



COMMONWEALTH OF AUSTRALIA

SENATE

Official Committee Hansard

EMPLOYMENT, EDUCATION AND TRAINING
LEGISLATION COMMITTEE

FRIDAY, 6 MARCH 1998

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SENATE

FRIDAY, 6 MARCH 1998

EMPLOYMENT, EDUCATION AND TRAINING LEGISLATION COMMITTEE

Portfolios: Employment, Education, Training and Youth Affairs

Members: Senator Tierney (*Chair*), Senator Carr (*Deputy Chair*), Senators Ferris, Mackay, Stott Despoja and Synon

Senators in attendance: Senators Carr, Ferris, Harradine, Mackay, O'Brien, Synon and Tierney

Committee met at 9.05 a.m.

DEPARTMENT OF EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS

Proposed additional expenditure, \$62,996,000 (Document A).

Proposed additional expenditure, \$4,456,000 (Document B).

Consideration resumed from 27 February.

In Attendance

Senator Ellison, Minister for Schools, Vocational Education and Training
Department of Employment, Education and Training

Mr Steve Sedgwick, Secretary

Mr Wayne Gibbons, Deputy Secretary

Mr Peter Grant, Deputy Secretary

Program 4—Employment

Employment and Purchasing Division

Mr Ian Campbell, First Assistant Secretary

Ms Ashlyn Farrelly, Acting Assistant Secretary, Service Delivery Strategies Branch

Mr Bob Harvey, Assistant Secretary, Employment Market Development Branch

Mr Finn Pratt, Assistant Secretary, Resources and Analysis Branch

Mr Peter Reeves, Assistant Secretary, Regional and Employer Servicing Branch

Mr Russell Patterson, Assistant Secretary, Indigenous Employment Initiatives Branch

Ms Sheila Butler, Assistant Secretary, Work for the Dole Task Force

Mutual Obligations Task Force

Ms Leslie Riggs, Head, Mutual Obligations Task Force

Centrelink

(Attendance during Program 4)

Ms Carolyn Hogg, Customer Segment Leader—Employment Services

Ms Sue Finnigan, Manager, Work for the Dole

Employment Services Regulatory Authority

Mr Denys Martin, Acting Chief Executive Officer

Mr Ken Cooper, Director, Services

Ms Helen Rawicki, Director, Case Management Support

Program 6—Portfolio Administration and Advising

Analysis and Evaluation Division

Dr Wendy Jarvie, First Assistant Secretary

Dr Paul Volker, Assistant Secretary, Economic and Labour Market Analysis Branch

Ms Linda Lipp, Assistant Secretary, Skills Analysis and Research Branch

Mr William Thorn, Assistant Secretary, Evaluation and Monitoring Branch

Mr Bob McHugh, Director, Sectoral Analysis Section

Human Resources Division

Mr Bill Burmester, First Assistant Secretary

Mr Tony Swift, Acting Assistant Secretary, Purchasing Branch

Operations and Performance Division

Mr Bob Correll, First Assistant Secretary

Ms Pat Watson, Assistant Secretary, Finance Branch

Employment National

Mr Don Swan, Chairman

Mr Rod Halstead, General Manager, Corporate Affairs

Mr Peter Storey, Managing Director

Legal and Review Division

Mr Brian McMillan, First Assistant Secretary

Mr Keith Thomas, Acting Assistant Secretary, Fraud Prevention and Benefits Control Branch

DEETYA Secretariat

Finance Branch

Mr Robert Hesterman

Ms Paula Ridgway

Department of Finance and Administration

Mr Chris James

Mr Garry Brooke

Mr Eddie Wojcik

CHAIR—I declare open this public meeting of the Senate Employment, Education and Training Legislation Committee. The committee has already examined the additional expenditure of this portfolio in its hearings on 12 November. Today we will continue from last week's supplementary hearing into those matters which senators have given notice of. The committee will commence with subprograms 4.1, 4.2, 4.6, 4.7 and then proceed to subprogram 6.1. The committee has agreed to meet from 9 a.m. to 3 p.m. If required, we will adjourn for

lunch between 1 p.m. and 2 p.m., although I believe there is an informal agreement that, if required, we might work through lunch.

The date for the department to submit written answers to questions on notice has been set at 1 April 1998. I remind participants that all oral evidence and documents in estimates proceedings are part of the public record. I welcome Senator the Hon. Chris Ellison, the Minister for Schools, Vocational Education and Training. I also welcome the secretary to the department, Mr Steve Sedgwick, and other officers of the Department of Employment, Education, Training and Youth Affairs. Minister, do you wish to make an opening statement?

Senator Ellison—No, I do not wish to, but at subprogram 4.7 the secretary will make a statement which may assist.

CHAIR—Are there no other opening statements?

Senator Ellison—Other than to confirm that we are sitting from 9 a.m. to 3 p.m., and I am happy to go through lunch.

CHAIR—Thank you, Minister.

Senator MACKAY—Mr Chairman, it may be useful for Mr Sedgwick to make his statement now, given that a number of the questions that we have cross all subprograms and are interrelated. It is up to him, but if he is making a statement which may expedite matters, then I suggest it would make sense to do it at this point.

Mr Sedgwick—The statement is specific to the tender assessment process.

CHAIR—Thank you. Are there any questions on program 4, subprogram 4.1, Job seeker registration, assessment and referral.

[9.07 a.m.]

Program 4—Employment

Subprogram 4.1—Job seeker registration, assessment and referral

Senator MACKAY—I am curious, Mr Sedgwick, as to your legislative power to determine if a person who has been in case management for 39 weeks should continue.

Mr Pratt—The terminating events which apply to case management do not cover whether or not someone has been in case management for 39 weeks or more. There is a terminating event which applies when someone has been in case management for 12 months or more. I assume you are referring to letters which advise contracted case managers that job seekers who had been in case management for more than 39 weeks would have lower priority for referral to FLEX 3 under the new arrangements?

Senator MACKAY—Yes.

Mr Pratt—That is not based on a legislative power; that is based on a policy position that those who have had extensive case management experience generally—and I stress ‘generally’—would not have high priority for referral into FLEX 3.

Senator MACKAY—So the situation is that the ones who have been in continuous case management for 39 weeks have a low priority in terms of access to FLEX 3, but the tender documents specifically indicate that the new providers have to retain people on FLEX 3 on the books for 52 weeks.

Mr Pratt—Under FLEX 3, people will have at least 52 weeks worth of assistance.

Senator MACKAY—Why has the policy position been adopted of a 39 week cut-off?

Mr Pratt—Some of those job seekers who have been in case management for 39 weeks or more may, in fact, have been in case management for more than 12 months, 11 months or 10 months. So there is a wide spread. Essentially the rationale is that these job seekers have had a great deal of assistance already. Our statistics show that after 39 weeks they have a very reduced likelihood of getting a job through case management. The idea is that under FLEX 3 we would like to, as far as possible, give as many people who have not had substantial assistance a go.

Senator MACKAY—What statistics are you referring to there?

Mr Pratt—I am referring to the numbers of terminating events which occur for job seekers once they have been in case management for more than nine months.

Senator MACKAY—With the 39-week policy position, what is going to happen to those people?

Mr Pratt—They will have access to the full range of the Job Network assistance, including if they apply to FLEX 3.

Senator MACKAY—Are they being communicated with in that respect?

Mr Pratt—Yes. They will be sent a letter which explains that their case management assistance will end at the end of April. They will get a range of information about services available to them through Centrelink, and they will be referred to Centrelink if they require further assistance or clarification of their situation.

Senator MACKAY—Do they need to respond to that correspondence?

Mr Pratt—Only if they wish to.

Senator MACKAY—So they are not required to respond to the correspondence advising that they may or may not be eligible for FLEX 3?

Mr Pratt—That is correct.

Senator MACKAY—What happens if they decide not to apply for, or be considered for, FLEX 3? Can they change their position?

Mr Pratt—At a later stage they could, and they may get referred to intensive assistance, as we are referring to FLEX 3, subject of course to demands on the available places from other job seekers who may not have had FLEX 3 assistance.

Senator MACKAY—So there is a proviso there, is there?

Mr Pratt—There are always more people looking for assistance than there are places available. That has always been the case with labour market assistance. Down the track someone may say, 'I have been in case management previously. I would like to try this FLEX 3.' If they are eligible because they are still considered to be at risk of extended unemployment, they would be assessed as such and given an opportunity to transfer into FLEX 3, subject to competing demand from other job seekers who also—

Senator MACKAY—Why wouldn't they be eligible, though?

Mr Pratt—Because they may still require some assistance to get a job.

Senator MACKAY—Why wouldn't they be eligible for FLEX 3 at a later date?

Mr Pratt—The process which will be used to determine eligibility for FLEX 3 will be very similar to the one used for case management currently, which is working out whether or not someone is at high risk of long-term unemployment and whether they are especially

disadvantaged in the labour market in their search for work. If they are considered to be through application of the classification process, they would be eligible for FLEX 3.

Senator MACKAY—If somebody has been long-term unemployed or has intensive assistance for 39 weeks, are you suggesting that they would not be regarded as being in need of FLEX 3 assistance?

Mr Pratt—It depends. They may or may not. If you were to assume that they had been unemployed for at least 39 weeks, they may still not be long-term unemployed even though they had had that period in case management.

Senator MACKAY—Could you explain that to me?

Mr Pratt—Someone might have been referred into case management on the day they registered for employment assistance because they were considered to have a number of barriers to getting work. During their period in case management, some of those barriers may be addressed. After they have been in for 39 weeks, at some later date we would want to assess their circumstances to see that they were still needing intensive assistance. There is no point in putting someone into intensive assistance who does not need that assistance.

Senator MACKAY—What about your standard long-term unemployed person?

Mr Pratt—Generally, a standard long-term unemployed person would be eligible for intensive assistance but, again, it depends on the extent to which they identify as having barriers to getting work. It is possible that you could be long-term unemployed and eligible for intensive assistance but have a slightly lower priority than other job seekers who have greater needs. They would probably get referred first. It depends on how many places are available.

Senator MACKAY—What do you mean by, ‘It depends on how many places are available’?

Mr Pratt—It depends on how many intensive assistance places are open with FLEX 3 providers at any given time.

Senator MACKAY—So is it possible that somebody who has decided not to re-register for FLEX 3 assistance might be denied down the track if they change their minds because there is not sufficient FLEX 3 available?

Mr Pratt—I would answer your question this way: it is possible that any job seeker may not get into FLEX 3 immediately on the basis that a position is not available at the time they become eligible.

Senator MACKAY—Any job seeker who is eligible for FLEX 3?

Mr Pratt—That is correct.

Senator MACKAY—So if everybody who is currently eligible for FLEX 3 applied for FLEX 3, they may not get it. Is that what you are saying?

Mr Pratt—What I am saying is that there are more people who are potentially eligible for FLEX 3 at any given time than the number of FLEX 3 places.

Senator MACKAY—Do you know what the differential is there?

Mr Pratt—No, I do not.

Senator MACKAY—But you have made a statement that there are a number of people who will be eligible for FLEX 3 but there are not sufficient FLEX 3 places. Has the department done an assessment of that?

Mr Pratt—Broadly, I would say that we would expect in any given year perhaps a third of job seekers might be eligible for FLEX 3. I believe this was covered off in the request for tender.

Senator MACKAY—I have a number of questions on that, too.

Mr Pratt—And based on our experience with case management.

Senator MACKAY—Just to move on to the same sort of matter, is the department exiting over 50s from case management at the moment?

Mr Pratt—Some job seekers who are over 50 who are in case management may be exiting from case management regardless of whether they are with the department's case management organisation, Employment Assistance Australia, or with a private contracted case manager. They are only being exited if they wish to do so. It is a voluntary provision.

Senator MACKAY—Why is this initiative happening? Why are over 50s being encouraged to be exited?

Mr Pratt—This provision has been in place since December 1996, so people have been using that terminating event to leave case management since that time.

Senator MACKAY—It may have been in place since December 1996, but is there more activity in this area now than there has been previously?

Mr Pratt—I am not aware if there has been an increase in the exiting under that terminating event.

Senator MACKAY—Has CES written to the area managers in this regard?

Mr Pratt—I cannot answer questions on what the CES has done.

Senator MACKAY—Can somebody help with me that?

Mr Correll—Could you repeat the question, please?

Senator MACKAY—I am curious as to whether the CES is proactively attempting to exit over 50s from case management.

Mr Correll—I do not believe that there is any action currently being taken by the CES to attempt to proactively exit such job seekers from case management. Not that I am aware of.

Senator MACKAY—You are not aware of any correspondence in this regard?

Mr Correll—I am not aware of any correspondence.

Senator MACKAY—I have some correspondence here. It is from CES to an area manager, which states:

. . . CES to give three weeks notice to Centrelink prior to the following changes being implemented—
And it states explicitly:

. . . exiting of all 50-plus candidates who do not wish to be case managed.

The memo is in respect of the new employment services market. Are you aware of correspondence of this ilk?

Mr Correll—I am not aware of that specific correspondence. I would like to take that issue on notice.

Mr Pratt—I might help you. I have seen that letter, I believe. It was attached to a press release by Mr Ferguson. Is that correct?

Senator MACKAY—I do not know where I got it from, but I have it.

Mr Pratt—I have seen one letter from someone in CES management which is advising case managers to consider the use of the various terminating event provisions. I did not read it though as proposing to force people out of case management or anything like that. I think the term you read there was if they ‘wish’ to exit.

Senator MACKAY—But you would accept that it is a proactive policy?

Mr Pratt—Yes.

Senator MACKAY—How many people are affected by this?

Mr Pratt—I could not give you an exact figure at all, but I would think very few. There are a very small number of job seekers who would be in that situation—over 50, in case management and in voluntary work. I think it would be a very small number.

Senator MACKAY—So there are a very small number of job seekers who are over 50 and eligible for case management and FLEX 3 if they so choose?

Mr Pratt—No, what I am saying is that the number of job seekers who are in case management currently who are over 50 and who meet the various conditions of that terminating event—which are that they might be in voluntary work, a combination of voluntary work and part-time work or on reduced reporting with Centrelink—would be very small. I am just saying that, even if there is a proactive strategy at work there—and I am not suggesting there is—it would only apply to a very small group of job seekers in case management.

Senator MACKAY—But the CES memo does not say that. It just talks about exiting 50-plus candidates from case management. There are no codicils there that talk about voluntary work, part-time work or whatever.

Mr Correll—I assume it is shorthand.

Senator MACKAY—Shorthand?

Mr Correll—Yes. Shorthand for proper use of the terminating event provisions. All case managers have access to those.

Senator MACKAY—It says:

. . . exiting of all 50-plus candidates who do not wish to be case managed.

But you are saying it meant to mean everybody 50 plus who was in voluntary work, part-time work, et cetera?

Mr Pratt—If you will bear with me, I will see if I can actually find the terminating event.

Senator MACKAY—What I am after is what precisely the policy is without the provisos that you have articulated. If they do exist, I appreciate that. If they do not exist, I would like to know how many people are affected.

Mr Pratt—We will take that on notice.

Senator MACKAY—I will go to events in the House of Representatives this week and a question asked by Mr Beazley to Mrs Bishop with regard to Defence Force spouses. This goes to the question of access, which is broadly what we are on at the moment. Mrs Bishop said:

. . . where people are either on the dole or not on the dole, they are still entitled to have access to all the programs that he—

meaning Dr Kemp:

has put in place without a fee.

Is that correct?

Senator Ellison—I think this is 4.7, Employment services market.

Senator MACKAY—It is about people who are considered eligible or not eligible for access, job seeker registration, assessment and referral. It goes to the question of whether, if you are or are not on benefit and eligible as a result of being on benefit for a 12-month period, you can access certain FLEX 3.

Mr Campbell—I understand that the question you are asking is whether or not people who are not on various forms of social security benefit are eligible for Commonwealth funded assistance in the new market starting on 1 May. For the intensive forms of assistance such as FLEX 3, people who are not on a form of social security benefit are not eligible. Of course, those job seekers are eligible and, indeed, will be encouraged to use all the self-help facilities that will be in Centrelink. They will be able to access the national vacancy database and they will be able to approach employment providers, Job Network members, but the Commonwealth will not pay for the placing of any of those individuals into a job.

Senator MACKAY—The response that Mrs Bishop gave was not correct?

Mr Campbell—I have not seen the response made by the minister in the House.

Senator MACKAY—Mrs Bishop said, ‘Contracted agencies indicated to us’—that is the government—‘that they are proposing to offer services to all unemployed, whether they are on benefits or not, without fees.’

Mr Campbell—That is not inconsistent with what I said, Senator. What I said was that the Commonwealth would only provide a fee to providers in respect of those job seekers who are on social security benefits. However, I think what the minister may have been referring to is the fact that a number of providers in the last week have publicly said that they will be providing job brokerage services to all job seekers, not only those on benefit. The distinction here is: to which ones the Commonwealth will pay a fee.

Senator MACKAY—Let us go to that question. I indicated that Mrs Bishop actually said that all the programs put in place by Dr Kemp would be available to Defence Force personnel without a fee. I appreciate you cannot answer this, Mr Campbell. Is that a guarantee that the government can adhere to, Minister?

Senator Ellison—If the minister said it, it is obviously correct.

Senator MACKAY—So you will guarantee that the spouses of Defence Force personnel would be able to freely access all services and programs put under Dr Kemp’s regime?

Senator Ellison—I cannot give a guarantee for another portfolio. You are talking about the Minister for Defence Industry, Science and Personnel; you had best speak to her.

Senator MACKAY—But you just indicated that if she said it, it must be correct.

Senator Ellison—She is speaking for her portfolio.

Senator MACKAY—I do not think she is correct. She is actually speaking on behalf of Dr Kemp’s portfolio.

Senator Ellison—I just stick to mine.

Senator MACKAY—This is something that you might be able to comment on. Dr Kemp said explicitly—this is something you might be able to comment on—and I repeat the quote I gave earlier, ‘Contracted agencies indicated to us that they are proposing to offer services to all unemployed, whether they are on benefits or not, without fees.’ Could you amplify what is meant by that statement, and also by Mr Campbell’s comments, that a number of providers have indicated that they are prepared to do this?

Senator Ellison—I have not had the contact with the agencies that Dr Kemp obviously has. He is speaking from direct knowledge, obviously. I cannot comment on that.

Senator MACKAY—Mr Campbell, can you comment on that? You made the comment earlier.

Mr Campbell—The advice I have received has been where agencies have indicated to the minister—that is Dr Kemp—or the minister's office, in response to this issue being raised in the media, that they would be willing and will be providing job placement services to all job seekers, and not just in respect of those for which the Commonwealth will be paying a fee.

Senator MACKAY—How many have indicated that they are prepared to provide FLEX 3 services for free?

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

Senator MACKAY—Have any indicated that they are prepared to provide FLEX 3 services without fees?

Mr Campbell—As I said, there have not been any direct conversations between myself and any of the providers concerned. So I would have to take that on notice.

Senator MACKAY—Minister, are you aware whether any agencies have been in contact and said they are prepared to provide FLEX 3 services for free? What is the basis for Dr Kemp's statements?

Senator Ellison—I will have to take that on notice. I have not been dealing with the agencies. It is not my area of responsibility; I cannot answer that. I will have to make inquiries.

Senator MACKAY—Does anybody know precisely why the minister made those comments, and what those comments were predicated on?

Mr Sedgwick—The minister had had a number of assurances from a number of agencies. I am afraid we just do not have the detail with us now.

Senator MACKAY—Are you aware of any assurances that were given by agencies with regard to the provisional FLEX 3 services for free?

Mr Sedgwick—I am not aware of agencies offering FLEX 3 services for free, but we will check that.

Senator MACKAY—That appears to be a stark contradiction of the minister's comments.

Mr Sedgwick—No, I do not think so. A number of agencies have certainly indicated to the minister, and the minister has indicated elsewhere, that they would be prepared to service a client who is interested in pursuing a particular vacancy.

Senator MACKAY—Let's not mince words here; that is FLEX 1. I am talking about whether any agencies have indicated they are prepared to undertake FLEX 3 services without a fee.

Mr Sedgwick—FLEX 3 is a government program designed to deliver benefits to a particular cohort of the population, as was its predecessor, case management. Agencies have indicated that they are prepared to offer a range of services, but I am not sure that any have indicated that they would be prepared to offer the full range of FLEX 3 services in cases in which we would not be prepared to pay. They have certainly indicated that, if an individual identifies a vacancy out of the national vacancy database which they wish to pursue with an agency, they will receive assistance in that context.

Senator MACKAY—I accept that. That is not the point at issue. What about a circumstance where there is a job seeker who has not been in receipt of benefit for 12 months, and is not therefore eligible for FLEX 3? What happens to them?

Mr Sedgwick—It is the same as now: those that are not eligible for a government program do not receive a government funded benefit.

Senator MACKAY—What is the current situation for somebody who is registered with the CES for 12 months? Are they regarded as long-term unemployed?

Mr Sedgwick—They can be regarded as long-term unemployed. Whether they would be referred to case management depends on a number of other things.

Senator MACKAY—Can somebody advise me whether there are any long-term unemployed people under the current criteria, that is, people who have been registered with the CES for 12 months, who have been referred to case management?

Mr Pratt—Yes, Senator.

Senator MACKAY—How many approximately?

Mr Pratt—This is from memory, but I reckon about 90 per cent of job seekers in case management are long-term unemployed. It is in that order.

Senator MACKAY—Long-term unemployed under that definition: registered with the CES for 12 months, not necessarily in receipt of benefit?

Mr Pratt—Registered with Centrelink. I would think that the vast majority, if not all of them, would be on benefit.

Senator MACKAY—I would like to know how many currently are not in receipt of benefit but fulfil the criterion which is required: registered with the CES for 12 months.

Mr Pratt—I will take that on notice.

Senator MACKAY—Do we accept that there are people in that circumstance?

Mr Pratt—I would have to check, Senator.

Senator MACKAY—Do you know whether there are any people in that circumstance?

Mr Pratt—The only thing I can think of might be someone who has been registered as looking for work for a long period, and who is on a sole parent pension or a disability support pension.

Senator MACKAY—There are a number of those, aren't there?

Mr Pratt—Yes.

Senator MACKAY—I would like to know how many people who are currently registered with the CES for 12 months and are either on sole parent benefit or on disability pension, or simply have been registered with the CES for 12 months but are not on benefit, are eligible and are in case management.

Mr Pratt—Okay.

Senator MACKAY—Do we accept in terms of the latter category that there are people in that circumstance?

Mr Pratt—Not necessarily; I would have to check.

Senator MACKAY—What about under the new regime? Are people who are in that latter category that I described eligible for FLEX 3 or not?

Mr Pratt—As Mr Campbell described, the eligibility for FLEX 3 is based on the receipt of unemployment allowance or certain other government forms of income support; being a young person who is not in full-time education or training and who is under 21; and certain participants in the community development employment projects for Aboriginal job seekers. That is the group of job seekers who are eligible for FLEX 3.

Senator MACKAY—If you are a retrenched worker whose partner is working part-time, which pushes you over the threshold with regard to receipt of benefit, and you register with Centrelink for job assistance but you are not eligible to receive benefit, after 12 months would you be regarded as long-term unemployed and therefore able to access FLEX 3 services?

Mr Pratt—No.

Senator MACKAY—I might come back to that. I will move on to Dr Lawrence's question in the House of Representatives this week. Dr Lawrence was talking about a job seeker that she had personal experience of who was in pretty much that same situation. Are you aware of the case that Dr Lawrence referred to?

Mr Campbell—No, Senator. I think that all we are aware of is that Dr Lawrence asked a question in the House yesterday afternoon about an alleged case of a job seeker in Perth, but I do not have the details and I have not seen a transcript of the *Hansard*.

Senator MACKAY—Dr Lawrence was talking about an unemployed Fremantle man who was told last week by the CES that the new regulations barred him from applying for a welder's job because he was not on benefit. He was then told by Vocational Consulting Services that help might be available if he paid \$220.

Senator Ellison—That has been taken on notice. That was the question put by Dr Lawrence, wasn't it? It relates to the same thing.

Senator MACKAY—No. I was talking about Mrs Bishop. I have not mentioned Dr Lawrence today.

Senator Ellison—Yes, you have. You mentioned Dr Lawrence a moment ago.

Senator MACKAY—You have taken that on notice, have you?

Mr Sedgwick—Dr Kemp took it on notice yesterday, I understand.

Senator MACKAY—Dr Kemp took it on notice? I thought you said you took it on notice.

Mr Sedgwick—As we understand it.

Senator MACKAY—I will just have a look to see whether he did. He said he will look into it.

Senator Ellison—That is taking it on notice, I would imagine.

Senator MACKAY—Let me ask a more general policy question around that. Does the government approve of agencies or providers charging people for FLEX 1 services?

Mr Pratt—The contracts the department has with FLEX providers specifically preclude them from charging job seekers who they have been contracted to assist.

Senator MACKAY—But what if somebody was not in receipt of benefit—as was this person's case—and wanted to use FLEX 1 to apply for a job and he was told he would have to pay \$220?

Mr Pratt—It is conceivable that in some states—not all states—that might be possible, but in a number of states there is specific state legislation which precludes that. As we were talking about before, the signs from providers are very encouraging. They are saying that they will

not be charging job seekers. Certainly, the major organisations we were talking about before have indicated that they will be interested in looking after their employer clients by matching the right person to the right job.

Senator MACKAY—So we are now in a situation where we can say that a number of providers have indicated that they are prepared to provide FLEX 1 services without charging a fee. That is what you talked about—job matching. It is FLEX 1.

Mr Pratt—I will just reiterate my comments. That is what a number of the major organisations have said, but I am unaware of what they have said in respect of other FLEX services.

Senator MACKAY—But we can narrow it down that they have made some commitments with regard to job matching—that is, FLEX 1.

Mr Pratt—I cannot say definitively, but that is how I would interpret their statements.

Senator MACKAY—In which states is it permissible to charge a fee?

Mr McMillan—I understand that employment agents are not regulated by legislation in Tasmania or either of the two territories and that the Victorian Employment Agents Act which deals with employment agents has not been proclaimed. Those are the states and territories where there is not the kind of regulation of fee charging to which reference was just made. I understand, if it is of assistance, that in Queensland private employment agencies may not charge fees to employees, although there are specific exceptions for theatrical performers and models. In Western Australia I understand that an employment agent is not able to charge fees to employees in relation to any transaction. Likewise in South Australia, my understanding is that no fees may be charged to workers unless employment is found, although a refundable deposit may be made, and fees may not be charged to workers on a recurring basis or if the employment agent employs the worker in its own business. That is my understanding.

Senator MACKAY—That is South Australia.

Mr McMillan—That is South Australia. That is my understanding of the situation across the Commonwealth.

Senator MACKAY—What is the situation in the west? I am sorry, I missed that.

Mr McMillan—My understanding is that in Western Australia in relation to what are called employment agents no person can carry on such a business unless they are licensed. If they are carrying on such a business, no fees can be charged to employees. There is a scale of fees for employers, but that is apparently a scale determined under the act. I have not looked into that in detail. That is my understanding of the situation in Western Australia.

Senator MACKAY—So the circumstances outlined by Dr Lawrence seems to be outside the parameters of the—

Mr McMillan—Yes. I must say when I heard the question yesterday I thought at the time that if the situation to which Dr Lawrence referred was correct there might be a possible breach of Western Australian law. I do not know anything more about the situation other than what Dr Lawrence put in her question in the House yesterday.

Senator MACKAY—Does the department or the Commonwealth regard that it has a role in this respect? Will there be any investigation of this with regard to a potential breach of a state law and also federal government policy?

Mr McMillan—Strictly speaking, if there is an apparent breach of a state law we would normally refer that to the relevant state authority. So we would not get into the detail of that

any further. Obviously, as my colleagues have already indicated, the Commonwealth policy position in relation to the employment services market is very clearly set out in the contract. What we have said in the contract—perhaps I can quote that if it is of assistance, because there are two aspects of the contract that I might assist you with—is that the provider must not demand or receive any fee or similar consideration either directly or indirectly from any job seeker for employment services funded by the Commonwealth. We would say that is a very clear reflection of the policy position of the Commonwealth.

There is an employment services industry code of conduct attached to the contract. Under the heading of ‘Professionalism and integrity’ it says, ‘This commitment will be met by not seeking or accepting fees, benefits or advantages either directly or indirectly from job seekers for employment services funded by the Commonwealth.’ I would suggest that the Commonwealth’s position is very clear. I am speaking from a legal point of view in the sense that the Commonwealth’s policy position has been translated into that legal position within the employment services market.

Senator MACKAY—Does the example Dr Lawrence cite appear to be in contravention of that?

Mr McMillan—If the example was one where the provider was providing services in the new market under the contract, that would be a clear breach of contract.

Senator MACKAY—So a circumstance where—

Mr McMillan—If it is true that the provider said, ‘We’ll get you a job but only if you pay us a fee,’ that is really proscribed as we would see it by our contract.

Senator MACKAY—This person is non-benefit. Does that make a difference?

Mr McMillan—They would not be dealt with under the provisions of the contract.

Senator MACKAY—That is right. So somebody who is not on benefit attempting to access FLEX 1 services can be charged.

Mr McMillan—No, I did not say that, Senator.

Senator MACKAY—What is the circumstance?

Mr McMillan—I am not quite sure that we are talking about the same thing.

Senator MACKAY—I will make it explicit. I am talking about a job seeker who is not on benefit but who is unemployed who attempts to access a FLEX 1 service and is told that, in order to access the job matching service, they will be charged.

Mr McMillan—As I said, under the contract that is clearly outside the requirements of the Commonwealth.

Senator MACKAY—So the fact that they are on benefit or not is irrelevant?

Mr McMillan—I did not say that, Senator.

Senator MACKAY—I asked that question specifically. I do not know how much clearer I can be. If you have a job seeker who is not on benefit who attempts to access a FLEX 1 service, are they charged for that or not?

Mr McMillan—The FLEX 1 service is a service that is delivered under the contract.

Senator Ellison—You can divide the question in two parts. The first one is: if a person who is on benefits goes to the provider and seeks assistance under FLEX 1 under the contract can they be charged? That is the first question. The next question is: if they are not on benefits

can they be charged? So the first question is if they are on benefits can they be charged and if they are not on benefits can they be charged, and this is pursuant to the contract.

Senator MACKAY—Thank you, Minister.

Mr McMillan—The indication is that if they are seeking FLEX 1 services under the contract, they cannot be charged. If they are seeking services that are not provided under the contract, the question arises under state or territory law, because that is what is applicable. That really takes me back to what I indicated earlier—

Senator MACKAY—So in those states where it is permissible, they could be charged?

Mr McMillan—In theory, I suppose that is correct, Senator, although I must admit I do not know enough about the policy situation in those states to be able to say, ‘Yes, that’s the way things work.’ But in theory, if there is no legislation or other regulation that specifically prohibits charging, it might be that charging was open—whether charging occurred would, in my view, be a different question.

Senator MACKAY—I appreciate that. What I am saying is that in actuality we have an example where this has already occurred in a state.

Mr McMillan—And as I have indicated, in that particular state it would appear that that is a breach of the state law.

Senator MACKAY—That is right. So the ‘in theory’ becomes a little bit less theoretical perhaps, in terms of the prospective employment service market?

Mr McMillan—In that example.

Senator MACKAY—Can I just revisit very briefly the question of access. What is the situation with people who are currently on sole parent benefit or disability pension?

Mr Pratt—If they wish to, and if they are considered to be enough in need of services, they can volunteer to participate in case management and have access to certain labour market programs.

Senator MACKAY—Are they currently eligible?

Mr Pratt—Yes.

Senator MACKAY—Are there many people on sole parent benefit or disability pension who are being case managed?

Mr Pratt—There are a number, not a large number.

Senator MACKAY—So they will be offered FLEX 3 if they so wish?

Mr Pratt—That is correct.

Senator MACKAY—Is there enough FLEX 3 to cover them? There are a lot of them.

Mr Pratt—I return to my earlier comment. There are plenty of FLEX 3 places but there are more job seekers, regardless of their income support status, who might want to participate in FLEX 3. That is the same as it has always been with labour market assistance.

Senator MACKAY—Yes, but the question we will come to later is my contention that there is actually less ‘FLEX 3’ available now than there was. The tender document states with regard to FLEX 3 that the period a service provider is to help a job seeker is 52 weeks. Is that correct?

Mr Pratt—That is correct for most job seekers, yes.

Senator MACKAY—I appreciate there are categories within FLEX 3. What happens at the end of 52 weeks?

Mr Pratt—There are two options, really. One is that the provider and the job seeker may choose to extend that assistance for a period of up to six months, depending on whether or not it looks like a job might be likely. If that does not happen, the job seeker then returns to Centrelink and has access to a range of other services under Job Network.

Senator MACKAY—So if the agreement does not occur between the provider and the job seeker and they go back to Centrelink, what are they eligible for then? FLEX 3 again?

Mr Pratt—They can make use of the self-help services in Centrelink. They can, of course, continue to use the job matching services of the FLEX providers in the area. They may be eligible, under some circumstances, for FLEX 2—the jobsearch training component.

Senator MACKAY—But they are not eligible for FLEX 3, are they?

Mr Pratt—Not immediately, but they may become eligible again.

Senator MACKAY—After 12 months?

Mr Pratt—Once they go through the classification process and it shows they are in need and eligible.

Senator MACKAY—Let us make this quite explicit. A job seeker has been on the books of a provider for 12 months. They have not been placed. At the end of 12 months they have to go through the whole rigmarole again of becoming eligible for FLEX 3. Is that correct?

Mr Pratt—I would not phrase it in that way, but certainly they would have to requalify. But I point out that has always been the case with labour market program assistance and case management.

Senator MACKAY—But this is supposed to be a new, improved model. This is supposed to provide more services for long-term unemployed.

Mr Pratt—But it has never been said anywhere that resources were infinite.

Senator MACKAY—I just want to clarify though, and make absolutely sure, that somebody is only eligible for FLEX 3 assistance for a 12-month period—other than the circumstance where the provider and the job seeker enter into an arrangement for an extension of a further six months.

Mr Pratt—And also, as you implied before, there are those circumstances where job seekers might in fact be eligible for 18 months worth of assistance because they are particularly disadvantaged. The same extension provisions are also available there.

Senator MACKAY—How many of those would there be, though? What sort of people are we talking about there?

Mr Pratt—We are probably talking about seven to 10 per cent of FLEX 3 participants. Again, I point out that that is no different from the current situation. Case management is currently limited to 12 months.

Senator MACKAY—What happens to people currently at the end of the case management period?

Mr Pratt—They go back to Centrelink and they make use of the services in Centrelink. They may have access to some labour market programs and if they requalify, they may get back into case management. The parallel is identical.

Senator MACKAY—What is happening with case management referrals at the moment, in this interim period?

Mr Pratt—They are continuing.

Senator MACKAY—In what circumstance? Are people being referred to current case managers?

Mr Pratt—People are being referred to current case managers who have contracts in the new market.

Senator MACKAY—So they are not being referred to current case managers who do not have contracts in the new market?

Mr Pratt—That is correct.

Senator MACKAY—Why is that?

Mr Pratt—That is for sound job seeker servicing reasons. There is little point in referring a job seeker to an organisation which is going to close down or not continue to provide case management services in a few weeks—only to then have to disrupt them and send them to another provider. We are better off sending them to a provider who is going to continue.

Senator MACKAY—So the tranche, if you like, of providers that job seekers can be referred to at the moment is limited to those providers who previously had case management and have been awarded FLEX 3?

Mr Pratt—That is true. That includes Employment Assistance Australia.

Senator MACKAY—How many providers who were previously case managers have not received FLEX 3 contracts?

Mr Pratt—I do not have the exact numbers.

Senator MACKAY—Does anybody have the exact number? The minister made fairly detailed statements with regard to this. I would be surprised if you do not have it.

Mr Campbell—The number of existing case managers who do not have contracts in the new market to start from 1 May is—and I will not give the exactly number because if I give an exact number there will be problems—in the ball park of 160 to 170.

Senator MACKAY—So they are people who were previously providing case management services and who have now not been contracted to provide FLEX 3?

Mr Campbell—Yes.

Senator MACKAY—Are there gaps in this interim or transitional arrangement? That is a fairly narrow tranche of services available to job seekers.

Mr Campbell—What do you mean by the gap, Senator?

Senator MACKAY—You have a situation where job seekers can only be referred to case managers who have been contracted to provide FLEX 3 and not to current case managers. They cannot be referred either to providers who have FLEX 3 and are not yet ready to apply.

Mr Campbell—EAA, which is still in existence, is still accepting referrals. There are a large number of EAA sites around the country.

Senator MACKAY—What I am getting at is that there is obviously a shortfall in this transitional period. There are obviously fewer providers providing case management during this transitional period than there were prior to this transitional period and there are likely to be post this transitional period. Is that a fair comment?

Mr Campbell—No, I do not think so. I will take the second part of your question first. I think we are again getting into subprogram 4.7. The coverage in the new market with regard to the provisions of service is extremely widespread right around the country. I do not think that there is less coverage.

Senator MACKAY—Perhaps you could take on notice that I would like to know who the 160 to 170 are. I would also like to know which organisations fall into the category of previously providing case management services and are contracted to provide prospectively FLEX 3 and where they are. Can you take that on notice?

Mr Campbell—Yes, Senator.

Senator Ellison—Senator Mackay, can I clarify an earlier matter that you raised with me in relation to access to facilities. Unemployed people, whether or not they are on benefit, will have access to expanded Centrelink facilities. This will include such things as computers to assist in the preparation of CVs, facsimiles, phones and photocopiers. They are entitled to get a list of database agencies.

Senator MACKAY—What does database agencies mean?

Senator Ellison—Can I clarify that in a moment. Many major agencies have given public assurances that their vacancies will be available to any job seeker without charging.

Senator MACKAY—Who are they?

Senator Ellison—We can take that on notice and get that to you. Finally, it is self-evident that, in order to get employer business, agencies are going to ensure that they place the best person in the job, and that we believe will be a great incentive for them. It is database vacancies, not agencies. So what they have access to is a database of vacancies. They get the agencies and the database for vacancies.

Senator MACKAY—So they get access to FLEX 1. So you are aware of a number of providers who have indicated that they are prepared to provide FLEX 1 services to people, whether they are in receipt of benefit or not?

Senator Ellison—Yes.

Senator MACKAY—What indications have you had from providers that they are prepared to provide FLEX 3 services, whether people are on benefit or not?

Senator Ellison—That is a different question.

Senator MACKAY—If you can answer for FLEX 1, can you answer for FLEX 3?

Senator Ellison—We will take that on notice.

Senator MACKAY—You will take on notice which providers have indicated they will be able to voluntarily provide FLEX 3 services. I think we have traversed this ground so often that people know what I am on about. So I will have to wait three weeks for an answer to that. Is that right?

Senator Ellison—This committee has a very good record of getting back, Senator Mackay. We complied with our undertaking last week to give our answers by mid-week and we did that.

Senator MACKAY—I agree. In fact, I agree with your comments at the last estimates that the department has been very speedy in answering the questions. I am not having a go at you. I do not know what the turnaround time is for questions on notice.

CHAIR—It is 1 April.

Senator Ellison—Whatever our requirements are, we will endeavour to meet them.

Senator MACKAY—Again, and I am not having a go at you, does this mean that I have to wait until 1 April to get an answer to that question or could you provide it more speedily?

Senator Ellison—I do not have that information at my fingertips. I do not know the logistics involved in getting the information. All I can say is that, as we did last time, we will use our utmost endeavours to comply with the time lines.

Senator MACKAY—The reason I say this is that this is out there in the public domain and has been discussed a lot. The minister has made assurances that seem to cover the full gamut of services provided under the new employment services market, including FLEX 3. There has been no clarification by the government as to whether FLEX 3 services will be provided free for people who are not on benefit but have been unemployed for 12 months. This is a critical issue. I would appreciate it if we could get an answer quicker than the designated time.

Senator Ellison—Your comments are noted.

CHAIR—Are there any more questions on subprogram 4.1? There being no further questions, we move to subprogram 4.2.

[9.59 a.m.]

Subprogram 4.2—Employment participation

Senator O'BRIEN—Mr Sedgwick, I have some questions in relation to the Australian National Audit Office's audit report *Matters relevant to a contract with South Pacific Cruise Lines Ltd*. Do you have a copy of the document with you?

Mr Sedgwick—Yes.

Senator O'BRIEN—On page xviii under the heading 'Key findings' dot point 42 talks about the DEETYA office in Queensland facing a staff reduction of around 20 per cent. It says:

With many of the Labour Market Programs concluding in 1997-98, including the Training for Employment Program . . . from which the cruise ship project was funded, there was a strong focus on completing current work and committing remaining program funds to new projects prior to the end of the financial year.

This had a significant influence on the Department's decision to proceed with the proposal as did the knowledge that DEETYA Queensland was behind in meeting its employment outcome and expenditure targets established as part of the Department's performance information regime.

Mr Sedgwick, I think we did suggest that those matters were elements in this process. I had taken you to have been saying that you did not believe that those factors would have contributed to the decision making process in this matter. What do you say now in the light of this key finding?

Mr Sedgwick—I will need to check the record. My recollection of my opening statement included an acknowledgment that one of the factors that the Queensland staff believed was relevant was the fact that they were coming up to the end of the financial year. I recall saying that in my opening statement. I guess my view on this is that the position we have always taken about meeting our performance targets of this kind was that they should be sensibly met and that we were always intent on ensuring that, when addressing an apparent shortfall in expenditure, any expenditure be well based. That is the basis on which my comments have been made. I will check my opening remarks to confirm them.

Senator O'BRIEN—It says on the next page in point 44:

However, the lack of experience of some officers in contractual negotiations and management has, in the ANAO's opinion, contributed to some of the more critical administrative breakdowns.

I take that to mean that the officers who were responsible for negotiating this very valuable contract were not adequately experienced and therefore had inadequate skills to deal with the process. That seems to me to be a matter which is a responsibility of management above that level. Would you agree with that?

Mr Sedgwick—In answering this question, I think we need to be protective of individuals who were involved here. It is quite clear that the officers who were involved believed that there was some lack of clarity in terms of where various responsibilities lay, or at least one or two may have, but that belief is not uniformly shared. I think it is also true, and I prefer not to go into detail, that key personnel that were involved, particularly at critical times, were quite experienced.

Senator O'BRIEN—So you are dissenting from the ANAO's finding?

Mr Sedgwick—No, just let me finish please. So there was a blend of greater and lesser experience involved here, but there is nothing I think that would lead us to believe that the experience question was a determining feature. It may have been a contributing factor in some elements, but I do not believe that it was a determining feature and I do not think the ANAO is saying that either. But I prefer not to go into that too deeply.

Senator O'BRIEN—On page xxi in point 47, which begins on the previous page under 'Developing and awarding the contract', the first dot point says:

- . The decision to make an advance payment of 80 per cent of the contracted costs (an advance of some \$2.2m) is difficult to justify on any grounds other than noting that DEETYA Queensland was under some pressure to expend a large sum of LMP funds before the end of the financial year.

They describe them as being under some pressure. What pressures were being applied to DEETYA Queensland, and from where were those pressures coming?

Mr Sedgwick—When we addressed this issue last time, I think I noted that, as with any performance management arrangement, office areas throughout the country were being monitored and their performance managed against the various program targets that had been set for them. I think I said here last time that you would expect no less of us. The apparent pressure that Queensland may have believed it was under was because, at least at one time, they were running behind on their target, but they were—as, indeed, all areas were—required to manage the programs within the performance targets that had been set and within the program guidelines.

Senator O'BRIEN—You say that DEETYA Queensland may have believed that they were under pressure. The ANAO finding says that DEETYA Queensland was under some pressure. Do you disagree with that finding?

Mr Sedgwick—No. They, and everybody else, were under the usual pressure, if you like, of the performance management framework that monitored performance against the targets that had been set and, where there was a discrepancy, brought it to the attention of local managers. To that extent, since on that one point at least they were underachieving, they may well have believed that they were under pressure. My point is that it is normal performance management pressure; it is nothing unusual and, in responding to any underachievement, we expect the guidelines to be adhered to.

Senator O'BRIEN—You say that their underperformance was brought to their attention. How would it have been brought to the attention of DEETYA Queensland?

Mr Sedgwick—There were regular performance monitoring events and meetings of state managers that were part of the regular ongoing discussion between national office and states.

Mr Gibbons—During the course of the last financial year, there were several occasions when officers from national office, including myself, visited each state and spoke with the state managers and every outlet manager in the CES to remind them of the need to improve performance in the delivery of labour market programs.

Senator O'BRIEN—Would the underperformance have been brought to the attention of DEETYA Queensland verbally at those meetings?

Mr Gibbons—It was brought to the attention of the entire CES, right through the course of that financial year.

Senator O'BRIEN—Was it done through those meetings or through circulars or what?

Mr Gibbons—It was done at those meetings and through regular notices issued each month by national office, with a performance summary attached.

Senator O'BRIEN—Could the committee be supplied with the notices that are relevant to Queensland's underperformance?

Mr Gibbons—I am not sure whether there are any notices specific to Queensland. There are notices that are generic to the CES. I will take that on notice.

Senator O'BRIEN—My question was specifically about DEETYA Queensland and how their underperformance was brought to their attention. I am asking how that was done. Do I take your previous answer to be that there were meetings of state managers and national office and that circulars went broadly throughout DEETYA, and that they are the only two mechanisms by which that underperformance would be brought to their attention?

Mr Gibbons—As I recall, yes.

Mr Campbell—Perhaps I could add to that. I recall this question being asked at the Senate estimates hearing in October. I think the answer then was as we have given, plus one other factor, and that was that, during the period we are talking about—January to June 1997—the department was having almost weekly phone hook-ups with state managers to cover a number of things, because obviously there were a lot of transitional issues occurring with the beginning of the market. A regular item on those weekly phone hook-ups was the question of the LMP spend.

The other point I would like to make on this is that, as the secretary has said, the question of LMP performance and spend was a matter that was of concern right around the country. In those circumstances, the issue was being raised with all states during the phone hook-ups or the meetings.

Senator O'BRIEN—I am not querying that, but obviously I am asking questions specific to this report, which is relevant to Queensland, and that is why I am asking about Queensland only.

Mr Sedgwick—And Queensland was simply a part of that process.

Mr Campbell—That is what I am saying. They were in meetings with other state managers and they were in the phone hook-ups and that was the context in which it was raised. If you have a look at the *Hansard*, you will find that I made those comments at the Senate estimates hearing last October.

Mr Sedgwick—I am grappling a bit to find the nub of your question because we went through this for many hours, but if you are asking us whether or not we particularly singled out Queensland—

Senator O'BRIEN—I am not—and we have not been through this for hours because the ANAO's report was not available to us in this process before.

Mr Sedgwick—But we had gone through this particular issue of the performance management regime. I can remember saying to the committee that, from the day that I arrived in the place, one of the strongest senses that I got was the importance of the message that was being conveyed right across the CES that it was important that we maintain the performance of the CES, and that was simply part of the management culture. As I said, you would expect no less of us.

Senator O'BRIEN—I go back to my earlier question. ANAO found that DEETYA Queensland was under some pressure to expend a large sum of LMP funds before the end of the financial year. Presumably there would have been monthly financial reports that went to the branch which would have shown what those figures were. Are they available?

Mr Sedgwick—They are internal documents. Can we take that on notice? I am still trying to find what the issue is here. The issue is not in doubt that that area was behind and that they were aware of that fact from the information that was available to them and from the information that was available to us.

Senator O'BRIEN—I understand what you are saying. What this committee does not have is any real idea of the magnitude of the shortfall, and that will give this committee a handle on the sort of pressure that they might have been feeling. If you can supply those documents, then we will have transparently some hard evidence in relation to that.

Mr Sedgwick—We will take it on notice and see what we can do. But I think the important point is—and I really do want to be careful here because there are individuals who are involved, and I think we should address the matter with some care—that I am firmly of the view that the fact we were underachieving did not justify the departures from the guidelines which have occurred on this occasion, and I have put that the record.

Senator O'BRIEN—On page xxii, finding No. 50 in part says:

In part, this may reflect the absence of clear guidance on risk management principles and practices in the program guidelines. Nevertheless, it is clear that neither DEETYA Queensland nor National Office undertook a considered risk assessment and analysis of the cruise ship proposal.

Do you agree or disagree with that finding?

Mr Sedgwick—Again, we have said previously that the handling of the awarding of that contract was not consistent with best practice in respect of risk management.

Senator O'BRIEN—But it says more than that. It says that there was no clear guidance for DEETYA Queensland on risk management and practices in program guidelines.

Mr Sedgwick—Yes.

Senator O'BRIEN—This is the prudence factor, isn't it?

Mr Sedgwick—Yes. It is not possible to write everything down. The guidelines were quite explicit on a number of matters that together would certainly have constituted prudent risk management, and it was a pity that they were not followed. I think the underlying principles of risk management are clearly there: the need to take considered decisions, having regard to value for money, and various other things were clearly there. We will, though, look at the way that we communicate how to manage risk to try to be more explicit.

Senator O'BRIEN—On page xxiii, finding No. 52 reads:

The Department has also taken action, on the recommendation of the Internal Audit Branch, to tighten LMP and TEP guidelines relevant to advance payments against contracts. The ANAO considers that this action, while basically appropriate, does not adequately address the underlying causes of the administrative breakdowns exposed by this contract.

What comment have you on that finding?

Mr Sedgwick—As I recall this section, it was directed to project management questions and the apparent lack of clarity about who was responsible for what. Again, there are different views on that, even within the organisation—and I would prefer not to go any further.

Senator O'BRIEN—Essentially, you are saying you disagree with their finding.

Mr Sedgwick—I have a different interpretation from theirs. But I fully accept that, if the project management framework had been clearer, we could have avoided some of the disagreements that now appear to be about as to who was responsible for what. So I have to accept that, it is true.

Senator O'BRIEN—The legal action that was taken against William Angliss 2000 and South Pacific Cruise lines: can the committee be advised of the current status of those proceedings?

Mr Sedgwick—Yes, I think they are still outstanding, but our counsellor is about to arrive.

Mr McMillan—The situation is that, as the audit report indicates, we took prompt action to secure outstanding Commonwealth funds, as much as it was possible to do so. The proceedings that are current are against South Pacific Cruise Lines Ltd, the company; Mr Adams, who you would remember, of course, is the principal of the company; and another company called CGI Financial Services Pty Ltd, which is controlled by Mr Adams and which appears to have received some of the Commonwealth's money. As the audit report indicates—and this is paragraph 2.46 at page 15:

Proceedings . . . are continuing, with a trial date set for 25 and 26 May 1998.

Just to bring you right up to date—

Senator O'BRIEN—I do not want to have anything on the record that would in any way prejudice those proceedings. So, rather than go through any detail about those proceedings, would the minister object if we sought a private briefing on the proceedings?

Senator Ellison—Let us put it this way: there would even be limits in that private briefing as to how far we could go because of the Commonwealth's case. I appreciate you would keep under your hat what you were told at that private briefing, because we all have a shared interest in the interest of the Commonwealth of Australia.

Senator O'BRIEN—I am indicating that I do not want on the record anything that would in any way prejudice that, and that is the reason that I intervened then and made the request.

Senator Ellison—Yes, we can do that.

Senator O'BRIEN—Okay. I do not think this will be prejudicial: is there any change to the amount of money which remains unrecovered or outstanding?

Mr McMillan—Not at this stage, Senator. What I was going to indicate to you, which is appropriate, because it is on the public record, is that we have been a little concerned that the date of the trial is quite some distance away, not until 25 May, and that was because that was basically the first date that the trial judge had. We have therefore taken out a notice of motion to see if we cannot get the defence which the various parties have lodged struck out. If we succeed in that, we will get judgment, and if we succeed in getting judgment we can seek to

gain recovery action. That notice of motion, the request to the court in effect to expedite the matter, will come before the court on 13 March, that is, next Friday.

Senator O'BRIEN—Is the government conducting the proceedings or are they being conducted by private legal practice?

Mr McMillan—The Australian Government Solicitor is acting for us in those proceedings. It is part of the overall proceedings, as you would understand. If there were other issues that you wished to have the advantage of some comments from the minister on privately, do I need to take it any further at this stage? I respectfully agree with you that it would be undesirable to make any comments that might prejudice the fair trial of the action, should it come to trial.

Senator O'BRIEN—I am most concerned about prejudicing any chances, however great or slim they are, to recover outstanding money. I suppose that I simply place on notice that I would appreciate knowing the costs so far of the pursuit of the matter.

Mr McMillan—Yes, certainly I could take that on notice.

Senator O'BRIEN—I know you have settled the claim against William Angliss 2000.

Mr McMillan—Yes, we did not proceed any further with that, on legal advice.

Senator O'BRIEN—Could you take on notice the question of what costs were incurred in pursuing that action?

Mr McMillan—Yes, I will take that on notice, Senator.

Senator O'BRIEN—In relation to William Angliss 2000, on page 61 of the Australian National Audit Office report, finding 5.28, the first dot point says:

The Department cites William Angliss 2000's long partnership record in dealing with the Department as a matter of comfort in the cruise ship project. In December 1996 national office had expressed concerns about the performance of William Angliss 2000 with respect to a significant project outside its home state of Victoria. . . . Reference is made to DEETYA negotiating the cost per participant on the SPCL contract down from \$10,500 down to \$8,220. As discussed in chapter 4 of this report, the documentation does not support this assertion. Furthermore, advice from William Angliss 2000 that the cost per participant may have been about \$10,500 was not received by DEETYA Queensland until 26 June 1997, more than five weeks after the contract was signed.

The first question arising from that is: is it true that the department no longer has any contractual arrangements with William Angliss 2000?

Mr Campbell—I would have to take that on notice. We did have some small labor market program contracts with William Angliss in Victoria. I think they were all winding up, but whether or not final acquittal procedure had been completed on that I do not know. I will take that on notice.

Senator O'BRIEN—If there are any contracts, they would be old ones that have yet to expire?

Mr Campbell—My understanding is that there were several contracts with William Angliss in Victoria under a couple of programs, but I think they would be close to completion, if not completed. I am not sure whether the final acquittal paperwork has been completed. I will check that.

Senator O'BRIEN—The second point is obviously this question of the alleged negotiating down of the cost per participant. This finding is fairly unequivocal in that it says that in fact there was not any negotiating down. Does the department agree with this finding?

Mr Sedgwick—I would need to go back and check the record. I simply do not have all of the background documentation with me here. I am fairly certain, though, that we did include

in the brief of 1 September—which is what 5.28 is about—reference to the contract price having been negotiated down from \$10,500 to \$8,220. That was the advice that we had available to us at the time. I would need to check further about the point that is then made in the next sentence. I just do not have the detail with me.

Senator O'BRIEN—Without going to the *Hansard*, I am fairly sure that that is what this committee was told.

Mr Sedgwick—\$10,500 to \$8,200?

Senator O'BRIEN—Yes. And what this is saying is that in fact that did not happen.

Mr Sedgwick—Yes, I know that is what it is saying. I am simply saying to you that the advice that we provided to the minister—and if we repeated that here—was the best advice that was available to us at the time.

Senator O'BRIEN—I guess I am asking, putting it as I think you are asking me to with your comments, whether you agree that the committee was inadvertently misled?

Mr Sedgwick—It was certainly not other than inadvertently misled. That was the advice that we had at the time.

Senator O'BRIEN—I suggest that, if you agree with that proposition, perhaps you should have made a statement earlier than now. If there is a misleading and you become aware of it, that matter ought to be drawn to the attention of the committee as soon as you find out.

Mr Sedgwick—I accept that, Senator. I apologise for the oversight.

Senator O'BRIEN—I asked a series of questions on notice, No. 869—these are not questions in estimates, but questions through the Senate questions on notice process—relating to the training for employment program. Thank you for all of the information. It takes a little time to digest it. It arrived, unfortunately, after the last estimates hearing so this is the first opportunity I have had to pursue it.

In that answer you gave a breakdown of the training for employment grants for 1996-97 and for 1997 to date as they were in November 1997, so I do not have an update. In the figures that you gave me one contract seemed to stand out from the others. That was the contract in both 1996 and 1997 to date with Crown Casino in Victoria. The contract signed in 1996-97 was valued at \$761,626 and for the period covered in 1997 was valued at \$485,888.

The first thing that struck me was that the average cost per participant in TEP in the last financial year, 1996-97, was \$2,731, but the average cost per Crown Casino contract was \$3,230. For the 1997 year to date, the average cost per participant across programs was \$3,238, but the Crown contracts were averaging \$14,723 per head. So that is 18 per cent higher in the 1996-97 financial year per head and 350 per cent more expensive in the 1997 year to date figures that we received. Can anyone explain that?

Mr Sedgwick—I cannot. We will need to take that on notice, Senator.

Senator O'BRIEN—You may be able to explain this now. I think this is the most startling figure. The figures you gave have the maximum and minimum number of participants under each contract with each participating body. So there is a column which sets out the maximum number of participants per contract and the minimum number of participants per contract.

In a number of cases, but also in the case of Crown Casino, there are contracts that apply to only one participant. I am making a presumption here because you have also got another table which shows the maximum and minimum cost per contract. With Crown Casino the minimum cost per contract in 1996-97 was \$39,222. I am making an assumption that the

cheapest contract applied also to where there was one participant. Extrapolating from that, it seems to me that the cost of that one-participant contract was at least \$39,222. It gets worse because in the 1997 financial year, using this same extrapolation, a single-participant contract for Crown Casino is valued at at least \$48,864.

Mr Campbell—Senator, you have got us at a disadvantage. As you pointed out in your lead-in to the question, this was an answer last year. I am sorry, none of us has a copy of the answer in front of us. I would need to have a look at the answer and ask some questions. I will have to come back to you on notice on that one.

Senator O'BRIEN—I am happy for you to do that. I am happy to supply a copy. I would like someone to have a look at it and come back to us today because I think the extrapolation is a fair one.

Mr Campbell—If we can have a copy of the answer now, we will see what information we can find out in the next couple of hours for you, Senator. I do not recall this minimum and maximum issue, so I need to have a look.

Senator O'BRIEN—Yes. For 1996-97 I looked at a number of other areas. The highest extrapolation I could make from any of the other single-participant contracts was \$7,508 going down to \$0. Again they are extrapolations. There might be good reasons for it. I also want to know—and you may need to take this on notice—if it is the case that you have a single-participant contract with Crown Casino valued at at least those figures in each of those years, what is it for?

Mr Campbell—I think it is a very fair question. We need to have a look at the answer. We will come back to you as quickly as possible. If we can get it from the committee secretariat.

Senator O'BRIEN—You have got the essence of my questions. I will supply them. Moving away from the training for employment program, in relation to Recruitment Services Australia, are the new recruitment arrangements for the Public Service which were introduced last year functioning as anticipated?

Mr Correll—Recruitment Services Australia is providing an entry level recruitment program for the APS. Under the arrangements that have recently been announced through the minister and the Public Service Commissioner, Recruitment Services Australia will continue to provide an entry level recruitment campaign. Departments will have the choice of using that organisation in the future.

Senator O'BRIEN—What are the advantages over the previous arrangements?

Mr Correll—The advantages to departments are really that they would have a choice between using Recruitment Services Australia or potentially other service providers to support their recruitment activities.

Senator O'BRIEN—They cannot do that now?

Mr Correll—In some cases, where such arrangements can be made, yes, they can. So it does not in fact represent a dramatic change from arrangements. However, Recruitment Services Australia is there at the present stage to provide a centralised facility for use by departments. The future arrangements would continue with that position, with departments then having the choice of opting for that centralised arrangement or opting for another arrangement they would want to put in place themselves.

Senator O'BRIEN—Are there expected cost savings with these new arrangements?

Mr Correll—That is not an answer I can give, Senator. I think that is a matter in relation to the policy that would need to go to the Public Service Commissioner.

Senator O'BRIEN—So the department has no information on that matter?

Mr Correll—No.

Senator O'BRIEN—How many people are expected to be recruited into the Commonwealth Public Service at basic clerical level and graduate level this financial year?

Mr Correll—The graduate placements for the financial year would be in the range of 300 to 500. It is very difficult to be precise about those numbers because it will depend on individual department demands, but the estimates that Recruitment Services Australia is working on are in the range of 300 to 500.

Senator O'BRIEN—Do you have any idea how many would be at the base clerical level?

Mr Correll—Base level is even harder. It is very much a demand driven situation from the various agencies. In 1996-97, there were just under 1,000 ASO1s and trainees placed by Recruitment Services Australia. In the financial year to date, that is to the end of January 1998, there have been 669 ASO1s and trainees placed through Recruitment Services Australia.

Senator O'BRIEN—What is the budgeted unit cost per recruitment under these new arrangements?

Mr Correll—For separate departments and agencies, there has been no—

Senator O'BRIEN—By category—say, by base clerical and graduate level.

Mr Correll—I do not have that information to hand, Senator, but I could take it on notice.

Senator O'BRIEN—Thank you very much. If it is possible, could you provide a breakdown of that unit cost between advertising, testing and training.

Mr Correll—I will examine what the costs are, but I would be happy to take that on notice.

Senator O'BRIEN—Do departments contribute to the costs of the recruitment?

Mr Correll—Yes, there is a fee payable by departments. So yes, they do contribute to the costs.

Senator O'BRIEN—Would you please take on notice the issue of giving us a breakdown of how they contribute and on what basis.

Mr Correll—In the response we will include the fees payable by departments.

Senator O'BRIEN—I want to go now to the work for the dole scheme, which is under this area. I want to refer to the answer to question No. 562, which arose from the November estimates. There has been some notoriety about the distribution of work for the dole projects across electorates. I want to go to the second page of the answer we received. In your answer to question D, you set out the criteria for selection, and you then say:

Sponsors with successful projects demonstrated the ability to meet the above criteria. Projects that were not successful either failed to meet some or all of these criteria or did not satisfy the criteria to the same extent as the selected projects.

There was an article in the *Sydney Morning Herald* on 10 November relating to this. It gives some demonstrations of the distribution of work for the dole projects. It says, for example, that in the Victorian seat of Ballarat, with youth unemployment of 20.5 per cent, there were 2.5 work for the dole projects established. In the seat of Batman with, I think, the same level of youth unemployment, there were no work for the dole projects. Does that mean there were no projects sought for Batman?

Ms Butler—It may mean that, Senator. I can check for you.

Senator O'BRIEN—Given that there is a selection process—and you have given the criteria—there may be an explanation for the way the projects appear to be skewed by reference to the fact that there were no applications for funding of projects in those areas. That might be the first simple explanation. The second explanation I guess I can anticipate is that there were projects but they did not satisfy all of the criteria. The third explanation is that they did not satisfy the criteria to the same extent as the selected projects. Can you give us a breakdown by electorate of the projects which have been applied for? You have given us a breakdown of the number of projects by electorate and the number of unemployed. There is no way of making a judgment of that selection process unless you know how many applications there were in each of those areas.

Ms Butler—I believe we can give you the number of submissions that were received by electorate.

Senator O'BRIEN—Have you got that information now?

Ms Butler—I have some of that available to me, yes. If you want specific information on the electorate of Batman, I can tell you that there were two projects put forward but neither were successful.

Senator O'BRIEN—Do you know on what basis they were not successful?

Ms Butler—I do not, no.

Senator O'BRIEN—It seems to me that on the first level on which they might be unsuccessful—that they failed to meet some of the criteria—it might be demonstrated objectively that that was the case, but it also seems to me that, if they did meet the criteria, the question of whether they satisfied it to the same extent as the selected projects would be a subjective assessment.

Ms Butler—I think it is fair to say that we were assessing all of the projects against objective criteria and the measures were applied evenly across all projects. You will recall that in the pilot round, there were a limited number of places available and limited dollars available, so there was only a certain level to which we could go in approving projects. So some projects which may in a larger program have been successful just were not above the line in terms of available places and dollars.

Senator O'BRIEN—I understand that you had a limit to the number of projects. Mr Vaile put out a press release—I know he is not the minister for this area but he is a minister in this government—talking about extending the number of pilot projects from 70 to around 180. That is factual?

Ms Butler—That is correct.

Senator O'BRIEN—So even with that extension, it was not possible to approve all of the projects.

Ms Butler—That is correct. If I can explain, we were attempting to get 10,000 places for participants. Depending on the projects that came forward, there was a need in the end to approve more projects to achieve the correct number of places.

Senator O'BRIEN—So the assumption as to the number in each project proved to be an overestimate. You assumed a certain number per project on average which would work you down to 70.

Ms Butler—Yes.

Senator O'BRIEN—So the projects tended to be smaller than originally estimated?

Ms Butler—Yes.

Senator O'BRIEN—And in terms of the way that they were selected when you had to make these selections, I understand that—and I think this is consistent with answers given from the last estimates hearing—it was indicated that the minister was consulted about the choice of projects

Ms Butler—No, that is not correct. The department conducted the assessment process and the decision maker was the secretary to the department. To assist the secretary in making decisions, there was a national selection advisory committee that viewed the recommendations, if you like, and the projects available to the department. The recommendations were made on the basis of the departmental assessment combined with the advice of the advisory committee. The minister was certainly advised of the types of projects that were going forward and that were being selected but took no part in the decision making process or the selection of the actual projects.

Senator O'BRIEN—So at the first stage, the department culled projects that it thought did not meet the criteria tests? They came out first?

Ms Butler—That is correct.

Senator O'BRIEN—And at the second stage, when you got down to whatever the reduced number was, you then made assessments as to which projects best met the criteria?

Ms Butler—Best met the selection criteria and gave us the best distribution across the 29 DEETYA labour market regions that we have used.

Senator O'BRIEN—So distribution was a factor?

Ms Butler—Yes.

Mr Campbell—Sorry, it is distribution according to where unemployed youth were, not another distribution parameter.

Senator O'BRIEN—I see. That is a very interesting answer because there are regions with extremely high numbers of youth unemployed that received none, and the other extreme is that there appear to be some that were not in the high brackets that got projects. So I am just interested in this distribution aspect. You talked about distribution across DEETYA unemployment areas. What about within those areas, because some of your areas are quite broad, aren't they?

Ms Butler—A lot of our consideration was obviously drawn by where we had project proposals from. We did not have a uniform coverage across all of those labour market regions in terms of proposals, so our choice to some extent was limited by the areas from which we had received proposals.

Senator O'BRIEN—Obviously you cannot approve a project if you have not got an application.

Ms Butler—Yes.

Mr Campbell—Senator, perhaps I can give an example here from memory. As Ms Butler said, when the projects were put up there were the factors of the quality of the project and the cost of the project, because there were a number of projects that—notwithstanding the guidelines that were put out—were well in excess of \$3,000 per person for the sponsor fee. In a couple of the larger cities, where there are numbers of unemployed youth, the number of projects that were put up were few in comparison to some of the more country, rural areas.

Then, some of those that were put up were considered to be unsuitable for whatever reason for the individual, or because the costs might have been very high. There were a number of projects, as I said a minute ago, which were up to \$3,000 and \$4,000. So the distribution by region of the projects proposed, if you like, had an emphasis away from the larger capital cities.

Senator O'BRIEN—Mr Campbell, I am sure you saw the article in the *Sydney Morning Herald* that I referred to, dated 10 November. It is quite cynical of the suggestion that this project was conducted without an eye to government marginal seats. You have seen the article, haven't you?

Mr Campbell—Senator, I would like to make a point about that article. That article was raised at the last estimates hearing we had in November and I made it quite clear—and it is in the record—in that Senate estimates hearing that the decision-maker did not look at any electoral distribution of projects until well after the decisions were made.

Senator O'BRIEN—Okay.

Mr Campbell—That is actually on the record of the last Senate hearing in November, when that article was discussed.

Senator O'BRIEN—I understand that 566 ministerials on work for the dole were received by the department.

Ms Butler—We have provided that answer in a question on notice.

Senator O'BRIEN—Yes, you did. I am interested to know how many were pursuing support for individual projects. Were any?

Ms Butler—Certainly, yes. I think we have probably answered this question before as well. One of the criteria for selection of a work for the dole project is community support. The minister received correspondence from local members in some instances, from community leaders, from local government members, from welfare groups, and others in support of particular projects. So there would be a mix of letters that sought interest, if you like, in particular projects or, often, in particular areas—my area, as you would understand—

Senator O'BRIEN—So, these ministerials were factored into the process you set out there to determine the level of community support for a project?

Ms Butler—Not directly. It is fair to say that many of them came well into the process. Projects submitted with their proposals, as part of their package to us, were indications of support. The ministerials largely came in as a side element to that. They were not directly considered in our assessment. They obviously come to the department to be answered.

Senator O'BRIEN—Were they considered at all? That is the question I am asking.

Ms Butler—Not as part of the selection process.

Senator O'BRIEN—So they were not relevant to determining whether there was community support for the projects?

Ms Butler—No. Sponsors included that information with their proposal. These came as a side point and were dealt with in that way. They were generally not even married with the proposals.

Senator O'BRIEN—So, if the proposal came with support from the local member, that would have gone to the selection committee?

Ms Butler—The assessors would have noted that there was community support.

Senator O'BRIEN—They are the assessors within the department? It would not have gone to the national selection advisory committee?

Ms Butler—Not to that level of detail, no. There would be a note that there was community support.

Senator O'BRIEN—As basic as that? That would be the basis? So, in terms of setting out whether these projects satisfied the criteria, when the national selection advisory committee got a report how detailed was the report as to how the project satisfied the criteria?

Ms Butler—Forgive me, I actually was not there at the time. I have just got to check. I believe they got a summary document which indicated the nature of the proposal, the numbers of places, the type of activities that would be involved and an indication that they had satisfied the selection criteria. Mr Patterson was actually conducting the process.

Senator O'BRIEN—Can we come back to that? I briefly want to satisfy myself on another matter. How many projects that were put forward to the national selection advisory committee were rejected?

Mr Patterson—I was formerly responsible for the assessment phase of work for the dole. I do not recall the numbers from memory. The committee was an advisory committee, and provided us with an alternative set of views in relation to the assessments for us to take on board. Some of the recommendations that we put to the advisory committee were changed in response to queries raised by the advisory committee which caused us to look back at proposals and re-prioritise. Given that the advisory committee brought with it certain expertise in particular areas, it was useful for that purpose. In terms of the extent of the information provided to the advisory committee, it was presented in summary form, but we had full files available if they had particular queries. On some occasions we might have gone into more detail on a particular project than on another project.

Senator O'BRIEN—So there was a report, and more information was available if requested?

Mr Patterson—If required by the advisory committee, we were in a position to provide it to them on the day.

Senator O'BRIEN—Was any additional information required in this process by the advisory committee other than the basic report that you gave them?

Mr Patterson—There would have been on a couple of times, yes.

Senator O'BRIEN—You say that the recommendations were altered. I asked earlier: were any of the recommended projects rejected by the national selection advisory committee?

Mr Patterson—The advisory committee was not in a position to approve or reject. It is an advisory committee.

Senator O'BRIEN—Did it advise rejection of any projects?

Mr Patterson—There were a couple of projects but I do not know the numbers. Perhaps we could get back to you on this. There were a couple of projects where the advisory committee raised questions or might have suggested a different priority order for the department to go back and consider before we put it to the delegate. We took their views into account when making the final recommendations to put to the delegate, but they were an advisory committee, not a decision making body.

Senator O'BRIEN—Is the composition of the advisory committee already on the record?

Mr Patterson—I provided the names last time.

Senator O'BRIEN—In relation to the process, the steps were department recommendation, advisory committee input, the department reviewed that and it went to the secretary for determination. Is that right?

Ms Butler—In this instance, Mr Campbell exercised the delegation, but it was delegated by the secretary, on the secretary's behalf.

Senator O'BRIEN—And at no stage was the minister consulted about the selection process?

Mr Patterson—The minister was consulted about the process, but not about the recommendations arising from the application of that process.

Senator O'BRIEN—How are the current work for the dole projects supervised?

Ms Butler—They are supervised by the sponsors.

Senator O'BRIEN—How are they supervised by the department?

Ms Butler—In each state office we have a work for the dole unit, which is staffed—depending on size—by two or three people, who are the individuals who negotiated the final contracts directly with sponsors and who maintain close contact with the sponsors as to how the projects are operating. In addition to that, sponsors obviously have close links with Centrelink, which is responsible for referring job seekers to the project. So the operation of the project is observed both from Centrelink and from the department at the local level.

Senator O'BRIEN—In the response that you supplied before, the electorate of Lyne has two projects at three locations. Mr Vaile, in a press release on 20 October, said that they had three projects. He referred to the projects: Because I can, I care; Work for Wauchope; and the third project was Tallwoods Village Open Space. Did all of those proceed?

Ms Butler—The electorate of Lyne, did you say?

Mr Campbell—Can you please tell Ms Butler where the electorate of Lyne is?

Senator O'BRIEN—It is on the north coast of New South Wales. I thought that the reference to Wauchope might have been helpful.

Ms Butler—As I understand it, there were four proposals brought forward; two were approved, and two were not approved.

Senator O'BRIEN—When were the decisions taken? Can you tell me from the material you have there?

Ms Butler—The decisions were taken all at once. You will recall that they were announced in October.

Senator O'BRIEN—I am confused, because Mr Vaile talked about three projects in his press release and he named them. Can you name the projects that were approved?

Mr Campbell—It might be useful if I repeat a comment I think I made back in the November hearing—that, with projects like this, sometimes confusion can arise, because a project sponsor might have an address at a particular physical location but the address of the project may well be at a different location. At times, those two locations may well be in different SLAs, indeed, different DEETYA labour markets or different electorates. Sometimes confusion can arise about both the location of the project and the location of the sponsor.

Ms Butler—One I believe that was approved was in the Hunter-north coast area. Taree Adult Education was the sponsor of 'Because I can, I care'. Is that one of them?

Senator O'BRIEN—Yes, that is one of the ones.

Ms Butler—The other one was at Wauchope.

Senator O'BRIEN—‘Work for Wauchope’?

Ms Butler—Yes.

Senator O'BRIEN—So the Tallwoods Village open space project was not approved?

Ms Butler—Tallwoods Village has been approved, yes.

Senator O'BRIEN—It has been?

Ms Butler—Yes, but I am not sure; it is not showing on my list as against that electorate.

Senator O'BRIEN—So Mr Vaile is wrong to claim it for his electorate?

Mr Campbell—Not necessarily.

Senator O'BRIEN—There might be three.

Ms Butler—Our figures here are as accurate as they can be. But certainly those three projects are approved, and we are showing two of them as being in the electorate of Lyne.

Senator O'BRIEN—So all of those projects would have satisfied the criteria? There were no projects approved that did not satisfy the criteria?

Ms Butler—No.

Senator O'BRIEN—My understanding of the Tallwoods Village open space project is that it is a project which is working on a private development.

Ms Butler—I do not believe that to be the case. I think that project is in fact working on land which is owned by the council.

Senator O'BRIEN—They are not working on a golf course?

Ms Butler—No. We have had questions raised about that and we have taken steps to check that that is not the case.

Senator O'BRIEN—Although the project title refers to Tallwoods Village open space project and Tallwoods Village is a private development, it is not related to Tallwoods Village.

Ms Butler—It is in that area, but the activity that is being undertaken is not on private property, nor is that the sponsor, as I understand it. I might need to check it for you, but that is my understanding.

Senator O'BRIEN—If you would. On the material that I have been given, there is a clear allegation that the unskilled labour involved is effectively being used to make the development more attractive. It may be that they are on land leading into the development rather than on the development itself. I really am wondering if you can supply us with the details of that project.

Ms Butler—We can.

Senator O'BRIEN—Do you have that now?

Ms Butler—No. I only have it in summary. It just says ‘Torwood’s open space’. I do not have it in detail with me.

Senator O'BRIEN—If you could supply that information on notice, I would appreciate it. There are some questions I have which in the interests of time I will put on notice. In the Prime Minister’s statement on 28 January committing additional money to work for the dole projects, the cost per place rises considerably from \$1,500 per place, or \$2,160 per place if the cost of administration, monitoring and assessment are averaged out, up to \$2,528 per place. Can you tell me why there has been the need for the increase?

Ms Riggs—In considering a much larger work for the dole project, and within that a request that we provide for a specific heritage stream of projects, the government accepted our advice that, particularly in relation to the heritage stream, some of the projects were likely to have more significant materials cost components of them, and therefore the overall apparent unit cost of the program has risen.

Senator O'BRIEN—Are any additional costs attributable to the costs of supervision of projects?

Ms Riggs—No, the nature of the consideration is largely due to the fact that heritage projects can include matters such as restoration work. Clearly, that involves a significant provision of materials which is not something that was a significant element of the pilot round.

Senator O'BRIEN—In terms of the original pilot project, how many participants have actually started?

Ms Butler—As of the middle of this week, some 3,700 participants have started on pilot projects.

Senator O'BRIEN—You are a little over 25 per cent into the pilot?

Ms Butler—That is correct.

Senator O'BRIEN—How long does the pilot project run?

Ms Butler—Projects vary in length, but 12 months. Participants will stop and start. Many of the projects have staggered commencements. They had intended to take groups of participants on at various levels. We do not expect that at any stage we will have 10,000 participants on projects.

Senator O'BRIEN—Are you on track in the pilot project stage to achieve the 10,000 participants in terms of the timetable you expected?

Ms Butler—Largely, yes.

Senator O'BRIEN—How many of the projects that have been approved have not commenced operation?

Ms Butler—There are 123 projects that have commenced; so roughly another 40 or 50 to go.

Senator O'BRIEN—And are you expecting that those 40 or 50 would not commence at this stage?

Ms Butler—Some were always intended to start in March and April, so not all of them. There are some that we would have expected might have started by this stage but for various reasons have not been able to. But those arrangements are being finalised through our state offices.

Senator O'BRIEN—Have any indicated that they are not going to proceed?

Ms Butler—Some have, yes. I think in the order of 11 projects have indicated for various reasons that they cannot proceed.

Senator O'BRIEN—What reasons have been given? What is the range of reasons?

Ms Butler—They vary, depending on the area. Some are organisational. Sponsors have not fully appraised themselves of the impact on their organisation or the timing is not right. They are largely internal to the sponsor organisations. In a couple of instances there have been organisations that do not see themselves continuing in that field. For example, there are a couple of skillshares who are winding up and who have decided not to proceed.

Senator O'BRIEN—Could the committee be supplied with a list of those contracts that are not proceeding?

Ms Butler—Yes.

Senator O'BRIEN—That is all that is happening, is it? The contract is being wound up and any moneys paid back to the Commonwealth?

Ms Butler—In those instances we would not have entered into a contract at all. None are withdrawing that would actually have signed a contract. They were offered a project: contracts were to be negotiated; the sponsors have indicated that they will not be continuing.

Senator O'BRIEN—Could you update the list you have provided to show the remaining parties?

Ms Butler—Yes.

Senator O'BRIEN—And can we assume that all on that list will have been contracted?

Ms Butler—We will give you an indication of those projects where contracts have been signed and those which have not. We are, in some instances, pursuing replacement projects where projects have withdrawn.

Senator O'BRIEN—From the original tender process?

Ms Butler—From the original assessment process, yes.

Senator O'BRIEN—When will decisions be made on those—are they ongoing?

Ms Butler—They are made on a case by case basis.

Senator O'BRIEN—Have some been made to date?

Ms Butler—Not yet, no.

Senator O'BRIEN—When do you think the decisions will start to be made about replacement projects?

Ms Butler—As I say, we will make those on a case by case basis, depending on—

Senator O'BRIEN—You have got 11 cases that you know of now, and you are telling me that no decisions have been made on replacements for those. How long have you known of the 11?

Ms Butler—Varying periods—some weeks, in some cases.

Senator O'BRIEN—I am trying to get a handle on this. You have got a shortfall in your pilot project. You are telling me that you believe you will achieve it. A small but significant proportion of the projects are not going ahead and you have got to recontract those. I am interested to know: is that going to extend the period of the pilot, or are they going to be completed within the initial intended pilot phase timetable?

Ms Butler—Most of them will be completed, I would expect, within the 12-month period. But I think we have some capacity, if we wish, to approve a project that would run for a longer period.

Senator O'BRIEN—Have any projects not proceeded because of difficulties in obtaining the level of community support that was indicated in the application?

Ms Butler—No, that was an issue taken into account in the assessment process; so that was really determined before the offer of a project was made.

Senator O'BRIEN—I think the Prime Minister also said in his announcement on 28 January that there would be 25,000 additional work for the dole places for 1998-99. At least by

implication, that suggested there would be 25,000 places in addition to the original 10,000 places. However, a table attached to the speech says that there will be 25,000 work for the dole places in 1998-99 with at least 20,000 places targeted to those aged 18 to 24. So do I rely on the table—that is, that there will be a total of 25,000 places?

Ms Riggs—Perhaps I could provide some clarification. The pilot is precisely that—a one-off pilot, with an intention to provide in the order of 10,000 places over a 12-month period. It is certainly our intention that the commencements occur in that period. It may be that some of the participants continue in projects that go a little beyond the 12-month period. The initiative announced by the Prime Minister on 28 January was designed to firmly establish work for the dole on an ongoing footing, and it provides in total 25,000 places in each financial year for the next three years. That is quite separate and in addition to the pilot project.

Senator O'BRIEN—I understand what you are saying. On what basis of evaluation and assessment has the program been extended, given that you have around a quarter of the pilot places filled and you have had a fairly short period to assess the project, which is not completed; and the assurances which were given that the legislation which passed the parliament would permit a pilot project? Minister, perhaps you should be the person addressing this question, not Ms Riggs.

Senator Ellison—There is a pilot project. I cannot see what the problem is.

Senator O'BRIEN—You are aware that the legislation on work for the dole passed the parliament on the basis that there would be a pilot program. Based upon that program, an assessment would be made as to whether it was valuable for the future. We are a very short way into the pilot project whereas, I would suggest, on 28 January we were hardly into the project at all. But now we have got only about a quarter of the participants started, and I want to know how the government has evaluated the program to make the decision that the pilot becomes a full-blown program in 1998-99.

Senator Ellison—Well, because it has been progressing well.

Senator O'BRIEN—On what basis—what criteria do you use to make that statement?

Senator Ellison—From the feedback we have had on the operation of the program, it has been working well. There has been participation in the program and I think there has only been one that was not able to take up the offer. That was the one—

Senator O'BRIEN—There were 11. Ms Butler says 11.

Senator Ellison—There are now 11, sorry, yes. But you were talking back on 28 January, so—

Senator O'BRIEN—So the Prime Minister made his decision based on the knowledge that there had been one project that did not proceed, but now there are 11.

Senator Ellison—You are talking about the decision back on 28 January and I am taking you back to that point in time. I think that history has borne out the fact that it was a good judgment to make.

Senator O'BRIEN—How many people had commenced on the project as at 28 January?

Ms Butler—Off the top of my head, I do not know. I think there were approximately 50 projects that started before Christmas. We would be talking hundreds because they were building up in those first few weeks before Christmas.

Senator O'BRIEN—Would it be fewer than 1,000?

Ms Butler—I would have thought that around 1,000 might be reasonable, yes.

Senator O'BRIEN—Minister, on the basis that approximately 10 per cent of the expected number of participants might have started and the projects were all in the early stages and, clearly, more problems than were envisaged then have been discovered now because there have been 11 projects and not one project that have not proceeded, what objective criteria did the government use to make its decision?

Senator Ellison—There were 600 applications and the feedback we were getting was that people wanted to participate in this program. Out of the 600, I think 179 were granted. Unfortunately, we could not accommodate all those applicants in the pilot program and the feedback was that there was a great deal more demand for it. Part of the basis for the decision was that the community was very interested in it and wanted to participate in it. Less than a third were able to be accommodated in the pilot program, which showed there was huge interest. That is a very good reason for extending the program, I would have thought.

Senator O'BRIEN—I presume that out of the 600 you picked the best 170?

Senator Ellison—Yes. What I am saying is that, with the limited program we had, we obviously picked the best, but there may well have been a lot more than just those that we chose that would have been very good because we only had a small start to it.

Senator O'BRIEN—Isn't that the point, Minister, you have a pilot project to make an assessment. When the pilot project was in its very early stages the government made an announcement that it would have a full blown project. You told the parliament that it was necessary to pass the legislation to facilitate this scheme so that you could conduct a pilot project and then you announced that you were going to conduct a full blown project without completing the pilot.

Senator Ellison—Where you have a pilot program that is going well you do not have to be that rigid that you wait until a certain time before you make a decision as to whether to extend it. In the sphere of government, you can make an assessment before the completion of a program to realise that you are onto something that is going to work, is a good idea and, rather than let water flow under the bridge, expand it.

Senator O'BRIEN—How have you assessed the public response to this? Have you done any market testing of that?

Senator Ellison—In relation to the—

Senator O'BRIEN—Work for the dole program.

Senator Ellison—There has been no formal assessment of community opinion. I take you back to the 600 applicants. They came from the community. As I said, as a government we had feedback. You get feedback in a number of ways: people write in to members of parliament and people and community groups approach you. You also assess the interest that was shown. I launched a work for the dole program in Western Australia.

Senator O'BRIEN—I saw your photograph.

Senator Ellison—I was very impressed by it. Colleagues of mine who were involved in this project were very impressed by what they saw. The feedback we got was very positive. You do not have to have a formal marketing program on everything.

Senator O'BRIEN—I am not suggesting you do. I simply asked the question.

Senator Ellison—As a government you do take into account what you see and hear as a government and what the community is saying. We are firmly of the view that there is widespread community support for work for the dole.

Senator O'BRIEN—So that was the basis for the decision made in January?

Senator Ellison—Yes, it was.

Senator O'BRIEN—And it was not to do with an assessment of the pilot at all?

Senator Ellison—It was an assessment of community opinion and interest and how those that were going at that stage were proceeding. I agree we had not got the total number up by that stage. You do not have to assess the whole marketplace to understand how the marketplace works. Often people involved in market research conduct samples. We had a sufficient number going to assess how they were going and to assess community interest in them.

Senator O'BRIEN—I see an article from the *West Australian* dated 19 December which pictures you, Minister, opening a project at Albany. How can you assess how a project is going if it has basically only just opened?

Senator Ellison—That project, which there was some misrepresentation of as to some of the views expressed about it, was a very good project. There were a good number of young people involved in it. They had had some preliminary involvement to the launch and it was one that was going to work well. It was an impressive project. It was going to teach them some skills and it really could not fail in my view.

Senator O'BRIEN—I simply wind up with this: if you are going to assess a project it is simple logic that you would allow it to run for a period and make a judgment rather than judge it effectively at its opening? Is that not fair?

Senator Ellison—There were other projects that were operating at the time. With the puffing billy project they actually went on to gain other employment. That was in the eastern states. That was more advanced than the one I am talking about. That was one which had a reasonable rate of success with some of their participants going on to find work.

Senator O'BRIEN—On that basis Working Nation was successful too, Minister.

Senator Ellison—We can agree to differ on that.

Senator O'BRIEN—Thanks, Minister. I will put other questions on notice.

CHAIR—Thank you. We appreciate that, Senator O'Brien.

[11.30 a.m.]

Subprogram 4.6—Case management processes

Senator MACKAY—I have several questions to ESRA. Could somebody run me through how ESRA determines high performance? What variables are taken into consideration?

Ms Rawicki—We have a look at the outcomes that organisations produce, positive outcomes. So they are outcomes that have actually been achieved, payable outcomes, which would be in employment, in education or in training for the 13-week period. We also consider the number of people that are currently in post-placement support. That is the period from when they are placed into a job or in training but before the 13 weeks is up. We take that as a percentage of the number of people in that organisation who are available for placement. That is a raw figure, a raw percentage.

Senator MACKAY—What is the measurable outcome with regard to the employment aspect? Is it placement? What do you mean by outcome with regard to employment?

Ms Rawicki—Being placed in a job.

Senator MACKAY—Placement?

Ms Rawicki—Yes, whether it is subsidised or unsubsidised, part time or full time.

Senator MACKAY—I just take you to the document *Best practice in case management* produced by ESRA. There is a list of acknowledgments on the second page. I understand from reading this document that something like 15 of the 19 are regarded as high performers. Is that correct?

Ms Rawicki—Yes.

Senator MACKAY—Can you indicate which ones in the group of five were regarded as medium performers?

Mr Martin—The sites which were depicted as average were ORS Rehabilitation and Placement in their Perth site, Knox Regional Employment Skills Inc. in Bayswater, Personnel Employment Northern River Inc. in the Byron Bay site, Langs Business College in Werribee and Bridging the Gap Inc. in Southport, Queensland. They were the numbers.

Senator MACKAY—What was the first one, I am sorry?

Mr Martin—The first one was ORS Rehabilitation Services.

Ms Rawicki—Also Pegler Close.

Mr Martin—Yes, sorry, I missed Pegler Close at Mount Gambier.

Senator MACKAY—Okay. So the remaining 15 were regarded by ESRA as high performers?

Mr Martin—Yes.

Senator MACKAY—What do you mean by high performers with regard to these 15 organisations?

Mr Martin—They received outcomes in excess of 50 per cent.

Senator MACKAY—What are your scales with regard to high performers, medium performers and low performers?

Mr Martin—The high percentage was above 50 per cent for generalist and specialist providers. The average was between 33 per cent and 43 per cent. Those below that were considered to be below average and low performers.

Senator MACKAY—How many case managers were regarded by ESRA as being 50 per cent and above out of the total that did exist?

Mr Martin—On the basis of the sample, 10 per cent were high performers.

Senator MACKAY—So these 15 that are in here are in the top 10 per cent nationwide?

Mr Martin—That is right, yes, at that time.

Senator MACKAY—At the time of the conduct of the survey?

Mr Martin—Yes. The survey was based on sites, not on the company overall.

Senator MACKAY—I appreciate that. So the 15 that are mentioned here are in the top 10 per cent of the country?

Mr Martin—Their sites were.

Senator MACKAY—Their sites were.

Mr Martin—It was a precise survey on individual sites.

Senator MACKAY—I appreciate the distinction. I understand only four of them have received FLEX 3 under the new employment services market.

Mr Martin—I think that question could be referred to my DEETYA colleagues. We have been completely divorced of the tender process.

Senator MACKAY—Okay. Could somebody respond?

Mr Sedgwick—Yes, that sounds like a question that would best be addressed under 4.7.

Senator MACKAY—You do not want to talk about it now?

Senator Ellison—It will be tidier perhaps if we leave it for 4.7, Mr Chairman.

CHAIR—Yes.

Senator MACKAY—Just for the ease of getting through this exercise—and I will not direct any further questions to you on this—can you confirm that only four received FLEX 3 under the new system?

Mr Sedgwick—I do not know as a matter of personal knowledge. We have put out the list of those that did.

Senator MACKAY—On my reading of the list there are only four, but it may assist for somebody in DEETYA to check. The minister has produced it publicly, as you know.

Mr Sedgwick—Yes, that is right.

Senator MACKAY—I will reiterate my assertion that in fact only four received FLEX 3 of the new employment services market, despite 15 being in the top 10 per cent in terms of ESRA's determination. Was ESRA consulted at all during or prior to the tendering process?

Mr Martin—We were totally divorced from the process.

Senator MACKAY—So there was no consultation at all between DEETYA and ESRA?

Mr Martin—Not that I am aware of, no.

Senator MACKAY—Why not?

Mr Sedgwick—Again, as we will go through in the context of subprogram 4.7, the performance data was available to us.

Senator MACKAY—You had the performance data?

Mr Sedgwick—Indeed. But we will address that in subprogram 4.7.

Senator MACKAY—Obviously, there was some consultation in that DEETYA had access to ESRA's database?

Ms Rawicki—We have access to DEETYA's database.

Senator MACKAY—Right, and then you provided data to DEETYA.

Mr Martin—No, it is our own data. It is a shared database.

Ms Rawicki—They would have used their own data, I presume.

Senator MACKAY—The performance data that Mr Sedgwick just referred to? I am confused.

Ms Rawicki—The data that ESRA uses comes from the DEETYA system—the IES system. We download the appropriate information and then use it in the way we need to.

Senator MACKAY—There is no requirement for consultation between the two; that information is shared between DEETYA and ESRA—it is common.

Ms Rawicki—Yes.

Senator MACKAY—Why did ESRA produce the document *Best practice in case management*?

Ms Rawicki—The initial desire was to share some of the experiences of case managers. When ESRA commenced, it was a new industry. It was an evaluation, in one way, of some of the information that had been provided through the monitoring of case management. For our benefit and for the benefit of other organisations, we wanted to have a look at what some of the processes were that worked really well. We produced the document, which is now available to anyone.

Senator MACKAY—It was produced in order to provide a how-to guide in terms of best practice in the case management area.

Ms Rawicki—It is not prescriptive.

Senator MACKAY—I appreciate that.

Ms Rawicki—It does not say how to; it says that these are some of the characteristics that we found in the sites that we have selected as being top performers.

Senator MACKAY—With regard to the overview, there are seven dot points. Would they be a broad-brush list of desirable qualities that you believe case managers ought to have?

Ms Rawicki—To reiterate, nothing was prescriptive, but these were some of the characteristics we found common to all the organisations we looked at that were high performers.

Senator MACKAY—Good. In terms of matching, under that old regime, how much was regarded by ESRA as a reasonable amount of money for the matching process—what is now termed FLEX 1?

Ms Rawicki—We were not involved in FLEX 1 or the job brokerage. That was a DEETYA program.

Senator MACKAY—With regard to case management and start-up costs, infrastructure and so on, in your assessment in your experience of case management, from go to whoa, in terms of providing quality service, what time frame are we looking at here for an organisation?

Ms Rawicki—From our experience, it takes about 10 months in the case management to start producing sustainable quality outcomes. That was mentioned in last year's annual report—there is a paragraph on it.

Senator MACKAY—Would an organisation that was awarded what is now called FLEX 3—it used to be called case management—last week be up and running by 1 May.

Mr Martin—I think that question should be referred to in subprogram 4.7. It is not a question that we can really comment on.

Senator MACKAY—Why not?

Mr Martin—There may be some new players in the market. They may have different resources.

Senator MACKAY—You have asserted that in your view it takes 10 months for an organisation to be sustainable.

Mr Martin—This is a totally different new market, as I understand it.

Senator MACKAY—We have organisations that are starting from scratch, as you have read in the papers. ESRA has said that 10 months is a reasonable period of time, as the minimum.

Mr Martin—But they may be delivering a different service to what the contracted case managers have. You cannot generalise and say that it may take 10 months. It is a different sort of service that they may be able to offer.

Senator MACKAY—So why was 10 months used as a figure?

Mr Martin—The general opinion that staff at ESRA had formed was that, under the old case management market, it would take a company to get up and running and achieve positive results.

Senator MACKAY—Do you have a comment to make on the indicative FLEX 3 allocation in the tender documents compared with case management resources under the previous regime?

Mr Martin—No.

Senator MACKAY—I have no further questions for ESRA, thank you.

[11.43 a.m.]

Subprogram 4.7—Employment services market

Senator Ellison—Would it be appropriate for the secretary to now make the opening statement which was referred to earlier? In that regard, with the committee's indulgence, Mr Sedgwick can do that.

ACTING CHAIR (Senator Synon)—Yes. Please go ahead.

Mr Sedgwick—I thank the committee for the opportunity to provide some information about the employment services market tender assessment process. Prospective tenderers were given the opportunity to submit bids in any one or all of five services and in any one or all of 29 tender regions. Tenderers who bid for FLEX 2 and FLEX 3 services, now called intensive assistance and job search training, were also required to be prepared to offer job matching services—known as FLEX 1.

The request for tender set out the tendering conditions, the assessment criteria and the probity plan which would be applied. The intent of the probity plan was to ensure that, amongst other things, the processes set out in the request for tender were followed and all applications assessed objectively and consistently. Blake Dawson Waldron, lawyers, were appointed to independently monitor procedural integrity throughout the tender.

It was clear from the tendering conditions that, apart from entry level training support services, conditional bids would not be considered unless there were insufficient unconditional tenders to meet our requirements in a region and that bids for each service would be assessed separately. The closing date for tenders was 16 September 1997.

Some 1,016 organisations tendered. Effectively, they made well over 5,300 bids—where a bid represents a bid in respect of a service in a region—with many bidding for a number of services and/or regions. All tenderers were required to execute a statutory declaration, including a statement of compliance, and confirmation that their organisation had not engaged in any collusive tendering, anti-competitive conduct or any other similar illegal conduct with any other tenderer or person in relation to the preparation or submission of their offer. They also signed a declaration to the effect that they had read, understood and accepted the tendering conditions.

Tenders received were first checked to determine whether they met the conformance criteria laid down in the RFT. For example, a tender was excluded if it failed to include the required

schedules and statements against the selection criteria or if the tenderer submitted competing bids for the same service in the same region.

In a few instances, as outlined in the RFT, tenderers were invited to Canberra to rectify within five days some minor clerical omissions in their tender bid, and all but one tenderer that was required to do so took advantage of that opportunity. This facility was offered for quite specific matters, such as the apparent absence of an original signature. It provided no scope to alter a bid once submitted nor to introduce new material.

Tenderers who satisfied the conformance criteria passed through to the next stage. Each tenderer was then assessed to determine their financial capacity to deliver the service requirements and meet contractual obligations over the contract period. The department used this financial viability assessment to minimise risk—financial and probity—to the Commonwealth, not to measure the profitability of a tenderer or to gauge their success in the new market.

The onus was on prospective contractors to satisfy DEETYA of their financial viability. Tenderers were required to present a range of information to demonstrate their financial viability as an entity, and DEETYA conducted some financial checks based on this information.

The assessments of financial viability were undertaken by trained staff supervised by qualified accountants. They took into account a range of quantitative and qualitative factors designed to identify entities that are at risk of business failure. Tendering entities were assessed against their historic financial and qualitative information and their business plan as reflected by their projected cash flows.

Tendering entities and associated relevant persons were also assessed against a number of probity factors. These were sourced from public records such as the Credit Reference Association of Australia Ltd, the Australian Securities Commission, Dunn and Bradstreet, Lawpoint and State/Territory Associations' Registrars and from internal DEETYA records. The checks against internal records were undertaken to confirm that no significant incomplete acquittals, debts or prejudicial investigation or litigation matters were outstanding with the tenderers.

Quality assurance processes were employed in this stage. For example, some 240 financial viability assessments were reviewed by another assessor, including all cases in which an entity was judged not to have passed the financial checks. Those confirmed as having failed to meet the financial viability criteria were excluded from further consideration in the process. The tender conditions require that, if financial viability is unclear, the tender is put aside and not further considered unless all other business options have been exhausted in a region. Some businesses were ultimately allocated less than their maximum preferred levels of business on account of some concerns raised at this stage about their financial capacity to service a very large volume of business.

While financial viability issues were being addressed, assessment teams began to evaluate the claims made by tenderers against the criteria specified in the tender. The selection criteria for FLEX for this stage of the process were, first, effective strategies to get unemployed people into jobs in the labour market for which the tender is lodged; second, expertise and/or experience relevant to the delivery of the tendered services; and, third, the suitability of facilities and accessibility of services. These selection criteria were equally important at this stage for FLEX 1 and 2. In the case of FLEX 3, the most important criterion was that

concerned with the tenderer's proposed strategies, followed by their experience, et cetera, and then their facilities.

Assessments of past performance included an assessment of local market conditions and the types of clients that they had assisted. These assessments drew on performance data supplied by the tenderer and on DEETYA's own sources of data. The later included data held by ESRA regarding the performance of case managers, for example, and information available to DEETYA about the number of clients who had ceased to draw benefits as a result of the performance of tenderers. New organisations were required to provide referee reports addressing their performance in related fields.

Quality assurance processes were also applied to the assessment process. Over two-thirds of the original assessments were reassessed in order to ensure consistency and to minimise the scope for systematic bias.

Assessment teams comprised three people: one drawn from the region concerned, another DEETYA officer drawn from another region and the third drawn from national office. Assessment teams needed to agree on their assessment. All assessors received appropriate training and probity briefings. Personnel were regularly rotated between teams so as to minimise scope for small group dynamics or other factors to affect team assessments. If a reassessment occurred it was undertaken by another team, so that two different people looked at the tender again. In the event of a disagreement between the first and second assessments, a third team, comprising two SES officers, was asked to adjudicate. There were 770 adjudications.

As with the financial viability checks, this process was observed by a team of independent quality assessors reporting to the independent probity adviser, Blake Dawson Waldron, lawyers. These independent observers were drawn from other departments, other governments, Blake Dawson Waldron and, in one or two instances, DEETYA officers. They were given a free rein. They observed teams at work. They conducted random checks of assessments made. They analysed data to see if trends were emerging. They had completely free access to any assessment team or records and were each given the opportunity to report both to Blake Dawson Waldron and directly to me. There were no outstanding issues raised by these advisers at the end of the assessment phase.

Only organisations which satisfied the selection criteria were considered for contracts. Just over half of the 5,300 bids considered proceeded to the next stage. The remainder were either found unsuitable, non-conforming or not able to satisfy the financial viability test. Suitable tenderers were ranked in accordance with their price bid for price competitive services and in accordance with quality for the Intensive Assistance service.

The business allocation process was the next phase. New teams were formed to make recommendations to a decision making process involving a number of SES officers and ultimately me. The independent Probity Adviser was represented at all meetings at which allocations were decided. In allocating business, care was taken to ensure appropriate competition, diversity and geographic coverage within a region and that any special client needs were taken into account. Contracts were allocated to the highest ranked tenderers which met these requirements.

The allocation process was sophisticated, taking into account information provided by tenderers regarding the sites which they proposed to service and the levels of business which they were to offer at each site. The process also took into account the fact that bidders in price competitive services were allowed to nominate up to four bidding ranges in terms of quality

and/or price. The decision making process was supported by a purpose-built software application which enabled all bids ranked suitable for a service in a region to be considered at once, having regard to their ranking in terms of either price or quality as appropriate to the service. This enabled sophisticated analysis to be undertaken about the benefits of alternative allocations of business in any given region.

Contracts reflecting the business allocations decided upon were then sent to a number of tenderers on 19 January who were asked to confirm their tender and invited to execute the contract. Some declined, notwithstanding the fact that no tenderer was offered business at less than their minimum bid for any service in a region. That was their commercial judgment. The business so declined was reallocated to other parties, predominantly but not exclusively to bidders who had previously been sent a contract. This reflected the fact that these bidders were more highly ranked than those not yet approached, usually, and that there was some spare capacity left in their original bid. As at the date of the minister's announcement, some 306 organisations had indicated their willingness to execute a contract with the Commonwealth. Over 300 contracts have now been executed. There is still a small amount of business to be reallocated. These reallocations will occur over the next few weeks.

I have set out these steps in some detail in order to give you an insight into the sophistication of the process. I am very pleased that Blake Dawson Waldron gave us an unqualified sign-off in the following terms on 24 January:

On the basis of our observation and inquiries of the Independent Observers we are satisfied that to date the tender has been conducted in accordance with the probity requirements. We consider that the procedures outlined in the published tender documentation including the Probity Plan, have been followed.

To date we have not identified any evidence of systematic bias, lack of objectivity by assessment teams, pattern of scoring or ranking which advantaged or disadvantaged any particular bidder.

I and my colleagues are happy to take questions on the processes which have been followed. As you will appreciate, however, privacy and commercial considerations preclude us from discussing the particulars of an individual case. Those considerations include our concern not only to protect the commercial interests of tenderers themselves and information supplied by them on a commercial-in-confidence basis but also to ensure that the Commonwealth's own policy interests and commercial interests are safeguarded in future tenders. Of course, each tenderer has been offered the opportunity to be debriefed on how they fared. These begin next week.

CHAIR—Thank you, Mr Sedgwick. Are there any questions on 4.7.

Senator HARRADINE—Do you mind if I go first. I apologise to the committee, but I do not have the gift of bilocation, and most people are very grateful that I haven't. Could I just go to the outcomes—

Mr Sedgwick—Before you do, Senator, it has been pointed out to me that I said that if a reassessment occurred it was undertaken by another team of three people. It was in fact two, not three. I just want to make sure I do not inadvertently mislead the Senate.

Senator O'BRIEN—You have corrected very early this time.

Mr Sedgwick—Absolutely.

Senator HARRADINE—I refer first of all to an article in the *Sydney Morning Herald* this morning by Tom Allard talking about the tendering of job search contracts. It said:

Before the tendering of job search contracts, there were 869 sites where the long-term unemployed could get intensive training to prepare them for work, according to the Employment Services Regulation Authority, a Federal Government body. Now, because of the imminent closure of many small case

managers, there are only 715 sites, a decline of 18 per cent. The number of providers of employment services for the disadvantaged has fallen by 61 per cent to 125.

Could the Department comment on that and indicate to the committee if that is accurate or if it is not? If it is, what is going to occur?

Mr Campbell—I understand that the number of 869 sites quoted in Mr Allard's article was drawn from the ESRA annual report. That is not, I am advised, 869 different sites. It is the way, I understand, that ESRA configured their presentation and the way they structured their contracts. I am advised that there are currently 318 contracted case managers who are contracted by ESRA, and they are at 622 sites or locations, not 869.

Senator HARRADINE—The article also refers to the situation in St Marys. What comments has the department got on that?

Mr Campbell—I am sorry, I could not catch the question.

Senator HARRADINE—In so far as St Marys is concerned, previously two community organisations, including Mamre Employment Services, provided intensive assistance over 18 months to about 600 jobless and the CES provided further services. Now St Marys has lost its CES and neither community based agency won a contract. In fact, the contract is to be taken by a Bankstown based company, Training Advantage.

Mr Campbell—I hear the statement, but I am not sure what the question is.

Senator HARRADINE—Is that accurate? Why is it so? What is going to happen to those 600 jobless?

Mr Campbell—Without going to the detail of what particular providers may or may not be saying—as the secretary said at the end of his statement, we are not doing that—it is clear that both St Marys and the suburbs surrounding St Marys in the western Sydney area have a significant number of providers providing all five services, including FLEX 3.

There are a number of providers, if you look at the western Sydney line. As you said, there is a provider situated in St Marys itself. I do not think there is any basis for the assertion that 600 people will not have the opportunity to be provided with services under the new market.

Senator HARRADINE—I go to Dr Kemp's statement of late February where he stated, 'There will be 1,404 points of access for job seekers, more than four times the present level.' Can you explain that, in light of the fact that there were approximately 300 CES offices and over 100 will close outright and another 80 or so will become part-time offices? Where does the fourfold increase come from?

Mr Campbell—We provided to the committee secretariat the statements. Included in that was this document here, which goes by the 29 regions that we used to assess the tender. By each individual region it provides the name of the provider, it lists which one of the five services they are being contracted to provide, it lists their sites; and in the final column it lists the outreach services. The number of sites in the second last column add up to just over 1,400. That is where the 1,404 comes from, Senator.

Senator HARRADINE—But that includes the Salvation Army, the City Mission and Drake.

Mr Campbell—That is correct, Senator. They are being contracted to provide services along with 303 other providers.

Senator HARRADINE—But aren't those offices there already. Can't job seekers already go to Drake? How can the minister suggest that there is something new in this, that there are extra points of access?

Mr Campbell—Perhaps if I go back to something that was said earlier in the hearing this morning. It was before you came in, so I will repeat it. When ESRA were answering a question from Senator Mackay under subprogram 4.6, they made it quite clear that contracted case managers do not see themselves, under their contracts with ESRA at the moment, to be providing the job matching services under FLEX 1. They do not see that their current contracts with ESRA contract them to do that. Therefore, in the sense of talking about job matching, FLEX 1 services, the increase in sites, which is what we are talking about here, is quite relevant.

Senator HARRADINE—I will check that. May I take that on notice, too. I go to the question of FLEX 1. What number of long-term and disadvantaged job seekers will be assessed under the job seeker classification instrument as entitled to FLEX 3 levels of assistance but will then be delayed in receiving this support or diverted to receive less intensive levels of support?

Mr Pratt—We estimate that probably one-third of job seekers will be assessed as eligible for FLEX 3 using the job seeker classification instrument each year. Once the market is up and running, virtually all job seekers will go through the job seeker classification instrument on registration with Centrelink for employment services.

Senator MACKAY—What do you mean by ‘one-third of job seekers’? Do you mean one-third of all job seekers?

Mr Pratt—What I am saying is that we expect at this stage that one-third of job seekers who register for employment services will be identified as eligible for FLEX 3 using—

Senator MACKAY—So one-third of job seekers who register with Centrelink will be eligible for FLEX 3?

Mr Pratt—That is right.

Senator MACKAY—How many is your estimate? What is one-third?

Mr Pratt—A rough estimate is 300,000 or 350,000.

Senator MACKAY—I just wanted to clarify that.

Senator HARRADINE—I appreciate that. What I asked was also the estimated number of those job seekers who would then have a delay in receiving support or, in fact, be diverted to receive less intensive levels of support.

Mr Pratt—I am not sure I understand your question, Senator. Using my rough calculations, in a given year 650,000, for example, would be assessed as not eligible. They would then have access to the range of other services which will be provided under the Job Network—self-help services, job matching services or FLEX 1, and jobsearch training, amongst other services. Of the 350,000-odd, we expect that each year about that number will get referred into FLEX 3. Of course, that depends at the time on how many vacancies are available. It will vary from region to region.

Senator HARRADINE—I am particularly concerned obviously because of the situation in Tasmania, which has the highest unemployment rate. It actually dropped from 11.3 to 11.2 per cent in the most recent figures. It is still the highest of any state. What special measures does the department put in place in regions of higher than average unemployment?

Mr Reeves—In addition to the services that have been contracted in the market and in addition to programs such as work for the dole—which might also operate in, if you like, regions of higher unemployment—the department has a regional assistance program, under

which it funds essentially non-individual assistance type projects. It funds regional employment strategies and projects that support regional employment strategies in those sorts of areas. That program and its predecessors have been active in Tasmania now for well over 10 years.

Mr Campbell—We provided a copy of the request for tender to the committee in previous hearings, and I think another copy was provided to the secretary a couple of days ago before the hearing. When we went out to tender, we listed indicative levels of clients that we considered we would be contracting for in each of the services. Of course, those indicative levels of clients that we were contracting for also reflected the varying level of client need within regions. So it did actually draw upon the number of clients in each of the individual regions. To that extent, those regions with a higher than average level of unemployment would have got a proportionally higher amount of servicing through the contracts.

Senator HARRADINE—How many in Tasmania are categorised as long-term unemployed? What percentage?

Mr Campbell—I do not have the information here with me.

Senator HARRADINE—You are indicating that this new system will be more beneficial for the long-term unemployed. Could you explain to the committee how that will be?

Mr Sedgwick—It will be beneficial in a number of different ways. The policy intent is certainly to give the clients choice but also to give the providers greater scope to tailor make the approach that they adopt in respect of an unemployed person to the circumstances of the individual. So whereas under present arrangements there are some limits on the menu of options that are available to contract the case managers, in this environment we are moving to remove the restrictions on the kinds of support that a provider can give to an individual, leaving it to their professional judgment to best match the needs of the individual with the resources which they have available. The payment mechanism is allocated in such a way that it will reward those best who adopt strategies which produce an employment outcome for an individual of 26 weeks or more. So the focus is in terms of being innovative, being customised—this is in intensive assistance—and trying to produce an outcome for the individual that will lead to employment.

Senator HARRADINE—So you are saying that that is the policy objective.

Mr Sedgwick—Yes, that is right.

Senator HARRADINE—But on the ground, aren't you really in the business of disposing a lot of expert persons who have had a long period of time and experience on case management and the like in the CES? Aren't you concerned about the effect of the loss of the existing CES staff on the job prospects of the many long-term unemployed?

Mr Sedgwick—I am wearing two hats here, Senator.

Senator HARRADINE—How is this to be monitored?

Mr Sedgwick—The performance of individual providers will be closely monitored because there is an electronic linkage between ourselves and each of the providers. Their payments flow in proportion to their performance, particularly after they have taken a long-term unemployed person on to the books. So we will have very clear information about how an individual provider is performing in the market, and we will be putting in place some arrangements to ensure that the market is well informed about how individuals go or do not go.

One of the features of this model is that the ultimate market share of any individual provider will depend on their capacity to be able to convince employers and job seekers that they can

put people in work. So it tends to have its own self-reinforcing mechanisms in here that there is information going to all parties in the market about how well people are doing, which I think should help ensure that providers are kept on their mettle, frankly. Each of the providers who has been offered a contract has an obligation to ensure that they appropriately staff and provide appropriate services, and we will be monitoring the outcomes that they achieve quite closely.

Senator HARRADINE—Isn't it a fact that CES clients used to be able to go to the local CES branch or visit any CES office in other areas? Under this new scheme, how will job seekers be able to apply for positions outside their local area without incurring travel costs and communication costs?

Mr Reeves—There are a number of ways that people can access placements outside their own area. The key obviously is our touch screens, our national vacancy database, where any job seeker can search not only their own area but throughout the country. They can identify particular areas or particular occupations which they may wish to search through that database. That facility will be open to people in the new market. They will be able in the new market to go to any of the job matching providers—it is not limited to one—so if they were an eligible job seeker and they found a position on the database they wished to apply for, they could contact that provider in order to get a referral.

Senator HARRADINE—That provider, generally speaking, wants to have a face-to-face talk with the applicant. Under those circumstances, what is the situation in regard to assistance for that particular applicant?

Mr Reeves—They would need to have a face-to-face dealing if the provider wished it. They would need to make whatever arrangements they chose commercially to do so.

Mr Sedgwick—In a sense, that is the situation now. We will end up with, in the case of job matching, a lot more players in the game funded by the Commonwealth than previously would be the case and a lot more options. When an individual goes to Centrelink, they will be told the providers who are available in the local region and they will be given information about how to make contact.

Senator HARRADINE—I understood that, at the present moment, clients were able to go to their local CES or visit any of the other CES offices in adjacent areas and there was some arrangement in regard to costs involved.

Mr Sedgwick—I am not sure I understand that part.

Mr Campbell—I think you are probably referring to basic job matching services. I think what you are saying is that, if a job seeker is currently registered with the CES in, say, the city branch of Hobart, they can go to the branch on the other side of the river at Rosny Park, Eastern Shore. That is quite true.

However, if they are working in a particular CES office as a case managed client, the case managed services will only be applied in the office in which they are being managed. If you go to the new market—again, taking Tasmania—the job seeker who is looking for basic job matching services can go to any number of providers within, for example, the Hobart area and have their details, if they agree and wish, registered with up to five providers at any one point in time. I think that is quite a significant increase in the accessibility of job seekers to a variety of providers who are providing job brokerage services. I think it expands what you are talking about being with the CES at the moment.

Senator HARRADINE—Mr Sedgwick, just following what you said before, what happens if the whole thing unravels or the thing unravels in particular areas and the system does not meet the policy objectives? You have lost a lot of dedicated and experienced staff, including a lot of dedicated and experienced case managers, haven't you? Where are they going? What is going to happen to that experience?

Can you confirm for me that nationally there are 5,300 staff, including 1,000 temporary staff, 1,200 are expected to transfer to Employment National and a further 1,000 are to go to Centrelink or other departments? I am just wondering whether you can confirm these figures or otherwise. Is it a fact also that 2,000 are forecast to take voluntary redundancy? In my state, the CES employed 250 people in 1996 to provide a universal labour exchange service for job seekers; that has been reduced to 150 now and will be reduced to zero in May. Thirty-five are expected to accept jobs with Employment National. There is real concern on the north-west coast of the state that 16 staff up there will need to be placed in alternative Commonwealth jobs, which are scarce in that region of high unemployment. Are those facts correct in regard to the figures?

Mr Sedgwick—I cannot vouch for all of them. It is the case that there are presently 5,300 staff, of whom a little under 900 are temporaries, in both the CES and in what are known as the transition services units, which is part of the operation of the department that will handle the rundown of labour market programs over the next six or nine months. It is, as I understand it, the case that Employment National is proposing to take 1,200 of our staff, although Employment National can speak for themselves. We have an arrangement in place between ourselves and Centrelink whereby Centrelink has agreed to take some of our people on a merit selection basis.

Senator MACKAY—How many?

Mr Sedgwick—It is not known precisely at this point how many will either be interested on our side or available from Centrelink's side. There are processes in train on both sides to establish that at the moment.

Senator MACKAY—We have heard it was 400.

Mr Sedgwick—Our expectation—although it is not well based because the surveys have not been completed—is upwards of 700 to 1,000. Opportunities might be available that way.

Senator HARRADINE—In Centrelink?

Mr Sedgwick—Yes. Effectively we will pay for the voluntary redundancies of people in Centrelink who would like to go, in order to allow some people who want to work and to meet the criteria to be kept in employment. In terms of our own voluntary redundancies, there is a survey being undertaken at the moment which asks those staff who are in the CES and affected by this, and also those who are in the transition services units, what their preference is between placement under the job swap arrangements with Centrelink, placement with Employment National or voluntary redundancy. We do not know the outcome of that yet; the returns are not due for another week. So I cannot give you a firm steer on that.

For those who remain, there are certain entitlements that are available to people under the Public Service Act. We will be working with individuals to assist them to make the transition to other employment, either within the Commonwealth sphere or elsewhere. If a certified agreement that has been voted on by staff at the moment gets up, that will include the possibility that we will fund trial placements of individuals in alternative employment.

I am not expecting that the market will perform in the manner that you suggest, Senator. I believe though that there is resilience in the market, in the sense that we do have a large number of players. If one or more were to experience difficulty, I expect that we could make arrangements to cover for that.

Senator HARRADINE—I have to apologise to the committee that I need to leave now.

Senator MACKAY—I just want to follow up on a couple of questions that Senator Harradine raised that were perhaps not comprehensively answered. He asserted that approximately 100 CESs are going to close. Can you confirm that figure?

Mr Sedgwick—The CES is presently operating at 293 sites; Employment National has won business at 207 sites in the new market. Employment National can speak for itself about its location strategy. It is our understanding that there may be some locational shifts—offices are too big, that kind of thing—but that they will service 207 sites.

Senator MACKAY—My question was: can you confirm that approximately 100 CESs are likely to close?

Mr Sedgwick—I can confirm that Employment National will have 207 sites.

Senator MACKAY—What is happening to the other 100?

Mr Sedgwick—I can confirm that the CES will have none after 1 May.

Senator MACKAY—Okay, so we can conclude, on simple arithmetic grounds, that 100 CESs are closing?

Mr Sedgwick—There will be 90-something fewer sites operated by Employment National compared to the CES.

Senator MACKAY—Ergo, approximately 100 CES sites are closing.

Mr Sedgwick—Senator, every CES is closing.

Senator MACKAY—One hundred CESs over and above the CESs that will be occupied by Employment National.

Mr Sedgwick—There will be 86 fewer sites serviced by Employment National than there are presently by the CES.

Senator MACKAY—So there are 86 fewer offices. Is that right?

Mr Sedgwick—There will be 86 fewer sites serviced by Employment National than are presently serviced by the CES.

Senator MACKAY—Let me get this absolutely clear: how many current CES offices will not be occupied by Employment National?

Mr Sedgwick—As I was trying to say to you, Employment National will service 207 sites, but whether our current physical infrastructure will suit Employment National is a matter for them to judge. We have offices, for example, that are rather larger, in a site than Employment National may want. They may therefore want to relocate.

Senator MACKAY—I understand that.

Mr Sedgwick—So Employment National may want to be in different places even though they may be servicing the same site.

Senator MACKAY—That was not my question. I am not asking about specifics—and I appreciate that it is hard to talk about specifics—I am talking about the aggregate. I understand

that there are 207 sites out of the current CES sites that will be serviced by Employment National.

Mr Sedgwick—Correct.

Senator MACKAY—So that leaves how many CES sites?

Mr Sedgwick—None.

Senator MACKAY—Currently, how many CES sites are there?

Mr Sedgwick—There are 293.

Senator MACKAY—There are 293 CES sites, of which 207 will be serviced by Employment National?

Mr Sedgwick—That is right—207 sites.

Senator MACKAY—What is the difference numerically?

Mr Sedgwick—It is 86.

Senator MACKAY—What is happening to those 86 CES sites?

Mr Sedgwick—They will not be serviced by Employment National.

CHAIR—Is it true, Mr Sedgwick, that there are a whole range of private providers that will have other sites in those areas?

Senator MACKAY—No, that was not my question.

CHAIR—I know it was not, but that is the reality with the new market.

Senator MACKAY—What will happen to the 86 CESs?

Mr Sedgwick—Some providers have expressed interest in some of our sites.

Senator MACKAY—How many providers have expressed interest in your sites?

Mr Gibbons—I believe at the moment that there are about three or four providers that are interested in up to 20 of our sites, that is, property that we currently—

Senator MACKAY—Three or four providers are interested in 20 of your sites?

Mr Gibbons—Yes.

Senator MACKAY—If, say, you decide to give the CES sites to the three or four providers; who will pay for that?

Mr Sedgwick—They will.

Senator MACKAY—So they will pay for the rental?

Mr Sedgwick—Yes.

Senator MACKAY—They will buy the equipment?

Mr Sedgwick—This is an arrangement where there are sites that we will need to vacate. If somebody wants to take over our lease or make arrangements with the landlord if our lease has expired, that is a matter for them. The equipping of those sites, the servicing of the lease and all of that is their responsibility.

Senator MACKAY—What about the remaining CESs?

Mr Sedgwick—With the sites that will not be taken by others, we will have to manage ourselves out of the leases of them over a period of time.

Senator MACKAY—So ‘manage ourselves out of the leases of them’ means ‘close’? This is very ‘Sir Humphrey’.

Mr Gibbons—Senator, all CES sites will close their doors on 1 May as CES offices.

Senator MACKAY—I understand that. I am attempting to work out what will happen to the sites after 1 May.

Mr Gibbons—All CES sites will cease operation as the CES on 30 April. A number of CES sites, that is, the physical property leased by the department, will be taken over by Employment National and by other providers at that time.

Senator MACKAY—Yes, I understand that.

Mr Gibbons—The balance will be progressively disposed of by the department when we have completed the wind-down tasks that will follow the closure of CES—that is, winding down the labour market program, administration, dealing with the disposal of assets, dealing with the archival of records, et cetera—except where we wish to retain the office, or part of the office, for the network of Aboriginal education and employment units. There are about 40 of those located across the country.

Senator MACKAY—Good, thank you. What does ‘Employment National servicing 207 sites’ mean?

Mr Sedgwick—You can ask them.

Senator MACKAY—You obviously have a bit of an idea.

Mr Sedgwick—They are required under their contract to deliver service to their clients at 207 sites.

Senator MACKAY—What does ‘servicing’ mean? Does it mean that they will be physically occupying 207 sites?

Mr Sedgwick—They certainly have to have 207 sites available. Whether they are occupied full-time all the time is a matter for their commercial judgment. They must, at the end of the day, be able to satisfy us and their clients that, whatever servicing strategy they adopt from those sites, it is consistent with the obligations that they have undertaken.

Senator MACKAY—I appreciate that. Does anybody in the department have any idea what the arrangements will be with Employment National? I thought you would have, considering the CES network still exists. What is meant by servicing these 207 sites?

Mr Sedgwick—The people who are best placed to answer that question are Employment National. I was not trying to evade your question earlier—

Senator MACKAY—It sounded like it. I appreciate your explanation, thank you.

Mr Sedgwick—We have some fairly difficult issues to manage, which include being able to provide appropriate locations, to ensure that the winding up functions can be undertaken and that we can service our staff as we go through the transition period and try to place people in employment—all of that kind of thing. It is not as simple as you were posing in the question.

Senator MACKAY—Has the department had any communication with CES staff as to the future of their site?

Mr Correll—Yes. There have been communications with staff following the minister’s announcement. Virtually at the same time a satellite broadcast was provided to CES staff and staff in transition services units advising on the overall outcomes of the tender. That was followed up within three working days with face-to-face discussions across Australia with CES staff.

In those discussions the overall outcome of the tender process in terms of the range of service providers in particular, both in the state within their regional location, including Employment National service provision, was outlined and discussed with staff. That information is also currently available to staff to access on the department's intranet site. Having personally been involved in some of those discussions, I can certainly vouch for the fact that staff were well aware of the outcomes in relation to their regional setting.

Senator MACKAY—They know what the situation is with regard to Employment National in their CES. Is that what you just said?

Mr Correll—They have an understanding of the outcomes on a regional basis. They would understand where Employment National has sites identified consistent with the overall 207 sites. Staff would not have a detailed knowledge necessarily of what the specific nature of that site service would be from Employment National in all cases, nor would the department have a specific knowledge of it.

Senator MACKAY—They have an idea, do they not, whether the site will continue to be occupied by Employment National—or one of the three or four providers previously alluded to—after 1 March and whether the CES site will be staffed full time, part time or not at all?

Mr Correll—They would have an understanding of whether or not their site was one of the 207 Employment National sites. When I say 'site', that does not of course necessarily mean physical property location but that their site would be one of the 207 locations, yes.

Senator MACKAY—And they have an idea whether their office will be staffed full time or part time in respect of their own futures?

Mr Sedgwick—In respect of their own futures, Employment National is in the process of making offers to individuals. That is Employment National's information to give.

Senator MACKAY—What I am getting at is that the CES staff have been advised, have they not, whether their site will be staffed or not by Employment National and whether it will be staffed full time or part time by Employment National?

Mr Correll—No. I do not believe that the CES staff would know that in all instances, because that may not be defined in all instances. Again, the specific nature of the site servicing arrangement is a matter for Employment National.

Senator MACKAY—I appreciate that. You say not in all instances, but in a large number of instances they know. Can we have that information, please?

Mr Correll—That information is available through the information kit material that was provided with the announcement. It is no more and no less than that, I believe.

Senator MACKAY—No. I want more information than was provided with the kit material. What I would like to know—and I am getting tired of repeating myself—is which CES sites will not be occupied by Employment National after 1 May? Of the sites occupied by Employment National, how many of those will be staffed full time or staffed part time? That is what I would like to know. Can this information be provided to me?

Mr Sedgwick—That is Employment National's information. We would prefer that you directed that question to Employment National. The reason we are having difficulty answering your question is that we know—and I know personally—that Employment National has 207 sites, because we have contracted them for it. What I personally do not know is the mapping between our physical locations and their physical locations.

Senator MACKAY—You personally do not know?

Mr Sedgwick—I personally do not know.

Senator MACKAY—Does anybody here know whether CES staff have been advised in their offices whether their site is to be serviced by Employment National or not?

Mr Sedgwick—As I understand the answer that we have given—

Senator MACKAY—I think the answer was yes.

Mr Sedgwick—The answer is yes. But, because we just do not know, we cannot say whether or not that is true in every case. Again, the people who can tell you what the CES staff have been told about Employment National's future siting strategy are Employment National. Employment National is presently managing the CES on our behalf.

Senator MACKAY—I will ask Employment National that, but I know that the CES staff have been communicated with.

Mr Sedgwick—But, by the sound of it, it could be uneven.

Senator MACKAY—It could well be uneven. Let us go back to another question asked by Senator Harradine. Mr Campbell, you indicated that, in terms of FLEX 3 allocation, there was account taken of long-term unemployment rates. Is that right?

Mr Campbell—Yes.

Senator MACKAY—How was it taken into account?

Mr Campbell—There were a number of the factors taken into account in the allocations. Indeed, in the RFT one of the booklets set out the regional labour market information. There were proportions across the 29 regions. To give you a very simple example—which is not a real example because this would not happen—if you had two regions that were exactly the same in all characteristics, except one had more long-term unemployed people than the other, then all other things being equal they would have been given more FLEX 3 places in the allocations. But you understand that that is very artificial because there are lots of factors that come into being.

Senator MACKAY—I do understand that, but I cannot for the life of me work out how the FLEX 3 allocation in terms of indicative allocation in the tender documents was actually allocated. Do you have a model that you use that you would provide me with? I am talking about two stages. There is the indicative allocation in the tender document and actual allocation of FLEX 3 in terms of the successful tenderers. In terms of the indicative allocation of FLEX 3 in the tender document, could you please provide the model that was used to determine it, region by region?

Mr Campbell—To determine the indicative levels that we have in table 5 in the book?

Senator MACKAY—Correct.

Mr Campbell—We will provide you on notice with an explanation as to how that was done.

Senator MACKAY—I will make this statement, and if you disagree, please feel free to refute it. There does seem to be substantial unevenness. There does not seem to be in all cases a direct nexus between need, that is, long-term unemployment rate, and actual allocation of FLEX 3.

Mr Campbell—We will take that on notice. We will give you an explanation as soon as possible, but by 1 April.

Senator MACKAY—The second question with regard to this is: was the variable of employment opportunities taken into consideration with regard to the indicative allocation of FLEX 3?

Mr Campbell—Again, I will cover that in the question I have just taken on notice.

Senator MACKAY—What you have taken on notice is the model. Could you comment specifically on whether employment opportunities were taken into account in terms of the indicative FLEX allocation?

Mr Campbell—Yes, and I will cover that in more detail in the question I have taken on notice.

Senator MACKAY—So basically, at this point, you are not prepared to answer any further questions on this subject.

Mr Campbell—You have asked a very detailed question and I think it is best if I take it on notice and come back to you.

Senator MACKAY—My second question then, is virtually the same—for the actual allocation of FLEX 3, in terms of successful tenderers. Perhaps I should predicate that by asking: was there any disparity between the indicative allocation of FLEX 3 and the actual allocation of the number of FLEX 3s, in terms of successful tenderers?

Mr Campbell—I suspect that in most regions—I will put a caveat on this and I will come to the caveat in a second—the actual number allocated without the caveat varied very slightly or not at all from the FLEX 3. The one caveat I put on that is that the Prime Minister, in his statement in the last week of January on mutual obligation, announced that there would be some additional places for FLEX 3. They were actually included in these—I think from memory—3,200 commencements and that was included in the allocations and the offers that went out. So if your question is: was there an exact match of 21,000 to 21,000? The answer is no, that would not have occurred; but 21,000 might have been 21,100 or 20,980 or something like that.

Senator MACKAY—How many additional places are we talking about in terms of the Prime Minister's announcement?

Mr Campbell—In terms of the contracted capacity, which is what we are contracting for—I think 3,200 over the contract period.

Senator MACKAY—Just going back to the questions I asked ESRA: do you have a response yet to my assertion that out of the 15 organisations that ESRA identified that were in the top 10 per cent in the nation in terms of case management performance, only four of those 15 actually got FLEX 3?

Mr Campbell—I understand one of our officers is doing the calculation and that might be ready now. But can I just clarify what ESRA said, because I think they made this point: they did not do that listing on organisation; they did it on site. So an organisation might have had 10 sites and that case management best practice survey was on one site for that organisation. That is what I heard ESRA say this morning.

Senator MACKAY—Yes, I know. However, with regard to the 15 out of 19 sites that they determined were in the top 10 per cent of the nation in terms of their determinations, one would assume that an organisation which may have several sites was not operating at a lesser level in another site. That would be illogical. So I am not really sure what your point is.

Mr Sedgwick—There is quite a bit of variability across an organisation from site to site—so that does not follow.

Senator MACKAY—Why is it then, that with regard to the sites of the organisations cited in this document, only four were actually successful in terms of FLEX 3?

Mr Sedgwick—Again, we do not want to go into the detail of particular cases but, for the sake of this, we will accept the four or make that subject to confirmation later on. I was trying to point out in the opening that, in making an assessment of the tenders that were presented to us, there are a few things that are relevant. One is that a CCM actually had to tender; not all did.

Senator MACKAY—How many did not?

Mr Sedgwick—We can get that for you. In terms of the assessment process for intensive assistance, there were three criteria. The most important was the strategies that the tenderer identified to meet the needs of the client group in that region. The second was their performance. In assessing their performance the department took into account a number of things including, not simply whether clients were placed in another labour market program, but also whether or not clients actually ended up in employment and off benefit as a consequence. You can have a difference between the ESRA measures which, as I understand them, include placement in other programs, and the data that was available to us, which included data about whether or not people remained on benefit as a consequence of the outcome that ESRA had observed. The third was the facilities that they offered, and matters of that kind. Those criteria translated into an overall assessment of quality. When it came time to allocating business in a region, regard was had to the claims of all of the tenderers in the region. Those who rated higher quality assessment scores achieved higher preference, of course.

In settling out the eventual allocation we had regard to their ranking in that quality score but also had regard to questions of the geographic coverage that was offered by particular tenderers. For example, if you found somebody who was offering an equivalent coverage to another tenderer who was more highly ranked then you may pass that tenderer by or provide them with a lower contracted level than the maximum that they had asked for in order to pick up another tenderer who offered you sites somewhere else that were not adequately serviced by higher ranked tenderers.

It is an extremely sophisticated chain of events that gets you from any single piece of information, like the performance of a CCM against ESRA's test, through to an eventual allocation. It has to take into account their claims in the tender against a range of criteria and the claims and the assessments that were made against other tenderers, who were also being assessed in the same region at the same time—and against the question of competition and coverage and various other things that we have been talking through. It is not a one to one translation.

Senator MACKAY—I understand that. The complexity is reflected in your answer which necessarily had to be complex. The difficulty we have is that we do not have the information that you are alluding to. You are saying that the ESRA rating was taken into account but there were competing factors, such as competing organisations in FLEX 3, and other exigencies which you have referred to, but we do not know what they are.

Mr Sedgwick—I have been trying to explain to you in general terms.

Senator MACKAY—I know that. It is very subjective.

Mr Sedgwick—It is certainly a case that judgment needs to be exercised. We also have to exercise judgment about value for money at the end of day, for example. This process was heavily subject to checks and balances, the intent of which was to try to minimise the subjectivity and minimise the scope for bias to be introduced into the procedure.

The strongest comfort that I can offer you is that this entire thing was oversighted by a bunch of people who left us in no doubt that if we could not satisfy them that we were correctly following the procedures that had been identified we would not receive an unqualified sign off at the end of the event. We took the independent quality assurance processes and the role of the independent probity adviser extremely seriously. All of the decision making was witnessed by a representative from Blake Dawson Waldron—it was predominantly one person, but there was another as well.

The entire assessment process was monitored by people from Blake Dawson Waldron and this bunch of independent observers that we got in from the outside whose job, frankly, was to walk around with their eyes and mouths open. We set them the task of ensuring that, at the end of the day, we could be satisfied, the government could be satisfied and the parliament could be satisfied that we had followed the processes that we set out in the tender and that we had been consistent in that. To the extent that it is humanly possible to do so that has occurred.

Senator MACKAY—So this is the same process that created Mr Roude?

Mr Sedgwick—We did not create Mr Roude. Mr Roude lodged a bid and that bid was assessed against the same criteria that everybody else was assessed against. I cannot take you through the detail of Mr Roude's case. There were not outstanding issues that were thrown up through the assessment and allocation process that led us to be concerned about the volume of business that we contracted him for. You will be aware that there have been some allegations made about the consistency of some of the behaviour that Mr Roude is alleged to have engaged in and the statutory declaration that he has signed. We are taking that matter further. In the process itself, Mr Roude's claims were assessed, as others were, having regard to his hands on experience in the old market.

Senator MACKAY—You will excuse our scepticism that the process you have gone to great lengths to reassure us was appropriate allowed this situation to occur. I do not have to go through it. You know the circumstances, you know the allegations and you know that Mr Roude is alleged not to have an office, not to have staff, not to have a phone and not to have a fax. You have also heard evidence from ESRA—and I appreciate that this is different because that is FLEX 3 and he did not receive any FLEX 3—

Mr Sedgwick—Indeed.

Senator MACKAY—that it takes approximately 10 months to get up to scratch. I appreciate that it may not be the case in his case but how can somebody get such a significant amount of money through a process, which you describe as so assiduous, with these preconditions? It is a bizarre.

Mr Sedgwick—New entrants were not precluded from bidding in this process. If they did though they were required to demonstrate to the satisfaction—as I have taken you through—of quite a number of people that they had strategies in mind and that they had appropriate skill in order to be able to deliver those services and if you were a new entrant that you could provide references to support your claims.

Senator MACKAY—What about minimal infrastructure, though, Mr Sedgwick, like a phone?

Mr Sedgwick—Again, there are a number of new entrants in this market and I do not think any of us would want to exclude new entrants from a market. That is one of the ways that you keep the thing vital and innovative through time. Mr Roude is like all providers—whether they are Employment National or other existing providers who need to re-organise themselves and to re-organise their business practices in order to service the new market, they need to look to the staff that they have, the premises that they have, the training that they provide their staff, and the systems and the support that they have in place to support the market when it begins to operate from 1 May. Mr Roude is in exactly the same situation as everyone else. There is one other very important point, though, that is worth making here: Mr Roude does not have a cent. Mr Roude gets paid when he performs.

Senator MACKAY—Fair enough, he gets paid when he performs. I appreciate that. But it is not that difficult in terms of FLEX 1, is it?

Mr Sedgwick—FLEX 1 requires you to have vacancies to service, it requires you to have clients who are suitable to fill them, and that you correctly match the two. When he and everybody else perform that function and lodge a valid claim on us, it will be paid. But until he and others—we should not single out Mr Roude—successfully complete that part of a contract and lodge a claim on us, they will not get FLEX 1 money.

Senator MACKAY—Except with the exception of FLEX 3, whereby, as I understand it—correct me if I am wrong—all a provider has to do is sign up an eligible job seeker in order to get the first instalment of \$1,500.

Mr Sedgwick—There is a first instalment that is available when an individual becomes a client, that is true. The bulk of the money—

Senator MACKAY—I understand. I have seen the graph.

Mr Sedgwick—That is also a feature of the current system and it reflects the fact that there is an overhead involved in beginning to service a client. I would just go back to the point that the bulk of the money comes when you have had someone in employment for 26 weeks.

Senator MACKAY—I appreciate that. We will do FLEX 3 later. Back to the issues, not the example, that Mr Roude throws up. Mr Roude has indicated, as is permissible under the contract, that he will be subcontracting all of his services.

Mr Campbell—I think I would put the description slightly differently. There is a capacity in the contract for a provider to seek our agreement to subcontract services.

Senator MACKAY—That is right. I am aware of that.

Mr Campbell—That is a little different to a provider saying, ‘I will subcontract’ and ipso facto it happens.

Senator MACKAY—I said: ‘As is provided for in the contract.’

Mr Campbell—Yes, but what is provided for in the contract is seeking our agreement.

Senator MACKAY—Correct.

Mr Campbell—As the secretary and I have both said, we are not going to talk about individual cases.

Senator MACKAY—All right, let us talk about subcontracting then. Has DEETYA approved any organisation that has subcontracted all its services?

Mr Campbell—In the request for tender that went out, there was provision in the tender that was returned by the organisations to indicate whether or not they wished to subcontract a substantial part or the whole part; and I think that comes to your question.

Senator MACKAY—Yes.

Mr Campbell—There are a small number of providers with whom contracts have been exchanged with the Commonwealth where they have put forward some subcontracting arrangements. I think, in respect of the contracts that have been executed and where there has been a subcontracting arrangement foreshadowed in the tender, then I think in those cases that has been approved.

Senator MACKAY—How many?

Mr Campbell—I would have to take that on notice, but it is a small number.

Senator MACKAY—Where do the majority of the small number come from—FLEX 1, FLEX 2 or FLEX 3?

Mr Campbell—I think it is predominantly a combination of FLEX services.

Senator MACKAY—So, it is all three FLEXs?

Mr Reeves—I think so. I think it would tend to be more an issue of location. Two circumstances: one, an issue of location where a provider was going to operate in one place but offered us two sites with a subcontract, rather than a consortium-type arrangement to service the other.

Senator MACKAY—I appreciate that.

Mr Reeves—There were also a couple of instances where the vehicle for tendering was a newly formed company with established providers as stakeholders in that company, where, rather than a formal consortium, those stakeholders were actually in the tender as the subcontractors. In one case, 23 existing providers got together on a national basis to set up a company to tender and the 23 of them are described as subcontractors in the tender.

Senator MACKAY—I know who you are talking about there. Of this small number, most of them are a mix of all three FLEXs because of regional difficulties or regional variables? Would that be a fair assessment? Do you have any idea how many have fully subcontracted or have requested to DEETYA to fully subcontract their services?

Mr Campbell—It was in the tens, not the hundreds.

Senator MACKAY—So that is for all the services. How many have indicated to DEETYA they wish to subcontract part of their services?

Mr Reeves—It is the same number.

Senator MACKAY—It is in the 10s.

Mr Campbell—We will have to take the number on notice. It is a small number, but not one that I carry around in my head. Where we are talking about subcontracting arrangements, the number that Mr Reeves and I are talking about is the total. There is the example Mr Reeves gave of an organisation that is not a consortium of a number of providers but is a company that has these number of providers, and they quite clearly identified them as subcontractors.

There are other organisations that have indicated that, in a particular region with a particular service, they would subcontract out to another organisation—often in those circumstances an organisation that they have had contractual relationships with in the past. We will come back

to you with the total number of organisations that have our approval—this is on what we are talking about now which is the point of the contracts going out—to subcontract part or all of their services.

Senator MACKAY—How do you determine whether you approve or not?

Mr Campbell—They ask us.

Senator MACKAY—What criteria do you use for the determination?

Mr Reeves—There would be two levels at which we would look at it. One is that the organisation, to the extent that the head contractor had given us undertakings in their tender to provide services, was able to demonstrate that those subcontractors would be delivering the full range of undertakings that they gave us. Secondly, there is an exercise, if you like, to test—not in the way we tested the financial viability of companies—for the main tender process; in a sense, we would hold the head contractor responsible on a financial basis. But we would certainly look at the appropriateness of the organisation and the people involved as we did in our financial viability exercise.

Senator MACKAY—Would you apply to the proposed subcontractors the same financial criteria that you imposed on the primary contractors?

Mr Reeves—Not all of them.

Senator MACKAY—Why not?

Mr Reeves—Because a number of the tests we did on the financial viability of the head contractor have already been done. The head contractor has the responsibility for the capacity to borrow and for whatever subcontracting arrangements they have.

Senator MACKAY—What do you look at when you approve the subcontractors?

Mr Reeves—Whether their directors were fit and proper people for the Commonwealth to do business with. There are cases where we do not do business with companies because they have a record with us of improper conduct, and we would not want to do business with such companies through the back door by letting them in in a subcontracting arrangement. I do not know whether my learned counsel would like to reflect on that at all.

Senator MACKAY—That is an adequate answer in so far as it went. How do you measure the quality of the service that may be provided by the subcontractors? You have gone through a rigorous process with the primary contractors and then you have a further process with the subcontractors. What is the process with the subcontractors? What do you look at with them?

Mr Reeves—I am struggling slightly to answer. The undertakings that the company gave us in winning a contract do not change simply because they subcontract the way they are going to deliver that service.

Senator MACKAY—So they could subcontract to anybody and you would not investigate whether the subcontractor that they have advised you of is fit and proper, other than the fact that they have not been bankrupt?

Mr Reeves—We would investigate, but what I am saying—on your question in terms of the quality—is that they have already defined the quality at which they are going to deliver the service and they will have to provide us with some assurance that the people to whom they wish to subcontract will deliver those undertakings as given.

Senator MACKAY—My point is that you have got assurances from the primary contractor and you have already advised us that at this point there are a small number of providers who

wish to subcontract all of their activities. Are you saying that they are the ones who have to provide the quality assurance?

Mr Reeves—They are the primary contractor.

Senator MACKAY—So the primary contractor has to provide the quality assurance?

Mr Reeves—They are the people who would be held responsible for the full performance of their contract.

Mr Campbell—Perhaps I can come in here. I think there has been a slight misunderstanding. We are very conscious of not identifying individual cases. To put it quite clearly to you, I think there is only one organisation which has agreement from us to subcontract the whole of the service for which it has got its contract. That is an organisation that was structured in a very particular way and very particularly and very carefully told us who the subcontractors would be. We took that into account in considering that organisation, including the past performance of the subcontractors. As I understand it, they are not shareholders, so it is a formal subcontracting arrangement.

It is probably unfair of us to leave you with the impression—and I think we may have, inadvertently—that, one particular case aside, there are other providers—I would have to go back and check—who have a contract with the Commonwealth and have an agreement from the Commonwealth to subcontract out the whole of that service. What Mr Reeves was saying in an earlier answer was that there are some organisations which in the past, at a regional level for a particular service, have had some subcontracting arrangements and they are the sorts of ones that we have agreed to and approved. I have to clarify it: I do not think, with the one exception I have mentioned, there is any other organisation where we have agreed to a total subcontracting arrangement.

Senator MACKAY—Dr Kemp has indicated that subcontracting would be a useful way of including those providers that missed out in the tender round.

Mr Campbell—I think the issue of subcontracting here—

Senator MACKAY—Is that a fair—

Mr Campbell—I think subcontracting can be used in two different ways. I think that the discussion that we have been having here is on the subcontracting of the contracted service—and I gave quite a lengthy answer on that a minute ago. Of course, any provider that has a contract with us may actually buy services from somebody else at various points in time. Taking it from the very simple—and not wanting to go back to the issue—they will all, if they do not own a building, lease buildings. I have no doubt that at times providers, particularly FLEX 3 providers, when providing intensive assistance to their clients, will wish to arrange some training, some particular course or whatever, for an individual.

Senator MACKAY—Do they have to go back to DEETYA to do that?

Mr Campbell—No, not for a one-off like that, no.

Senator MACKAY—So they can just go down to the skillshare that missed out on FLEX 3 and get them to do it, potentially?

Mr Campbell—They can go to a local training provider. There are private training providers, there are government training providers. If they believe that this individual who is in intensive assistance needs assistance with regard to upgrading hospitality skills or upgrading office skills, the part of the funding that they are looking at in their FLEX 3 fees is to enable them to buy services. If they wish to buy a 10-week training course or a five-week training

course from the local institute of technology, such as we have here in Canberra, that is quite okay and we do not see that as subcontracting.

Senator MACKAY—All right. I understand the distinction.

Mr Campbell—I think you will find that is more what Dr Kemp's statement was referring to.

Senator MACKAY—So he used the word 'subcontracting', but he did not mean it in the way that the—

Mr Campbell—I cannot speak for the minister, but the sense of it is more the way I have just described in the second case—buying services.

Senator MACKAY—Okay. I will put my hypothetical example again: is it possible for a provider who got FLEX 3 allocation to buy services from a skillshare that was previously a case management organisation but missed out?

Mr Campbell—Theoretically, it is possible for a person who has a contract as an intensive assistance provider to purchase services from an organisation in their local area which provides whatever it is they need for their clients—a particular form of training. It could be, as I said in my answer a moment ago, the TAFE, it could be a private business college, it could be an organisation that specialises in a particular form of training; and that may include what we currently fund as skillshare.

Senator MACKAY—I appreciate that you are quite genuine in your answer. The difficulty is, though, that Dr Kemp actually said this. He used the term 'subcontracting'. I appreciate that he did not mean that—he meant purchase of services from providers who were previously providing case management services and who had missed out. He said, 'This is a useful way to bring them back into the system.' So it is not just theoretically possible; it has actually been proposed by the minister.

Mr Campbell—I have not seen the actual words that you are referring to. The words I have seen talk about purchasing services—training services. It is not purchasing the one-to-one intensive assistance that we are contracting the individual for.

Senator MACKAY—I understand precisely what you are saying.

Mr Campbell—We are talking about the subcontracting; we are talking about the purchase of other services.

Senator MACKAY—All right. You have accepted that, in the circumstances, the hypothetical may in theory exist. You get the hypothetical provider who has got FLEX 3 purchasing services from the local skillshare who has missed out in terms of FLEX 3 allocation. What probity guidelines or pecuniary guidelines are there for the quantum of the purchasing of the services? Is that simply negotiated between the organisation and the successful provider?

Mr Campbell—Can I come back, because I think there are still two issues being confused. If an organisation that has a contract for intensive assistance with us wishes to subcontract the intensive assistance component—which is the one-to-one assistance to individuals—they have to seek our agreement. That is what we have been saying.

Senator MACKAY—Yes, I know what you are saying. I understand.

Mr Campbell—That is what we would check. If, however, they have purchase arrangements—to try to distinguish between what are obviously two different interpretations of 'subcontract'—to buy places on courses for particular clients, no, they do not have to seek

our approval. I will add one other point, because I think in the question there comes a bit of confusion: that is, there are a number of skillshares who are case managers—right?

Senator MACKAY—Yes.

Mr Campbell—The case manager and the skillshare funding—and this is where it gets confusing—are for different things. I think it is unfortunate if we allow the debate to become confused by saying, ‘That skillshare was funded by the Commonwealth with a grant for a skillshare and was also funded by the Commonwealth as a CCM.’ They are two very different things that they are funded for. I think it is unfortunate if we allow the debate to become confused and say, ‘Well, if that provider who has a FLEX 3 contract with the Commonwealth goes and buys something from the so-called skillshare’—whatever their name is—‘they are automatically buying the service that they have been contracted with the Commonwealth to receive.’

Senator MACKAY—No, it is not—

Mr Campbell—But I think some of the commentators are actually missing that point.

Senator MACKAY—All I can say to you is that there are allegations by case managers who missed out on FLEX 3 allocation. They are saying that they are the ones who know how to provide the intensive assistance—the case management that they used to provide—and that a number of the organisations that got FLEX 3 do not have the experience, et cetera. Their fear is that their service will be purchased, their expertise will be purchased, at a reduced rate because the provider who has got the FLEX 3 does not have the capacity to provide the same service as they did. That is their fear; that is why there is that comment. Time will tell as to whether that happens, but it strikes me that under this system it is eminently permissible.

Mr Campbell—I think that, in the fallout from the announcement, obviously providers will have concerns. I have not heard the allegation made in that way. Certainly I do not think that we have had any requests from providers. Subsequent to the tender round where we have already looked at subcontracting, I do not think that we have had a large number of requests for any subcontracting arrangements.

Senator MACKAY—But you would not know, would you, whether you had had providers who were in the preparation stage of purchasing services, because they are not required to go to DEETYA, as you have indicated?

Mr Campbell—Not for the simple purchase of services, as a placement in a training course, no.

Senator MACKAY—That is right. So what monitoring mechanisms will there be in terms of the purchase of services from DEETYA?

Mr Reeves—The simplest way, I suppose, that we would keep tabs on it is through our contract managers and their ongoing contact with the organisation. For example, they would be looking at the issue of premises and where things are being undertaken. They will be talking with providers about how they are going to meet the undertakings they gave us in their tenders, where those things are going to be provided and who is doing it. They will, if you like, build up a picture in dealing with the provider as to how that provider is going about meeting their undertakings. In the course of that, the issues will arise about whether they are doing it in-house with their own staff or whether they are using a TAFE or some other training provider to buy training with, however that may occur.

Senator MACKAY—So will you be going out and checking the service that is provided by the provider of the purchased service?

Mr Reeves—Yes.

Senator MACKAY—You will?

Mr Reeves—Well, we would go and check in our visits to make sure that the undertakings the provider gave us were being carried out. If they bought a course at the TAFE, we may not send somebody out to have look at the classroom and so on, but what we would most probably check is to ensure that those people are getting the training these people have said they were going to get.

Senator MACKAY—How would you do that unless you had a mechanism in place for actually checking the quality of the services that they have purchased? Do you have a mechanism in place to check the quality of services that may be purchased by a provider?

Mr Pratt—There are two other approaches we will also be taking on this. One is that we will have a very well publicised complaints process. If a provider is not supplying good services, job seekers will be able to complain to us and we will investigate that.

Senator MACKAY—Eventually. They have to complain to the provider first.

Mr Pratt—Yes, that is right, and in most cases one would want the provider and the job seeker to sort something out—

Senator MACKAY—And as the last resort they complain to DEETYA. I have read the statement from the minister.

Mr Pratt—If I can make a comparison with current arrangements, that is how it works currently, of course.

Senator MACKAY—It is not deregulated to the same extent currently, but please continue.

Mr Pratt—The other point, of course, is that we will be looking at the outcomes that providers achieve. Those who are not providing the right services to their clients, not meeting the needs of their clients, will presumably get poor outcomes, and we will be able to identify that through our monitoring process.

Senator MACKAY—That is a bit tangential, bluntly. What I am getting at is this: where a primary provider purchases services from somebody else, what mechanisms does DEETYA have in place to ensure that the services that are being provided are at a quality level? Will you be going and checking the services that are being provided by the organisations that have been given the opportunity to provide the services purchased by the primary provider?

Mr Pratt—I believe Mr Reeves has already answered that question.

Senator MACKAY—The answer was no, as far as I could make out. There is no mechanism in place to check, other than to actually measure it against the outcomes of the primary provider. I am after what quality assurance there is within that.

Mr Sedgwick—There are a lot of different ways in which this issue gets addressed, it seems to me. One is that there is a particular party which has a vested interest in making sure that the quality that is provided by their service providers is of an appropriate standard, and that is the organisation which at the end of the day wants to claim a success fee. So there is actually somebody on the spot who has an interest in ensuring that the services that they contract for are actually being delivered to them.

The second is that we will have people on the ground wandering around with their eyes open to monitor the performance of individual contractors. If they detect an issue that needs to be followed up, then it can be taken up with the provider as needs be.

The third is that there is an extremely effective network out there which is the clients themselves. In the event that they are not being adequately serviced, there is certainly the capacity to come back to us through the complaints mechanism, having first raised it with the provider. But there is also that marvellous informal network that tends to spread by word of mouth and can have an effect on the flow of clients to an organisation far more effectively than any amount of finger wagging that we might do. This is a market where information is available about the performance of providers. It is a market in which the capacity of the provider to survive will depend on their ability to convince both job seekers and employers that they can provide an adequate service. If they do not do that, they will rapidly face financial incentives to lift their game. That is real-time information.

Senator MACKAY—Mr Sedgwick, in relation to FLEX 3, a job seeker who is eligible for FLEX 3, that is, on benefit et cetera—we have been over that ad nauseam—registers with a provider who has got FLEX 3. That provider gets \$1,500 up-front for having this person on their books. How long is the person required to stay on their books before he or she can change providers?

Mr Sedgwick—I do not know that precisely.

Mr Pratt—There is no guideline on the time.

Senator MACKAY—Okay. This is an interesting issue. Somebody who is eligible for FLEX 3 registers with, say, Employment National or Drake, they do not like the service that is provided and they wish to change. Can they do that?

Mr Pratt—Subject to them and the provider trying to sort out the issues and then the job seeker going through the complaints process and establishing that there has been a breakdown, but that can happen fairly quickly. Senator, I remind you once again that this is almost identical to current arrangements.

Senator MACKAY—If it is almost identical, then Dr Kemp's statements are arrant nonsense in terms of a complete deregulation of the employment services market. The two systems are not identical, I remind you.

Mr Pratt—What I was talking about was the administrative procedure.

Senator MACKAY—Let us go through this again. An eligible job seeker signs up with, say, Drake—I do not want to use them necessarily; I use them just as an example—who is eligible for FLEX 3. They go to Drake, Drake puts them on their books and Drake gets \$1,500 and then they start the process. They do not like Drake for whatever reason—as I said, I could use Employment National or any of the other people; I do not want to pick on Drake particularly—they do not like the service they are getting. They then decide they are going to move. They complain to Drake and say, 'We don't like the service you're providing.' Drake says, 'We don't know what you're talking about. We disagree. We think we are providing a good service,' and they probably are. So there is no reconciliation process capable between the job seeker and the provider. They then go to DEETYA and say, 'I choose not to remain with Drake. I don't like the direction that they're pushing me in or the quality of service they're providing. I'd like to move to Employment National.' What does DEETYA say?

Mr Pratt—If I can introduce another step in that, there is another avenue for them. Either the job seeker or the provider can demonstrate that there has been an irreconcilable breakdown between them, and that would be demonstrated to Centrelink.

Senator MACKAY—The definition being?

Mr Pratt—That they cannot work together.

Senator MACKAY—How?

Mr Pratt—I do not have a description of the procedure, but we would be basing that on the current case management arrangements. If they are still not satisfied with the outcome of that consideration by Centrelink, they could then complain to DEETYA and we would look into that. They have many avenues of appeal. They then of course have all of the external avenues of appeal.

Senator MACKAY—That is right. What does ‘irreconcilable breakdown’ mean? Is it as simple as they do not like the service that the provider is providing? Is that sufficient?

Mr Pratt—No, I would not think so. The job seeker would have to demonstrate that there was some major problem between themselves and the provider.

Senator MACKAY—Give me an example of a major problem that would be regarded as acceptable.

Mr Pratt—Let us take, for example, Jobs ‘R’ Us. That is an example we like to use as a provider because I do not think we have one with that name. Jobs ‘R’ Us has a case manager equivalent—and I stress that of course FLEX 3 and case management are very different things if you look in the current arrangements—who behaves inappropriately with the client.

Senator MACKAY—What, sexual harassment or whatever?

Mr Pratt—That is a possibility, or perhaps they have a poor understanding of culturally appropriate behaviour with a type of client.

Senator MACKAY—I do not understand what you mean by that.

Mr Pratt—Say, NESB or perhaps indigenous clients. Those would be good examples. If the job seeker could demonstrate that their relationship was not working, the job seeker would be able to transfer to another provider. The system is flexible enough to not lock in together an organisation and a person where things are not going to work.

Senator MACKAY—It does not sound very flexible when the two examples you have agreed to are, firstly, sexual harassment and, secondly, where the provider cannot speak the language or has no understanding of the culture.

Mr Pratt—Senator, another example might be that they have a personality conflict. This happens on occasion.

Senator MACKAY—All I am saying is that it is not as simple as saying, ‘I don’t like the service that is being provided to me by the provider.’ That was the impression I was given about 10 minutes ago. That is why I have explored this issue.

Mr Pratt—I would argue that in fact the level of choice is far greater. If a job seeker was to go along to a training provider currently outside of our arrangements to make a payment for a training service and they then found that they could not stand being with that training provider, they just lose their money and they have to go and find something else. Under these arrangements, if something like that was to happen, the job seeker would actually have a chance to go and be assisted by another provider. I think the level of choice and the avenues of redress in such a situation are quite extensive.

Senator MACKAY—Not for FLEX 3 though, not in the circumstances you have just outlined. I understand why DEETYA would be extremely reluctant in that they would have to fork out another \$1,500 for the new provider. So I can understand why you would be quite stringent in determining whether people can shift or not.

Mr Pratt—I would argue, Senator, that we are putting in place arrangements to make sure that, where these things happen, there are opportunities for job seekers to go elsewhere and that in fact our greatest concern in doing that is making sure they do have those opportunities rather than to save our money.

Senator MACKAY—Again, I think the minister has made statements that put much more onus on the financial aspects than that. But, anyway, that is fine. You obviously have different roles. What is the definition of an eligible vacancy?

Mr Reeves—The definition of an eligible vacancy is in the RFT. There are a number of aspects to it. If I could cover them, there are vacancies that we would not allow to be advertised on our system. Therefore, if we will not allow them to be on our system you clearly cannot record placements against them and, therefore, claim. There are types of vacancies for which we would not pay a FLEX 1 outcome payment.

Senator MACKAY—What are they?

Mr Reeves—For example, commission only vacancies.

Senator MACKAY—This actually goes to my question. So you would not pay for commission only?

Mr Reeves—Yes. There is a substantial list of jobs in there—jobs involving nudity and various other things.

Senator MACKAY—I want to talk about this commission. I understand the definition as 15 hours over five days.

Mr Reeves—And then the third level is the 15 hours within a five-day period.

Senator MACKAY—Let us go to commission. So commission works out—

Mr Pratt—Excuse me, Senator. I beg your indulgence. I would like to respond to the statement you made before you went on to this topic. I think it is important for the record. You indicated that you felt that the minister and I were of different minds on these matters. I would like to put on the record that I do not believe that is the case.

Senator MACKAY—That is fine. I appreciate that you either do not, would not or whatever. I understand that. That is fine and I appreciate you have to put it on the record. I understand that. Commission work is out. Is that correct?

Mr Reeves—We could not pay a FLEX 1 payment for placement in a job where the payment was commission only. That does not mean that providers could not advertise that on our national vacancy database in the same way as they put display vacancies in the CES now.

Senator MACKAY—I understand that. What about retainer plus commission?

Mr Reeves—I think you are getting into a fairly fine line. It would depend on how big the retainer was.

Senator MACKAY—Does it?

Mr Reeves—It may well do. For example, if the retainer was sufficient to take someone completely off benefits, then I do not think that there would be an issue.

Senator MACKAY—What if the retainer was \$1 an hour?

Mr Reeves—Then I do not think it would be enough. You are asking, if you like, a hypothetical thing—

Senator MACKAY—No, I am not.

Mr Reeves—that you would have to look at against a specific vacancy.

Senator MACKAY—You have said to me that commission work is prohibited in terms of the payment of FLEX 1. What I am asking is: is FLEX 1 payable for vacancies that are commission plus retainer? It is fairly simple, I think.

Mr Reeves—If the retainer would take them off benefit, then I do not see any reason why we would do it. But for a retainer to take them off benefit, the commission part of it would be relatively immaterial to the circumstances.

Senator MACKAY—I understand that. So you are saying that FLEX 1 would be paid where the retainer was big enough to take somebody off benefit. Is that absolutely correct?

Mr Reeves—Provided that all the other eligibility criteria were met—that is, at least 15 hours work within a five-day period provided it did not transgress against any of the other things that we had.

Senator MACKAY—You are absolutely sure.

Mr Reeves—I am not quite sure how else I could respond.

Senator MACKAY—I am just giving you the opportunity—

Mr Reeves—Clearly, if you have a case in mind where I am wrong, I will agree with you.

Senator MACKAY—That is irrelevant. Whether I have a case in mind or not is irrelevant. I am asking what the situation is with regard to retainer plus commission.

Mr Reeves—If somebody were to put a vacancy on our system where the guaranteed sum was sufficient to take somebody off benefit, I doubt very much whether they would describe it as a retainer plus commission.

Senator MACKAY—That is not the question I asked. The question I asked was: if there were a vacancy advertised of which the retainer was, say, one or two dollars an hour and the rest was commission, would FLEX 1 be payable in those circumstances?

Mr Reeves—No, because that would not be sufficient to take them off the benefit.

Senator MACKAY—So you are absolutely sure—and I am not trying to trick you—

Mr Reeves—It sounds like it.

Senator MACKAY—I know that it sounds like it. But I want to make sure that this is DEETYA's formal position: that the retainer has to be high enough to take somebody off benefit before FLEX 1 is payable.

Mr Reeves—At which point I would argue that the description that would go on our vacancy database would not be one that had bonus payments attached to it but that the base rate would be sufficient in itself not for the job to be described as a 'commission only vacancy'.

Senator MACKAY—I am not talking about commission only; I am talking about retainer plus commission. The threshold is that, if the retainer is high enough to take somebody off benefit, et cetera, it would be regarded as being permissible for FLEX 1 to be awarded.

Mr Reeves—In my opinion, yes.

Senator MACKAY—What about the department's opinion?

Mr Reeves—I suppose that I would have to consult with our fraud people and so on—they may have a view on it—but I would think, quite clearly, where it took somebody off benefit, which is a basic principle that runs throughout the RFT, we would be quite happy to pay an

outcome payment, even if at least part of the remuneration, if you like, came in as something other than some form of guaranteed weekly salary.

Senator MACKAY—Perhaps if you would take that on notice and consult with your fraud unit, that would be good.

Mr Reeves—Could I have the precise question you want answered? Is the question: if it only has a retainer of \$1, would we pay?

Senator MACKAY—Let us go through it: retainer plus commission, retainer equals \$1; retainer plus commission, retainer equals \$2, \$3, \$4, whatever—up until your cut-off point. I am asking below what amount of money that would take somebody off benefit is FLEX 1 payable.

Mr Reeves—We will take that on notice.

Senator MACKAY—What about casual or part-time vacancies? If somebody is placed in a position for perhaps two weeks by a provider, is FLEX 1 payable then?

Mr Reeves—If they met the 15 hours within five days which, in itself, would have the impact of taking them substantially off benefit, which is why the benchmark is there.

Senator MACKAY—Let us say that you have an employer who puts somebody on for two weeks because they have a part-time or casual vacancy for two weeks. At the end of that two weeks, the employer has another vacancy for two weeks or three weeks, and then re-employs the same person. Is FLEX 1 payable for that?

Mr Reeves—It would depend on what process the job seeker went through.

Senator MACKAY—He or she notifies the provider, ‘I have another vacancy, for three weeks this time’—or two weeks—and they then place the same job seeker in the job. But they have gone through all the process. Is FLEX 1 payable?

Mr Reeves—Simply going through an activity of recreating the vacancy on the national vacancy database and putting in the details of the placement is not sufficient. We are working very closely at the moment with our fraud people on the monitoring processes and the data checking processes to identify that sort of serial activity.

That does not necessarily mean that, where the job seeker has not established an ongoing casual employment arrangement with a particular employer, the provider would not be allowed to place the same job seeker more than once, and possibly more than once with the same employer over the period. It would depend on the bona fide nature of that placement activity.

For example, there are plenty of jobs in the hospitality industry where people are effectively on call. The first time you referred somebody to a job like that, there is no question that it is a bona fide piece of job matching. Once that person is effectively on call and gets called in by that employer for a couple of days a week every week for 52 weeks, we would not pay 52 payments in respect of that.

Senator MACKAY—But would you pay 10 over 52 weeks?

Mr Reeves—I doubt it. I think by the time you got up to around 10 you would very clearly have established that there is an ongoing relationship and so on. If the answer were two and there was a fair time between, then you would look at the circumstances of the case. Our process would be to monitor that fairly closely—to identify those sorts of things; to talk with the provider; if necessary, to talk with the employer and the job seeker—if we thought there were an issue. We would also be looking through our monitoring processes to identify those

providers who had a higher incidence of that sort of behaviour than others, and we would focus our attention on it—quite appropriate fraud risk management.

Senator MACKAY—In the interests of time, can you perhaps provide me with guidelines, or whatever you use, with regard to serial employment?

Mr Reeves—There will be appropriate material in our service providers information guide that will deal with that issue. We will be providing that to you. There also will be material potentially—and I am not quite sure in what detail—in our own contract managers handbook, and we will provide you with that when it is finalised as well.

Senator MACKAY—Is there any prohibition on a provider using FLEX 3, for example, to employ people within their own organisation?

Mr Pratt—As long as there was a bona fide job and we could establish that the person had come off allowance, no. I am sure that you get sick of me saying this—but there are also parallels under the current arrangements.

Senator MACKAY—Can you describe the parallels under the current arrangements?

Mr Pratt—Once again making the caveat that of course case management and FLEX are very different beasts, a case manager currently could place someone in the case management organisation, say, as a receptionist—they may even use a wage subsidy to make that placement—and that would be an outcome under case management currently. The job seeker is in a valid job—it does not matter particularly who the employer is—and the same thing could happen with FLEX 3.

Senator MACKAY—With regard to a major organisation, say, one of the big successful tenderers on FLEX 3, where is the cut-off in terms of using the FLEX 3 they have allocated to employ people within their own organisation? Is there any cut-off?

Mr Pratt—There is no cut-off. If you look at it from the point of view that each FLEX 3 job seeker they place in their organisation comes off an employment allowance for six months or more, irrespective of the employer, that is a good result for everyone involved.

Senator MACKAY—Does the CES as an organisation get money at the moment for employing people? That is the current system or part of the current system.

Mr Pratt—I cannot give you a definitive answer on that, but I think it would be—

Mr Sedgwick—The CES is funded on the basis of inputs, so we pay the cost of the CES.

Senator MACKAY—At the moment under case management, can the CES employ somebody on case management and receive the full remuneration?

Mr Pratt—As Mr Sedgwick has said, they do not actually get a payment.

Mr Sedgwick—A contracted case manager gets a payment, but we fund the CES on an input basis.

Senator MACKAY—What about the EAA?

Mr Sedgwick—Yes. In the future, Employment National's revenue base will be governed by the same set of principles as everybody else.

Senator MACKAY—So we now have a situation where we have very large private organisations with substantial amounts of FLEX 3. I just want to clarify that there is no prohibition on the use of FLEX 3 in terms of internal employment or internal recruitment mechanisms. Does anybody disagree with that?

Mr Pratt—No.

Senator MACKAY—Turning to Employment National, first of all, could we clear up the issue of these 207 sites that the department indicated Employment National would be servicing?

Mr Swan—I am sorry, clear up?

Senator MACKAY—Were you here when we were talking about this before?

Mr Swan—Yes.

Senator MACKAY—Will the 207 sites Employment National is servicing be staffed full time or part time; and what is meant by the term ‘servicing’?

Mr Swan—Most will be staffed during normal working hours; some will not. The precise number I am not in a position to say at the moment. Some of those that are staffed full time initially may change to part time, and some that are staffed part time initially may change to full time, depending upon the market in the location.

Senator MACKAY—How many staff do you intend to have in Employment National?

Mr Swan—Initially 1,200.

Senator MACKAY—So 1,200 for how long?

Mr Swan—It depends on how quick the inflows of referrals from Centrelink are.

Senator MACKAY—Have you had discussions with any CES staff with regard to what is happening in various CES sites?

Mr Swan—There have been a lot of discussions with CES staff by members of the executive, both prior to and subsequent to the announcement of the tender. I do not know that individual locations were nominated as being part time, full time, open or closed. I just cannot answer that. But I would think that, since the number of successful locations was listed, for want of a better term, it would not surprise me if the offices of the CES very quickly understood which ones we were not interested in.

Senator MACKAY—Would you be able to provide us with a list of which ones you are not interested in?

Mr Swan—Yes, but not right now.

Senator MACKAY—No, you can take it on notice. Can you also give us a status report on which sites you will be staffing part time at this point?

Mr Swan—No.

Senator MACKAY—You cannot give us an indication of that?

Mr Swan—Not right now.

Senator MACKAY—Can you take it on notice?

Mr Swan—No, we do not know now. We can take it on notice, but it will be some time before we actually know ourselves.

Senator MACKAY—Taking it on notice means that you have got about three weeks to get back to me.

Mr Swan—It might take longer than that.

Senator MACKAY—What will you be able to provide me with in three weeks?

Mr Swan—I will provide what we have in three weeks, but it may not be the answer—

Senator MACKAY—That is fine. That is quite adequate for my purposes, thank you. An Adelaide *Advertiser* article on 27 February states that Employment National is asserted to have said that it may charge for extra services.

Mr Swan—Who said?

Senator MACKAY—There is an Adelaide *Advertiser* article of 27 February in which Employment National is said to have said that it may charge for extra services.

Mr Halstead—I am not aware of the *Advertiser* article, but certainly we have indicated in our marketing that we want to be a mainstream recruitment agency not only doing government business but doing mainstream recruitment services to the market. We have an intention of working with employers. We would be looking at fee for service arrangements with employers for goods and services that we will provide in the marketplace, yes.

Senator MACKAY—Will you be providing any free FLEX 3 services for people who are not eligible for FLEX 3?

Mr Halstead—I heard your question earlier. We are not in that position. FLEX 3, as the department officials mentioned, is a contractual arrangement and that goes with moneys identified by the Commonwealth. For other what you call FLEX 3-type clients there is no free service in that sense.

Senator MACKAY—So, presumably, when the minister said he had been contacted by some providers who may be prepared to provide free FLEX 3, he obviously was not talking about Employment National?

Mr Swan—No.

Senator Ellison—Senator, I think you said that the minister referred to FLEX 3 in the provision of free services. I do not think that is what he said.

Senator MACKAY—He said all services.

Senator Ellison—He said, as I understand it, job seekers. I do not think he singled out FLEX 3.

Senator MACKAY—No, he did not. He said all services.

Senator Ellison—If you can provide us with the *Hansard*, we will be grateful.

Senator MACKAY—I will. Mr Swan, how much was the advertising campaign?

Mr Swan—Total marketing costs for the year ending 30 June this year will be near enough to \$7.6 million, of which \$6.9 million will be media.

Senator MACKAY—I take it that the \$6.9 million is the TV campaign, is it?

Mr Swan—It is TV, press, production and all the things that go with that. I would class it as media generally.

Senator MACKAY—Could you provide on notice a breakdown of that, please?

Mr Swan—I will take it on notice.

Senator MACKAY—What has happened to the \$180 million for Employment National?

Mr Swan—That was a departmental estimate of what the start-up capital requirements or cash requirements of Employment National might be. So the estimates were departmental. Frankly, on the basis of the information they had, I think it was a pretty reasonable estimate. We have provided updated information, which has yet to be verified by a business plan, that

is somewhat less than that, which we think is a more accurate estimate. Only now that we have had the finalisation of the tender have we been able to do that.

Senator MACKAY—So can you provide us with that detail? Can you take it on notice?

Mr Swan—Yes, I think it would be better to take that on notice after the business plan is produced. It would be less than \$180 million.

Senator MACKAY—When will the business plan be ready?

Mr Swan—It is not a public document; it is commercial-in-confidence.

Senator MACKAY—No, I asked when it was going to be ready.

Mr Swan—Later this month. We have a requirement to provide it to the shareholders later this month.

Senator MACKAY—So you are saying you will not provide the business plan to us?

Mr Swan—I think the business plan is commercial-in-confidence, Senator.

Senator MACKAY—That is interesting. Minister, do you agree that it is commercial-in-confidence?

Senator Ellison—Yes, it is.

Senator MACKAY—The minister owns eight of the 10 shares of Employment National.

Senator Ellison—I believe it is. It is a well-established precedent that, if something is of such a nature which could commercially jeopardise the government or someone it is doing business with, it is normal for the claim of commercial-in-confidence to be used. In this case, a business plan could well subject Employment National to an undue disadvantage.

Senator MACKAY—What I want to know is: how will the \$180 million be spent? That is what I would like to know.

Mr Swan—The composition of the \$180 million was initially to cover liabilities for employees who come across from the CES to Employment National. That was an estimate.

Senator MACKAY—How much was that?

Mr Swan—That was \$27 million. There was \$41 million for information technology and site fit-outs—they are the two principal items—and \$112 million for working capital, which would be the start-up costs and the working capital required until such time as a cash flow starts to be generated from DEETYA.

Senator MACKAY—I appreciate that I cannot have the business plan. What I would like is a breakdown of how the \$180 million is spent.

Mr Swan—That is the best breakdown I can give you.

Senator MACKAY—No, I would like a more detailed breakdown.

Mr Swan—I think it should come from the department because it was their estimate, not Employment National's.

Mr Grant—The committee has asked questions on this matter before. We have been reluctant in those earlier hearings to supply a detailed breakdown of that \$180 million because a major tender process was in train at the time. However, as Mr Swan has indicated, we are now in a position to provide the detailed breakdown. He has given some elements of that now. We would be happy to take you through the composition of the \$180 million.

Senator MACKAY—Could you just give it to me on a bit of paper?

Mr Grant—Sure. However, it is important to flag, as we have to you before, that the \$180 million estimate was only an estimate. It was based on certain assumptions, particularly about the share of business that Employment National might win in the market and about the number of staff that Employment National might take on from the current CES. Now that we do have firm information on those outcomes, as Mr Swan has indicated, there will be a need to revise the \$180 million. Some work on that has already been done.

Senator MACKAY—That is fine. I appreciate the codicils and so on. I would appreciate that perhaps you would just give me a bit of paper with the figures on it.

Mr Grant—Certainly. We will be happy to supply that.

Senator MACKAY—I have a number of other questions, but I will be placing those on notice.

Senator CARR—Can I begin by just indicating to the officers that what I want to raise with them today I am sure will cause some annoyance. That will not surprise me, but I would like to put to you that I am not interested in attacking individual officers. I am not seeking to embarrass individual officers. My concern is to establish the operational effectiveness of government policy. I am concerned to ensure that appropriate ministerial accountability has been exercised. So I just say that by way of a caveat.

In the process, I notice that six questions remain unanswered. I have been provided with six answers: 274, 300, 330, 388, 389, 432—all matters relating to consultancies. I am told that you are awaiting further information, that these are not with the minister's office. Frankly, I find it unacceptable that there should be such a delay in the answering of those six questions.

Senator Ellison—Senator Carr, before we go any further, whilst you have given us those questions and the officers are looking at those to prepare the answer on the position for you, can I take it that we are finished with Employment National?

Senator CARR—I may have a question with regard to some matters that relate to consultancies.

Senator Ellison—Have we finished with subprogram 4.7, Employment services market?

Senator CARR—Yes, I have.

Senator Ellison—So we can rule that out. Are we now on 6.1?

CHAIR—Subprogram 6.1 as far as it relates to Employment National. So people could have asked the questions as they have gone through.

Senator Ellison—I see. The question of consultancies that—

Senator CARR—It is a question about consultancies relating to consultancies paid to Employment National. Mr Swan is here.

Senator Ellison—You have mentioned the numbers of those questions. We will now ascertain the position.

Senator CARR—In terms of question No. 342, lodged on 17 August, a list of consultants was provided. A final answer was provided last week at 9 p.m. It was alleged a final answer was provided, but can I ask you to take this on notice and please update that answer because that concerns issues from the previous 12 months. I would like it updated to the present, to March. Can you please provide a list of consultancies, the cost of consultancies, the level of ministerial intervention in the selection of those consultancies and the method by which the selection was made, whether by full tender, selective tender or special invitation, up until

March 1998, and where there are written reports a copy of each report arising from that consultancy?

Mr Sedgwick—We are happy to supply you with the information that you request. I have to say that the likelihood we will get that done in three weeks is very, very low. That is not because we are trying to be uncooperative or to conceal anything from you; it is a big job. As you have seen from the effort that it has taken over a period of time to try to give you accurate data—because, believe it or not, we do actually want to give you accurate data—it takes a bit of quality checking to make sure the information that we give you is right. The reason we have had difficulty supplying you with the data you have asked for is that it is held in each workplace around the department. There is not a consolidated single place at which a consultancy is approved and the data record is held.

Senator CARR—Mr Sedgwick, you are required by the regulations in terms of the preparation of your annual report, in terms of your own guidelines which you have issued and in terms of the guidelines for the procurement of government services to keep accurate records on consultancies

Mr Sedgwick—I hear you, Senator, but you have asked for a range of things, and I am just simply saying to you that we will do the best we can for you. We will provide you with accurate information, but the likelihood that we will be able to complete the exercise that you have set for us in three weeks is very, very low and I would not want to find when I come back next time that we are in some difficulty because we have failed to meet that deadline.

Senator CARR—You invariably will be in difficulty, but we will argue about that on that occasion.

Mr Sedgwick—That is something else.

Senator CARR—We are very pressed for time, so I will try to keep my questions short. If you could keep your answers equally short, I would appreciate it. The second question I asked was the number of employees currently with DEETYA, full time and part time. I was told at the time that it was around 16,000. What do you expect will be the establishment as of 30 June 1998?

Mr Sedgwick—Can I answer the question this way, and this is actually why we are finding it difficult to answer your question. We know that in 1998-99 the ongoing number of people in DEETYA will be of the order of 2,500, give or take a bit. That is point 1.

Point 2 is that we know that at the moment the total number of staff on the books is of the order of 8,000. We know that Employment National is committed to taking 1,200. We know that there are a certain number of people, roughly of the order of a thousand I think, who will be required in the transition service units of the department to manage the winding down of the CES over a period of time. Not all of those will be required on 30 June 1998. I do not have the number off the top of my head.

Senator CARR—You can take it on notice, but somewhere around 2,500 is your expectation?

Mr Sedgwick—The thing that we do not know is the number of people presently in the CES who will be serving out a retention period, as they are entitled to in the Public Service.

Senator CARR—I understand that, but you are basically looking at a figure of around 2,500 as your establishment figure and you may be above that.

Mr Sedgwick—We will certainly be above that.

Senator CARR—I raise the issue because two years ago you had 16,000 people. You have come down to 2,500 in two years. By any chalk, that is a very substantial drop. You will tell me there are different functions and all the rest of it. I just want to put that proposition to you. That is a substantial drop in any organisation in terms of its staffing.

Mr Sedgwick—I will not disagree with you.

Senator CARR—My concern is that you have provided me with answers in regard to the number of consultants. Can I say to you, first of all, that it is my understanding that for some agencies, such as ANTA, there has been an increase in 1996-97 of 46 per cent in the amount of money spent on consultancies. I understand that in your own broader portfolio there is a substantial increase in the level of consultancies being issued. Can you confirm that?

Mr Sedgwick—I do not know ANTA's numbers. In our own case, I do understand—and my colleagues will have to help me with the numbers—that there has been an increase in consultancy dollars spent this financial year compared with earlier years.

Senator CARR—How much was that?

Mr Sedgwick—I do not have the number off the top of my head. It is a couple of million dollars. Mr Burmester may have the numbers.

Mr Burmester—I am looking for them.

Mr Sedgwick—There has been a substantial increase. It is the order of a couple of million dollars. My understanding, subject to Mr Burmester correcting me later, is that that is dominated by a number of consultancies that have been let by the PEPE task force in order to do the preparatory work for Employment National.

Senator CARR—I understand that. You gave me three separate sets of answers to a simple proposition of how much you pay for consultancies and the names of the consultancies. You came back to me on the night before the estimates last time around and at the bottom of a very large box I noted a variation in your answer, which said to me that about 20 per cent of the value of the consultancies should be redefined because some 31 of your consultants should be recategorised as service providers? Could you explain that to me?

Mr Sedgwick—Next time we will put it at the top of the box.

Senator CARR—It would be helpful, but then I would probably see it more quickly.

Mr Sedgwick—That is okay. It does not matter too much. I started to tell you earlier—

Senator CARR—I want this on the *Hansard*, that is all.

Mr Sedgwick—This data is held in a number of different places across the department. The distinction between a consultancy and a contract for service is not a precise one and it has not been since the mid-1980s when the concept was introduced. I acknowledge to you freely that there has been a degree of inconsistency in the way in which the definition has been applied within the department. That came particularly to light when attempting to correct the record—because we do not want to inadvertently mislead. People formed a different view when they were asked a question for the second time and, when they came to a different conclusion, we provided the revised answer to you. I have to say that, in the most recent material that we gave to you, we revised that answer again.

Senator CARR—Yes, you have.

Mr Sedgwick—And that is embarrassing. But I do want to say to you that the reason that has occurred is that we are intent on giving you an honest answer.

Senator CARR—I appreciate that.

Mr Sedgwick—We are also about changing the system. We are also about trying to ensure that we get a more consistent approach to being able to answer these questions for you in the future.

Senator CARR—That being the case, I acknowledge that you appreciate the inconsistency between your application and the changes. If we set aside the concept of service providers for the time being and just concentrate on contractors, what are the general protocols that have been followed since March 1996 in regard to the relative role of the department and the minister?

Mr Sedgwick—I was not here in March 1996 but, as far as I am aware, nothing has changed.

Senator CARR—Are the terms of reference for every consultancy approved by the minister?

Mr Sedgwick—No, the terms of reference of every consultancy are not approved by the minister. They may be approved by the minister in circumstances in which there is a particular sensitivity to the consultancy or in which there are program guidelines which require it. There are some instances of quite long standing where that is the case, including a number that appear on the list we have given you as having involved the minister in the clearance of the terms of reference.

Senator CARR—Could you outline those guidelines for me? I will take that on notice if you like.

Mr Sedgwick—Okay.

Senator CARR—Does the minister decide in every case which projects are subject to open tender, selected tender or no tender at all?

Mr Sedgwick—No, typically that matter is decided in the department.

Senator CARR—What rules are followed?

Mr Sedgwick—There is a set of guidelines. They used to be called ‘SMFIs’; they are now ‘chief executive instructions.’ They set down the rules, including some monetary limits, for the number of quotes that are required. The presumption is that consultancies should be let following an open tender, but there are clear circumstances described in the guidelines where a select tender is appropriate. They include things like expediency—there is not enough time to go through a long process—or where there is a limited number of people who actually have the expertise.

Senator CARR—In the case of ANTA, which I have drawn to your attention previously, I have an answer that says that 75 per cent of the tenders in one particular year were not subject to open tender. Would you find that figure unusual?

Mr Sedgwick—No. I think that the only way I can answer that is to say that it depends on the circumstances of the case. If it is a very technical modelling exercise, for example, and there are one or two people who actually have the expertise in the country, then it would not surprise me at all.

Senator CARR—Sure, but 75 per cent?

Mr Sedgwick—I cannot answer for ANTA.

Senator CARR—Can you indicate to me, of the consultancies issued by the department at large, what percentage were not subject to open tender?

Mr Sedgwick—I do not know that. We can get it for you.

Senator CARR—Would you please? Can you indicate to me whether that figure has changed over the last two years?

Mr Sedgwick—We will try to get that.

Senator CARR—Thank you. In the case of putting together the selection panels for assessing tenders, is a panel set up in all cases?

Mr Sedgwick—As a general rule. But, again, I think it depends on the circumstances. If there is one pre-eminent expert, you would expect that someone would approach the one pre-eminent expert. I, for example, have hired somebody to do, say, the Ives report—where I was the panel.

Senator CARR—So panels can be of one person?

Mr Sedgwick—A panel can be of one person.

Senator CARR—Yes, I see.

Mr Sedgwick—But, again, it is horses for courses, Senator.

Senator CARR—Yes. How are these panels normally selected?

Mr Sedgwick—Again, it is horses for courses. It depends on what the issue is. If it is a complicated thing, if it is something like the employment services market tender, it will be rather more complicated than if it is a contract for \$2,000.

Senator CARR—So it does vary?

Mr Sedgwick—It will vary according to the circumstances.

Senator CARR—To what extent have the ministers been involved in the establishment of selection panels?

Mr Sedgwick—At a guess, quite rarely.

Senator CARR—But they are involved?

Mr Sedgwick—I cannot think of one offhand.

Mr Burmester—Senator, there are some standing requirements for some particular circumstances where there are ministerial committees involved. These are based around the advertising campaigns, the information things, where there are longstanding arrangements.

Senator CARR—That was clearly one I was going to draw your attention to, but I just waited. That is the only example—

Mr Burmester—That is the only example where it would be normal rather than exceptional.

Senator CARR—Can you give me any examples of where this so-called ‘exceptional’ situation has occurred?

Mr Burmester—No, not offhand.

Senator CARR—Can you take that on notice please.

Mr Sedgwick—In the last two years, Senator?

Senator CARR—Thank you. Can you indicate to me, please, what practice has been adopted for putting together reference groups to oversight individual projects?

Mr Sedgwick—Again, it is horses for courses, but we can get that information for you.

Senator CARR—If you would not mind, please. Can you also indicate how members are selected?

Mr Sedgwick—Yes.

Senator CARR—Where a particular program or initiative is actually being evaluated, is it the rule that people who administer the program or the initiative should not be members of the steering group?

Mr Sedgwick—Practice varies within the department on that point, I think.

Senator CARR—Could you explain why that varies?

Mr Sedgwick—Again, I may need assistance from my colleagues here. In some cases, an evaluation is done independently of the area and in others it is not. I cannot, offhand, just give you a general answer. I will look at it.

Senator CARR—I would like you to consider that for a moment, please.

Mr Sedgwick—By the way, there are arguments on both sides.

Senator CARR—I understand that. I am interested in the arguments on both sides; I am not trying to predetermine these positions. I am interested to know how the department administers these consultancies and the reasons that it gives for its actions. I am interested to know whether you believe, Mr Sedgwick, that best practice suggests that there should be a division between those directly involved and those who are actually evaluating projects.

Mr Sedgwick—That is why I am saying to you that there are arguments on both sides.

Senator CARR—Yes, but I ask you to consider that in your answer as well.

Mr Sedgwick—Then that will be my answer.

Senator CARR—What general government procedures, guidelines and regulations apply to all agencies in relation to the engagement of consultants?

Mr Burmester—Since 1986, there were standard guidelines issued by DAS, and then by PM&C, for annual reporting purposes. Since the change in financial regulations—delegations to secretaries—each department became responsible for their own guidelines, but they largely stayed in line with the preceding practice across the APS.

Senator CARR—So the practices in DEETYA do not necessarily follow the practices of the government as a whole? What you are suggesting to me is that they are not required to any more. Did I understand you correctly, Mr Burmester?

Mr Burmester—They are not required to but, in practice, all departments operate on pretty much the same procedures.

Senator CARR—Mr Sedgwick, are you satisfied that the procedures adopted by DEETYA since March 1996, as outlined in the responses to the questions you have already given me, are fully in keeping with government guidelines?

Mr Sedgwick—Yes. I am unaware that they are not.

Senator CARR—Mr Grant, are you satisfied that all experiences of the letting of tenders have fulfilled government guidelines in the department over the last two years?

Mr Grant—I would not pretend to have detailed knowledge of the particulars of individual cases, so I would be loath to give a totally comprehensive answer. But, in the general, yes.

Senator CARR—Mr Burmester, would you be satisfied?

Mr Burmester—I think I would have the same view as Mr Grant, noting that there are internal and external audit requirements on all purchasing, so there is a degree of scrutiny of the practices adopted across the department.

Senator CARR—But you are satisfied that the guidelines have all been followed in all respects?

Mr Burmester—I cannot give that guarantee because I was not involved in each of those matters, but there are systems in place that would give you that assurance that there is adequate following of the guidelines.

Mr Sedgwick—I want to be really clear here: we spent some time in this place, I think, dealing with a case in which departmental guidelines were not followed.

Senator CARR—Absolutely. That is one that is most evident.

Mr Sedgwick—That is right. We are answering you on the basis of the state of our knowledge.

Senator CARR—Perhaps by the conclusion of this process, we might have a clearer fix on that question. Do all procedures, guidelines and regulations apply equally when a consultancy is not directly a DEETYA project? For instance, with a MCEETYA task force or other joint ministerial council project, where the costs are actually met wholly or in part by the Commonwealth, do the guidelines still apply?

Mr Sedgwick—I do not know the technical answer to that. We will take that one on notice.

Senator CARR—I appreciate that. Your answer to question No. 607 reads:

The Department is taking action to improve the integrity of its reporting on contracts . . .

It also states:

A new reporting system is being implemented . . .

What is the scope of this new system?

Mr Sedgwick—I will let Mr Burmester answer that in detail. At the moment, the system is manual and the reporting process does not lend itself to the kind of consistency checking that we would like. As I understand it, the idea is to use some technology which will force the issues to be addressed at the time that the purchase order is raised, and therefore have earlier central reporting, which will allow us to get the classification issues right. Is that close enough, Mr Burmester?

Mr Burmester—Basically, that answer is correct. At the moment, while every transaction has to be recorded in the financial system, it requires an additional input into a separate system to identify a subset of all expenditures in the department which relate to contracts and consultancies. With a new system we hope to be able to ensure that, when the transaction is recorded once, we capture all the information necessary to subsequently extract the subset of information we are reporting on.

Senator CARR—Will that routinely define consultants and contractors for service?

Mr Burmester—That would be the key point—that as you are entering the information about an expenditure, you would have to identify the nature of that expenditure at that point, rather than subsequently trying to capture that information.

Senator CARR—That currently is not done?

Mr Burmester—It is done manually by people, and it does not get recorded on the central financial system. We would link the two so that you cannot record an expenditure on the financial system without making those decisions before you enter that data.

Senator CARR—Is this the reason why you have given me so many inconsistent answers on this issue—that it is up to individual officers to determine whether it is a contract or a consultancy?

Mr Burmester—Basically, that is delegated to the people signing the contracts across the organisation.

Senator CARR—And that can vary between individuals, because it is up to their discretion?

Mr Burmester—It is up to their judgment in making a decision.

Senator CARR—I am not using it in a pejorative way. But it is up to individual officers to categorise these?

Mr Sedgwick—We rely on individual officers to interpret the guidelines. What we are doing here is putting in a procedure which we hope will allow us to check a little more readily the consistency with which the guidelines are being applied.

Senator CARR—Can you indicate to me whether the distinction that DEETYA makes between consultancies and contracts for service, or the definition that it uses, is one that is adopted across all departments?

Mr Sedgwick—I think, broadly, it is.

Senator CARR—So you believe it is consistent?

Mr Sedgwick—The notion of the distinction between a consultancy and a contract for service goes back to 1986 or 1988.

Mr Burmester—It was in 1986 that reporting originally commenced on consultants in annual reports, and that is where a definition was first issued. It was reinforced across a whole bureaucracy by DAS guidelines, which subsequently were delegated to departments. We have had a look across departments and basically everyone has maintained the previous differentiation between the two.

Senator CARR—So you can indicate to me how long you have been using the concept of selected tendering?

Mr Sedgwick—That is a longstanding concept.

Senator CARR—In this department, it is a longstanding concept?

Mr Burmester—Those dates I gave you related to the definition of consultants, not about select tenders.

Senator CARR—Perhaps you could tell me for how long you have been using the concept of selected tendering.

Mr Burmester—I would have to go and find that out.

Senator CARR—In what circumstances is selected tendering seen to be appropriate?

Mr Sedgwick—They are set down in the purchasing guidelines and they establish certain monetary amounts. I think up to \$5,000 a single oral quote will do. From \$5,000 to \$50,000 you can go on three quotes. Above that it is open tendering.

Senator CARR—It is a financial distinction, is it?

Mr Sedgwick—And overlaying that there is a judgment to be made. There are circumstances in which, either because an open tender would take too long or because there is a limited pool from which this expertise can be drawn, it is permitted under the guidelines to pursue a select tender.

Senator CARR—Yes, but in each case where a selected tender has actually been decided upon as the basis for the appointment of a tender who is the authorising officer for that decision?

Mr Sedgwick—It needs to be authorised at division head level, as I recall it.

Mr Burmester—That is correct.

Senator CARR—So it is division head level. Where a decision is not to have an open tender, effectively it has to be made by the divisional head?

Mr Sedgwick—That is my understanding of our guidelines, yes.

Mr Burmester—You first have to reach the financial threshold. So an open tender is required in all cases above \$50,000, unless there is an exemption granted. That exemption can only be determined at division head level. Prior to that, it is determined at dep sec level.

Senator CARR—Are you satisfied that, in regard to all the tenders that have been issued and issued under your name, those guidelines have been followed?

Mr Burmester—Personally? The ones that I have signed off?

Senator CARR—The ones you have signed off.

Mr Burmester—Yes, I can give you that assurance.

Senator CARR—Now I am asking you about the department. Who is the relevant officer who can answer that question?

Mr Sedgwick—Probably the only relevant officer who can answer that question is me, and I do not know the answer to that question.

Senator CARR—I would ask you to take that on notice.

Mr Sedgwick—We will find the answer to that question when we go through the process that you have asked us to go through.

Senator CARR—I am asking it specifically.

Mr Sedgwick—What are you asking specifically?

Senator CARR—I am asking you specifically: has the process for the selection of tenders on a selected basis been followed in all cases within the department over the last two years?

Mr Sedgwick—Meaning that there was exemption given at division head level for a contract over \$50,000?

Senator CARR—At division head level. Yes, in the method of selection and whether the appropriate authorisations have been granted in all cases over the last two years. You should be able to check that, because you are actually required under your own guidelines, as I understand it. For instance, clause 55 in the Secretary's Management and Financial Instructions makes it quite clear that the files were to be easily accessible.

Mr Sedgwick—Yes.

Senator CARR—And also, clause 20 of the Secretary's Management and Financial Instructions, engaging consultants and contractors, requires a submission for every consultant or contractor outlining the reasons and the benefits of the project, and this includes any grounds for limiting the tender process.

Mr Sedgwick—Yes.

Senator CARR—Presumably you would be able to tell me that relatively easily.

Mr Sedgwick—Presumably the documentation will exist. Assembling it with the degree of quality assurance that we would wish may take a bit of doing, but in these circumstances we will put in the effort.

Senator CARR—I am particularly interested to know—and we will come back to this issue in the future—whether you believe, given these requirements, that they have been satisfied in terms of the broader guidelines on the selection of tenders. I will have to put a lot of material on notice which is unavoidable. Can you tell me why the minister's delegate was involved in the selection of the Centre for Literacy Education, Faculty of Education, Griffith University, which is listed in your latest list of consultants in program 1?

Mr Sedgwick—The minister's delegate was a departmental officer. It was the branch head of the literacy and programs branch in the Schools Division.

Senator CARR—And that is the normal process?

Mr Sedgwick—Yes. 'Minister's delegate' is a legal term.

Senator CARR—Why does that not occur in all the other consultancies?

Mr Sedgwick—I have no idea. I presume that was just simply the way the response was phrased at the time it came to you. That delegate determined and approved the final selection of the consultants.

Senator CARR—I will have to rush through this stuff. There is a series of questions I would like to ask and I would ask that the rest be put on notice. There appear to be 11 consultancies on the selection list that you have given me which were not on the two earlier lists. They include the Australian Government Actuary, Bruce Young, Kevin Fagg, Keys Young Pty Ltd, Michael Harrison, Network Sound and Vision Pty Ltd, RMIT, Softerm Australia and Unisys Australia. Can you confirm that they were not on previous lists, and why is that? Why has a new list of consultants been produced for a third time?

Mr Sedgwick—The general answer to the question would be that we are trying to give you the correct answer.

Mr Burmester—Question 176 related to the period up to the time that that question was asked and the original list contained 87 consultancies. Subsequent questions and lists provided have been on the basis of the full financial year. So there is an increase in the number of consultancies reported because the period was longer. I presume the ones you have mentioned resulted from the fact that they came in after the period on which we previously reported.

Senator CARR—There are a few other questions that flow from that which I will put on notice. I apologise that with some of these questions you will feel that you have answered in part, but they flow from the rest of it. There are three references to Network Sound and Vision related to communications works and projects. Can you outline what these projects involved?

Mr Burmester—Which consultancies?

Senator CARR—Network Sound and Vision and three references related to communications works and projects. In fact, a considerable number of these consultancies relate to public communications work.

Mr Burmester—The description that is provided in the annual report indicates that they were about research grants communications project, but I do not know what that was.

Senator CARR—Would you take that on notice, please?

Mr Burmester—I believe that would be in the Higher Education or Schools Division. I would have to get a fuller explanation for that.

Senator CARR—There are two consultancies listed under Bruce Young and Kevin Fagg for what appears to me to be the same project: evaluation of higher education institutions in Ethiopia, Eritrea and Kenya. Is that a mistake; have I misread it?

Mr Burmester—It is a NOOSR project which comes out of program 2.

Mr Sedgwick—The National Office of Overseas Skills Recognition.

Senator CARR—It is listed twice; why?

Mr Burmester—I believe NOOSR does evaluation of countries. They use a panel of people to do assessments of the standing of higher education in those countries, and it could be that they have employed several people to do that. There could have been several aspects to the function—one to do with determining the level of qualifications, and another one—a more general view—which they seem to do as part of a UNESCO study; but beyond that, I don't know the details.

Senator CARR—I will leave those on notice. I will have to jump ahead a little here. I noticed a consultancy which listed payment to a Mr Donald Swan for services performed. What services were performed for that, Mr Swan?

Mr Swan—During the period before the incorporation of the company—Public Employment Placement Enterprise Ltd—I was actually working in the task force. I was retained as a consultant before I could become an employee.

Senator CARR—So this was salary maintenance or salary supplementation, was it?

Mr Swan—It was just a salary equivalent. I was not a salaried officer, obviously. I was paid a consulting fee. I cannot remember how much it was.

Mr Sedgwick—I cannot remember either. But Mr Swan was chairman-elect. Employment National was not a legal entity but we needed to give strategic direction to the planning work that was being done by the PEPE task force and to get Employment National in shape ready to tender, so we took on Mr Swan as a consultant.

Mr Swan—I was not paid twice.

Senator CARR—There was no written report provided. Why was that?

Mr Swan—Because I was supervising the task force or participating in the activity of the task force, as a day-to-day activity not as a—

Senator CARR—There is a further consultancy here, for Egon Zehnder for \$324,250. It seems to involve an executive search for a chairperson which was made at the same time. What was the relationship between you and this other consultancy?

Mr Swan—Extremely friendly.

Senator CARR—I do not doubt it was.

Mr Sedgwick—Egon Zehnder were tasked to do a number of executive searches. The identification of the chairman was one of these. They were also asked to assist with finding members of the board and, ultimately, I think they were also tasked with an executive search for the chief executive officer.

Senator CARR—But you already had one.

Mr Sedgwick—We had one because it was the outcome of an executive search involving Egon Zehnder.

Senator CARR—And these were happening simultaneously?

Mr Sedgwick—No, they were sequential.

Senator CARR—Fair enough.

Mr Sedgwick—The decision to let the tender with Egon Zehnder was taken in 1996 and the remit covered a number of people, of whom Mr Swan was simply the first.

Senator CARR—I have a series of questions, but Senator O'Brien has been waiting patiently. He has indicated to me that there was an undertaking given that answers in relation to Crown Casino would be returned by the conclusion of today's proceedings. Are they available?

Mr Campbell—I will try to be brief. The question you raised related to Senate question and answer No. 869. It was asked in September last year and provided towards the end of the financial year. First of all, the question asked about a series of facts, all relating to the training employment program and to the number of job seekers receiving assistance through that program. Part 3 is the one that I think caused the confusion this morning, which was:

How many contracts did the department sign with training providers during 1996-97? How many contracts have been signed in 1997-98 financial year to date? Who were the providers? What was the value of each contract and what was the cost per trainee in each contract?

The answer pointed out in part 3 that not only do we purchase training in two ways—by contracting a whole course or by purchasing an individual place—but our computer system records the number of projects run by providers, not the number of contracts. Indeed, this is where the confusion has arisen, because the way the question was asked and the way we answered it was through a series of tables which gave the total number of projects, the maximum value of projects, or whatever.

If I can take you to the two for 1996-97 for the Crown Casino, the one you are referring to, I would much rather do 1996-97 than 1997-98 because the figures that we have run off in the department since your question this morning obviously go beyond 31 October. I can give you those figures too, but I will explain what has happened with 1996-97 and then give you the 1997-98 figures.

Senator O'BRIEN—They are in two tables, so which table are you talking about?

Mr Campbell—If we first go to the projects and then I will go to the participants in a second.

Senator O'BRIEN—Okay.

Mr Campbell—The first table showed, the way our computer and our contracts run, the total value for all the projects that were approved for Crown Casino in 1996-97. That may have been one or more contracts, and I do not know how many contracts it was and I cannot find that out in the time today. Then it shows maximum and minimum of cost per project. Then it shows the number of projects.

Senator O'BRIEN—It shows you an average cost and then it shows you the number of projects.

Mr Campbell—Yes—it is 15. That is reasonably straightforward. Where I think the difficulty has arisen is in the way it runs off our computer. When it goes over to the participants, it has maximum number of participants 229, and then it has against the 15 projects that the maximum number was 17 and there was one with a minimum of one. I think your question was how could there be one—

Senator O'BRIEN—Then an average and then a number of projects.

Mr Campbell—Yes. This is where the complexity of our computer system comes into play. I think I understand it, but my expert is back at the department. In effect, what happened during 1996-97 was that, under 15 projects to Crown Casino, we provided \$761,626. We placed 229 job seekers. Under TEP, that was an average cost of \$3,325.88. What has come about is that one of the projects that is listed on the computer, which is the one you have picked up, is something that the department did over a period of years. They were called intermediaries or outposted officers.

In effect, what happened was that the department, to facilitate the placement of the job seekers into employment there—and again I do not have the full details because it is in our Victorian office—put an outposted officer out there to work between the casino and the various CESs in Melbourne to recruit job seekers, to arrange for them to be screened and to go into the training, part of which I believe was on the job because it was for croupiers and whatever.

What the computer system throws up, which comes out because of the way the table was produced for the answer to you last year, is a project that had this one for about \$60,000, but in effect it was the cost of the individual officer who was managing the flow of job seekers from the various referring CESs around to placement into the training program and then, in a large number of cases, into employment at Crown Casino.

Senator O'BRIEN—It was a TEP contract?

Mr Campbell—Yes, because the way TEP contracts run often they are created as an umbrella project, particularly if they cut across a couple of regions or a couple of areas. They are created as an umbrella project in the computer system and then you will have individual projects running off them. What I am sure happened here is that in Victoria they probably cut across at least two of the areas, because Melbourne city was two of our areas. What we do in those circumstances is to have an umbrella project that covers the whole project put into the PASS computer system, which I think you have heard of before. It is then broken up according to how much is going to come out of, in this case, the two areas, and how much will actually be debited against those two areas in respect of paying for the TEP money. This TEP money would have been paid for by both areas because it would have come out of their allocations—going back to our debate earlier this morning. That is what has happened in this case. There were in effect 229 and the average price was \$3,325.

Senator O'BRIEN—Does the 229 include the outposted officer.

Mr Campbell—That included the cost of the outposted officer running as the intermediary. I will give you the updated figures for this year. The figures for 1997-98 are that, to date, 113 placements have been made. The average cost under TEP to date in 1997-98—and I think this figure is up to date as at 1 o'clock today—is \$3,727.58.

Senator O'BRIEN—Could you explain on notice how it has diminished over time from \$14,000?

Mr Campbell—The 14,000 is not correct, but I will come back and clarify that. I did not want you to leave today with the impression that there was some very large per unit cost increase, because there clearly is not. We will come back to you with further information in writing. That is what has happened. It is the way it is generated on the computer system.

Mr Sedgwick—Senator Carr, could I correct something that I said previously. I said that I thought that the biggest source of increase in the consultancy money in 1997-98 was the PEPE task force. The PEPE task force was certainly a significant contributor, but a larger one

was some consultancies associated with the introduction of new apprenticeships, particularly marketing material.

Senator CARR—I have already raised the issue of about 75 per cent of those not going out to full tender. We will come back to this—but we are running out of time.

Mr Sedgwick—I just wanted to make sure that that was understood.

Senator CARR—Can you assure me that the guidelines in regard to the employment of former departmental officers have been followed in regard to all consultancies over the last two years?

Mr Sedgwick—The guidelines changed through time. I issued guidelines in the middle of 1997, making it crystal clear that an officer who had accepted voluntary redundancy in the preceding 12 months should not be offered a consultancy. Prior to that, the guidelines said that an individual could not be engaged in circumstances that would amount to employment. Was that correct, Bill?

Mr Burmester—Basically, it is correct. The previous secretary's instructions were in line with the guidelines of the Public Service Commission, as it was then. Those guidelines said that, firstly, you could not re-employ somebody under the Public Service Act within 12 months and, secondly, you could not use consultancy arrangements to get around that.

Senator CARR—Are you saying that that has been followed in all cases?

Mr Burmester—Yes, because nobody was engaged in an employment type relationship under those previous instructions. The instructions were then changed in June last year to say that no consultancies could be contracted within the 12-month period. Prior to that, it had been that they could not be if it formed an employment relationship.

Senator CARR—Are you satisfied that that guideline has been followed?

Mr Sedgwick—I have no knowledge to the contrary.

Senator CARR—I ask you to take this on notice: have there been any breaches of that guideline involving the employment of consultants or subcontractors of consultants in the last 12 months by the department?

Mr Sedgwick—We will have a look at it.

CHAIR—As it is now 3 p.m., I thank the minister and Mr Sedgwick and his staff for their information and for their patience, and I declare this estimates hearing closed.

Committee adjourned at 3.00 p.m.