent with its activities'. I take that to being a reference to the frequent claims by GetUp that it is independent and non-partisan.

**Mr Pirani:** That is correct. Our only power is the power in section 329 of the Commonwealth Electoral Act, which deals with statements that are misleading or deceptive in publications relating to how a person cast their vote. That is the limited area that we have to operate under. As I mentioned at the Senate estimates earlier this year, when we dealt with their 2007 'How do I vote?' card, we did warn GetUp that we felt it was close to the borderline and, if they had not put in the various caveats that we asked to be prominently placed on their website, we intended to take action for a breach of section 329.

**Senator ABETZ:** Thank you for that. You must spend a lot of time reading materials forwarded to you by me, but have you been able to go through my submission to the Joint Standing Committee on Electoral Matters?

**Mr Pirani:** I have quickly read it, but I have not focused on it.

**Senator ABETZ:** The suggestion is that the AEC may give consideration that third parties participating in federal elections and currently required to submit third party returns to the AEC be prevented from claiming to be independent. It seems quite proper that the AEC is—and I think is widely regarded and accepted in the election context as being—absolutely independent, as it should be. Well done to you and your staff for that reputation, which is absolutely vital. You then have organisations such as the Climate Institute and GetUp claiming to be independent as well within the political context. I am just wondering whether the AEC has given any thought to who should be allowed to claim to be independent. In relation to the so-called Independent members of parliament—non-aligned might be a better description because they are clearly heavy political activists with certain leanings in all areas—to try to claim to be independent, as the AEC claims to be independent, to me possibly blurs matters, which is not ideal. Have you given any thought to that, or are you still cogitating? If you are still cogitating, so be it.

**Mr Killesteyn:** It is not a matter of whether we have given thought to it. It is obviously an area in which we take directions from parliament. This is an area of legislation that was already amended, as you well know, some years ago, and I guess at that time parliament did give consideration to this issue when it was passing the legislation to perhaps tighten up the definition of 'associated entity'.

**Senator ABETZ:** I have not fully locked myself into it; it seems to make sense, but I am still willing to be persuaded one way or the other. Are you aware of the Canadian model of reporting donations and so on?

**Mr Pirani:** Certainly. We have done quite a lot of work in comparison of the Canadian model, the United Kingdom model and the New Zealand model in relation to how they deal with third parties in the electoral process, how they have got to be registered and how they do their reporting.

**Senator ABETZ:** I do not often succumb to this but, having read the Greens' submission to JSCEM, they are in fact suggesting that the Canadian model may be worthy of adoption. If that were to be undertaken, GetUp would become a third party, would they not, under the Canadian rules, and they would be required to be seen as an associated entity and they would have their expenditure capped?

**Mr Pirani:** Our understanding of both the Canadian and the United Kingdom models are that associated entities cease to exist and any person who gets involved in incurring electoral expenditure above a certain threshold has to be registered and has to report them.

**Senator ABETZ:** Thank you very much and I thank my colleagues.

**Senator RONALDSON:** Mr Killesteyn, can I just raise a matter arising from the last election? I am advised that in the Wurdale hall, which was the Winchelsea South booth in the division of Corangamite, there was only one box, which was the Senate ballot box, and there was no separate House of Representatives box. What are the commission's requirements in relation to the casting of votes and the separation of the Senate and Representatives votes?

**Mr Dacey:** We do, as a matter of course, provide separate ballot boxes for both Senate and House of Representatives ballot papers. I am not sure of this particular circumstance in the Wurdale hall; I assume it may have been quite a small polling place. There is no provision in the Commonwealth Electoral Act which says that there must be separate ballot boxes for each ballot paper, so both papers could go into the one box and then post-6 pm, when polling ceases, that box can be opened and the ballot papers sorted into, obviously, piles of Representatives and Senate papers.

**Senator RONALDSON:** As far as you are concerned there is no difference in how the votes are counted, whether they are in one box or two boxes; they would just be tipped out and separated?

**Mr Dacey:** Often people will put both ballot papers, House of Reps and Senate ballot papers, in the one box anyway, so we make sure that they are separated during the counting process.

**Senator RONALDSON:** I understand a complaint was lodged, but I just wanted to see what your views were on that, so thank you.

**Mr Dacey:** Our practice is to have separate boxes, but in this circumstance obviously that was not the case.

**Senator RONALDSON:** Thank you. I just now want to turn to matters from last estimates, and they do involve you, Minister, so I might go straight to those matters now. At the last hearing Mr Pirani refused to provide me with a copy of the DPP's advice to him in relation to Mr Thomson and there was some quite vigorous discussion about this matter. I think you indicated that under the 2009 rules you were entitled to refer this off to the responsible minister, which I think the committee acknowledged, and you undertook to do so. Part of that requirement of the committee, from my recollection, was that there needed to be a reason for the public interest claim that Mr Pirani had referred the committee to. I am just wondering whether indeed that document was prepared and whether it was provided to the committee.

**Senator Wong:** I am not sure. I have a document here but I am not sure if it has been tabled. The secretariat would be able to tell you if the question on notice has been tabled.

**CHAIR:** We will just have to check. We do not recall receiving that.

**Mr Killesteyn:** We had confirmation late this afternoon that it had been tabled. That is the best I can give you.

**Senator RONALDSON:** When was it tabled?

**Senator Wong:** I do not know. I am sorry; there are many questions on notice.

**Senator FAULKNER:** It would be a fair question perhaps for the Electoral Commission to be asked when it was provided to be tabled. When was it communicated by the electoral commissioner or the minister? Who did it, the minister or the electoral commissioner?

**Mr Killesteyn:** We provided—

**Senator FAULKNER:** 'We' being the—

**Mr Killesteyn:** the responsibility some time—

**Senator FAULKNER:** Perhaps I could assist Senator Ronaldson, who asked the reasonable enough question. I am asking when that was provided by you.

**Mr Killesteyn:** I cannot give you the precise date.

**Senator RONALDSON:** Was that the Special Minister of State ?

**Mr Killesteyn:** Yes.

**Mr Pirani:** I just want to clear the record. I actually prepared a draft response to questions on notice. That was certainly done before I went overseas on 19 March, and they were provided to the portfolio coordination unit in the Department of Finance and Deregulation, which is what our practice is to do.

**Senator Wong:** I will check.

**Senator RONALDSON:** Did you prepare a statement of reasons, including any specification of the nature and extent of the harm to the public interest, as required?

**Mr Pirani:** I provided a draft statement of reasons that was included in response to your question. It was to go across to my colleagues in the department of finance, the portfolio coordination unit. They were then to provide it to the minister, and then it was up to the minister what amendments, changes et cetera were to take place to that.

**Senator RONALDSON:** Did that draft document include any reference to the then New South Wales Supreme Court proceedings?

**Mr Pirani:** My recollection is yes, it did.

**Senator RONALDSON:** Was that the main reason that it was articulated as the—

**CHAIR:** It is listed, but it has not been received as yet. That is my advice.

**Senator Wong:** I will check why it has not. I do not have direct knowledge of it.

**Senator RONALDSON:** There were a number of options available to me last time, and one was for the committee to have a private meeting in relation to this matter. I did not pursue that because I took your undertaking in good faith that the portfolio minister—

**Senator Wong:** I—

**Senator RONALDSON:** I am not suggesting for one minute that this is an issue for you personally, but I have to express my real concern that this matter has not been dealt with and apparently has not been provided to the committee. I take it that the only thing that the AEC is saying is that there was a draft response provided to the minister; is that right? Mr Pirani, you have no idea whether it was—

**Senator FAULKNER:** With respect, that is not what the commissioner said. He said he provided a draft response to the portfolio coordination unit, if you heard what he said.

**Senator RONALDSON:** Okay, portfolio coordination unit. The only thing that was provided was a draft.

**Senator Wong:** That is normal practice.

**Senator RONALDSON:** Yes, okay, I am just making sure that we are getting all the ducks lined up. When was that provided?

**Mr Pirani:** It was provided before I went overseas on 19 March.

**Mr Killesteyn:** It was dated around 23 March. We are just looking but we are just confirming with the secretariat whether it has been lodged because that was—

**Senator Wong:** They just said no.

**Mr Killesteyn:** Well, there is a difference in advice going around at the moment.

**Senator RONALDSON:** What would make you think that it had been provided to the—

**Mr Killesteyn:** Because we checked just before we came in to give evidence with the secretariat, with the department of finance, and the advice we were given was that it had been lodged.

**Senator RONALDSON:** When did they say it was provided?

**Mr Killesteyn:** I did not ask that question. I was just concerned that all of the responses had been tabled. Maybe it is best to confirm—

**Senator RONALDSON:** If it has been provided, I am somewhat hamstrung in the questions that I can ask in relation to this matter, Chair. If that document is floating around I am sure someone can get it for me now and then I will go onto other matters and then come back to that, unless the minister is happy for the draft to be provided to me and I can work on that basis.

**Senator Wong:** No, I am not happy for the draft—

**Senator RONALDSON:** I would have thought that probably a fair thing to do in the circumstances.

**Senator Wong:** I accept the criticism about the fact that we have not tabled it. I think I am better than on the last occasion in terms of answers to question on notice. We have sought to do that. I do not have a direct recollection of this one. What I have said to you is that I will check. I do not know that I can do that in the time frame, because this is one matter where Minister Gray is obviously the responsible minister.

**Senator RONALDSON:** I am sure you will understand that there is a bit of a question mark hanging over this that does involve one of your parliamentary colleagues and, given the serious nature of these matters and given the undertakings that have been given, I find it more than a little surprising that we are actually back here in May and still discussing this matter. Mr Pirani, I will see if we can get around this in other ways. Apart from the ongoing Supreme Court proceedings, were there other matters raised in your draft advice?

**Mr Pirani:** My recollection is that there were other matters raised in the draft answer that I prepared. The matters in the Supreme Court were only one of them, because the matters still involved whether the Fair Work Australia investigation was on foot as well, because, as was indicated at Senate estimates in February, they have not concluded their investigation.

**Senator RONALDSON:** Has that been completed now?

**Mr Pirani:** I am not aware of that.

**Senator RONALDSON:** Do I take it that endeavours are being made to locate that document, Minister?

**CHAIR:** We are also from the secretary's point of view double-checking that, so we are endeavouring to check that the advice given to us was correct. Would you like to move onto something else?

**Senator RONALDSON:** I will at the moment and then I will come back to that. In relation to the Coastal Voice issues, I assume that you did not issue a notice under section 316(3A) on the basis that you did not think that reasonable grounds had been established for doing so. Was that the reason?

**Mr Pirani:** That was one of the reasons, yes.

**Senator RONALDSON:** What were the other reasons? What other reasons could there be?

**Mr Pirani:** The statement is on our website as to the basis for it. One of the other reasons was that we did not believe that the information that was in the *Sydney Morning Herald* article disclosed a new prima facie requirement for a report to be done under the act and whether it was an associated entity or any other type of entity that had a reporting obligation.

**Senator RONALDSON:** I presume in your investigations that you did a Google search, on the company—or a company search.

**Mr Pirani:** I went through all the material that you and your office forwarded to me and the previous inquiries that we had made about the legal status or otherwise of Coastal Voice and whether it was an incorporated entity. Our understanding is that it was not a corporate entity as such. It did not have an ACN. We noted it had an ABN and it appeared to be registered as a business name in New South Wales in relation to New South Wales legislation.

**Senator RONALDSON:** Did you make any inquiries of Coastal Voice in relation to any matters relating to the allegations?

**Mr Pirani:** Our understanding is that Coastal Voice no longer exists.

**Senator RONALDSON:** At the time you did not make any inquiries?

**Mr Pirani:** At the time when we had the referral from you, no, we did not make any inquiries. When the articles appeared that were published in the *Sydney Morning Herald* in 2009, we did various searches, including company searches, ABN searches et cetera. In relation to Coastal Voice I did numerous searches in relation to articles to attempt to locate actual volumes of the *Coastal Voice* newsletter et cetera to attempt to identify what it was saying and who was behind it.

**Senator RONALDSON:** Did you contact them to obtain these previous copies?

**Mr Pirani:** No.

**Senator RONALDSON:** Why would you not have done that?

**Mr Pirani:** Because I had no power to issue anything that would require them to provide us with information.

**Senator RONALDSON:** But you could have asked them to provide them on a voluntary basis.

**Mr Pirani:** I suppose I could have, but I did not.

**Senator RONALDSON:** If that was one of the issues that you were trying to ascertain, why would you not make that direct inquiry of them?

**Mr Pirani:** Because my understanding at the time that this was raised was that Coastal Voice no longer existed.

**Senator RONALDSON:** But you actually were not able to even ascertain that.

**Mr Pirani:** I have subsequently ascertained that, but at the time—

**Senator RONALDSON:** But at the time you did not--

**Mr Pirani:** But at the time—you are correct—I had not ascertained it but certainly it was there in the lead-up to the 2007 election but it did not appear to be functioning after the 2007 election.

**Senator RONALDSON:** Was not one of the allegations—and you have addressed it in your website—that this organisation was actually acting as a mouthpiece for Mr Thomson or for the Labor Party. So surely the first thing you would try to do is to ascertain whether copies of the Coastal Voice actually fit within that criteria?

**Mr Pirani:** With respect, the first thing we tried to do was to ascertain whether it was an entity, which is the only organisation that would have had a reporting obligation. We ascertained that it was not an entity as defined in our act and therefore there was no point in further pursuing the status of this organisation when we found that it was not an entity.

**Senator RONALDSON:** When you were making your inquiries on the back of what you were given I presume that the first thing you would have done would be to ascertain whether or not it was an entity.

**Mr Pirani:** That is correct. We did a company search in relation to it and we found that it did not have an ACN. Then we ascertained it did have an ABN. When we went and did further inquiries in relation to that, we found it was merely a registered business name in New South Wales, so it was not an entity as defined in section 287 of the Commonwealth Electoral Act; therefore it did not have a reporting obligation.

**Senator RONALDSON:** Having done that, why did you then go on and look through all the newspaper reports? You said you were Googling various things to find out more information? Why would you bother doing that when your first port of call to find out the legal status having obviously come to the conclusion it did not fit within the rule? Why did you then go and do these other things?

**Mr Pirani:** Because there were a number of other allegations that have been made about the money that had been used. Again, at the same time, I was also looking at *Sydney Morning Herald* articles and the allegations that were made in those various articles. I wanted to be as complete as possible to get the full background on what was being alleged. I regarded doing Google searches and attempting to locate volumes of it as part of an appropriate methodology for doing a complete search in relation to my limited powers, given that I could not use that power in 316.

**Senator RONALDSON:** Are you telling the committee that you were doing these other investigations in case there were other parts of the electoral act that had been breached; is that what you are saying?

**Mr Pirani:** The allegations that were in the *Sydney Morning Herald* articles were in relation to funding that had been used, how it had been diverted and a whole range of allegations that were made. We were examining whether there were any possible grounds for a breach of the act and whether anybody else might have had a reporting obligation.

**Senator RONALDSON:** What did the journalists say to you when you contacted them?

**Mr Pirani:** The journalists did not say anything to me at all in relation to that. We went through the articles that were referred to me—

**Senator RONALDSON:** When did you speak to the journalist?

**Mr Pirani:** I have not spoken to the journalist.

**Senator RONALDSON:** Are you suggesting that the journalist should have contacted you?

**Mr Pirani:** No. I had a look at the articles that were in the paper.

**Senator RONALDSON:** You just said that the journalist did not give you certain information. Do you mean the articles did not give you certain information?

**Mr Pirani:** The articles did not have any evidence that were associated with them. I had referred to me by you and other senators information that related to those articles. There were allegations made that they disclosed breaches of the act so I examined the articles to see whether there was any evidence. We have had this discussion about the BDO Kendall report and matters like that before, so I tried to be as fully informed as possible—

**Senator RONALDSON:** But why did you not ring the journalist?

**Mr Pirani:** The journalists normally do not offer that sort of information to us. It is not an approach that I was—

**Senator RONALDSON:** The journalists had written at length about this matter and were clearly quite happy to put some of this stuff on the public record. Why would you not ring the journalist and say, ‘Can I speak to you about this and see what other evidence you might have?’

**Mr Pirani:** At the time I recall there were also defamation proceedings on foot and I suggest the journalist would have been reluctant to have been providing that information to me.

**Senator RONALDSON:** With the greatest respect to you, I think what you have done with this matter is a Google search. You have then gone and looked at the other material from the *Sydney Morning Herald* and have made no other endeavours at all to fully investigate this matter. Surely the first thing you would do in this situation is to go to the journalist and say, ‘Right, what information have you got there?’ These were very serious allegations; weren’t they?

**Mr Pirani:** I think we are having a slightly circular discussion here. The issue—

**Senator RONALDSON:** I think it is a dead-end discussion, quite frankly, not a circular one, but I will continue to pursue it.

**CHAIR:** Senator Ronaldson, if you could just allow the witness to complete his answer I think it would help Hansard and certainly help the rest of the committee.

**Mr Pirani:** The allegations in the *Coastal Voice* could only disclose a breach of the electoral act in relation to whether it was an entity that had a reporting obligation. As soon as we established that it was not an entity that was the end of the discussion in relation to Coastal Voice. The investigation, however, also included a number of other allegations that were made; that is what we went through and had a look at those allegations that were reported in the newspaper.

**Senator RONALDSON:** You would not have thought it appropriate to speak to the journalist about those as well?

**Mr Pirani:** No.

**Senator RONALDSON:** Can we just be absolutely clear—and perhaps you could put on the public record for me and pull these bits and pieces of previous evidence together—what exactly did you ask the DPP to provide advice on?

**Mr Pirani:** Sorry, given the likely claim of privilege that I understand was going to be made on that I have to be careful how far I go into this, because I do not waive the claim of public interest immunity in relation to privilege. But again the starting off point was whether there was sufficient information and evidence in the material that we had that would disclose a potential breach of the act.

**Senator RONALDSON:** And particularly reporting obligations?

**Mr Pirani:** And particularly in relation to reporting obligations because that is the only possible breach that we could be looking at in terms of section 315.

**Senator RONALDSON:** What were Mr Thomson's requirements in relation to reporting?

**Mr Pirani:** There were no requirements for Mr Thomson to report. The issue became—

**Senator RONALDSON:** Did Mr Thomson lodge a nil disclosure form after the 2007 election?

**Mr Pirani:** No, the return that was lodged was lodged on behalf of Mr Thomson's agent, which is the practice in all endorsed political candidates.

**Senator RONALDSON:** Was there a breach of any documentation that would in any way trigger section 137 of the Criminal Code, I think it was, in relation to false or misleading information?

**Mr Pirani:** We have our own provisions in relation to false and misleading information in section 315 of the Commonwealth Electoral Act. The advice that I requested from the DPP related to the Commonwealth Electoral Act and the reporting obligations contained therein.

**Senator RONALDSON:** Were there any reporting obligations or any documentation provided by Mr Thomson that could lead to an indictable charge under the Commonwealth criminal act? Surely you are not suggesting that the Electoral Act overrides division 137 in relation to false or misleading information or documents?

**Mr Pirani:** The reporting obligation of the Commonwealth Electoral Act applies to the candidates and the party agents where an agent has been appointed, and that has to be done at the point of nomination. Then the reporting obligation rests with the agent and the agent in this instance was not Mr Thomson.

**Senator RONALDSON:** But indictable offences under the Criminal Code, particularly the false or misleading information section, are a catch-all. That is not overridden by anything; is it?

**Mr Pirani:** That is my understanding.

**Senator RONALDSON:** If someone provides false information to you—you are aware of the requirements in relation to a document to get triggered under section 137: that there has got to be an indication that it is a serious offence et cetera—that would surely apply to

documentation provided to the Commonwealth in a whole variety of ways, I presume, including declaration and lodgement forms.

**Mr Pirani:** And the declaration and lodgement form in this instance was lodged by the party agent, as is able to be done under the Commonwealth Electoral Act.

**Senator RONALDSON:** I understand the political party and the candidate returns have that wording, don't they, that giving false or misleading information is a serious offence which of course is a trigger under section 137.

**Mr Pirani:** It is also a trigger under section 315.

**Senator RONALDSON:** There is one big difference between 315 and 137; isn't there? One is that one is a summary offence and the other is an indictable offence; is that right?

**Mr Pirani:** That is my understanding, yes.

**Senator RONALDSON:** And that is a very big difference because indeed the statute of limitations is applied to the summary offence but it most certainly does not apply to an indictable offence; is that right?

**Mr Pirani:** That is correct, but again the reporting obligation in this instance was on the party, on the candidate's agent, and it was the candidate's agent who filled out the form and lodged the form with the AEC, not the candidate.

**Senator RONALDSON:** Has there been any documentation at all filed by Mr Thomson or provided to the commission that could possibly trigger action under section 137?

**Mr Pirani:** I am not aware of any such documentation because Mr Thomson as a candidate did not have the responsibility of filing the candidate return. It was done by his agent.

**Senator RONALDSON:** Can you take that on notice for me, please?

**Mr Pirani:** Yes.

**Senator RONALDSON:** Mr Killesteyn, how did your discussion with the Fair Work commissioner go?

**Mr Killesteyn:** We approached the Fair Work commissioner as we made the commitment to you at the last estimates hearing. The advice we had from Fair Work Australia was that they had not yet concluded their investigations.

**Senator RONALDSON:** Mr Pirani, was it open to you to commence proceedings inside that three-year term irrespective of the advice from Fair Work Australia?

**Mr Pirani:** The short answer is no, it was not open to me, because I am unable to commence proceedings in relation to a criminal offence. That is the responsibility of the DPP. I am able to refer matters to the DPP but I am unable to commence proceedings in relation to a criminal offence under section 315.

**Senator RONALDSON:** Are we talking about the same matter? The matter where the three years expired in March. Were you still waiting for a DPP brief in relation to that matter?

**Mr Pirani:** We provided a brief of material that we had to the DPP, and the DPP examined it and determined that it was not sufficient to commence prosecution.

**Senator RONALDSON:** Was that not provided to you last year, or is that separate advice?

**Mr Pirani:** It was one and the same.

**Senator RONALDSON:** Why were you still willing in February to contact the Fair Work commissioner to obtain further information if, as you say, the DPP provided advice to you in December?

**Mr Pirani:** If I recall the discussion that you and I had at the time, you had asked me why we had not sought the Fair Work Australia report. I had understood a report may have existed. Fair Work confirmed that no such report had been done at that time. Accordingly, if a Fair Work Australia report did exist and pointed out any issues and further evidence that we could possibly have considered then I would have referred that urgently to the DPP.

**Senator RONALDSON:** Do you know if that report has been prepared in draft or other form?

**Mr Pirani:** The last contact I had with Fair Work Australia was the day after you asked me to take on notice and to undertake to approach Fair Work Australia, and as at that date no such report existed.

**Senator RONALDSON:** Minister, the Fair Work inquiry has been dragging on now for in excess of two years. A cynic would say that it was in the government's interest for the statute of limitations period to tick over for Mr Thomson before the release of any inquiry by Fair Work Australia. Indeed it would seem to me that there has been little incentive provided by the government to force anyone to get the Fair Work inquiry finished expeditiously. Do you know whether Fair Work was asked by the government to expedite the inquiry because of the forthcoming statute of limitations period on these other matters?

**Senator Wong:** No, I do not. Obviously they are not within this portfolio, so I would not have direct knowledge of that, or I would be unlikely to.

**Senator RONALDSON:** Are you in a position to now ascertain—

**CHAIR:** I have got some information for you. We have checked the records. As of yesterday there were still seven outstanding questions on notice. Since then we have received one of them but the number allocated to the matter you are referring to, number 39, still has not been received. The secretary has checked using the archive method that they use in the secretariat, so it has not been tabled.

**Senator RONALDSON:** In that situation would you as chair be prepared to refer this matter to the Senate? Perhaps I should explain why. I would have thought that one of the fundamental responsibilities of the Senate estimates process is for reasonable questions to lead to reasonable answers, and the public interest test is quite clear. My view would be that if we start to lose control of the ability of senators to force an answer in reasonable circumstances, then quite frankly the strength of these committees is completely and utterly diminished. I think it is inexcusable, quite frankly, given the nature of these matters that there has not been an answer and a statement tabled as to why this public interest test is not relevant in this case.

**Senator Wong:** If I could just respond, obviously it is a matter for the committee as to how it wishes to deal with procedures before the committee. I would make very clear there seems to be some implication with the words such as inexcusable, et cetera, that there has been some deliberate attempt to not deal with this matter. That is not the case. As I indicated to Senator Ronaldson when it first came up, I had been under the impression that it had been

tabled. I have given an indication that I will follow that up. Obviously, whilst I am the minister at the table, this is a matter that Mr Gray deals with and it may be that there has been some systems process in between. Obviously the committee can consider this perhaps prior to end of the estimates period. I will try to deal with it expeditiously.

**Senator RONALDSON:** In response to that my very strong view is that if these committees are to operate as is will of the Senate then I think the Senate should demand of the minister an explanation as to why this was not done. I think the matter is as serious as that. If there is a reasonable explanation then let the minister provide that to the Senate. I think it would be totally inappropriate for us to leave here in the next half an hour with this matter again just swept under the carpet. I do ask you to report the matter to the Senate.

**Senator Wong:** I am not sweeping it under the carpet. I have been upfront. I was under the impression it had been tabled. I have been advised it has not. I have given an indication to the committee. I will follow that up and we will endeavour to respond as soon as we are able.

**Senator RONALDSON:** It is not a reflection on you, Minister.

**Senator Wong:** I am just making—

**Senator RONALDSON:** I am not including you in this.

**Senator Wong:** If I fail to do so, obviously the committee has the capacity to deal with that at that point.

**CHAIR:** Senator Ronaldson, the committee will have to consider this matter but, as you would be aware, we will make that determination in a private meeting and then whatever the outcome is we will report that back. As you would know, senators have the ability to report the matter themselves to the Senate. But I will take a short break and call a private meeting. We just need a few minutes. We will go outside rather than have the officers leave, but if you give us a few minutes we will have a private meeting and consider the matter. We have checked all avenues from the secretariat's point of view. The minister has made a statement. We will take a short break, have a private meeting and come back.

#### **Proceedings suspended from 18:03 to 18:27**

**CHAIR:** In relation to the issue raised by Senator Ronaldson, which is an issue that the committee takes very seriously, the process of estimates is a process of putting questions to witnesses. When questions are taken on notice we set a date for the return of those. I do not think it is unreasonable for any committee, particularly for us, to expect that that timeline will be met. I acknowledge there has been an improvement in the turnaround of answers to questions taken on notice but, as I said, the committee is, to say the very least, very disappointed that there are still six questions outstanding. The one relating to Senator Ronaldson, in particular, is an issue for us. I would like the minister to take this on board, with whatever emphasis can be given, that we have the answers to those outstanding questions forthwith. The committee takes this matter very seriously. We, therefore, expect that those answers are received as soon as possible. As a committee, we will be meeting early in the first week of the Senate sitting to discuss this issue, so I sincerely hope that the answers are received forthwith. We will be dealing with outstanding questions that have been taken on notice and we will also be discussing other issues that have become apparent during this estimates process. We have done everything, from the secretary's point of view, and there has

been no receipt of these. We ask the minister to take that on board—as the minister here—to follow up.

**Senator Wong:** I will do so.

**CHAIR:** I thank the committee for their support on that. Senator Ronaldson, you have the call. Minister, you were not in the room at the time, but it is the wish of the committee to finalise this without going to a dinner break. We appreciate the officers' cooperation as well as yours. Senator Ronaldson.

**Senator RONALDSON:** I would like to go back to our discussion in relation to Coastal Voice. You said that this effectively fell at the first hurdle. Did you say that was in relation to the definition of 'entity'?

**Mr Pirani:** That was my recollection.

**Senator RONALDSON:** What was the issue in relation to the entity?

**Mr Pirani:** The definition of an entity, in section 287 of the act, is an incorporated or unincorporated body, the trustee of a trust. One of the issues that we first had to ascertain was whether Coastal Voice was an incorporated or unincorporated body or was the trustee of a trust. That is when we did the company searches and the search in New South Wales that merely disclosed that it was a business name.

**Senator RONALDSON:** Was it incorporated?

**Mr Pirani:** The search that we undertook found that it was not incorporated.

**Senator RONALDSON:** It was called the Coastal Voice Community Group Inc.

**Mr Pirani:** As a matter of law, when we did the search it was not a corporate entity.

**Senator RONALDSON:** But it is an unincorporated body?

**Mr Pirani:** That also was not clear. It was certainly a business name, but the actual legal status of it was not clear. It had an ABN. We did further work with New South Wales to do some searches in relation to what its status was in 2007.

**Senator RONALDSON:** It has an ABN, so surely it would fit under the title of an unincorporated body at the least?

**Mr Pirani:** Not necessarily.

**Senator RONALDSON:** Is the ABN indicative of a body that, if it is not incorporated, might be an unincorporated body?

**Mr Pirani:** No, not necessarily.

**Senator RONALDSON:** If it is called the Coastal Voice Community Group Inc. and it has an ABN, what proof did you need for it to be established as being an unincorporated body?

**Mr Pirani:** It was, again, looking at what the legal status of the entity was. We did the searches with New South Wales Fair Trading and the ASIC search in relation to a company search.

**Senator RONALDSON:** What did they show?

**Mr Pirani:** They showed that it was merely a business name.

**Senator RONALDSON:** But you were aware that it was called Coastal Voice Community Group Inc?

**Mr Pirani:** Yes.

**Senator RONALDSON:** And you did not think that it was appropriate to write to the organisation to clarify its status?

**Mr Pirani:** At the time in which we did the investigation the organisation no longer existed.

**Senator RONALDSON:** Did you think to write to Mr Thomson to ascertain what the nature of the business was, given that he was the president of the body?

**Mr Pirani:** No.

**Senator RONALDSON:** Would that not have sent your alarm bells off—that you had this community paper that was doing the right thing by the local community and had been provided these services and mysteriously it stopped operating? What an extraordinary coincidence, given the allegations that have been made in relation to the nature of its operations. Would that have set your alarm bells off in relation to it?

**Mr Pirani:** The nature of the allegations in relation to it, from my recollection, was that it was being used to promote Mr Thomson in his campaign.

**Senator RONALDSON:** As a front, yes. As an associated entity, effectively, which comes within the act. You are absolutely right.

**Mr Pirani:** We also had a look at the material that was in the newsletters and we could not conclude that it fell within paragraph (b), that it was an entity that operates wholly, or to a significant extent, for the benefit of one or more registered political parties.

**Senator RONALDSON:** You are reading through the requirements of the act now. You told me before that you could not ascertain whether it was an unincorporated body or an incorporated body or a trustee, which then triggered the decision not to pursue it.

**Mr Pirani:** No.

**Senator RONALDSON:** I think you will find that you did. So you are saying that you ascertained that and then did a full investigation in relation to the associated entity?

**Mr Pirani:** The material we have on our website indicates the nature of the investigation when we looked into the status of Coastal Voice and its operations; yes.

**Senator RONALDSON:** So you went through and satisfied yourself of (a) to (f), ‘associated entity’—your document—for Coastal Voice? You went through (a) to (f) to see whether any of those met the test?

**Mr Pirani:** Indeed.

**Senator RONALDSON:** How many copies of Coastal Voice did you look at?

**Mr Pirani:** Only two. There were only two that we were able to locate.

**Senator RONALDSON:** Two?

**Mr Pirani:** That is correct.

**Senator RONALDSON:** When did you start your investigation?

**Mr Pirani:** The allegations were first published in the *Sydney Morning Herald* on 10 April 2009 and 11 May 2009.

**Senator RONALDSON:** When did they stop operating?

**Mr Pirani:** I would have to refresh my memory on that. I would have to take that on notice. I do not have the material in front of me. My recollection was that they ceased operating shortly after the November 2007 general election.

**Senator RONALDSON:** Would that indicate to you that the rationale behind Coastal Voice was indeed for the purposes of an election campaign?

**Mr Pirani:** I am unable to assess the rationale. I have to assess it against the provisions in the act that contain the various reporting obligations—whether it had to be either an associated entity, a donor, a candidate or a political party who had a reporting obligation. The only rationale that I could look at this against was whether it was an associated entity that somehow engaged in activities that required the reporting obligation as set out in section 314AA, I think it is, of the Commonwealth Electoral Act.

**Senator RONALDSON:** Let us go through the evidence that you had before you. You had the fact that Mr Craig Thomson, a Labor candidate in that seat, was the president or chairman of Coastal Voice.

**Mr Pirani:** My recollection is that he was the president.

**Senator RONALDSON:** Yes, the president. The president of Coastal Voice is Mr Thomson. Immediately after the election, according to your evidence, Coastal Voice suddenly stopped operating. Let us go through the associated entity test. It states:

- (a) an entity that is controlled by one or more registered political parties; or
- (b) an entity that operates wholly, or to a significant extent, for the benefit of one or more registered political parties; or
- (c) an entity that is a financial member of a registered political party; or
- ...
- (f) an entity on whose behalf another person has voting rights in a registered political party.

Mr Pirani, with the greatest respect—and I have enormous regard for your professionalism—I think that given everything that was there it was totally inappropriate for the AEC to rely on some press reports and some Google searches in relation to the structure of this organisation and to leave it at that. I think the commission has been extremely remiss in not pursuing this further. You made no attempt to contact anyone within the organisation to obtain back copies. You have not approached the organisation or anyone within it. It is not as if they have gone off to Mars. You knew exactly who they were, particularly one of them, and you knew exactly where that gentleman was. There was no endeavour at all to write to him, even on a voluntary basis. You were not prepared to issue a certificate on a voluntary basis; the information that you needed to ascertain and deem whether this met the associated entity test—

**Mr Killesteyn:** That is a strong statement that you have made.

**Senator RONALDSON:** It is a very strong statement.

**Mr Killesteyn:** Indeed. I have every confidence in the approach that Mr Pirani has taken in this matter. The circumstances and the basis of the investigation have been fully laid out on our website.

**Senator RONALDSON:** Mr Killesteyn, I am sorry to interrupt—

**CHAIR:** Senator Ronaldson, the witness was responding.

**Senator Wong:** Let him finish.

**CHAIR:** Let him finish. Senator Ronaldson, I am asking you to allow the witness to complete his response to your statement and then you will have another opportunity. Mr Killesteyn, you have the call.

**Mr Killesteyn:** The only point I wanted to make is that the investigation and the manner in which it has been conducted are fully laid out on our website. We have been open and transparent about that.

**Senator RONALDSON:** The point I was going to make was that I referred to the commission and not to Mr Pirani. I have already indicated my views about Mr Pirani's professionalism. I am saying that the organisation, the Australian Electoral Commission, has not followed this matter with the due diligence that I believe was appropriate, given all the evidence that we have been given over the last three estimate hearings and again to date, particularly that this Coastal Voice community group folded immediately after the election. I will not pursue that any further.

**Mr Killesteyn:** I respect your view, but I also have my view. I think the matter has been pursued appropriately.

**Senator Wong:** I will remind you that, if you do not like the outcome, it does not mean that you trash the process.

**Senator RONALDSON:** No, I do not like an outcome where, in my view, because of a lack of diligent process someone can set up an organisation prior to an election, head that organisation, use it for their election and then have that organisation fold after the event, not be an associated entity and have no requirements at all to meet the obligations of the Electoral Act, which I view, quite frankly, as probably the single most important legislation that this parliament overviews. You have made your point and I have made mine.

**Senator Wong:** That is a set of assertions.

**CHAIR:** Senator Ronaldson, any further questions?

**Senator RONALDSON:** There are a number of matters arising from the unanswered question. I thank you for your comments to the minister about this. It has put me in a very difficult position that I cannot pursue the matter now. The next opportunity will be in October, and I think it is very unfortunate for the process, but I thank you for your endeavours as the chair. I have no further questions.

**Senator FIFIELD:** Mr Killesteyn, you had some good luck in the budget, receiving an extra \$10 million. I do not see you smiling. I thought that was a good budget for the AEC. The measure was described as being in order to maintain the operating capacity of the Australian Electoral Commission, which we would all agree is a good thing. Did that \$10 million come about as a result of a submission from the AEC to the government that that money was needed?

**Mr Killesteyn:** The measure is single-year funding, one-off funding, for the financial year 2011-12 and is pending a fuller review of the financial arrangements of the AEC. We had ongoing discussions with the department of finance and ultimately with government about the appropriate funding structure for the AEC.

**Senator FIFIELD:** So there could be more to come?

**Mr Killesteyn:** One can always be optimistic. This is an issue where we have simply put the case that since the last time the funding structure of the AEC had been reviewed, which was based on the 2003-04 financial year and finally put in place in the 2004-05 financial year, things had moved on and we needed a fresh look at the financial structure of the AEC.

**Senator FIFIELD:** So it is part of a pitch for a higher base funding for the AEC?

**Mr Killesteyn:** As I said, one can always be optimistic. But here is a process which is going to look intensively at the way in which the AEC ought to be funded. It is an independent review. It will be conducted through the department of finance and ultimately a report will go to government.

**Senator FIFIELD:** Mr Gray's spokesperson stated, 'By bringing forward funding to the AEC and the electoral cycle and smoothing costs across the three-year period the commission will be able to make better use of long lead times to obtain lower processes for resources such as bulk paper and cardboard purchases and other costs.'

**Mr Killesteyn:** That is correct. As soon as the election is finished, it should not surprise anyone that we start to get ready for the next election, and part of that is to look at our contracts. We have substantial contracts in place for the purchase of cardboard, paper and small materials—pens, paper and those sorts of things. That is the whole of the AEC budget, not just this additional \$10 million. That is what we do. That is the business. Indeed, some have asked me, sometimes tongue in cheek, 'What do you do between elections?' The simple answer is that we get ready for the next one, which is a big task.

**Senator FIFIELD:** People sometimes ask members of parliament the same thing, which is not fair. You will have seen the media commentary that this is funding for a possible snap poll.

**Mr Killesteyn:** I have seen it and, as I said, I find it strange that people would think that we are not getting ready for the next election, whether it is a snap poll, an early poll or a full-term poll. That is what we do.

**Senator FIFIELD:** So on this occasion you will be ready sooner than usual?

**Senator Wong:** There is an assertion about the funding base that Mr Killesteyn has spoken about. The government has obviously dealt with this by providing some funding. This is completely without conceding Mr Killesteyn's case to me, because I would not want to do that, but that is the assertion. We provided the \$10 million and, as is not unusual in a situation where an entity or an agency asserts there is a base funding problem, there is a review, which is referenced in the budget to occur prior to the 2012-13 budget.

**Senator FIFIELD:** I heard an intake of breath from the chair. This money is serving a number of purposes. You have an argument that the AEC needs more base funding. This is to tide you over while there is a review undertaken as to whether the AEC has a case for higher based funding; is that a fair way to put it?

**Mr Killesteyn:** That is a fair description. We will need to go through a process. I think it was an appropriate response from the government. We continue our preparations; if an election is held six months from now then we will be six months more ready than we would be if it were held today and so forth.

**Senator FIFIELD:** So the purpose is not to be ready for a snap poll, but a by-product of this money is that you will be ready sooner than would otherwise be the case?

**Mr Killesteyn:** Irrespective of whether the funding was there or not, we would have been more ready tomorrow than we are ready today. We have a lot of work to do—reviewing contracts, inspecting 7,500 polling places, fixing up systems and procedures and training staff. There are a plethora of activities that goes into creating an election.

**Senator FIFIELD:** You always rise to the challenge, but you are more capable of rising to it earlier. I would like to refer to a tender called before the last election, which was for the online advertising campaign for 2010-11, with a contract value of about \$315,000. Was this a first for the AEC in terms of online election advertising or expanding upon what the AEC has previously done online?

**Mr Killesteyn:** The contract that I think you are referring to related to efforts that we were embarking on in the latter part of last financial year and the early part of this financial year to promote enrolment. In the absence of a large-scale advertising campaign using normal media, such as television, we looked at alternatives which were more cost efficient in one respect, or cheaper. So, yes, this was the first time that we were using it in a way to try to promote enrolment.

**Senator FIFIELD:** So it was primarily focused on enrolment?

**Mr Killesteyn:** Indeed. Quite apart from the advertising that is conducted during the election campaign, most of the other advertising is related to enrolment promotion. I think I have spoken about this before in 2007—that ahead of the 2007 election there was a large amount of expenditure on TV advertising. This time around we decided to try through the online media.

**Senator FIFIELD:** Did this online approach result in any savings in the money expended in more traditional advertising?

**Mr Killesteyn:** It is hard to talk about savings. I guess the question is whether it was more effective.

**Senator FIFIELD:** That is another question.

**Mr Killesteyn:** It did not generate as much enrolment activity as we would have liked. I have given evidence before that we have a large number of people who are not enrolled—some 1.4 million is our estimate. The demographics of that suggests that it is largely made up of youth, people between the ages of 18 to 24. It seemed to us that we ought to be looking to target the media relevant to that demographic and so the online approaches were taken. Bear in mind that we started this in about April or May of 2010, and we did not have an opportunity to roll it out fully before the election had been called. In fact, I have just been given a note here that the planning for this was to go for a three-month period, but we only had about 1½ weeks once the election had been called for it to be fully rolled out. It is still in its infancy.

**Senator FIFIELD:** Would you try the approach for the next election?

**Mr Killesteyn:** Indeed we would. I can recall some early figures when we first started that, if you look at not only the online approach but the tag line that we had with it, 'Famous people vote too', we had initial information that that was being promoted right across radio networks. It was generating quite a lot of interest.

**Senator FIFIELD:** I have one more question about another contract for \$80,000 for media training sessions with Haystac Public Affairs.

**Mr Killesteyn:** That is correct.

**Senator FIFIELD:** What was that media training for?

**Mr Dacey:** It was mainly for our state managers of our Australian electoral offices in each state and our public affairs officers, which is something that we do. We had a high turnover of state managers. So it is just media training, because they do a hell of a lot of media over the election period.

**Senator FIFIELD:** Haystac also received \$275,000 for public relations activities for the 2010 federal election. Were those public relations activities just the usual sorts of things that the AEC does to promote awareness and electoral enrolment?

**Mr Killesteyn:** Yes. To give you an example, as the Electoral Commissioner, I brief the media. We used Haystac to coordinate all of that activity and to ensure that we had senior media representatives coming along to listen to what I was going to say. The briefings were around enrolment issues and the information that we provide through the VTR. We had coordination of mobile polling media events, regular radio interviews, preparation of fact sheets and ensuring that they were being distributed throughout the media. We were trying to generate stories to get people interested in enrolment. It is a whole range of issues where they have the expertise and the connections to be able to do that for us.

**Senator FIFIELD:** That was \$275,000 essentially just for the period up to the 2010 election?

**Mr Killesteyn:** I believe so. A total of \$266,588 was spent on that contract during the five-week period from the time that this contract kicked off to the commencement of the election.

**Senator FIFIELD:** You said that involved getting media along to briefings. So that is having them on the phone to journalists or emailing them to get them along to briefings. What else did it involve? Were they actually producing and distributing materials for the AEC?

**Mr Killesteyn:** Indeed. I can go through it again. There was a remote mobile polling media event in the Northern Territory. That was a media event on remote mobile polling in remote Indigenous communities, which resulted in stories in major metropolitan and regional radio, television and press. We also did a remote mobile polling event in Western Australia. There were regular radio interviews with AEC spokespeople, including national television. Numerous regional media coverage of case studies on early voting; provision of fact sheets with key facts and figures of the election.

**Senator FIFIELD:** Provision of fact sheets to the media?

**Mr Killesteyn:** On the AEC website. There were early voting media stories with football teams, Defence personnel and so forth. That was part of our 'Famous people vote too'

campaign. That resulted in significant media coverage. Media event and media coverage of case studies on blind and low-vision voting—one of the things that I know you are very interested in.

**Senator FIFIELD:** Indeed.

**Mr Killesteyn:** There was provision of overseas voting messages to a range of organisations, including travel agents and online airline booking sites. There was significant media coverage of stories on polling officials, essentially around encouraging the numbers of people that we need for the election, and also coordination of media attendance at polling places on election day. We are in the process of evaluating that particular campaign. It has not been finalised yet, but we will use that evaluation as part of our planning for the next election.

**Senator FIFIELD:** Is this the first election that the AEC has used a public affairs company in that way for that range of activities or is that standard for elections?

**Mr Dacey:** No. It has been standard for some elections now.

**Senator FIFIELD:** So those are activities beyond the scope of your own media and public affairs full-time staff?

**Mr Killesteyn:** Yes. We have very competent media people, but Haystac brings a much more intimate knowledge of the media and the connections that we need to be able to get the stories that we want. Sometimes elections are not the most exciting things, from the point of view of process, so we need to get them placed successfully.

**Senator FIFIELD:** Indeed. I guess anyone would develop an intimate knowledge for \$275,000 over five weeks.

**Mr Killesteyn:** The alternative is—and I think this is a serious point—that if you look at 2007, where some \$36 million was spent, I think we got very good value for money.

**Senator FIFIELD:** It would be interesting if you could take on notice and provide the cost for that sort of activity for this election and the two before that.

**Mr Killesteyn:** Yes. There is plenty of material, including a review by the Australian National Audit Office, which has looked at this particular issue. I can refer you to that as well.

**Senator FIFIELD:** So the AEC is doing better with fewer dollars in this particular regard?

**Mr Killesteyn:** I like to think so, but we still have a big challenge.

**Senator FIFIELD:** Thank you.

**CHAIR:** I believe that concludes the questioning. Again, thank you, Mr Killesteyn and officers, for appearing before us. I thank the minister. I place on the record my thanks to the secretariat for their work at estimates—not only the officers and departmental personnel but also the committee secretariat, which does a lot of work. I thank the Hansard staff as well. We will see you at the next estimates. We stand adjourned.

**Committee adjourned at 19:00**