



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

FINANCE AND PUBLIC ADMINISTRATION LEGISLATION
COMMITTEE

Consideration of Additional Estimates

TUESDAY, 20 FEBRUARY 2001

CANBERRA

BY AUTHORITY OF THE SENATE

SENATE

FINANCE AND PUBLIC ADMINISTRATION LEGISLATION COMMITTEE

Tuesday, 20 February 2001

Members: Senator Mason (*Chair*), Senator Murray (*Deputy Chair*), Senators Brandis, Conroy, Lightfoot and Ray

Substitute members: Senator Lundy to substitute for Senator ray for the committee's hearing on the 2000-01 additional estimates on Friday, 23 February 2001

Senators in attendance: Senators Brandis, Calvert, Conroy, Evans, Faulkner, Lightfoot, Lundy, Mason, Ray, Sherry and Tchen

Committee met at 9.05 a.m.

FINANCE AND ADMINISTRATION PORTFOLIO

In Attendance

Senator Abetz, Special Minister of State
Australian Electoral Commission
Andy Becker, Electoral Commissioner
Mark Cunliffe, Acting Deputy Electoral Commissioner
Tim Pickering, Acting First Assistant Commissioner, Finance and Support
Paul Dacey, Assistant Commissioner, Elections and Enrolment
Barbara Davis, Assistant Commissioner, Corporate Services
Brad Edgman

Observers

Marie Nelson
Stan Fraser
Jim Doyle
Anthea Wilson
Kathy Mitchell
Teena-Maree Hannett
Karen Holas
Stephen Lewis
Martin Gillies
Fiona Codd
Paul Anderson

OASITO

Ross Smith, Chief Executive
Simon Lewis, Deputy Chief Executive
David Yarra, Executive Director
Mark Heazlett, Senior Director
Robin Renwick, Senior Director
Julia Cowling, Senior Director

Trixie Makay, Senior Director
John Bridge, Senior Director
Rod Whithear, Senior Director
Tony Eaton, Senior Director

Observers

Lindley Evans
Geoff Hill
Darren Schaeffer
Ned Rokvic
Anthony Carrigan
Sarah Allen
Cathy Laurance
Adam Lambert
Alan Francis
Marianne King

ComSuper

Barbara Wilson, Acting Chief Financial Officer
Chris Sherlock, Business Account Manager
Pat Hayes, Executive Manager, Scheme Communication and Review Group

Department of Finance and Administration

Dr Peter J. Boxall, Secretary, Department of Finance and Administration

General (Corporate/Financial Management/e-Solutions)

Lembit Suur, General Manager, Corporate Group
Ian McAuley, Manager, Parliamentary and Corporate Support
Barbara Sullivan, Manager, PwC Project Management
Maureen Grear, Manager, Strategic Partnerships
Dominic Staun, General Manager, Financial Management Group
John Nicholson, Branch Manager, Business Solutions
Michelle Kinnane, Branch Manager, Info Products
Mike Loudon, Branch Manager, Strategic Intelligence

Observers

Mark Harrison
Gus Cummings
David Murphy
Guy Verney
Kerri Huston
Paula Boer
Clive Hawkins
Kevin Fiebig
Sally Taylor
David Maybanks
Ainslie Sowden
Pauline Szoldra
Robert Hamon

David Vosen
Holly Rambaugh
Jane Blurton
Malinda Roberts
Justin O'Shannassy

Outcome 1 Sustainable Government Finances (Budget)

Stephen Bartos, General Manager, Budget Group
Brett Kaufmann, Manager, Budget Group
Phillip Prior, Manager, Budget Group

Observers

Roger Fisher
Matthew Flavell
Louise Saave-Fairley
John Madden
Nathan Williamson
Todd Ritchie,
Lorraine Watt
Alan Briggs
Jim Kerwin
Simon Ash

Outcome 2 Improved and More Efficient Government Operations)

Phil Bowen, General Manager, Property Group
Alastair Hodgson, General Manager, Business Services Group
Peter McGuinness, Remuneration Tribunal Secretary
Ron Freestone, Comcover
Robert McKinnon, Commonwealth Shareholder Advisory Unit
Michael Pahlow, Manager, Commercial and Projects
Sandra Wilson, Manager, Superannuation Branch
Kathryn Campbell, Manager, Property Group
Jamie Clout, Branch Manager, Financial Framework Group
Ian Davies, Branch Manager, Financial Framework Group
Gavin Back, Special Adviser, Financial Framework Group

Observers

Victoria Miller
Simon Schiwy
Geoff Painton
Judy Costello
Barry Jackson
Paul Ferrari
Sally Blewitt
Philip Moran
Kevin Nixon
Evan Trevor-Jones
Mary Boyle

Martin Webb
Andrew Beddoe
Iain McCallum
Dee Robinson
Di Carter
Jacqueline Dowling
Jessica Brown

Outcome 3 Efficiently functioning Parliament (Ministerial and Parliamentary Services)

Alastair Hodgson, General Manager, Business Services Group
John Gavin, Special Adviser
Paul Goodwin, Branch Manager, Service Centre
Christine Briton, Manager, Human Resources
Jan Mason, General Manager, Ministerial & Parliamentary Services
Sue Whisker, Account Manager
Greg Miles, Account Manager
John Ignatius, Account Manager
Carolyn Hughes, Account Manager
Ken Sweeney, Business Services Group, COMCAR

Observers

Helen Kidston
Terry Fewtrell
Kim Clarke
Tracy Muddle
Suzanne Pitson
Pat McMahon
Marina Belmonte

CHAIR—Good morning. I declare open this public hearing of the Finance and Public Administration Legislation Committee. On 30 November 2000, the Senate referred to the committee for examination certain documents and I will incorporate that list in *Hansard*.

The list read as follows—

Particulars of proposed additional expenditure for the service of the year ending on 30 June 2001, [Appropriation Bill \(No. 3\) 2000-2001](#); secondly, particulars of certain proposed additional expenditure in respect of the year ending on 30 June 2001, [Appropriation Bill \(No. 4\) 2000-2001](#); thirdly, particulars of certain proposed additional expenditure in relation to the parliamentary departments in respect of the year ending 30 June 2001, [Appropriation \(Parliamentary Departments\) Bill \(No. 2\) 2000-2001](#); fourthly, the statement of savings expected in annual appropriations made by act No. 81 of 2000, Appropriation Act No. 1 2000-2001, act No. 82 of 2000, Appropriation Act No. 2 2000 2001, and Act No. 83 of 2000, Appropriation (Parliamentary Departments) Act No. 1 2000-2001; and, finally, the final budget outcome 1999-2000.

The committee is required to consider these documents insofar as they refer to the portfolios allocated to the committee by the Senate on 11 November 1998 and amended on 8 February 2001 and to report to the Senate on or before 27 March 2001. The committee may also examined the annual reports of departments and agencies at this time even if no additional appropriations have been sought. Agencies which are not listed on the program may have written questions on notice directed to them. I remind everyone that the committee has set 23

March 2001 as the date for the submission of written answers to questions that are taken on notice.

The hearing today will examine the Finance and Administration portfolio in continuation. It will commence this morning with the Department of Finance and Administration, followed by ComSuper, the Australian Electoral Commission in continuation and conclude with the Office of Asset Sales and Information Technology Outsourcing. Examination of the Finance and Administration portfolio is expected to continue on Friday 23 February this week with the Office of Asset Sales and Information Technology Outsourcing and the department.

Department of Finance and Administration

CHAIR—I propose to proceed by opening with general questions and then calling on the outcomes and outputs in the order as listed on the agenda. For the benefit of *Hansard*, I remind witnesses to identify themselves when they first speak and to speak clearly and directly into the microphone. This morning, I welcome Senator Abetz, the Special Minister of State. He is also representing the Minister for Finance and Administration. I also welcome Dr Boxall. Senator Abetz, do you wish to make an opening statement?

Senator Abetz—No, other than to repeat what I said last night—that it is good to be here and the officials are ready to answer questions.

CHAIR—Thank you, Minister.

Senator ROBERT RAY—You heard that 23 March is the cut-off point for answering questions on notice. Dr Boxall—through you, Minister—how would you rate your performance this time around at getting answers in to questions on notice?

Mr Suur—Senator, DOFA took 19 questions on notice for itself last time and it took two questions on behalf of OASITO. Seventeen of those 19 questions were answered by the due date. Two questions still have answers outstanding. They relate to matters that involve extensive consultation between Property Group and the Financial Management Group within DOFA. Senator Faulkner, who asked those questions, has been consulted in the drafting process to make sure that the answers we provide are the answers that he is seeking. I believe the answers to those questions will shortly be provided.

Senator ROBERT RAY—Minister, what we have here year on year is a variable performance between DOFA and PM&C. This particular round, the trend is for DOFA to be much better than PM&C. It seems to alternate for some reason. I am also pleased to note that, when there is any doubt about a question on notice, DOFA takes the attitude of ringing senators to try to clarify the question so that you can get a proper answer, and I think that is a very good trend. So I think you got about a B plus, Dr Boxall, on this occasion. That is a definite pass.

Senator Abetz—That is high praise from Senator Ray!

Dr Boxall—Thank you, Senator Ray.

Senator SHERRY—The underlying cash balance and the headline cash balance for each forward year in the midyear economic statement: are you able to provide us with a reconciliation of the difference between the two figures and what it is made up of?

Mr Bartos—Yes, we can provide an indication of the difference between the headline and underlying balance. In essence, as we indicated at the last hearings, the difference between headline and underlying is due to the subtraction of net advances. We can give you more detail. I will ask Mr Prior to join me at the table.

Dr Boxall—We have done a draft response to a question on notice from you pointing out the reconciliation. If I recall, your question is also in relation to Telstra.

Senator SHERRY—You have anticipated.

Dr Boxall—Just to let you know, Senator Sherry, that we have been working on that draft response and it should be delivered very shortly. From recollection, it has a reconciliation between the headline and the underlying cash positions and, as we have discussed before, the difference is net advances. It is all set out.

Senator SHERRY—Will that include the itemised list of asset sales?

Mr Bartos—Asset sales, as you are aware, are collected together under the one heading rather than separately disaggregated. That has been budget practice for many years. So the asset sales are just shown as one item rather than disaggregated.

Senator SHERRY—So in short it will not be disaggregated?

Mr Bartos—That is in accordance with normal practice, yes.

Senator SHERRY—Does the asset sales item still contain an element for the sale of Telstra?

Mr Bartos—Yes.

Senator SHERRY—In which particular years does the asset sales item include an element for the sale of Telstra?

Mr Bartos—We went through this quite extensively in the last hearing. As I said then, and the position has not changed, the government has taken a position that it is not disclosing the exact year in which it expects proceeds of the Telstra sale to occur. We did indicate at that hearing—and I can get the *Hansard*—that it will occur within that forward estimates period.

Senator SHERRY—So the outline you gave me at the last hearings has not changed at all? It is still the same?

Mr Bartos—It is still the same.

Senator SHERRY—So the position has not changed, but you are still not able to tell me the amounts in each forward year?

Mr Bartos—Specifically for Telstra, no. The budget papers do reveal an estimate for asset sales overall in each forward year.

Senator SHERRY—Is there moneys for Telstra asset sales in the year 2001-02?

Mr Bartos—Again, I just have to repeat what I indicated at the last estimates hearing: given that the government has said that it does not want to reveal in what year it expects the proceeds of Telstra to occur, that also means I cannot answer questions year by year, which would have the effect of causing me to go against that instruction from government.

Senator SHERRY—I note from the discussion Dr Boxall and I had on the last occasion that the amounts are spread over the three years of the forward estimates without any particular breakdown over those three years.

Mr Bartos—I am just getting the exact *Hansard*, which I have here. In relation to that, Dr Boxall indicated that we have confirmed that it is in the forward estimates. His exact words were:

But we have confirmed that it is in those figures. We just cannot confirm which year it is in.

You then said:

It is in one of those three years.

Dr Boxall replied:

It might be spread over two years or three years.

That was the discussion at that stage, to which you are referring.

Senator SHERRY—Dr Boxall, I do not know whether it is the page you are looking at but I think it is on page 201 where you said:

It is over three years, but it does not mean to say that there is a piece in every year.

Dr Boxall—Correct.

Senator SHERRY—At this point in time there have been no changes at all to those figures in the forward estimates?

Mr Bartos—That is correct.

Senator SHERRY—Thank you. What are the estimates for the PDI contained in the 2000-01 budget?

Mr Bartos—I will have to check my set of budget papers.

Senator SHERRY—While you are looking, I will just say that the relevance of this issue goes to the public debt retired with the proceeds of the sale of the first tranche of Telstra, what the PDI savings were for each of those retirements and where they are detailed in budget papers.

Mr Bartos—That is really a question for Treasury, Senator. The exact impact of retirement of debt is something that is dealt with by the Australian Office of Financial Management. We can only give you the overall aggregates for the PDI.

Senator SHERRY—I just thought you might be aware of the figures for the first tranche of Telstra.

Mr Bartos—We are not aware exactly of what the proceeds from that first tranche were applied to by way of debt paid off. Clearly there was some debt paid off and, over time, depending on what was the most appropriate, some debts to be repaid. But the exact details of that are really up to the Australian Office of Financial Management.

Senator SHERRY—I can understand that they would know, but I would have thought that Finance would have had the figure as well and would be able to inform us as to what the figure is. It is an important figure.

Mr Bartos—As you know, the issue with repayment of debt is that the Commonwealth has various debt instruments out in the marketplace, and the retirement of those debt instruments is based on factors to do with whether there is a premium to be paid for retiring them early. How that is managed is obviously up to the Australian Office of Financial Management.

Senator SHERRY—I understand that they manage it, but I am sure that the Department of Finance would have it.

Mr Bartos—In broad terms we are aware of the impact on the PDI estimates, yes. In terms of the specifics of how debt is retired the answer is no. But we do have the estimate of PDI.

The estimates of public debt interest are revealed on page 6-83 of Budget Paper No.1. The indication there is that public debt interest in total is moving from a figure of \$9.1 billion in

1999-2000 to \$8.575 billion in 2000-01, \$7.9 billion in 2001-02, \$8.1 billion in 2002-03, and \$7.9 billion in 2003-2004. The reference there is table A4, 'Estimates of Commonwealth general government expenses by function and sub-function', which breaks down the public debt interest.

Senator SHERRY—Is the sale of the Telstra first tranche in the PDI savings resulting from that? That is not detailed there, is it?

Mr Bartos—No, not in detail. There is not a breakdown of the impact of Telstra on PDI in the budget papers; it is just shown in aggregate here. That is the level at which we receive the estimates.

Senator SHERRY—Dr Boxall, I am just surprised that we do not have that breakdown in respect to Telstra 1. The sale has occurred; it is gone, although there might be a few details being wrapped up. Can you explain to me why that figure is not there?

Dr Boxall—Senator Sherry, I have the *Hansard* from Friday, 24 November when we discussed this issue. The figure is not there because that is an aggregate PDI figure.

Senator SHERRY—I understand it is an aggregate.

Dr Boxall—And the government has not elected to break that down into the impact of the sale of Telstra, the sale of any asset and debt management operations on PDI. They have just elected not to do that. They would not do that because funds are fungible. It may be that the sale of Telstra generates some proceeds and then the Office of Financial Management has to make a judgment about whether they are used to retire debt or to keep as an asset. So it is very difficult to break down. If anybody were to break it down, it would be the Office of Financial Management in the Treasury portfolio. This was discussed with you at the last Senate estimates.

Senator SHERRY—I thought we might have made some advance in terms of transparency on this issue since the last estimates. I understand your position. It is government policy and you are acting under the policy of the government of the day.

Dr Boxall—The government have elected what level of detail to provide in the budget papers and they are doing that. If there is any disaggregation required, were the government to provide a disaggregated set of data, the people to provide that data are the Office of Financial Management and Treasury.

Senator SHERRY—Following our earlier discussion about Telstra, Mr Bartos and Dr Boxall, will you confirm there has been no change to the forward estimates in respect to the aggregated figure for asset sales?

Mr Bartos—That is correct.

Senator SHERRY—We are still attempting to identify the breakdown but, as I understand it, you are not changing the position on that. It is not being provided and that is a result of government policy and instruction.

Mr Bartos—That is correct.

Senator SHERRY—We know that the forward estimates have not changed for asset sales and we know that Telstra would be a very substantial part of that. We cannot identify that because you are not permitted to give me the information. Given the recent statements by the Prime Minister and the Deputy Prime Minister, why haven't the forward estimates changed or been redrawn, with the figures moved in respect to the forward estimates?

Mr Bartos—The forward estimates are based on government policy. Government policy in regard to sale of Telstra has not changed. Again as I think we indicated in the last hearings, the timing of Telstra is included in the statement of risks. It is worth repeating that in the statement of risks in both the budget and now more recently the *Mid-Year Economic and Fiscal Outlook* we indicate:

The Budget and forward estimates include the effect of the sale of the Commonwealth's shareholding in Telstra, noting that the level of proceeds will depend, *inter alia*, on the prevailing levels of world equity markets at the time of the sale.

Then in relation to timing the relevant paragraph is:

The sale of the Commonwealth's remaining shareholding in Telstra is dependent on the passage of legislation through the Parliament. The Government has committed not to introduce such legislation until its plan of action in relation to the independent telecommunications service inquiry into the adequacy of service levels has been fully considered and made public.

That was the policy then. We have had no indication that there has been any change in that policy. The basis of forward estimates is that they are based on government policy and, in the absence of a change in policy, the forward estimates do not change.

Senator SHERRY—Thank you. You have reiterated the position from the last discussion very clearly and very firmly: there is no change in policy in respect of Telstra, no change to the forward estimates on the sale proceeds. That is useful to know. I have seen recent comments—and more than one from the Deputy Prime Minister, Mr Anderson—that Telstra will not be sold. That is, I think, an accurate summary of his overview of the situation. Given that comment—I mean, he is the Deputy Prime Minister—why haven't the forward estimates been recast?

Mr Bartos—I suppose because in terms of policy the indication that we have had is that the policy remains the same. We have been given a copy of the Prime Minister's statement on this, which in essence reiterates the policy that was set out in that statement of risks. Given that, there is no decision by the government to change its policy.

Senator SHERRY—That would be very clear to me, but I think people must be a little confused about the differing statements we have seen, at least publicly, from a variety of people in respect of Telstra. But I will come to that a little later. What communication are you referring to from the Prime Minister on this matter?

Mr Bartos—I am not referring to any communication to us by the Prime Minister; we have seen a statement made by the Prime Minister in relation to this matter in the press.

Senator SHERRY—So you are guided by policy reiterated by examination of press articles?

Mr Bartos—No; actually, let us be clear on this policy. Policy is made in relation to issues like Telstra through the normal cabinet processes, and we would be involved in and be informed about those, and unless and until there is a formal policy change in that way the forward estimates will not change.

Senator SHERRY—On what date did the statement that you are referring to from the Prime Minister appear in the media?

Mr Bartos—The one we have recently had our attention drawn to is dated 14 February.

Senator SHERRY—Which media outlet did that appear in? It probably appeared in a number, I suspect, but what is the one you have been guided by?

Mr Bartos—The one that we have been guided to is the ABC.

Senator SHERRY—I am a bit, I suppose, surprised and not a little amused that the PM's statements on the ABC are used to guide Finance on reaffirming the timetable for asset sales.

Mr Bartos—No, Senator—

Senator Abetz—What the officer is saying is that there has been a consistent approach by government throughout and the most recent statement on 14 February is simply a re-emphasising of that which was in the budget and also in the *Mid-Year Economic and Fiscal Outlook*, the MYEFO.

Mr Bartos—In normal circumstances, changes to policy are progressed through the normal cabinet process. There has been nothing drawn to our attention that would indicate anything different in this case.

Senator SHERRY—Good. You are being very clear about what your position is and what the government's position is. You have referred to a statement made by the Prime Minister and the ABC on 14 February, but statements have been made by Mr Anderson, the Deputy Prime Minister. He is saying it will not be sold. Maybe we should put this to the minister rather than to you, Mr Bartos. Mr Anderson said that Telstra will not be sold.

Senator Abetz—That is a political issue.

Senator SHERRY—That is why I am asking you.

Senator Abetz—If you want to raise that elsewhere, the simple fact is: the government policy was announced in the budgets. As I understand it, and I will undoubtedly be corrected, in the budget we said 'subject to the Besley review of Telstra'. Then with the midyear outlook we reiterated, having received that report, that the government has committed not to introduce such legislation until its plan of action in relation to the independent telecommunications service inquiry into the adequacy of service levels has been fully considered and made public. The Prime Minister then, in recent times, made comments as outlined to you by Mr Bartos. So there has been a consistency throughout.

Senator SHERRY—Yes. I am glad you have reinforced that, Minister, because we have the caveats of the Besley report and those conditions have to be met, as you have outlined. From the questioning this morning, there has been no change to the forward estimates on Telstra. From the timetable that is in the forward estimates and the conditions laid down by the Besley report, which have to be met, it is government policy to sell the remaining part of Telstra.

Senator Abetz—No, look—

Senator SHERRY—Subject to those caveats.

Senator Abetz—Right. There you are, trying to make a definite statement, undoubtedly hoping that it will get into the media. But no, it is not. It is subject to those caveats that you quite rightly point out, and our concern is to ensure that there are appropriate service levels within rural and regional Australia. Once we are satisfied as to that, then we might move on. But at this stage—

Senator SHERRY—Might move on? I thought you were going to move on, subject to the caveats of Besley.

Senator Abetz—We are talking hypotheticals as to what might happen in the future. Our policy is that the government has committed not to introduce legislation until its plan of action has been fully considered and made public.

Senator SHERRY—You use the word ‘hypotheticals’. We are talking hypotheticals. The budget estimate in the forward estimates for the next three years is a hypothetical.

Senator Abetz—But the statement of risks does point out the situation of the government policy with Telstra. So that is factored into the considerations.

Senator SHERRY—I am just a bit concerned when you use the word ‘hypothetical’. These estimates are important to the bottom line budget, and the sale is in there, as has been confirmed this morning. You understand the sale is in there.

Senator Abetz—If everything were absolutely certain, there would be no need for a statement of risks. The reason that we have a statement of risks is that there are a few imponderables in this world, and there are some things that need to be worked through. That is why it is in the statement of risks.

Senator SHERRY—We do have a clear outline of the proceeds from the assets sales in the forward estimates. The timetable has not changed, as I understand, Minister. Is that your understanding?

Senator Abetz—Yes, but subject to the statement of risks.

Senator SHERRY—Yes, I understand about the statement of risks.

Senator Abetz—Let us just get it clear that certain statements are made that we have to look at it in the total context of everything that was said.

Senator SHERRY—I will come to everything that has been said in a moment, but we know that it is in the forward estimates, and the forward estimates have not been changed at all in respect of the sale of Telstra.

Senator Abetz—Because, in the statement of risks, that possibility of the situation with Telstra was canvassed.

Senator SHERRY—Yes; and we know that Besley has put a range of caveats—bottom lines, if you like—that have to be met in respect to service levels. We know all that. This is a question to you, Minister, and I think it is more appropriate than to Mr Bartos or Dr Boxall. Has anyone explained this to the Deputy Prime Minister, Mr Anderson? He is the Deputy Prime Minister.

Senator Abetz—Ask the Deputy Prime Minister.

Senator SHERRY—No. You were here representing the government, the cabinet. You are a minister in the government. Has this been explained to the Deputy Prime Minister, who keeps saying it is not going to be sold?

Senator Abetz—I do not know what media reports et cetera that you are referring to. Senator Sherry, I have learnt from past experience that it may not necessarily be fully accurate when certain assertions are made. Various ministers might have various views and we can discuss that; but, at the end of the day, I am here representing the government policy, not here to say what one minister said on one occasion or another minister may have said on another occasion.

Senator SHERRY—That is fine. I understand that, Senator Abetz. That is what I would expect you to do, and I am pleased that you and your officials have reinforced the very clear

cabinet policy and there has been no change to this policy and there has been no change to forward estimates. It is very clear to me what the position is.

Senator Abetz—It is about providing good service levels for telecommunications into rural and regional Australia.

Senator SHERRY—That is actually a judgment for people to make themselves.

Dr Boxall—In any case, Senator Sherry, budget estimates are updated twice a year: at budget time and at the *Mid-Year Economic and Fiscal Outlook* time; so what Mr Bartos has said is true, that there has been no change between the forward estimates between budget time and the *Mid-Year Economic and Financial Outlook* time, and there will be no change between now until the budget—because that is when they are updated again.

Senator SHERRY—Yes. That is good. I just wanted to be absolutely clear. You would have to forgive me—or not so much me, but other people—in reading the media comments made by the Deputy Prime Minister in particular, and various of his somewhat nervous backbenchers, for thinking that the sale is not going on and that they are not going to approve it. You have reiterated cabinet policy that has not changed, but of course this is all subject to parliament's approval, isn't it, Dr Boxall?

Dr Boxall—Yes, Senator Sherry; and that is why in the statement of risks it says specifically, I repeat, that the sale of the Commonwealth's remaining shareholding in Telstra is dependent on the passage of legislation through the parliament.

Senator SHERRY—Yes. Now, by 'parliament', we mean both the House of Representatives and the Senate: that is your understanding?

Dr Boxall—Of course.

Senator SHERRY—Thank you. So it is not just at risk in a legislative sense from anything that may occur in the Senate; it can also be defeated in the House of Representatives. That is understood in the statement of risk?

Senator Abetz—I think we know all that: if legislation does not get through the lower house, that is the end of it. I think we know all that, Senator.

Senator SHERRY—Thank you. I have seen statements by Minister Alston that the sale will definitely go ahead. Looking at the *Financial Review* as recently as Wednesday, 14 February—and this again received wide coverage in the media—I certainly believe Senator Alston was accurately reflecting government policy. Is that your view as well, Minister?

Senator Abetz—Look, chances are—just as much as Cheryl Kernot was quoted as saying she trusted the ALP not to sell Telstra whilst in opposition but would not trust Labor not to sell Telstra if they ever were to win government. So you can quote somebody from our side saying something, but we can bounce back with somebody like Cheryl Kernot. We can try to embarrass each other, but does it get us anywhere?

Senator SHERRY—It does. I am asking you a question about Senator Alston, who is the minister, after all. You are here representing the minister. Members on our side of politics will speak on behalf of our leader, or our leader will speak for himself, but we are here asking the government of the day what its policy is.

Senator Abetz—And we have outlined that to you.

Senator SHERRY—I have been very pleased with your outline in the sense that I accept that it is accurate. I am concerned about the views of the Deputy Prime Minister, in particular—and he is not an insignificant political figure.

Senator Abetz—I am sure he would be flattered to hear you say that.

Senator SHERRY—I am intrigued as to the position that he has, and some of his colleagues have, enunciated: that it is not going to be sold. It had put an element of doubt in my mind and I have had it cleared up this morning. Mr Bartos, you have referred to the statement by the Prime Minister on 14 February on the ABC. Do you have a copy of that there?

Senator Abetz—It was a Brisbane radio interview.

Senator SHERRY—So Brisbane radio does not rate. We ignore Brisbane radio.

Senator Abetz—No. I am giving you the source.

Senator SHERRY—Do you have a copy of the transcript there? I am not having a go at Brisbane radio; I thought the minister was having a go at Brisbane radio. We are very happy about Brisbane radio and all the outcomes up there. We are thrilled with it. I think Brisbane radio should go national. It has a good message to deliver.

Senator Abetz—Especially when they report the Prime Minister accurately about his concerns for rural services.

Senator SHERRY—Is the transcript very long?

Senator Abetz—The whole text is about one page, if you want a copy.

Senator SHERRY—I would not mind a copy.

Senator Abetz—I am just checking the precedent for doing that.

Senator SHERRY—I hope there would not be any problem doing that.

Senator Abetz—We are doing your research for you. We are a cooperative government.

Senator SHERRY—If there are so many statements, and so many contradictory statements, by your colleagues on this—

Senator Abetz—Don't get me started on Mr Latham and a few others in the ALP.

Senator SHERRY—But you are in government. You are the minister and you are the one we are questioning here. I would appreciate you giving me a copy of that. I am pleased that the department has reinforced and has made it clear that the current government policy is clear that the sale will proceed. I appreciate that this is in Senator Alston's ministerial responsibilities, but do you have a date on which a report from Mr Besley will be given and on which the solutions to those caveats will be outlined?

Mr Bartos—No, we do not. It is in the Communications portfolio.

Senator SHERRY—Yes. We can pursue that with Senator Alston. I have one last question on this issue, to the minister. Given the discussion we have had today, has a communication gone to members of the government that the policy on the sale of Telstra has not changed?

Senator Abetz—There is a good question. What do you mean by a 'communication'?

Senator SHERRY—It could be writing. It could be a letter.

Senator Abetz—Who from? By whom? It is a very big ask for me to give you such an assurance.

Senator SHERRY—I am not asking for an assurance. I am asking if one has been sent out.

Senator Abetz—I do not know whether Senator Alston has met with a backbench committee or something else.

Senator SHERRY—No, I am not asking that. I am asking if you are aware—and be careful here, Minister—about whether or not a communication has gone out.

Senator Abetz—I am not aware.

Senator SHERRY—You have not seen one?

Senator Abetz—With the amount of paper that has floated past my eyes in the last few days, I am not going to give any 100 per cent assurance. But to the best of my knowledge, information and belief, no.

Senator SHERRY—I appreciate the paper warfare that comes across the desk. Having been a parliamentary secretary, I can understand that.

Senator Abetz—And I am trying to purge myself of all the Defence acronyms and Defence stuff and get into the dark world of finance.

Senator SHERRY—The dark world of finance?

Senator Abetz—Yes, the dark world of finance.

Senator SHERRY—Dr Boxall would be a little concerned about that description. We just got a copy of that statement.

Senator Abetz—Which is very interesting, because the Prime Minister said that our policy is:

... we will not proceed to full privatisation until we are satisfied that arrangements exist to deliver full and adequate services to the bush. We are not so satisfied as yet, therefore the immediate priority is to get more services still into the bush. And in those circumstances we're not contemplating introducing any legislation for full privatisation in the near future.

So rural and regional Australians will undoubtedly be delighted, and that is why Brisbane radio hopefully broadcasts into the rural and regional areas of Queensland as well.

Senator SHERRY—Yes, on 14 February. It did not seem to have much impact, but that is a political gibe.

Senator Abetz—Very cheap, Senator Sherry.

Senator SHERRY—So we do not have a date when Besley will report to the minister. The sale of Telstra is on hold until the Besley caveats are met, and the current time frame for the sale of Telstra, in terms of the budget forward estimates, is being maintained and has not changed. Is that where we are?

Mr Bartos—Basically, that is a summary of what we have just gone through, yes.

Senator SHERRY—I am sure National Party members, including the Deputy Prime Minister, will be thrilled to get a copy of the transcript of proceedings this morning. We will take care of that.

Senator Abetz—It is interesting that the news report in fact says:

National Party MPs say their policy is firm—that the full privatisation must not happen until rural phone services are fixed. The Deputy Prime Minister John Anderson says it can't be done before the next federal election.

Senator SHERRY—And we have got no change to the budget forward estimates on asset sales.

Senator Abetz—Because the risk of that was always taken into account.

Senator SHERRY—Well, it has not been taken into account with respect to the forward estimates.

Dr Boxall—No, Senator Sherry. The issue, as I explained, is that the budget estimates are updated twice a year at budget time and MYEFO. So there has been no change to the estimates from last budget to the last MYEFO, as Mr Bartos explained. One would need to wait until the next budget to see whether there is any change then.

Senator SHERRY—Sure. On the current indicators, I anticipate there will be a change.

Senator Abetz—Hmm.

Senator SHERRY—Do you agree, Senator Abetz, with your ‘hmm’?

Senator Abetz—We will not speculate as to what is in the budget statements.

Senator SHERRY—No, you said ‘Hmm,’ and I was not sure whether that was a yes, no or maybe. I am just getting some clarifications.

Senator Abetz—I might have even been daydreaming for all you know.

Senator SHERRY—I hope not. It is a very serious reflection on you as a new minister to be daydreaming at estimates.

Senator Abetz—It is getting quite boring, Senator, I must say. The mind does wander sometimes with your questioning.

Senator SHERRY—I do not find the sale of Telstra and its impact a boring discussion, nor do I find the forward estimates a boring discussion.

Senator Abetz—No, your questioning, Senator—not the topic, just your questioning.

Senator SHERRY—We will leave the judgment to others as to whether the questioning is boring or not. Certainly, people from the department of finance seemed to have been suitably amused at various times.

Senator Abetz—They have indeed.

Senator SHERRY—You will take on notice the questions, as you did on a previous occasion, in respect of the breakdown of the disaggregation of asset sales, Dr Boxall.

Dr Boxall—Just to clarify things, Senator Sherry, it was the disaggregation of the total number of asset sales?

Senator SHERRY—Yes.

Dr Boxall—There is no point in taking that on notice because the government has made it repeatedly clear—and Mr Bartos has confirmed it again this morning—that it is not disposed to breaking down the estimates of asset sales because they contain commercial-in-confidence information which could be prejudicial to the government’s efforts to sell assets.

Senator SHERRY—Is that a decision taken by the Treasurer, the Minister for Finance and Administration or the cabinet as a whole?

Dr Boxall—That is a decision that has been reflected in budgets for as long as I can remember.

Senator SHERRY—I understand that, but if there were a request being made who would the request go to—the Treasurer or the minister for finance, or both? I am making a request.

Senator Abetz—Treasury has responsibility.

Mr Bartos—The estimates of asset sales and queries in relation to them would go to the Minister for Finance and Administration. But, as Dr Boxall has indicated, the government's policy is very clear. It does not want to disaggregate the estimates of asset sales.

Senator SHERRY—I understand that that has been the position but, yet again, we are putting that question on notice. You can refer it to the minister, as you should. If he says no, that is up to him.

Dr Boxall—Certainly, Senator Sherry.

Senator Abetz—We can ask the minister whether there is going to be a change in government policy.

Senator SHERRY—Moving on to the spectrum sale, another issue in the area of asset sales—

Dr Boxall—Excuse me, Senator Sherry. Mr Chairman, can we just clarify whether general questions have finished?

Senator SHERRY—No. Did Senator Faulkner speak to you, Mr Chairman?

CHAIR—Yes, he did. Dr Boxall, Senator Faulkner has some more general questions later on. I know it is difficult for the department but, if you would bear with us, Senator Sherry has a few more general questions, and questions on outcome 1 and outcome 3, which is MAPS, and Senator Faulkner has some general questions.

Senator SHERRY—I do not know what the issues are that he wants to raise.

Dr Boxall—Mr Chairman, just so that we have the right officials on deck, Senator Sherry's questions tend to be on outcome 1 at the moment and they will tend to be on outcome 3 later, so perhaps we could have the people who are working on outcome 1 up to the table and we can do MAPS when Senator Sherry gets to that.

CHAIR—Thank you, Dr Boxall. As long as officials do not depart, because Senator Faulkner will return at around 11 a.m. or 11.15 a.m.

Dr Boxall—We are quite happy for officials to remain in close call.

Senator SHERRY—I am aware that the specifics of the spectrum sale are handled by OASITO, but has there been any change to the proceeds from the sale from the budget last year?

Mr Bartos—Senator, there has been consideration of the likely proceeds from the sale of the spectrum—in particular, sale of the third generation mobile spectrum licence. That has been subject, as you know, to quite a deal of speculation. We have taken advice from a range of advisers and we, as you would expect, continually monitor those estimates. However, again this is one where the estimates are not something that are revealed, particularly at this time, Senator. I am not sure whether you are aware of where we are up to in the process but potential bidders had to lodge registrations by 14 February and pay their deposits by yesterday. Clearly, that spectrum auction is at a very sensitive stage and to go into any detail about estimates in relation to likely proceeds runs the very real risk of damaging the interests of the Australian people and taxpayers. It is really not something that I would encourage speculation about in this forum.

Senator SHERRY—I understand the concerns. But you have referred to the considerable media speculation—

Mr Bartos—Yes, Senator.

Senator SHERRY—about what the sale proceeds will be.

Mr Bartos—There has been a lot. There was considerable speculation at the time of the budget and there is considerable speculation now. Of course, a lot of that is just speculation. At the time of the budget, some of the speculators were going as high as \$20 billion as possible proceeds.

Senator SHERRY—Ha! Forgive me for laughing. I would be surprised if that were the figure achieved.

Mr Bartos—It is an indicator that speculation goes in very different directions at different times, but it is only speculation.

Senator Abetz—Despite your mirth, I am sure, Senator Sherry, that you are hoping for the best possible return for the Australian people.

Senator SHERRY—Yes, but I think estimates of \$20 billion were just a touch off the mark.

Mr Bartos—Certainly, those were not the estimates that were put into the budget.

Senator Abetz—But it is good to talk up the market.

Senator SHERRY—It was about \$2.6 billion, wasn't it?

Mr Bartos—Yes, Senator.

Senator SHERRY—So I think \$2.6 billion to \$20 billion would encourage a little—

Senator Abetz—It is just a zero.

Senator SHERRY—It is almost 10 times as much. Mr Bartos, in your comments you said that the department had taken advices. Has that been because of the ongoing debate about valuation?

Mr Bartos—On any large estimates item of a technical nature, such as this, we would normally get technical advice. We would have taken advice regardless of whether or not there had been media attention paid to this. It is a big item and it involves a degree of technical expertise to assess what it should appropriately be.

Senator SHERRY—I understand the need for technical advice but that would also include advice about likely proceeds, wouldn't it?

Mr Bartos—Yes, Senator.

Senator SHERRY—I am aware that in France, Italy, Switzerland and New Zealand, the sales could be described as having been disappointing and in some cases have had to be postponed, as I understand it. Do you have any knowledge of that, Mr Bartos?

Mr Bartos—I am well aware of that and also the fact that in the United Kingdom and Germany sale proceeds were way in excess of what was anticipated. In Austria, the auction price was 15 per cent above the minimum bid price set by government. The differences between actual realised proceeds from spectrum sales and estimates have been varied, as can be seen from the different experience of those countries. It is not a uniform pattern. It is something that we are certainly very well aware of and we have been keeping on top of.

Senator SHERRY—As we are all aware, I am sure, timing is obviously important. Do you have the approximate date when the United Kingdom and Germany sold their spectrums?

Mr Bartos—They were around a year or so ago. I do not have the exact dates.

Senator SHERRY—You mentioned Austria. Austria is not one of the countries that I have been briefed on. Are you aware of the approximate date for Austria?

Mr Bartos—I do not know the exact date. It was recently; it was in recent months. The proceeds there were some \$A1.4 billion.

Senator SHERRY—But I notice in New Zealand the recent sale of new generation spectrum netted New Zealand \$133 million. Are you aware of the date for New Zealand or in fact whether that was under or over the budgeted figure?

Mr Bartos—It was within the range that officials expected. It was within the range that our colleagues in the New Zealand Treasury had anticipated from that sale. I am aware that there was media commentary in relation to that. The other thing to bear in mind is that it is very hard to draw comparisons between overseas sales and the Australian process that is under way at the moment. The structure of the auctions; the arrangements for access to spectrum, whether it is a licensing or a sale arrangement, and so on are all different. There is a huge number of differences in the regulatory regimes and in the set-up of the auctions, so I suggest that trying to draw direct parallels between what happens in any of the countries that we have mentioned and what will happen in Australia is very difficult.

Senator SHERRY—I accept that. International comparisons are not easy to make in this area and there is a wide range of issues that affect sales. The position is at this stage that the \$2.6 billion is there in the estimates—that is the figure that the Department of Finance and Administration has in the budget papers.

Mr Bartos—That was the figure that was revealed in the budget papers. Normally we would not reveal the estimates of spectrum. That \$2.6 billion was revealed at budget time because of the considerable media speculation that I have already mentioned that was around at the time of the May budget. There has not been a disaggregated spectrum estimate released since that time.

Senator SHERRY—You are still standing by that figure that was released of \$2.6 billion?

Mr Bartos—For the reasons that I outlined before, I strongly suggest that we not continue on this line of questioning, because it will potentially affect the sale.

Senator SHERRY—I will put it this way: there has been no change to the figure of \$2.6 billion that was announced by the government, as I understand it—and I think the Treasurer gave a briefing on it.

Mr Bartos—Yes, Senator, there has been no subsequent announcement of any change.

Senator SHERRY—Good. Why have we got the detail of the potential sale price for spectrum, but we had not got it for Telstra?

Mr Bartos—Because at the time some of the media speculation was just wild. It was in the order of the \$20 billion that I was talking about before. Clearly that was not a realistic estimate and it was not the judgment that we as people who advise the government on the quality of the estimates thought was appropriate. Given the extent of media speculation around at the time, although normally one would not reveal any specific details, it was thought prudent to let both the media and the public know of this one at budget time.

Senator SHERRY—It is an interesting rationale in respect of the spectrum. There has been lots of speculation about the money to be raised from the sale of Telstra—more than for the spectrum—yet we do not have a figure for Telstra. What is the difference?

Mr Bartos—In both of these cases the decision as to what is released is taken by government. The government took a decision at budget time that it was appropriate to release some details for spectrum. As we said earlier when we were discussing Telstra, the government has taken the decision that it is not appropriate to release any details for Telstra. It is a government decision.

Senator SHERRY—I should apologise to you, Mr Bartos. It is more a question for Senator Abetz as the minister representing the government. Do you see the rationale, Minister: in relation to spectrum the sale details, the revenue to be raised from the sale of the asset, have been released due to media speculation and lots of commentary, yet we do not have a figure for Telstra released by the government?

Senator Abetz—I am not aware of what the thinking was at that time. I can take it on notice if you want me to.

Senator SHERRY—It is not the thinking at the time. Mr Bartos has, apparently very accurately, outlined the thinking with respect to spectrum sale, but it seems to me we have got the same conditions with respect to Telstra. It just seems to be a contradiction, Minister.

Senator Abetz—I understand it was a decision taken by Treasury, and therefore that should really be asked in that portfolio area. I will take it on notice.

Senator SHERRY—Thank you. I do get a bit concerned when things are put over to Treasury, but you have taken it on notice so thank you, Minister. On a related issue, the matter of—

Senator Abetz—Mr Chairman, just to clarify, I may have said ‘Treasury’ instead of ‘Treasurer’.

Senator SHERRY—You did say ‘Treasurer’.

Senator Abetz—It was a decision of the Treasurer. I understand that that will be referred to the Treasurer.

Senator SHERRY—That is my recollection. Whether or not Treasury advise him, I do not know. The replacement of the Lucas Heights nuclear reactor: what amounts have been included in each forward year for the agreement to build a new nuclear reactor at Lucas Heights?

Mr Bartos—I will ask the relevant officers to get that information to us during the course of this hearing.

Senator SHERRY—Okay. Maybe if we put the questions—do you have the relevant officers here?

Mr Bartos—They are closely monitoring this broadcast. They will be watching the senators as we are talking, and hopefully they are, right now, going to their files and pulling together material. So we will be able to answer shortly.

Senator SHERRY—We will come back to it. I know Finance and Treasury are always closely monitoring. They are in the chamber, they are everywhere.

Senator Abetz—In fact, I understand Senator Forshaw is closely monitoring this as well, because he has moved into the area. That is how much confidence he has in the developments there.

Senator SHERRY—I know he has had a longstanding interest in Lucas Heights.

Senator Abetz—He has moved into the Sutherland Shire, I understand. He is showing great confidence.

Senator SHERRY—To follow that logic, we would go into Sydney airport but, as a Tasmanian, I am not even going to venture. I just have a couple of questions about general budget figures. Dr Boxall, will the budget papers generally continue to provide aggregate fiscal balance and underlying cash figures? I am asking this question generally with respect to—you might not call it ‘difficulties’—some problems associated with the move to accrual accounting.

Dr Boxall—I would not call it ‘difficulties’. The move to accruals budgeting has been heralded internationally as a major success. Australia is at the absolute leading edge. We have now done two accrual budgets and we are coming up to the third. The first accrual budget was a huge exercise and a very successful exercise, and the second accrual budget went remarkably smoothly. We are anticipating that the third accrual budget will go just as smoothly. But I am not aware of any decision to not continue to provide aggregate figures of the underlying cash position and the fiscal balance.

Senator SHERRY—I noticed there was an article in the *Canberra Times* headed ‘World praise for accrual budgeting’. Are you aware of that?

Dr Boxall—I am not, but I am very pleased that you have drawn it to my attention.

Senator Abetz—Could you please have it photocopied and delivered!

Senator SHERRY—Not with my resources matched against those of Treasury. I am surprised that this is not up on the wall.

Senator Abetz—They are not into self-praise; they rely on you for that, Senator!

Senator SHERRY—Mr Bartos is referred to here; I cannot see a reference to you, Dr Boxall.

Senator Abetz—Mr Bartos confirms that he is aware of it!

Senator SHERRY—I know that time is pressing and I will move on, having acknowledged that there was some world praise given. I am aware that there have been some problems but, because of time constraints, I will not go into those. There have been some criticisms whether you accept them or not, but that is something to pursue on another occasion. The recent innovation statement by the Prime Minister: is it correct that there are no aggregate estimates on the impact of the underlying cash balance of the measures announced arising from the innovation statement?

Mr Bartos—The budget will include an update of the estimates, which will include the impact of that innovation statement. That innovation statement occurred after the *Mid-Year Economic And Fiscal Outlook*.

Senator SHERRY—You do not think it would have been useful to have provided such information, at least in an aggregate sense, to the readers of that document?

Mr Bartos—You are asking for an opinion there. I have just indicated what the factual situation is, which is that the update in the budget will incorporate the effects of that innovation statement on both sets of measures.

Senator SHERRY—But it is correct that, when the statement was released, there was not in an aggregate sense the provision of that information?

Mr Bartos—I would have to check against the statement before answering that. I do not have the statement here; it is in another portfolio's area of responsibility. But I have no reason to doubt that statement that you have made.

Senator SHERRY—I can understand that the details of the announcement and the policy specifics are in another portfolio area, but I am just going here to the overall impact on budget expenditure. Could I just go to one measure in the innovation statement, to use it as an example: the postgraduate education loans measure. My understanding is that, under the government's figuring, the loans will make the government \$36.6 million over five years under accruals but, according to a footnote, will cost the government in cash terms \$995 million over that same period. Do you have any comment to make about that issue?

Mr Bartos—Yes, and this is an issue that occurs in relation to other loans as well such as the Higher Education Contribution Scheme. It is simply based on the accounting—that, in relation to loans, there is a receivable. It is a loan; nonetheless, there are cash payments out in the early stages of a loan and then there is money received back. So the accounting treatment of the cash flow is different from the issues of how it is treated in the other statements.

Senator SHERRY—But what you are saying is that there will be a full update on this in the budget papers in May?

Mr Bartos—Yes. It will also, because it is a government decision taken since the *Mid-Year Economic and Fiscal Outlook*, be fully set out in the measures document that is published with the budget. So each of the measures contained in the Building Australia's Ability statement will be also repeated as a measure in the measures document released at the time of the budget.

Senator SHERRY—How are we going with Lucas Heights?

Mr Bartos—It is being worked on. The officers are working on it. I was not anticipating that it would be only about 10 minutes that we would have. I am certain that we will have the information before lunchtime, but I am probably not going to give it to you instantly.

Senator SHERRY—I will put that on notice.

Senator Abetz—Thank you.

Senator SHERRY—Can I just get an update with ComSuper? My difficulty is that we are going to have general questions and I am looking at a deadline, thanks to the guidance of my superiors, of about 11 o'clock. Are ComSuper here at the moment?

Senator Abetz—We have not had any indication from other senators of an interest in ComSuper.

Senator SHERRY—We discussed it this morning.

Senator Abetz—I think it would be appropriate then, if we can, to deal with it. But if there are other senators wanting to ask questions of ComSuper as well, I do not think it is desirable to have them—

Senator SHERRY—No, I would not want them coming back and forward.

Dr Boxall—Mr Chairman, we have officers from the Department of Finance and Administration Superannuation Branch here. But, as I understand it, the officers from ComSuper itself are not here because, as you might be aware, they were scheduled down the list.

Senator SHERRY—Again, being cooperative, the questions that I have in relation to ComSuper specifically I will put on notice rather than bring them up. They are not critical to the running of government and I would be surprised if those responses received any sort of thought or comment in the media.

Dr Boxall—I would just like to elaborate on an earlier statement. As it turned out, I was aware of the article in the *Canberra Times*.

Senator Abetz—His modesty got the better of him at the time!

Senator SHERRY—Thank you for that. I am surprised you forgot that, Dr Boxall. Mr Chairman, I wonder if I could get your indulgence? I need to speak to one of my staff for two or three minutes. Could we have the tea break a little earlier?

CHAIR—Yes. We will break until 10.30 am.

Proceedings suspended from 10.17 a.m. to 10.35 a.m.

CHAIR—I should just note for the record that Senator Sherry has placed on notice questions relating to the Commonwealth Grants Commission.

Senator SHERRY—Mr Bartos, in respect to spectrum sale, you mentioned that those who have applied or registered to participate have to pay a figure for registration. Are you able to give us that figure?

Mr Bartos—It actually varies, depending on what they are bidding for. That is really a question better directed to the Australian Communications Authority that is running that sale.

Senator SHERRY—That is fine. I just thought you might have been able to give it to me. It is the first I have heard of it and I was interested to find out what the information was. The policy announcements made by the government since the last time we met: we have had the innovation statement. I think the military defence expenditure was announced after we last met. Is that correct, Dr Boxall?

Dr Boxall—The white paper was released after the last estimates hearings.

Senator SHERRY—Is it correct that the funding in respect to the white paper on defence is being funded from the contingency reserve?

Mr Bartos—It is being funded from the budget. The more correct statement is that the contingency reserve included a provision for possible future funding increases for the Defence portfolio, pending the outcome of the government's final consideration of the defence white paper. That was revealed in the *Mid-Year Economic and Fiscal Outlook* on page 48. Given that there was the likely spend on defence, an amount was included in the contingency reserve.

Senator SHERRY—Obviously, with that contingency reserve we now have a clear purpose identified with expenditures. How will that contingency reserve be adjusted?

Mr Bartos—You will find that in the budget update there is not an amount for defence contained within the contingency reserve. There will be other things in the contingency reserve because there are always a number of items included in that reserve. The categories of items that are contained in the contingency reserve are spelled out in the budget. The

adjustments will be made. They will be reflected in the budget. As with the innovation statement, the defence white paper spending measures will be revealed as measures in the measures document published at the time of the budget.

Senator SHERRY—I do not have the figures in front of me. I know that it is in the *Mid-Year Economic and Fiscal Outlook*. Do you have the figures for the contingency reserve for this financial year and next year to hand?

Mr Bartos—We have them in the budget papers. We have a contingency reserve outlined on page 45 of the *Mid-Year Economic and Fiscal Outlook*. I can run through the figures if that will help you.

Senator SHERRY—That is okay. For the 2001-02 financial year, the figure allocated was \$2,455 million in the mid-year outlook?

Mr Bartos—Yes, Senator.

Senator SHERRY—That will be spent on various policies as announced. What if it is not spent? How is it accounted for in 2001-02?

Mr Bartos—The way the contingency reserve works is that it contains a number of different elements. Let me run through what those are. I will read what the formal statement says of what is in them and then explain exactly what they mean:

...an allowance for the tendency for budget estimates of expenses for existing government policy to be revised upwards in the forward years.

That is the case for a number of estimates where there is an element of what is called 'conservative bias'. We find that as time goes on existing policies tend to cost actually more than the specific estimates for those individual items would indicate. The way we run the contingency reserve is that each year we back out of the contingency reserve that amount of allowance for conservative bias. The contingency reserve in respect of that is based on the historical experience that there tend to be higher expenses than the forward estimates would otherwise show. The contingency reserve is our means of making the forward estimates a more realistic picture of likely future expenses.

There is also a tendency for the estimates of some expenses to be overstated in the actual budget year. Again, that is not based on any specific instance or pointing fingers at any portfolio. It has just been a general trend over the last 20 years that in general portfolios tend to be overoptimistic about how much they can spend in the budget year and how much needs to be rolled over. That again is something that we back out with each estimates update from the contingency reserve. Those two items are the items that allow us to give a better aggregate picture of the overall estimates for government.

Then there are a number of other things that will tend to go into the contingency reserve, if applicable and if they exist—for example, national security items that cannot be disclosed separately for reasons of national security. Every so often, there are things that you would not wish to be disclosed as an item in the budget because of very sensitive national security issues associated with them. Late decisions are another example. If we can include them in the contingency reserve, we will. Late economic parameter revision is another example. The contingency reserve is used to cover off all of those different types of category. In the case of the specific issue that we started off with, the Defence portfolio spending was also included in the contingency reserve.

Senator SHERRY—Have there been any other announcements since we last met that have been funded from the contingency reserve? Was the innovation statement funded from the contingency reserve?

Mr Bartos—I can probably explain this a little clearer. My apologies if I did not explain it thoroughly before. The contingency reserve is not a funding mechanism.

Senator SHERRY—I understand that.

Mr Bartos—It is just a set of estimates.

Senator SHERRY—That is right.

Mr Bartos—The funding mechanism is the provisions that are made in the budget.

Senator SHERRY—Just going back to your earlier response to my question, I am just puzzled as to why there is such a massive increase—and it is a massive increase—in the contingency reserve in the out years. It is \$2.5 billion in 2001-02, it is almost \$5 billion in 2002-03 and it rises to \$7.2 billion in 2003-04. They are very significant increases by anyone's judgment. I appreciate the parameters you outlined but why has this occurred?

Mr Bartos—That is driven almost entirely by the conservative bias element that I mentioned earlier—in other words, the tendency for expenses in later years to be understated in the forward estimates. That is just based on the historical trend that we have seen in the Department of Finance and Administration and was seen in the Department of Finance previously. It is an estimate based on a long-established historical trend that over the forward years, looking into the future, the chances are that expenses estimates are understated. So, in order to give government a better picture of what the likely fiscal situation is in each of those forward years, we have put in our estimate of that conservative bias. And it is quite a big number in total but, in proportion to the overall size of the budget, it is a small percentage.

Senator SHERRY—I understand that. It is a big number: it is \$2.5 billion in 2001-02. Why is there such an exponential growth in the following two years? It is a \$2½ billion increase. I do not quite understand the need for such a huge increase, matched against this conservative bias that you are talking about.

Mr Bartos—Because the closer you are to the year in which the spending is going to occur, the greater the degree of certainty as to exactly what is going to be spent in that year. As we get a better handle on what is actually going to be spent in the year, we back out the numbers from the contingency reserve; and the closer you are to the year in question where the spending is going to take place, the more you can back out, because you know the exact facts.

Senator SHERRY—Let us assume that the amount that is there, \$2.455 billion, in 2001-02 is not taken up. Let us assume that \$2 billion of it is taken up and there is left over \$455 million. Is that added to the budget surplus?

Mr Bartos—I suppose to the extent that provision is made in the contingency reserve and it turns out that our estimate of conservative bias was incorrect that would help the budget bottom line, yes.

Senator SHERRY—Have there been any other policy announcements since we last met that have been covered by the contingency reserve? 'Innovation' wasn't?

Mr Bartos—Not specifically covered by the contingency reserve. In the *Mid-Year Economic and Fiscal Outlook* provision for possible spending on the innovation statement was not included.

Senator SHERRY—Roads wasn't either, was it?

Mr Bartos—From memory, no.

Senator SHERRY—Is there anything else that the government has announced since we last met?

Mr Bartos—Those are the two principal announcements.

Senator SHERRY—Yes, they are certainly the ones that come to mind. Are there any other special circumstances that come to mind since we last met that have impacted on the contingency reserve?

Mr Bartos—The contingency reserve is going to be revised for the budget. What you will see when you get to the budget papers is that each of those years will be reduced by comparison with what you see in the *Mid-Year Economic and Fiscal Outlook* but the last year, the final year, that then gets introduced into the budget figures will be another high figure. Again, it is just that historical trend of the later the years the higher the figure, and you will see that same trend in the budget. So what you will see is that the contingency reserve figure for the budget year and the first forward year will be much reduced from what you see there.

Senator SHERRY—You can take this on notice, because I would not expect you to have the figures here now. Could you please obtain for me a historical perspective—the last 10 years, say—of the contingency reserve: what the budgeted figure has been and what the actual figure has been.

Mr Bartos—Yes. In fact, probably the easiest way to prepare that will be in a graphical format, because it will show you that it is just a straight line thing where the actual and the budget just lag. We can provide that information.

Senator SHERRY—Thank you. Dr Boxall, has your department to date done any purported costings or commenced work on any purported costings on opposition policy during this parliamentary term?

Dr Boxall—No, not that I am aware of.

Senator SHERRY—None whatsoever?

Dr Boxall—No, since the last election I am not aware of any.

Senator SHERRY—Can you take that on notice and check to see whether anyone within your department has? I would assume you would know this, but you have said you are not aware of any.

Dr Boxall—Do you want to maybe clarify exactly what sorts of costings you are thinking of here?

Senator SHERRY—Costings of specific policy announcements made by the opposition, as announced.

Mr Bartos—We can double-check it. But, as with Dr Boxall's statement, I am not aware of anything.

Senator SHERRY—As I said, opposition policy as announced. Have you done any costings of statements made by opposition members so far in this parliamentary term?

Mr Bartos—Not that I am aware of.

Dr Boxall—As you would appreciate, the procedure for this is that we just do not go and cost statements or policies by the opposition off our own bat. We need to have a request sent to us to cost them.

Senator SHERRY—I will go to the process in a moment, but I just wanted to see what point in time we were at. You believe a request will be made?

Dr Boxall—I have no idea whether a request will be made or not.

Senator SHERRY—I assume one would be, given the Charter of Budget Honesty.

Dr Boxall—In the event, under the Charter of Budget Honesty and during the election period, we have procedures in place, which were in place before the 1998 election, where we do cost policies. But they have to be put to us, and there are very specific procedures and we can go through those. In the event that opposition or government policies announced during the election period are put to us through the proper channels, we will cost them.

Senator SHERRY—You have used that caveat ‘the proper channels’. Can I take it that you are giving a commitment that you will not undertake costings of purported opposition policy prior to the Charter of Budget Honesty process or outside of that process?

Dr Boxall—No. These things fall into two groups. At any time we can be requested by the minister to cost a policy, which may or may not be an opposition policy. As we have indicated, Mr Bartos and I are not aware—and I am pretty sure that we have not been requested thus far to do that since the 1998 election. I have no idea whether the minister will request us to do that between now and the announcement of the election. That is one category. The second category of which you would be aware will be the costings during the election period, which are done strictly by the Charter of Budget Honesty rules, which we did before the 1998 election where we costed a number of opposition policies.

Senator SHERRY—Prior to the election being called and the process you have outlined, if any request for costing were made of your department it would come through you?

Dr Boxall—The request would have to come from the minister or the minister’s office. It would most likely go directly to Mr Bartos, and Mr Bartos would keep me informed.

Senator SHERRY—If there are requests for costings, they would all go through the minister for finance to your department?

Dr Boxall—We only deal with the Minister for Finance and Administration; we do not deal bilaterally with other ministers.

Senator SHERRY—I just have a couple of matters on superannuation. We have had some discussion, not in recent times but certainly on a previous occasion, about the implementation of the so-called ‘choice’. In the last year have there been any further developments in the department’s oversight or coordination of that?

Ms Wilson—There has not been any progress on the legislation. It was introduced and passed through the House in 1998, I think it was. It is still in the Senate, and it is subject to negotiation as to whether it will progress.

Senator SHERRY—It is not in the Senate. The government actually withdrew it from the bill’s list. It was in the Senate at the time, so it is not there at the moment.

Ms Wilson—I thought it was still on the list, I must admit.

Senator SHERRY—So we are looking at September 1998, I think it was—whenever it was in 1998. In previous discussions we have had on this issue, which was certainly more

than a year ago, there was an internal consultative process that was going on in each department. In terms of the department of finance, has there been anything occurring on that consultative process in the last year?

Ms Wilson—Are you talking about what the department has done from a corporate point of view?

Senator SHERRY—Yes.

Dr Boxall—I do recall that you asked a question on this 18 months or two years ago—

Senator SHERRY—Yes, it was quite some time ago.

Dr Boxall—We have done nothing since that last round of questioning.

Senator SHERRY—Okay. There was a range of activities that outlined, and it does not surprise me that nothing has occurred, because there is no legislation. On another, more general, superannuation matter: does your section oversight the costings associated with various announcements in relation to superannuation—implementation of changes made to superannuation—over the last two years?

Ms Wilson—In relation to Commonwealth employees and the parliamentary scheme only.

Senator SHERRY—That does not include the military.

Ms Wilson—No.

Senator SHERRY—You are aware of the debate that occurred at the superannuation and finance select committee. I do not know whether you attended. I could not be there, unfortunately.

Ms Wilson—Yes, we did.

Senator SHERRY—There were some questions that I put on notice with respect to costing issues on the current Commonwealth schemes. I am not going to go through them again now, for obvious reasons.

Mr Hodgson—On those questions, the last question on your list referred to the military scheme, and we requested that the committee ask the Department of Defence on that particular one. But we have taken the rest and are working on them.

Senator SHERRY—Yes. Do you have any knowledge of the state public service schemes? Do you have any overview of them?

Mr Hodgson—We certainly have no overview of them. We have some knowledge, obviously, in relation to our own scheme.

Senator SHERRY—I will raise that on another occasion in the other forum.

Mr Hodgson—Just to help you, Senator, in that hearing we did present information on the state schemes and how they relate to the federal scheme.

Senator SHERRY—Yes. Senator Ray raised an issue yesterday with respect to Mrs Carnell's recent appointment to some particular body by the federal health minister. I think the issue went to members of Commonwealth funds—that includes politicians like ourselves—on appointment have a reduction in their superannuation entitlement matched against the salary paid to the particular officer, if it is a Commonwealth officer position. My understanding is that a similar reduction in superannuation does not apply to former state members of parliament who are appointed to Commonwealth positions. That is my understanding.

Ms Wilson—I do not think we have got enough knowledge of the individual state parliamentary schemes to be able to comment on that, Senator.

Senator SHERRY—But you are aware of the Commonwealth provision?

Ms Wilson—Yes.

Senator SHERRY—Good. And you are aware that there is a reduction in superannuation entitlement for a former member of parliament who was appointed to a Commonwealth position?

Ms Wilson—If they are holding a pension from the Commonwealth parliamentary scheme, yes, there is a reduction.

Senator SHERRY—I understand constitutionally there cannot be a provision that applies to former state politicians who are appointed to Commonwealth positions.

Ms Wilson—It really depends upon what the rules of the state parliamentary schemes are.

Senator SHERRY—That is right. If there were such a rule in the state scheme, it would obviously apply. My understanding is that there are not any such rules. But the Commonwealth has not attempted to date to impose such a rule on the various state schemes?

Ms Wilson—That would not actually come within the responsibility of this portfolio, I would not think. If you were talking about the rules of SIS, that would come under Treasury. We would not have any influence over what the state parliamentary schemes provide.

Senator SHERRY—You are obviously aware of the provision in respect of former Commonwealth members of parliament and not in respect of states, but I can pursue that information at another time. On the issue of Commonwealth public servant funds, I understand the select committee is going to send an update for more detailed information, but we will deal with that in another forum.

Mr Bartos—Can I add something to an answer that we gave to Senator Sherry a few minutes ago in relation to costings of policies.

CHAIR—Please do.

Mr Bartos—I have been reminded that there was a request for a costing of the policy Work Force 2010 that we were asked to do roughly a year ago, in February 2000. That was the only one that anyone can recall.

Senator SHERRY—So you had done a costing?

Mr Bartos—Yes, Senator.

Senator SHERRY—You were assuring me earlier that there had not been any such requests to your knowledge and these come across your desk.

Mr Bartos—Yes, Senator. This one came across my desk as well. This was, however, a year ago. We checked and found that there was this one in February 2000, roughly a year ago. I am drawing it to your attention now.

Senator SHERRY—These are issues of great import for obvious reasons. Can you assure me that there will be no others?

Mr Bartos—As we indicated before, Senator, we will check that. We will check our records for things in 1999 or thereabouts as well.

Senator Abetz—Do you mean only in this parliament or since 1996?

Senator SHERRY—No, just this parliament.

Mr Bartos—We are checking that, Senator. Certainly there has been nothing recently, nothing that has stuck in my mind. This was done about a year ago.

Senator FAULKNER—Dr Boxall, on 28 November 2000 I placed on notice a question asking for details of contractors and so forth. It covered the years 1997 to 2000. The department contacted us in December of last year because there were some concerns, and we tried to define this so it did not become too much of a massive task for them. I think we were cooperative in that, and I appreciated the call from DOFA. In other words, they were trying to establish what sort of contractor this one applied to and get a minimum limit of contract size and not include things like regular gardening. We did not want to pick up those sorts of things. I wondered how we were going in relation to an answer on that particular question.

Dr Boxall—Senator Faulkner, I believe we will have an answer for you before Friday of this week. So you can follow it up in Friday's Senate estimates.

Senator ROBERT RAY—I think we might forgo that pleasure and do it another time.

Senator Abetz—What a good idea.

Senator ROBERT RAY—No, the minister is not going to have that pleasure.

Senator FAULKNER—Did you say 'for Friday'? I thought you said 'by Friday', but you said 'for Friday'.

Dr Boxall—No. I thought I said 'before Friday', so that on Friday, if you wish, you can follow it up.

Senator ROBERT RAY—You just gazumped him there.

Senator FAULKNER—It is one point to you, Dr Boxall, and no points to me, because I was not planning on spending a lot of time here on Friday.

Senator Abetz—Good.

Senator FAULKNER—There are so many important issues that Senator Lundy wants to progress on Friday that I did not want to take any of her time. So it is one all. I probably did not want to follow so many of the issues up at the table anyway, but I appreciate the fact that that is close to being provided. That is very helpful.

Dr Boxall—Very close.

Senator FAULKNER—Thank you for that. I asked some questions yesterday of Prime Minister and Cabinet. I was interested in the involvement of that portfolio, but to some extent this portfolio also, in the road funding issue. You would be aware that the Auditor-General has tabled a report recently. As I understand it, there is a formal requirement for ANAO under their act to provide copies of their reports to the minister for finance prior to or at the time of tabling. Could you indicate when the minister for finance received his official copy of the ANAO report on road funding, which was tabled, I think, on 8 February?

Dr Boxall—I am not exactly sure when the minister's office received it.

Senator Abetz—I will take that on notice.

Senator FAULKNER—You cannot help me with that, Dr Boxall? Does it go directly to the minister, or does it go via the department? What is the process, Dr Boxall?

Dr Boxall—For tabling an ANAO report?

Senator FAULKNER—No. In terms of the drop copy, if you like, that goes to the minister. I was not sure if it went via the department from the Auditor-General. Obviously, I could ask the Auditor.

Dr Boxall—As I understand it, it goes straight from the ANAO. The reason I did not know exactly when the minister's office received it is that I do not know about the details of correspondence in the minister's office. Certainly, we received copies of the formal report when it was tabled, and I imagine that the minister's office would have received them at the same time.

Senator ROBERT RAY—The only time you would get an advance copy is if it is to do with your issues?

Dr Boxall—Yes. The normal procedure is that the department to which the audit relates is given a draft copy of the proposed audit report on which it can provide comments. My understanding is that that happened in this case. The Department of Transport and Regional Services received a draft copy.

Senator ROBERT RAY—I am sorry, I was referring to the actual copy. You also receive—

Dr Boxall—That is correct, Senator Ray. You do get an advance actual copy if it is relevant to your department.

Senator FAULKNER—Just to follow through Senator Ray's point, the department of finance would not ordinarily receive an ANAO report that is dealing with another department or agency in advance of tabling. That is the general principle, isn't it?

Mr Bartos—As I understand it, yes.

Senator FAULKNER—I do not know that; that is why I am checking. The act does make clear certain arrangements in relation to passing the report to the minister for finance. I was asking from the departmental perspective. In relation to the issue contained in that road funding report, had there been any engagement in that issue more generally, at a department of finance level, prior to the tabling of the report?

Mr Bartos—Yes, there was.

Senator FAULKNER—Could you explain that involvement, for the benefit of the committee, please?

Mr Bartos—Yes. There was a meeting with the Department of Transport and Regional Services on Friday, 2 February that an officer of my budget group attended. At that meeting, the Department of Transport and Regional Services indicated the likely contents of the ANAO report. We did not get a copy of the report at that stage, but we were given relevant material from it on which to base the discussion.

Senator FAULKNER—Yes. This was something that was in fact initiated by the Department of Transport and Regional Services.

Mr Bartos—The meeting on Friday, the 2nd? Yes, it was.

Senator FAULKNER—In fact, I think we heard yesterday that the Department of the Prime Minister and Cabinet—how shall I put this?—was notified of that discussion and was invited to attend.

Senator ROBERT RAY—There is no suggestion that the department of finance excluded them from the meeting.

Dr Boxall—Not at all, Senator.

Mr Bartos—No. It was a meeting called by the Department of Transport and Regional Services, and we accepted the invitation to attend.

Senator FAULKNER—I think there was some suggestion that perhaps they may have excluded themselves from the meeting; but maybe not: it was just one of those things that fell between two stools, I suspect. So was it only you and the Department of Transport and Regional Services at that 2 February meeting?

Mr Bartos—No. At the 2 February meeting, officers of the transport department, Treasury and ourselves were present.

Senator FAULKNER—Given that we understand, obviously, that the department of transport would have draft copies of the report and that it is an iterative process between the Audit Office and the department, this has gone on, as we know from the Auditor-General, for a considerable period of time—which is standard operating procedure. Could you let us know, as far as the department of finance is concerned, the outcomes from the Friday, 2 February meeting, if there was any action taken or work initiated as a result—at a department of finance level, I am talking about—from Friday, 2 February?

Mr Bartos—From that meeting on Friday, 2 February the officers who attended the meeting briefed the secretary, me and the minister's office. So a briefing was provided as a result of that meeting.

Senator FAULKNER—When did those briefings take place?

Mr Bartos—On 2 February.

Senator FAULKNER—It was a same-day briefing. The department of finance briefs your own minister's office on Friday, 2 February and you brief Dr Boxall. This is a briefing, I might say, to the minister for finance's office, six days before it is a public issue that caused such an enormous amount of surprise to government. Is there any other action undertaken at your own department's level, apart from that same-day briefing?

Mr Bartos—Do you mean in the period up to the tabling, or subsequently?

Senator FAULKNER—I am aware, from evidence from another department, of some of what occurred after the event, but I am speaking at the moment about before the tabling: Dr Boxall having received a briefing, or the departmental officers having been engaged on it taking any further departmental action prior to tabling.

Mr Bartos—Other than that, there was some further engagement with the transport department on Monday, 5 February in relation to a briefing that they were preparing for their minister. We provided comment on that and also took the opportunity that day to provide a further briefing to the office of the Minister for Finance and Administration. There was not any other engagement from that time until the tabling.

Senator FAULKNER—So that means there were two briefings on this issue to the office of the Minister for Finance and Administration prior to tabling.

Mr Bartos—That is correct.

Senator FAULKNER—One on Friday, 2 February and one on Monday, 5 February.

Mr Bartos—That is correct.

Senator FAULKNER—Was the minister himself directly involved in those briefings or was it just the minister's office?

Mr Bartos—I do not know what happened to the briefings after they were passed on to the relevant adviser in the minister's office.

Senator FAULKNER—After tabling on the 8th, there was also the crisis meeting of Sunday, 11 February, as I recall.

Mr Bartos—After the tabling on the 8th, there were meetings on the 9th, 10th and 11th.

Senator FAULKNER—Could you indicate to me the nature of DOFA's involvement in the sessions on those days?

Mr Bartos—There was a meeting on the 9th, at which officers from the Department of Finance and Administration ran through the detail of how special accounts operate, the relevant sections of the FMA Act and so on with officers from a number of other departments who were discussing it.

Senator FAULKNER—Could you let us know what other departments or agencies were involved?

Mr Bartos—I was not personally involved in the meeting on the 9th. Prime Minister and Cabinet, Transport and Regional Services, Treasury—I believe—and our department were involved in the meetings on the 9th. The officers from Finance and Administration were Transport and Regional Services analysts, the head of the team that deals with policy issues in that portfolio as well as an officer who is responsible for some of the overall framework issues to do with cash management and management of things like special accounts. Those officers were involved in the meeting on the 9th. There were further meetings on the 10th and, subsequently, on the 11th—which I attended, along with the other two officers I mentioned.

Senator FAULKNER—You lost your Sunday, did you, Mr Bartos?

Mr Bartos—Unfortunately, yes. I am pleased to say that it was not the entire Sunday.

Senator FAULKNER—Which of the departments convened those meetings of the 9th, 10th and 11th?

Mr Bartos—Senator, I know you have covered this with the Prime Minister's department, and I think it is fair to say that the Department of the Prime Minister and Cabinet made the telephone calls to get people together, as indicated by Dr Watt yesterday. There were a number of senior level participants in those meetings who, in essence, worked cooperatively. It was not as though there were any heavy directive charring by the Prime Minister's department. To the extent that there was a convening role, it was in the sense of providing a conference room and telephoning people, asking them to attend.

Senator FAULKNER—Has activity in this area been ongoing since 11 February? I imagine it has been.

Mr Bartos—Obviously there was the preparation of a briefing for people like me, and there was preparation for these hearings. I think it is fair to say we experienced a level of activity immediately after tabling, and there was a fair bit of work done. Since that was done, the issues to a large extent scoped out—there was less intense activity—but, yes, there has been ongoing activity since the tabling.

Senator FAULKNER—Perhaps I could ask you, Senator Abetz. Given the evidence that has just been provided and given that we now know that, prior to tabling of this road funding Auditor-General's report, the Deputy Prime Minister basically tried to point the finger at the Minister for Finance and Administration and the Treasurer for dropping the ball on this, this

tends to lend some credence to his view that other ministers were in the loop and the responsibility was not his and his alone.

Senator Abetz—I am not sure that what I think will necessarily advance the issue.

Senator FAULKNER—It is a question that I would prefer to ask you, the minister at the table, than the officers. It seems more appropriate.

Senator Abetz—It is asking for an opinion—about what I think. Quite frankly, that is how you prefaced your question. I am not sure that what I think will advance the issues for you.

Senator FAULKNER—Are you aware that the Deputy Prime Minister pointed the finger at the minister for finance and the Treasurer for dropping the ball on this issue?

Senator Abetz—You use certainly terminology that I will not necessarily accept.

Senator FAULKNER—Are you aware of it or not?

Senator Abetz—In the terms that you have expressed it, no, I am not.

Senator FAULKNER—Could you outline for the committee what the involvement of the minister for finance was, having had this drawn to his attention on 2 February and 5 February?

Senator ROBERT RAY—Wasn't it the acting minister?

Senator FAULKNER—I am not sure whether at that time it was the acting minister.

Senator ROBERT RAY—I think it was the acting minister.

Senator Abetz—The acting minister was Senator Kemp. I will take that on notice.

Senator FAULKNER—Has a more formal IDC been established on this issue yet, Mr Bartos?

Mr Bartos—A formal IDC has not been convened.

Senator ROBERT RAY—Are there minutes kept of these informal meetings?

Mr Bartos—I have not seen any minutes of them.

Senator ROBERT RAY—So none have been circulated back to you for verification?

Mr Bartos—That is correct.

Senator FAULKNER—I suppose you keep your own notes of the ones you attend.

Mr Bartos—Yes, I have kept notes of meetings I have attended and my officers have kept notes.

Senator FAULKNER—That would be very valuable in the absence of any minutes, I am sure. I have a couple of questions on the competitive tendering and contracting issue. Dr Boxall, in relation to CTC policy, I wonder whether there are any lessons to be learned from the IT outsourcing initiative. I wondered whether at a departmental level you had given any thought to this, given the circumstances surrounding IT outsourcing.

Dr Boxall—Senator Faulkner, as you are aware, the IT outsourcing initiative was the only one where the government adopted a compulsory cluster approach and a centralised management of it. Now that is no longer the case with the government's response to the Humphry report. The responsibility is devolved to the departments. That is the same for all other CTC initiatives. So in a sense we now have a situation where the IT outsourcing policy is implemented on the same basis, broadly speaking, as all other CTC matters.

Senator FAULKNER—You say ‘now’.

Dr Boxall—Yes, because before it was a compulsory cluster centrally managed approach. It is no longer that. So now it is just treated like everything else.

Senator FAULKNER—Some might say that the principal problems with the IT outsourcing policy were the tight central control at OASITO and what was considered by many to be a pretty unreasonable and inflexible time frame that was imposed, and I wondered if there is not a risk here that the CTC policy actually suffers from similar defects. That is the point of my question.

Dr Boxall—Basically, the Humphry review concluded that the policy was sound and made recommendations with respect to implementation, and the government has adopted the recommendations on implementation. I cannot quite see the point you are getting at, to be honest.

Senator FAULKNER—As I understand it, it is still full steam ahead with CTC. Is that right?

Dr Boxall—The government’s policy on CTC remains in place and the government’s policy on IT outsourcing, which is a part of the CTC policy, remains in place. What has changed is that the government has adopted the recommendations of the Humphry review to, in effect, no longer require compulsory clusters with a centrally managed outsourcing program and to devolve responsibility to agency heads, and that is the case for other outsourcing.

Senator FAULKNER—Yes, but DOFA is still in charge of the CTC policy, isn’t it?

Dr Boxall—DOFA has always been responsible for providing advice to the Minister for Finance and Administration on policy, and we were responsible for providing advice on IT and all other outsourcing and CTC, and we have done that. We were not responsible for managing the IT outsourcing through compulsory clusters and a centrally managed function; that was an assignment given to the office of asset sales. So there is no change in DOFA’s role.

Senator FAULKNER—In relation to CTC, DOFA is still responsible for assisting departments and agencies with market testing, isn’t it?

Dr Boxall—Do you mean general CTC?

Senator FAULKNER—Yes.

Dr Boxall—DOFA only provide advice or assistance upon request. We do not have any centrally mandated function to direct or compel other agencies to engage in competitive tendering and contracting.

Senator FAULKNER—In relation to the general CTC policy, DOFA still handles appeals from departments, doesn’t it? They might argue, let us say, that there is a case for market testing not proceeding. Does DOFA still have that responsibility?

Dr Boxall—Just to recap and get to your question, chief executives of agencies are responsible for the implementation of the market testing decision, which is a cabinet decision. And it is true that if agencies decide not to market test an activity they must submit a business case to the Minister for Finance and Administration after consultations at the officer level. So, yes, in the event that this were to happen, the relevant agency would need to consult with us.

Senator FAULKNER—Does DOFA still use information on agencies' CTC performance in budget processes like ERC and the like?

Dr Boxall—No. DOFA, on behalf of the government, conducts pricing reviews, of which I am sure you are aware. We are now in the second year of pricing reviews and from time to time issues of CTC, the extent of competitive tendering, emerge in the pricing reviews. So that is an issue which we discuss with the agency. In general, the results of pricing reviews are an agreed outcome by the agency and DOFA.

Senator FAULKNER—But the point here is that DOFA is the agency charged with the responsibility of driving and controlling the CTC process.

Dr Boxall—That is just simply not true. We are not responsible for driving and cajoling agencies. We are responsible for advising the government on CTC policy. When the government make a decision, they make the decision and the chief executives of agencies are responsible for implementing the decision. We are not responsible for pursuing them. However, in the event that they do not want to market test an activity and they submit a business case to the Minister for Finance and Administration, they are to consult with us first—and that seems very sensible.

Senator FAULKNER—I just wondered whether, in the light of the IT outsourcing initiatives and the criticisms of the Auditor-General and Mr Humphry, there had been any changes or reconsideration on the broader question of CTC.

Dr Boxall—The point here is that the finding of Mr Humphry was that the IT outsourcing policy was sound, so there is no change to that. However, to repeat: Mr Humphry made recommendations with respect to the implementation and, by and large, the government has adopted those recommendations. I do not see the connection with other outsourcing activity.

Senator FAULKNER—I am just trying to understand this because I read in the *Sydney Morning Herald* on 27 October 2000 that Mr Beale, as Secretary of the Department of the Environment and Heritage, had written to you in relation to tendering guidelines issued in September about CTC policy. I do not know whether you saw that article or not.

Dr Boxall—I may or may not have seen that article, but I am well aware of what you are talking about and I can probably answer it in one go. Mr Beale's letter was referred to the office of asset sales; it should never have come to me in the first place. Mr Beale wrote me a letter concerning guidelines issued by the office of asset sales and I wrote back to Mr Beale advising that I was forwarding the letter to the office of asset sales, and he understood that.

Senator FAULKNER—So you have responded to him in those terms?

Dr Boxall—Exactly.

Senator FAULKNER—Thank you for that. We can ask OASITO what the response may or may not have been to that and chase it through with Mr Beale. Under the government's policy, as you understand it, would it be acceptable for a department to retain the provision of services in-house where the external bids for those services were higher than the in-house costs or the department was not satisfied that the necessary services could be secured? That is a broad question of principle, but I wonder whether you are in a position to answer it.

Dr Boxall—The way you have outlined your question, Senator Faulkner, it sounds like it is up to the responsible chief executive to make a judgment on the business case, and if the chief executive makes a judgment on the business case that it is not value for money to outsource, then no doubt they would not outsource.

Senator FAULKNER—This is the sort of issue that Mr Beale was raising in his letter to you, which you have referred to OASITO.

Dr Boxall—Mr Beale was raising issues with me which were seeking clarification on guidelines issued by the office of asset sales, so it would be quite natural to refer that to the office of asset sales to clarify their guidelines.

Senator FAULKNER—I continue to be perplexed about the relationship between OASITO and the Department of Finance and Administration, but we have canvassed that in other forums and I do not want to get bogged down with that today. By the way, in relation to the actual development of the guidelines, they are OASITO guidelines, aren't they?

Dr Boxall—The ones to which Mr Beale was referring are OASITO guidelines.

Senator FAULKNER—Were they fully developed within OASITO, or did DOFA have any input into the development of those guidelines?

Dr Boxall—Not to our knowledge.

Senator FAULKNER—You would know, wouldn't you?

Dr Boxall—Not necessarily. Possibly some junior officer in the office of asset sales called up a reasonably junior officer in the Department of Finance and Administration and had a chat.

Mr Bowen—The answer is no. We did not.

Senator FAULKNER—So no-one did have a chat about it.

Mr Bowen—That is what I am advised.

Senator FAULKNER—We will progress these issues with OASITO perhaps. Dr Boxall, what is the department offering staff for stress relief? I appreciate that staff have annual leave and so forth, but I am just wondering more specifically what you are able to tell me. I think this is something we have touched on before.

Mr Suur—The answer to your question is sound advice and a range of services that help them deal with these matters. The department has got a Work and Home Life Balance program in place. It also has in place a number of strategies to safeguard the health and wellbeing of its employees. The Work and Home Life Balance program has four components. One is family friendly initiatives like flexible working arrangements and working hours and the provision of carers leave and so on, which allow people to balance their home demands with their work demands. Another is a program called Healthy Bodies Healthy Minds. The third is a set of flexible working arrangements, which are contained in our certified agreement but are also contained in the standard clauses that relate to our Australian workplace agreements. The fourth is Building Our Community, which is a program which governs the interface of DOFA externally with the community. In relation to the strategies that we have put in place to safeguard the health and wellbeing of people, we have a health education program for maintaining healthy lifestyles, we advise people on OH&S issues and we have a program of workstation diagnostics in place where somebody comes along and advises on how to sit and how to deal with computer related issues and so on. We provide seated massages to people who have muscular problems or other problems that relate to the work that they do at their workstation.

Senator FAULKNER—Did you say seated massages?

Mr Suur—Seated massages—that is right.

Senator FAULKNER—This is for people who are using keyboards, is it?

Mr Suur—After the first OH&S intervention, which is a workstation diagnostic, seated massages are provided as a follow-up for those who continue to have stress related problems in their neck, upper back or arms.

Senator ROBERT RAY—Is this outsourced?

Mr Suur—It is. It is not a skill that I have.

Senator FAULKNER—Is this while you are actually at your workstation?

Mr Suur—No. It is provided in a separate room and it is a therapeutic massage, so people have to lie down or sit in a specially designed chair while a professional—

Senator FAULKNER—You cannot lie down and have a seated massage, can you? Not that I want profess any expertise in this!

Mr Suur—You sit in a specially designed chair and an accredited massage therapist who provides an outsourced service comes to our various work sites and provides this service.

Senator FAULKNER—This is provided by and paid for by the department?

Mr Suur—That is correct.

Senator ROBERT RAY—What would be the estimated costs of the department of finance masseur for a financial year?

Mr Suur—Each massage costs \$24.20 cents including GST. I think that last month there were about 81 massages. The use of the service varies from time to time. The first massages were trialed during the year 2000 budget process. I imagine that the demand for this service will increase during the budget process. I cannot give you annual figures because we have not had a full year of this service.

Senator ROBERT RAY—So it is close to \$2,000 a month?

Mr Suur—On the numbers that I have given you, yes.

Senator ROBERT RAY—So over a year you would expect to spend in the order of \$25,000 on massages, is that right?

Mr Suur—That is correct. But some of the impacts of this are quite interesting. For example, since we have introduced the massage for work related stress and repetitive injuries, compensation claims have decreased. We also found that, because of programs like our Work and Home Life Balance program and the other initiatives that I have described, we have been able to decrease sick leave. To give you an example, before these programs were introduced and at the beginning of the 1999 financial year—in other words, the month of July 1999—we lost 525 employee days because of sick leave. At the end of that financial year—June 2000—we lost 159 employee days.

Senator ROBERT RAY—But you are attributing that to your overall program, not specifically to the \$24.20?

Mr Suur—That is right. It is a combination of all the programs.

Senator ROBERT RAY—Because you would not have the analytical tools at Finance to actually disaggregate the success of each element of these programs?

Mr Suur—We have the tools to make broad assumptions about the total impact of our programs.

Senator ROBERT RAY—There are no privacy aspects, are there, to asking for a massage?

Mr Suur—The massages are fully clothed and seated.

Senator FAULKNER—Believe it or not, we actually assumed that, Mr Suur.

Senator ROBERT RAY—All I can say is: what an enormous quantum leap. I am asking whether it is common in the workplace to say ‘I’m off for a massage’ to the rest of their colleagues.

Mr Suur—You have to book these massages in advance.

Senator ROBERT RAY—Has anyone at the table had one, or are you all handling stress well?

Mr Bartos—I have had one.

Senator ROBERT RAY—Good.

Senator FAULKNER—Dr Boxall, you are going to get a reputation as an old softie soon, I reckon, if this keeps going. I have always thought you were one, anyway! I suppose the serious issue here, Dr Boxall—whether it be the massages or other elements of the program; and this I assume is the balance for the department—is whether you work on trying to avoid the stress or whether you deal with the consequences of the stress. I suppose that at the end of the day that is the conundrum you are faced with.

Dr Boxall—We do both. I think we have been very successful at reducing stress in the Department of Finance and Administration. However, there are cases where people do experience some muscular discomfort and pain and, as Mr Suur outlined, we do work station audits to try to get to the root of the problem. Nevertheless, one of the recommendations of the workplace audit might be that the person have some massages for a while to get back on track, as well as to adjust their work station.

Senator FAULKNER—With your total stress relief program, as Mr Suur has outlined, would you see DOFA as one of the leaders in terms of Commonwealth agencies and departments in this sort of area? I think you would probably make the point to us that, at times, DOFA officials can be under a lot of stress, and I think we would all accept that; but it is true of other government departments and agencies—as I am sure you would appreciate. I wonder whether you are at the cutting edge of this sort of thing and whether other departments are taking a lead here. It seems to me, as we have talked about this at a range of committee hearings, that DOFA is treating this issue pretty seriously and putting a bit of time and effort into working up these programs. Do you think that is fair, or not?

Dr Boxall—I do, and I am sure you would appreciate this: it is broader than stress; it is a work-home balance. But stress relief is part of it. I do believe that we are at the cutting edge and well at the forefront. That is not to say that other agencies are not putting in place programs best suited to their own needs. But we have put in a lot of effort and, as Mr Suur outlined, the results are very encouraging. Not only are the statistics encouraging but the anecdotal feedback that one gets from staff members around the organisation is also very heartening.

Mr Suur—We have in fact been short-listed for various awards because of our initiatives in this area. For example, late last year we were short-listed as a finalist in the Australian Chamber of Commerce and Industry’s Work and Family awards. So the work that we are doing is achieving recognition not only in the public sector but more broadly across all of the

sectors in Australia. Another statistic that is interesting is in fact the impact that these programs are having, we believe, on our employee retention rates. Employee retention is an issue across the public sector in general and, in previous years, it has been a particular issue in DOFA because our turnover levels have been higher than they have been in the rest of the public sector.

Again, for the full calendar year last year, our voluntary turnover rate was 17 per cent—which is very close to the average for the public sector for the APS. Previously, our turnover rate had been some five or six per cent higher than this. So we believe that, in terms of some key performance indicators, the nature of these programs in totality is having a positive effect on staff morale, staff health, the reputation of DOFA as an employer and the willingness of people to stay with the department long term.

Senator FAULKNER—On another issue, Dr Boxall, could you indicate to the committee how many pricing reviews had been conducted by the Department of Finance and Administration?

Mr Bartos—There were eight pricing reviews conducted for last year's budget. There are some 20 pricing reviews under way at the moment due to reports to ministers in the context of this year's budget.

Senator FAULKNER—I will not deal with the other 20, but could you indicate in which agencies the eight pricing reviews have occurred and been completed?

Mr Bartos—I will have to refer to my budget papers and measures statements. I can tell you from memory that some of them included Family and Community Services and the Department of Foreign Affairs and Trade and Customs. I think those were the three biggest agencies covered in that first round of pricing reviews. I will get the information on the remaining five shortly.

Dr Boxall—In general, where there is a pricing review and there is a resultant budget action it will be in the budget measures. From memory, Department of Industry, Science and Resources was another one.

Senator FAULKNER—I do not want to get bogged down in it.

Dr Boxall—We can get you a full list.

Senator FAULKNER—I know you enjoy wading through the budget measures, Dr Boxall, but I always find it painful, to say the least. If you could give us that information, that would be good. Would it be true that each of those eight pricing reviews that have been completed by DOFA involved a reduction in funds through increased efficiency dividends or one-off savings?

Mr Bartos—No, that would not be true. Some of the pricing reviews resulted in increased calls on the budget. Others resulted in a decrease.

Senator FAULKNER—Would you be surprised that a Centrelink document that I have in my possession describes the eight completed pricing reviews and says:

Most reductions are said by the relevant agencies to have been arbitrary and not justified by the findings of the review processes.

Mr Bartos—The issue there is that the pricing reviews represented agreed outcomes. Pricing reviews are not imposed on another agency. A pricing review is conducted with that agency. In fact, the bulk of the effort on finding appropriate benchmarks or indicators of price is done by the relevant agencies. So rather than make a comment on whether I am surprised or

not by that, let me just indicate the factual situation, which is that the agencies concerned participated in those pricing reviews, and I think the outcomes, from memory, were all agreed upon.

Dr Boxall—Just to take an example, on page 87 of the budget measures for the 2000-01 budget is the result of the pricing review with Family and Community Services. There is no way that anybody could read the description of that and conclude that that was somehow arbitrary and imposed on the Department of Family and Community Services by the Department of Finance and Administration. It was a joint review, it was conducted amicably, and the numbers which have come out are not arbitrary; they are numbers like 8.1 and 28.6. They are not the sort of numbers that one would pick arbitrarily.

Senator FAULKNER—You mention the pricing review in FACS. It is true, isn't it, that the Expenditure Review Committee decided during the 2000-01 budget process that, in regard to the pricing of outputs in FACS, a pricing review for all Centrelink outputs be conducted in 2001-02, to be reported back to the committee at the conclusion of that financial year? So Centrelink is one of the ones in the pipeline at the moment, isn't it?

Mr Bartos—Without commenting on what the Expenditure Review Committee might have decided or not, I can confirm to you that Centrelink is an agency that has not yet undertaken a pricing review but is in the pipeline within the time frame that you have indicated.

Senator FAULKNER—So isn't the pipeline we are talking about February 2001 to February 2002?

Mr Bartos—The Centrelink pricing review is due to report to ministers not for this year's budget but for next year's budget. The objective with the Centrelink pricing review is to have that finalised according to a timetable that we and Centrelink will agree on. There is no compulsory forced timetable in any of this, but it will be done according to a timetable that will allow reporting to ministers in the budget context in 2002.

Dr Boxall—Senator Faulkner, many pricing reviews go for more than one financial year, so it is not just a matter of starting in one year and completing it by the budget. Sometimes there are progress reports, sometimes some outcomes are done in the first year and some in the second year.

Senator FAULKNER—But I am asking this in the context of the development of a new funding model for Centrelink. That is the reason I am asking this. I think you would be aware of that occurring, wouldn't you, Dr Boxall?

Mr Bartos—I am aware of discussions between Centrelink and its purchasing agencies. The principal purchaser of services from Centrelink is Family and Community Services, but there are a number of other purchasers as well.

Senator ROBERT RAY—Could you just nominate those other purchasers?

Mr Bartos—The major one is the Department of Employment, Workplace Relations and Small Business. I understand they do provide some services for DETYA, for example, and conceivably for other departments as well.

Senator ROBERT RAY—What about Employment National?

Mr Bartos—Employment National is actually a provider to the Department of Employment, Workplace Relations and Small Business as part of the Job Network tender, so that is a separate issue. In terms of purchase of services from Centrelink, the major purchasers

are those three departments I have just mentioned, but by far the biggest is Family and Community Services.

Senator ROBERT RAY—It is just that they have a link of information flowing from Centrelink into Employment National, along with others, and I did not know if that was on a cost basis or—

Mr Bartos—Obviously the operation of the Job Network is tied in with the operation of Centrelink in its role as the provider of a number of services in respect of jobs, in particular to benefits such as unemployment benefits. Centrelink provides information to not just Employment National but to a large number of Job Network providers. It provides information to the Job Network—

Senator ROBERT RAY—Sorry to interrupt your flow there, I just could not work out the linkage.

Mr Bartos—The principal purchasers from Centrelink are Family and Community Services; Employment, Workplace Relations and Small Business; and, to some extent, DETYA.

Senator FAULKNER—With the development of a new funding model for Centrelink—which, you would be aware, is a matter being scrutinised within government at the moment—it does seem that there is an unholy turf war around the proposals. Isn't it true that the consideration of the need for a new funding formula arose following the Centrelink review?

Mr Bartos—There was a review of Centrelink and one of the recommendations was that the funding model be examined, yes.

Senator FAULKNER—The portfolio ministers of the portfolios that you outlined—DEWRSB, DFACS and DETYA—advised the Prime Minister of a proposal for a new formula to be brought forward in the budget. That is true, isn't it?

Mr Bartos—I am not really in a position to comment on what advice ministers outside of the Finance and Administration portfolio might have provided.

Senator FAULKNER—But you would be aware, wouldn't you, that the Centrelink boards agreed in principle with the proposals that have been developed and that they are keen to progress the matter?

Mr Bartos—I was not aware of that. I am aware that there are discussions going on but, as you have indicated, the detail of that is a matter for portfolios other than ours.

Senator FAULKNER—I accept that, in part. But isn't it also true that agreement was reached in principle with some key client departments before Christmas on the principles of a new funding model for Centrelink?

Mr Bartos—As far as I am aware, discussions are ongoing in relation to a new funding model for Centrelink. I know that we have been invited to participate in further discussions on that, so I am not sure it would be correct to say that it has all been settled. The latest I know is that we have been invited to further discussions over the coming month.

Senator FAULKNER—Documentation that I have been provided with seems to demonstrate absolutely clearly that DEWRSB have indicated that Minister Abbott has problems with the model proposed and that Mr Brough, apparently, has a more open mind. He wants a bit more time to consider the matter.

Senator Abetz—Do you want me to inquire of the relevant portfolios?

Senator FAULKNER—DOFA is engaged in this process, Senator Abetz. I do not know that you are fully in the loop about this.

Mr Bartos—We are not a purchaser of services from Centrelink. We are not one of the purchasing agencies that I have mentioned.

Senator FAULKNER—No. But you have an interest in the development of the model and a strong view, haven't you? DOFA has argued strongly internally within government for a full fee-for-service model and you have taken on some of the objectives that ministers have outlined, particularly the Minister for Family and Community Services.

Mr Bartos—This is a policy discussion that is going on within government and whatever advice we provide will be provided to ministers in due course. I can indicate to you what is happening to the best of my knowledge, though, really, some of the things that you are raising are much better raised with the relevant portfolios for the ministers that you have mentioned.

Senator FAULKNER—I appreciate that there are issues to raise with them. I am trying to come at this from the DOFA perspective. If you would like to sum that up for DOFA, that would be useful.

Mr Bartos—From the DOFA perspective, policy development is going on actively now. Virtually as we speak, officers of my budget group are considering these issues. A policy position has not yet been put to government. It will be put to government in due course and government will decide on that policy position in due course. As you are aware, Senator, we really do not comment in these hearings on whatever policy position we might put to government.

Senator FAULKNER—I am aware of the position that has been taken at a range of committee hearings on these sorts of issues, Mr Bartos. In relation to the development of a new funding model for Centrelink, obviously there is a significant involvement from DOFA. It is true, isn't it, that DOFA has pursued a pure fee-for-service model in relation to Centrelink? I think you have acknowledged that, haven't you, Mr Bartos?

Mr Bartos—No. I actually have not commented on that, and I am not about to comment on it, that being an issue of policy.

Senator ROBERT RAY—What about this question: have you given consideration—this is not necessarily in relation to a specific thing; therefore, I think you can comment—to the relationship of a pure fee for service, when other obligations of government require a community service obligation? Is that something you have to wrestle with?

Mr Bartos—Absolutely. We are talking about a major agency of government with a lot of sensitive programs that it administers, and we have to weigh up a large number of considerations in respect of how the funding for that agency will be dealt with by government. So this is not a simple issue. There are no simple solutions. Without going into the detail of anything that we will provide to government, let me assure the committee that certainly DOFA will not be pursuing simplistic advice; we will take account of the full range of the sensitivities associated with an agency of the importance of Centrelink.

Senator ROBERT RAY—Again, my question was not directly related to Centrelink, because you did not want to comment on that. What is the approach of the department of finance when you have fee for service and community service obligations? Do you try to distinctly quantify the amount that is involved and separate it in the budget process?

Mr Bartos—The answer is that, ideally, if it is possible, you would attempt to identify and separately cost CSOs; in practice, the world is not always that simple and it is not always possible to do it. Just in terms of overall good budgeting practice and transparency, it has been the view of not just the Department of Finance and Administration but previous governments—and I think it would be a consensus amongst finance or treasury departments worldwide—that separately identifying CSOs is good in terms of fiscal transparency. As I just indicated, the reality is that it is not always possible to do that. As an ideal, it is a good thing to do.

Senator FAULKNER—We will follow this through as it develops, Mr Bartos, and of course with other agencies, as you would appreciate.

Senator ROBERT RAY—We are tempted to give you a copy of the Centrelink thing. It is highly critical of Finance, but we do not want to be divisive.

Mr Bartos—It is worth noting that most agencies are nervous before starting on a pricing review, and our experience has been very gratifying that, after completing a pricing review, most agencies have considered it to be a good and worthwhile process to have done.

Senator FAULKNER—Not according to this Centrelink ministerial submission which I have, I am afraid, Mr Bartos. This unfortunately buckets the pricing reviews that have taken place and says that most reductions are said by the relevant agencies to have been arbitrary, not justified and so on and so forth. It is not very generous, I have to say to you. But if you would like a copy at some stage, I'll—

Senator ROBERT RAY—Think about it.

Senator FAULKNER—Think about it, yes.

CHAIR—Just to recap: we have finished General, outcome 1 and outcome 2, and we are now up to output 3.

Senator ROBERT RAY—We might consider the timing of the Electoral Commission and put them back to four, rather than have them sitting here.

Senator Abetz—You want to bring them forward and not back, surely.

Senator ROBERT RAY—I think it would probably be best to deal with MAPS in a continuous run. I think they are probably here. The Electoral Commission is not due until 2 o'clock. Perhaps we could tell them not to arrive until 4 o'clock, and then they will not be sitting around waiting and they may have to wait a few minutes after 4 o'clock.

Dr Boxall—Mr Chairman, could we just clarify that the only staff that are required for the rest of today are those connected with outcome 3, MAPS? Is that right?

CHAIR—Yes.

Dr Boxall—Then on Friday the intention is to do—

Senator ROBERT RAY—We are starting OASITO after the Electoral Commission, which is only a run-over from last night, as we have got until 11 o'clock. Hopefully, although you can never predict these things, we will start OASITO at 5 o'clock and that is OASITO plus Finance on IT. We are having them together so we do not get any argy-bargy about who is responsible.

Dr Boxall—Just to clarify then: you would like to have outcome 3 now, which is MAPS. Then later in the afternoon you would like to have the Office of Asset Sales and also Finance together on IT outsourcing?

CHAIR—Yes.

Senator FAULKNER—Which may well flow over.

Senator ROBERT RAY—Till Friday; we do not know.

Senator FAULKNER—But in between those two things, Dr Boxall, I think the plan is to finish off the AEC—which we are halfway through, I suppose.

Dr Boxall—Mr Chairman, are the senators able to indicate whether they have any questions on Comcar or whether it is just MAPS? After all, Comcar is in outcome 3 as well.

Senator ROBERT RAY—I do not think we need a big team here from there, but we do have the Barblett review and a couple of ministerial directives on it that we may want to clarify. They are not big issues in it.

Senator FAULKNER—I have some questions, but they are pretty general.

Senator Abetz—About the Barblett review?

Senator FAULKNER—Yes, but it is not going to take a long time. Would it be easier to do those in general questions? Is that what you are suggesting, Dr Boxall? Are you suggesting that you would prefer to do those now?

Dr Boxall—No. I was just checking whether the people from Comcar need to stay back with the MAPS people. The answer is yes and that is fine with us.

[12.13 p.m.]

CHAIR—We will move to output 3, specifically Ministerial and Parliamentary Services.

Dr Boxall—Just for the benefit of Senator Ray and Senator Faulkner, Mr Gavin is not at work today. He is off for a little while but he can be brought in, if necessary.

Senator Abetz—I would like to welcome Jan Mason as the new general manager, having taken over from Mr Roger Fisher.

Senator ROBERT RAY—You have almost knocked off my first question. Welcome, Ms Mason. Seeing there are a couple of familiar faces at the table but not necessarily in this area, are there any other changes in management of MAPS that we should know about?

Dr Boxall—I will let Ms Mason outline that. We do have an organisation chart which might be useful.

Ms Mason—There has been another change also: Kim Clarke has now joined MAPS as an additional SES resource, as a special adviser. That is outlined on the top structure chart that is being handed out, at page 2. In addition to that, I have somewhere amongst my papers a structure chart for MAPS itself, which may be of assistance too.

Senator ROBERT RAY—Mr Goodwin, you have just come on board, have you?

Mr Goodwin—No, I joined MAPS in December 1999.

Senator ROBERT RAY—So it is still recent?

Mr Goodwin—Yes.

Senator ROBERT RAY—I happen to have these figures but I must say I think I did indicate to Mr Gavin that I would be asking. Could we have the figure of the government staff establishment as of the most recent calculation that you have made?

Ms Mason—The current figure is 355.4.

Senator ROBERT RAY—Would I be correct in saying that that has grown by about eight since we last discussed it?

Ms Mason—It has increased by 7.5 from the May 2000 estimates. It is 8.6 positions fewer than the previous government's establishment of 364.

Senator ROBERT RAY—So it starts at 292 with a great fanfare from the Prime Minister and it is up to 355.4 now. Are there other what have been notified to you as prospective changes? Sometimes you get a heads up that there are a few more coming.

Ms Mason—No.

Senator ROBERT RAY—This 7.5: I know there have been ministerial changes so this may not be easy to track but where have the increases come and at what position?

Ms Hughes—They are actually quite convoluted to follow because there have be some positions abolished.

Senator ROBERT RAY—Just do your best.

Ms Hughes—Additional positions, 1.5—consultant to the Prime Minister.

Senator ROBERT RAY—Is the one a full-time position and the 0.5 a part time or is it spread over a different mixture?

Ms Hughes—No, there is one full time and one part time.

Senator ROBERT RAY—Who is the full time?

Ms Hughes—That is in another part of the brief.

Senator ROBERT RAY—Do you just want to run through them and then we will come back?

Ms Hughes—Yes. One adviser position to the Treasurer; one adviser to the Minister for the Environment and Heritage; one adviser to the Minister for Agriculture, Fisheries and Forestry; one adviser to the Minister for Forestry and Conservation; one assistant adviser to the Deputy Prime Minister; one assistant adviser to the Minister for Trade; one assistant adviser to the Minister for Health and Aged Care; one assistant adviser to the Minister for the Arts and the Centenary of Federation; one assistant adviser to the Parliamentary Secretary to the Minister for Communications, Information Technology and the Arts; two secretary/administrative assistants to the Prime Minister.

Senator ROBERT RAY—What is the official designation? I do not want to get this wrong.

Ms Hughes—Secretary/administrative assistant. One secretary/administrative assistant to the Parliamentary Secretary to the Minister for Foreign Affairs and the Minister for Immigration and Multicultural Affairs; and one secretary/administrative assistant to the Parliamentary Secretary to the Minister for Defence. There are some abolished positions which reduce that overall number.

Senator ROBERT RAY—We had better go through those.

Ms Hughes—One consultant position to the Prime Minister was abolished.

Senator ROBERT RAY—So, in effect, there has really only been a 0.5 per cent increase with the Prime Minister?

Senator FAULKNER—Plus two admin assistants.

Senator ROBERT RAY—Yes, but I meant in terms of consultants.

Ms Hughes—The net effect.

Senator ROBERT RAY—Yes, the net effect is 0.5 per cent.

Ms Hughes—Two senior adviser positions in the Prime Minister's office were abolished and one adviser to the Treasurer.

Senator ROBERT RAY—I know this is getting complex, but we have an additional adviser for the Treasurer and one abolished. Where is the change? Or is it coming off Treasury and going to one of the other two?

Ms Hughes—They would have been at different times.

Senator ROBERT RAY—But it seems to be the personnel who have changed, not the position. I am a bit confused. Can you follow it, Minister?

Senator Abetz—We can take that on notice. I am not in a position to advance it at this stage.

Senator ROBERT RAY—I thought you may have had a better analytical grasp of how this was done. It is a bit confusing.

Ms Hughes—I am not aware of it, but Ms Mason has just suggested that possibly because of an overlap the additional position was provided and then another position was abolished later on.

Senator ROBERT RAY—In effect, an additional adviser was provided—I think that is the more elegant way of expressing it—and when someone else left they backfilled that position. So it is exactly the same. What else has gone?

Ms Hughes—One adviser to the Minister for Agriculture, Fisheries and Forestry, one adviser to the Assistant Treasurer and one personal secretary to the Assistant Treasurer.

Senator ROBERT RAY—Could we have a list—as you have done for us on a few occasions—of the staffing establishment of ministers and parliamentary secretaries and the designation of the positions? We are not looking for whether positions are filled or unfilled or who is filling or unfilling them. Would you like to take that on notice?

Ms Hughes—Certainly.

Senator ROBERT RAY—You already have the format in the computer from previous answers, so it is just a matter of providing and updating it.

Ms Hughes—In addition, there have been some changes to the establishment in terms of reclassifications. While that does not affect the overall numbers, it has affected—

Senator ROBERT RAY—I think we will come back to reclassification.

Ms Hughes—Yes, the level of positions.

Senator ROBERT RAY—I hope there has been a decent spread throughout Australia on these positions—the Treasurer in Victoria, Environment in South Australia, Western Australia gets a berth and also New South Wales. The Chairman will be upset; there do not seem to be any extra positions in Queensland.

CHAIR—We always miss out, Senator Ray.

Senator ROBERT RAY—You did under our government, too. Were these staff additions made on an ad hoc basis or in a block?

Ms Hughes—Sorry?

Senator ROBERT RAY—You told us that this was since May last year. So we are looking at a nine-month period. Was there a block approval of staff increases or has it been incremental over that time.?

Ms Hughes—My recollection is that they have just been incremental.

Senator ROBERT RAY—If you followed the previous distinguished holder being Parliamentary Secretary to the Minister for Defence, what staffing would you now have?

Senator Abetz—I think I can advise on that in relation to the Parliamentary Secretary to the Minister for Defence. You have a secretary/administrative person, a person at the assistant adviser classification, a DLO—that does not come into it—and a personal assistant.

Senator ROBERT RAY—But it seems that there has been an extra one added, or is this another overlap situation? Maybe the official could help us more with that.

Senator Abetz—In the past, there was not a position of secretarial assistant in Defence.

Senator ROBERT RAY—In that particular parliamentary secretaryship you had two plus a DLO.

Senator Abetz—That is right.

Senator ROBERT RAY—And now we have three?

Senator Abetz—That is it.

Senator ROBERT RAY—Now we have three staff for a parliamentary secretary. Here is a trivia question: who is the parliamentary secretary for communications?

Senator Abetz—Senator Ian Campbell.

Senator ROBERT RAY—So he has been given an assistant adviser. Is that his only assistant adviser?

Ms Hughes—No, Senator Campbell has three assistant advisers.

Senator ROBERT RAY—The parliamentary secretary has three assistant advisers. What else does he have?

Ms Hughes—An executive assistant/office manager.

Senator ROBERT RAY—Just to be fair, are any of those people allocated to Senator Ian Campbell by way of his job as Manager of Government Business, or is the PLO separate because it would be a much more senior position than assistant adviser?

Ms Hughes—I do not know if we are aware of that, Senator.

Senator Abetz—We can take that on notice, if you like.

Senator ROBERT RAY—We may never know. I must say a parliamentary secretary with four staff plus PLO is doing pretty well.

Ms Mason—Senator, I return to your earlier request for a list of the establishment. I have passed a copy of the relevant figures to an assistant so we can answer the question on the spot rather than take it on notice.

Senator ROBERT RAY—Provided it covers the whole question, I always prefer to get answers now rather than take questions on notice. Although if you took it on notice and delivered it afterwards, it would get your figures up, Dr Boxall. I think we will follow through

the staff issues when we come to that list. I do not think we have any more questions on it. I note that this is one of the great growth industries.

Senator FAULKNER—The key date this year for the calculation of the opposition staff entitlement is pretty soon, isn't it?

Ms Hughes—It is usually March.

Senator FAULKNER—Do you have an actual key date in March?

Ms Hughes—I think the Prime Minister's letter in 1996 was sometime late in March.

Senator FAULKNER—Thank you. We would appreciate early notification of course. I will just leave that with Ms Mason.

Senator ROBERT RAY—I have some bad news for you. This does not answer the question I asked. Basically, what we want is information on the Prime Minister's office: the number of staff working there and what their classifications are.

Ms Mason—We will need to take that on notice.

Senator ROBERT RAY—I was surprised that you would have it straightaway. You can take it on notice.

Ms Mason—We were just trying to be helpful, Senator.

Senator ROBERT RAY—You are very helpful. Thank you for that. Even this document is helpful. You mentioned reclassification. We know the overall numbers have gone up by 7.5 which is about the average increase. It usually goes up by one a month, I think. Let me calculate that. No, it has been slightly more than one a month since April 1996. You are on track. You have not gone outrageously over the top, Minister. It has been a new staff member every month since you won office, plus a record number of DLOs.

Senator Abetz—And we are still below your numbers.

Senator ROBERT RAY—If you want to take the first five years of our government and compare them with these numbers, they were well below that. But if you add in the DLOs now, suddenly you are in front. This could be to do with the complexity of government et cetera. Just let us have no more moralising on how rigid you have been in screwing down staff numbers. Your predecessors have not done it recently. That is great. What about reclassification? We mentioned that before. There have been a few up and a few down, I suppose.

Ms Hughes—One secretary administrative assistant has been reclassified to adviser in the Prime Minister's office.

Senator ROBERT RAY—So he went from secretary to adviser. Who was that?

Ms Hughes—I do not have a name.

Senator ROBERT RAY—Will you take that on notice? It is unusual to jump above assistant adviser in one big leap. I would ask for the name there.

Ms Hughes—The media adviser for the Minister for Industry, Science and Resources reclassified to adviser.

Senator ROBERT RAY—I am not sure if that is an upward or downward move. Anyway, I will let it go through to the keeper.

Ms Hughes—And one assistant adviser to the Minister for Communications, Information Technology and the Arts reclassified to adviser.

Senator ROBERT RAY—That is it?

Ms Hughes—Yes.

Senator ROBERT RAY—It does not seem to have changed the balance much.

Senator FAULKNER—What is the opposition's current staffing entitlement? I think I know the answer to this question. The government's is at 355.4.

Ms Hughes—It is 73 positions.

Senator FAULKNER—Have you multiplied 355.4 by 0.21?

Ms Hughes—No.

Senator FAULKNER—I have. I reckon it works out to 74.634 but I might be wrong.

Senator ROBERT RAY—I think the 0.634 is going to be very hard.

Senator FAULKNER—We'll work on it. I just wanted to have an indication of MOPS staff separations for a relatively contained period, which is 1 October 2000 to 20 February 2001, both personal and electorate office staff. I assume this will not be a very long list; it is only a couple of months as you can see. In this case could I ask for name of staff member, name of employer, nature of separation—that is, resignation, voluntary or involuntary redundancy or other—and date of separation for that contained period. I ask for that on notice; I do not expect you to have the information here.

Ms Mason—We will endeavour to answer it now if we are able to, otherwise we will take it on notice.

Senator FAULKNER—I think it can be done relatively quickly. I did not expect you would have the information available. It is easier to take it on notice. I have tried to make it as contained a period as I can.

Ms Mason—We should be able to get back to you quickly on that.

Senator ROBERT RAY—We talked about the Prime Minister having 1½ consultants. Who are they?

Ms Hughes—The consultants are Ms Angela Ryan, who is the full-time consultant, and Mr Geoffrey Cousins, who is part time.

Senator ROBERT RAY—When did Ms Ryan start?

Ms Hughes—Ms Ryan has had two periods of engagement: the first was from 8 February 2000 to 22 December 2000 and the current period is 22 January 2001 to 27 April 2001.

Senator ROBERT RAY—It sounds like some employer practices of only putting them on contract and then clocking them off for the holiday period and then re-employing them, but I am sure that is something else.

Senator FAULKNER—What about the key dates in relation to Mr Cousins?

Ms Hughes—Mr Cousins' period of engagement is from 6 October 1997 to 30 June 2001.

Senator FAULKNER—Why on earth the Department of the Prime Minister and Cabinet could not answer my question about Mr Cousins' consultancy is beyond comprehension, but I am very pleased that you could do so, Ms Hughes.

Senator FAULKNER—To assist Ms Hughes, who I think probably has the responsibility of dealing with Senator Ray's question on notice, the formulation that Senator Ray has asked for was given to me in answer to a question on notice in the *Hansard* of 8 February 2000,

page 145. So that might assist you. I think you know the form anyway, but that is the last time I think we asked the question.

Senator ROBERT RAY—Moving on to another topic, I asked previously about the effect that the introduction of a GST may have on the staff travel budget. I think I was told that it had no effect. I did not quite understand why it would have no effect, so you might take me through that. Obviously, cab fares have gone up, airfares have gone up. There would be a capacity of the department, I assume, to have input costs claimed back. What I really want to know is: is that recredited back to the staff travel budget?

Ms Mason—We are able to claim the input tax credits, but they are credited back to a broader fund, not back to the staff budget.

Senator ROBERT RAY—So has there been an effective, or real, cut to the staff travel fund? I have not familiarised myself by reading the evidence from when I last asked this question, but the impression I got was that it will all balance out. The point is that fares have gone up. If the department gets the money back somewhere and does not put it back in, then it has eroded in effect, I think. That is all I am trying to establish.

Ms Whisker—In terms of the staff travel budget, while the GST is recovered, we report only on net amounts. So staff get the full net amount for the staff travel budget.

Senator ROBERT RAY—I do not understand what that means; obviously, I am thick. What do you mean by that? Let us say you have a staff travel budget of \$20,000 and then the GST comes in. The GST applies to only certain components of that. It does not apply to travel allowance, but it that might apply to \$10,000, using very rough maths. Because of airfares and cab fares going up by approximately 10 per cent—I know that is not all, but for simplicity's sake—that is an extra \$1,000, meaning that component is then \$11,000. What I really want to know is: is that covered in some adjustment way in the staff travel budget so that people are not worse off?

Ms Mason—The short answer is that, because the budget is set on a net basis and reported on a net basis, there has been no drop in the staff travel budget.

Senator ROBERT RAY—The budget is calculated, is it not, on a formula of nights of TA averaged and an averaged airfare, because it varies from state to state, et cetera? You are saying that you took that into account when the prices went up to set the budget.

Ms Whisker—We use a calculation which separates out GST from the other costs, so they are treated separately. The GST is treated separately.

Senator ROBERT RAY—I see; I think I am now starting to follow. You have a budget and it is net of GST. You pay the extra GST and what input cost you get back, you get back.

Ms Whisker—Yes.

Senator ROBERT RAY—Somewhat complex, but nevertheless it probably works.

Senator FAULKNER—In relation to the staffing issues that we have been discussing, could you give me the current salary ranges for the MOPS classifications? I do not mind if you give them to me across the table or if it is easier just to shoot it through on notice. I was interested in the salary ranges for the MOPS classifications. There are minor changes in these from time to time and, if it is easier, Ms Mason, you might prefer to table it.

Ms Mason—Ms Briton should be able to assist us with that question.

Ms Briton—You are interested in all of the salary classifications for MOP(S) Act staff?

Senator FAULKNER—Yes, if I could, please.

Senator Abetz—All of them or just A, B, C, electorate offices?

Senator FAULKNER—No, all the MOPS classifications. But if you can just table those I would be happy.

Senator Abetz—There are quite a few classifications.

Senator FAULKNER—There are, and I know it is not secret information but these—

Senator Abetz—I am sure that we can make photocopies and provide them straightaway, if that is possible, and give them to you.

Senator FAULKNER—I am happy to have them done in that way. It does not even necessarily need to be a question on notice. I just wanted to get the information, if I could. Thank you, Ms Briton, for that. Have you been able to quantify savings now, given that there is no overtime for Parliament House MOP staff? Now they get an allowance, of course, so you have fewer overtime forms to process and so forth. Have there been any savings you have been able to quantify as a result of that?

Ms Briton—We have not attempted to quantify the savings, because there have been a number of variables in the costing arrangements. Salary rates went up, and a flat rate of overtime was introduced. That affected the costs. So no, we have not.

Senator FAULKNER—But there are administrative costs. It struck me that that was one issue, if you like: the fact now that there is no meal allowance for Parliament House MOP staff. Again, I assume that this would lead to a reasonably significant reduction in paperwork. That would be right, wouldn't it?

Ms Briton—Yes, that would be right.

Senator FAULKNER—The other issue that came to mind was that, following the last certified agreement, of course there is no same-day TA. Again, I thought there would be an impact there in terms of administrative process. That is what I am trying to get a handle on. There are two issues, I suppose. There are three possible savings. The questions I am trying to establish are: (1) have there been savings, and (2) are you able to quantify them?

Ms Briton—The savings that were brought about as a result of the current certified agreement were rolled into the salary increases that were delivered under that agreement. So the estimates of the likely savings and the additional costs, via pay rises and the other benefits delivered under the certified agreement, were included in putting together the current certified agreement. We have not, since implementation of the agreement, attempted to identify those individual components.

Proceedings suspended from 12.45 p.m. to 2.01 p.m.

CHAIR—The minister has been delayed a couple of minutes. I apologise on behalf of the minister.

Ms Mason—We have some further information in response to one of the earlier questions. If we could deal with that issue now, it would be appreciated.

CHAIR—I imagine that would be fine. Could I just put a couple of things on the record. First, Dr Boxall, Senator Harris has advised that he will put questions on notice for the department, and those are coming, I think. Second, the secretariat has asked me to advise you to please take off your jackets if that would make you feel more comfortable. I have taken

mine off all day; sorry for being so rude and not inviting you, but please do so if you would be more comfortable. Ms Mason.

Ms Mason—I would like to refer you to Ms Hughes.

Ms Hughes—I want to add to an answer I gave earlier in relation to the period of employment of Mr Geoffrey Cousins as a consultant in the Prime Minister's office. There was a break in his consultancy between 6 January 2000 and 30 June 2000. So the first consultancy expired on 5 January 2000 and the second period began on 1 July 2000.

Senator ROBERT RAY—That there had been a break was in some previous evidence anyway, so there is no great moment to that. Could I ask a very straightforward procedural question. Senator Murray placed on notice a question relating to the use of telecard by members of parliament in 1999-2000, which is a little different from the question that Senator Faulkner put on notice at the estimates. I have not seen the answer. It may well have been in *Hansard* or somewhere else. I was just wondering where it was up to.

Senator Abetz—I am sorry I am late. The fire doors were locked.

Senator ROBERT RAY—You have already got a better record of punctuality than some colleagues.

Senator Abetz—I understand a question has been asked in relation to a question asked on notice by Senator Murray. Is that right?

Senator ROBERT RAY—Yes. I thought that was the one question we did not need your presence for.

Senator Abetz—That answer was delivered to Senator Murray's office at midday today, I understand.

Senator ROBERT RAY—Would it be possible to furnish us with a copy now?

Senator Abetz—I am sure it would be. Your colleague Senator Conroy wanted me to answer a question. I saw him at Aussie's. He thought it had not been answered but in fact it has been answered. This copy has just been taken out of the photocopier; I was intending that that be given to you.

Senator ROBERT RAY—No, that is fine. We may not even have a follow-up question.

Senator Abetz—This is in relation to the telecard?

Senator ROBERT RAY—Yes.

Senator Abetz—That is coming now. I think the assistant thought that is what I handed her, but in fact what I handed her was an answer that Senator Conroy thought had not—

Senator ROBERT RAY—We will ambush her and make sure it does not get out into the wrong hands.

Senator Abetz—I am sure it will all come together soon.

Senator ROBERT RAY—While we are waiting on that, and I do not know if I even have a follow-up question, can I just go back to the document headed 'FACTS' that was given to us earlier, which lists the totality of staff members at 355. As I said, that is a very helpful document, although it was not what I wanted, but that is under way too. I want to draw your attention to the reference here at the two asterisks, where it says, 'Two staff in the Prime Minister's office have a personal salary above the maximum of the salary range.' What are the circumstances there?

Senator Abetz—Going back to that document, I understand I may have made some notations on it.

Senator ROBERT RAY—It is all retrieved. The one with Conroy is all retrieved for you. That is done.

Senator Abetz—Yes. And the other one, we are needing a clean copy.

Senator ROBERT RAY—Fine. I am sure it will come before we finish MAPS.

Senator Abetz—Yes. Tippex is wonderful.

Senator ROBERT RAY—This is a copy; it is not an original. So you are in compliance with the Archives Act and FOI?

Senator Abetz—Am I? Good, thanks for that.

Senator ROBERT RAY—Are you? I do not know. I was asking you for your legal opinion.

Senator Abetz—I have got no idea.

Ms Mason—We now have briefings on your question, Senator. I apologise for the delay.

Senator ROBERT RAY—That is all right.

Ms Briton—The two staff in the Prime Minister's office who have a salary at a higher level of remuneration are two principal advisers in the Prime Minister's office, and the remuneration was approved by the government staff committee.

Senator ROBERT RAY—Who normally sets the minimum to maximum level? Is it still the Remuneration Tribunal?

Ms Briton—No, in respect of senior ministerial staff, salary on commencement is determined by the government staff committee.

Senator ROBERT RAY—I see. It is usually three increments and ranges within the increments, isn't it?

Ms Briton—Yes, there is a band for each of the senior positions.

Senator ROBERT RAY—What is the designation of the two staff members who are being paid more than the salary range—for example, adviser, principal adviser?

Ms Briton—Principal adviser.

Senator ROBERT RAY—Sorry, you did say that. What is the salary range for principal advisers?

Ms Briton—It is \$108,000 to \$130,000.

Ms Mason—It is set out in the table at the top of the page.

Senator ROBERT RAY—Yes, it is. So when was the provision made to go outside the salary range?

Ms Briton—I am sorry, Senator, I do not know the answer to the question. We can take it on notice.

Senator ROBERT RAY—I have some other related questions. That is why I want to know. Let me rephrase the question. That may assist you. Has this arrangement occurred in this current financial year?

Ms Briton—I am sorry, Senator, I really do not know. I cannot recall.

Senator ROBERT RAY—Can I suggest, Dr Boxall, that a couple of inquiries be made here because I cannot ask the next two or three questions without that baseline information. I think it is very unusual. Other than the two noted at the bottom, which I was going to get to later, is this the only situation under the MOP(S) Act where people are being paid outside the set salaries?

Dr Boxall—According to this table, Senator Ray, that is correct. What you would like to know is when the arrangement was put in place for these individuals: is that correct?

Senator ROBERT RAY—I think that I would like to know who the individuals are, when the arrangement was put in place and why, because I have never seen such a notation before on these sort of staff figures. It is also replicated, as you would notice, under the last point, again for another person in the Prime Minister's office and one for Minister Tuckey's office. We know that there was a substantial upgrade from an adviser to a senior adviser position some time ago, giving a very top-heavy staffing structure. I would also like to know—and I am not sure that you will tell me and I accept it if you will not—how much more than outside the salary range these people are being paid. I think we have a right to know it but there are also rights to privacy. I understand that.

Ms Mason—We will make some inquiries, Senator, and deal with those questions.

Senator ROBERT RAY—We might come back to it at the end if you can make some progress on it. If the officer can follow it up without being required in other things, that would be good.

Senator FAULKNER—Is this the document that was tabled in answer to my earlier question, Ms Briton?

Ms Briton—No, Senator. I think that this is a different document that was provided when—

Senator FAULKNER—Yes, it is in response to Senator Ray's question.

Senator ROBERT RAY—It did not fulfil that question. It just raised others.

Senator FAULKNER—Yes. Could I just go back to an issue that we were speaking of before the break—these savings. I was intending to ask, Ms Mason, whether DOFA was able to quantify any cost or productivity savings as a result of changes to certain allowances and I went through at least three examples—overtime from MOPS staff, no meal allowances or overtime for Parliament House MOPS staff and abolition of the same day TA. I was disappointed that it does not appear that you can quantify any cost or productivity savings in those areas, which does not sound like DOFA best practice to me. I just thought we might be able to do a bit better than that.

Ms Mason—Senator, as I recall, I do not think we said that we could not quantify them. I think that Ms Briton indicated that we had not done so.

Senator FAULKNER—I see. You are right. I did not pick up that nuance, so thank you for that. So you could do it but you have not done it?

Ms Mason—We have not done it because the last certified agreement relied on those changes. The changes have been put in place. There have also been some process improvements within the department that are being driven by other initiatives not necessarily related to the certified agreement, so separating out the savings that may be attributable to those issues and savings that may be attributable to other process improvements would be a complicated exercise and it is not one that we have to date undertaken.

Senator FAULKNER—I appreciate that it would be; I accept that. Would it be complicated for you to figure out, if I asked you, what the department has spent on handling all aspects of MOP staff from, say, 1996 to 2001 on an annualised basis? Is that a complicated thing without the disaggregation, or is that a relatively simple thing for you to provide?

Mr Goodwin—The question you are asking is difficult and complicated. Over the period since 1996 to the current day, we have made significant changes in the way we run the service centre and in the way we manage and process parliamentary TA claims and staff payments. We now have an integrated service centre, with all of those activities integrated under the one roof, so to speak. To break out individual components and where the various—

Senator FAULKNER—No, the point of my question is: without breaking out individual components, is it a complicated task? I hear what Ms Mason says to me about the complexities of the individual components, but I am actually asking if it is still complex without breaking them out.

Mr Goodwin—It is still relatively complex, because we would have to break out the MOP staff costs from the costs of members and senators processing.

Senator FAULKNER—I am surprised; I thought it might be a matter of just pressing a button on a computer. I am serious about that. I am surprised that members and senators entitlements are, in terms of administration, not relatively easy to establish also. This is just an assumption on my part: there may be no basis to it.

Mr Goodwin—We could do an exercise that measures the costs now, but to go back in history and determine the costs then, and do a comparison, would be very complex.

Senator FAULKNER—Is it a complex task, then, to measure the cost now? Is that a difficult thing?

Mr Goodwin—It is a reasonably complex task, but we can measure the cost of the various activities.

Senator FAULKNER—How resource intensive a task is it? Will it take someone an hour to do it, or will it take someone a week to do it?

Mr Goodwin—No, I think it would take a small team of people a few weeks to do it.

Senator FAULKNER—I am not going to ask you to do that, Dr Boxall, if that is the case, which might well please you. Can you tell me whether there have been savings in this area? In other words, have there been savings for DOFA in costs associated with the handling of MOP staff? I cannot boil it down to a more simple question than that. I would like to seek an assurance on that.

Ms Mason—The answer to your question is yes, there have been savings. The difficulty comes in trying to attribute a dollar figure to the components that you have outlined, because of the various process improvements that have taken place within the service centre, and the points made by Mr Goodwin that we do have a sharing of resources across the processing of MOPS claims and those of senators and members.

Senator FAULKNER—Appreciating that there have been savings, and hearing the difficulties in trying to quantify them, I assume they are measurable. You know that there have been savings. Within the context of DOFA's budget, do you consider these significant savings?

Dr Boxall—In the 2000-01 budget, DOFA returned \$5 million per annum on an ongoing basis as a reduction in departmental resourcing. This was to reflect the greater efficiency with which we operate. This aspect would have been part of that.

Senator FAULKNER—It is impossible for you to say what the proportion is, I assume. But all I am asking, in a general sense, is whether it is a measurable, quantifiable and significant part of that. I am just trying to get a broad understanding of the savings.

Dr Boxall—As you are well aware, there have been a number of changes made down in MAPS—for example, the account manager service centre model, the introduction of the new PSS to replace the old EMIS and things like that—which have generated savings in terms of the output price for outcome 3, which is the one you are interested in at the moment. There have also been savings elsewhere, and that is why last year DOFA voluntarily offered up savings of \$5 million from their output prices.

Senator FAULKNER—And a proportion of that is as a result of savings in this area in relation to administration with MOP staff?

Dr Boxall—Yes, there is no question that that would have contributed to the general savings.

Senator FAULKNER—But we cannot establish what that proportion or percentage might be?

Dr Boxall—That is correct. As Mr Goodwin said, it would be quite a large task. That is also because we have made other changes in terms of processing in the Ministerial and Parliamentary Services section, and it is very difficult to disentangle it.

Senator FAULKNER—I am not going to ask you to do that. You mentioned the PSS EMS. Is that what you called it?

Dr Boxall—The PSS is the Parliamentary Systems Suite, which has replaced the old EMIS. We believe this has led to improved productivity but also, more importantly, to improved quality of service to senators and members.

Senator FAULKNER—You said it has replaced the old EMIS—it is always difficult when we get caught in these acronyms—but isn't there also the PSS EMS—the Parliamentary Systems Suite Entitlements Management System?

Mr Goodwin—Just to clarify, the old system, which is a mainframe based system, was called the Entitlements Management Information System. The new system that has been brought in is the Parliamentary Systems Suite, which comprises a number of modules. One of those modules is the Entitlements Management System.

Senator FAULKNER—Yes. So there is a PSS EMS?

Dr Boxall—It is a module of PSS.

Senator FAULKNER—Shall I call it the EMS? Is that an easier way to describe it?

Dr Boxall—Calling it the EMS module would be helpful for us.

Senator FAULKNER—I knew we would get there eventually. It is nearly as bad as Defence with these acronyms.

Senator Abetz—Not as bad!

Senator FAULKNER—No, that is true—I said it was nearly as bad. It is probably being very unfair to DOFA to say it is nearly as bad, and I do not like to be unfair. The EMS module was a scheme for the electronic submission of overtime and TA forms, wasn't it?

Mr Goodwin—The Entitlements Management System is a means of paying parliamentary entitlements like travel allowance, not overtime.

Senator FAULKNER—This is where we are at cross-purposes, I think. I assumed that the EMS module was the pilot program for the electronic submission of overtime and TA forms. Do you know what I am talking about?

Mr Goodwin—Yes, I understand what you are talking about.

Senator FAULKNER—Is that part of the EMS module?

Mr Goodwin—No, it is not.

Senator FAULKNER—If I had a white flag, I would actually wave it, I promise you.

Mr Goodwin—The Parliamentary Systems Suite comprises a number of modules. One is the Entitlements Management System. Another module is the human resource management system, Nomad. The overtime claims are actually paid through the Nomad system. As part of the introduction of the Parliamentary Systems Suite, we ran a pilot project to look at electronic ways of collecting claims, including overtime claims, and some officers were connected to a pilot system that allowed the electronic submission of claims.

Senator FAULKNER—So if I call that the pilot system, as opposed to all the other things I have been calling it, we both know what I am talking about.

Mr Goodwin—Yes.

Senator FAULKNER—Right. My questions relate to the pilot system, not the PESSMES or whatever I said. All I want to know is: how many MPs' and senators' offices were used as part of that pilot scheme?

Mr Goodwin—It was eight.

Senator FAULKNER—Do you know how much that pilot cost?

Mr Goodwin—Not as a separate part of the PSS suite.

Senator FAULKNER—Would you be able to find that out for me?

Mr Goodwin—I would have to ask our colleagues from e-Solutions Group. I expect it would be difficult to break out the cost of the pilot system. We would have to take it on notice for the individual cost of the component of the suite.

Senator FAULKNER—If you could, I would appreciate that. I assume there are staff time costs there.

Mr Goodwin—Yes, there was a bit of design work. There was a staff member who checked it twice a day and there was the cost of some hardware that we had to put in.

Senator FAULKNER—What about software?

Mr Goodwin—As I said, there was a bit of design work involved.

Senator FAULKNER—Is that what 'design work' is? What about the obligatory consultant or contractor?

Mr Goodwin—They were involved in the design work.

Senator FAULKNER—So there was a consultant? Was there a consultant or more than one consultant?

Mr Goodwin—There was more than one consultant. There were a number of consultants working on the Parliamentary Systems Suite. Some of those people worked on the pilot project.

Senator FAULKNER—Can you give me the details of those consultants or consultancies in relation to the pilot scheme?

Mr Goodwin—This was all done under contract rather than under consultants. There was no separate contract for the pilot system as such.

Senator FAULKNER—When you add up all this up—software, hardware, costs, staff time, consultants, contractors—it does sound like this pilot scheme might have cost a bit.

Dr Boxall—We have offered to take that on notice to get the answers. When we have the answer we will be able to determine whether it cost quite a bit or not very much.

Senator FAULKNER—I suppose you will be able to tell me now why it was junked.

Mr Goodwin—Senator, the pilot was turned off after it had successfully completed the trial for which it was put in place.

Senator FAULKNER—So it was not ditched?

Mr Goodwin—It was turned off.

Senator FAULKNER—So what has happened as a result? Has pilot scheme now been incorporated into the overall EMS module?

Mr Goodwin—The lessons that we learned in running the pilot are being incorporated in the development plans for the Parliamentary Systems Suite.

Senator FAULKNER—What were the lessons?

Mr Goodwin—The lessons that we learned were that we could successfully transmit data electronically and we could, over time, move to a system that would operate online.

Senator FAULKNER—The functions being performed by the pilot are not being performed now, are they?

Mr Goodwin—The functions are being performed.

Senator FAULKNER—Sorry, the functions that were being explored in the pilot program are being carried out in a different way to the pilot scheme, aren't they?

Mr Goodwin—They are being carried out as they were throughout the pilot. The only difference is that we do not have the eight officers connected to the system. They are still able to submit claims and they are still able to have their claims processed.

Senator FAULKNER—Has this been a resounding success?

Mr Goodwin—It was successful in that it proved that the officers were willing to use electronic submissions and in that we could collect the data.

Senator FAULKNER—How have other officers been able to benefit from these happy experiences that were established during the life of the pilot scheme?

Mr Goodwin—In time the aim is to develop the Parliamentary Systems Suite to provide more electronic functionality to all users.

Senator FAULKNER—Yes. But the truth is that it has been junked, hasn't it?

Mr Goodwin—No, Senator, it was turned off. In fact, to set the record straight, when the pilot was originally introduced it was meant to run for only a limited period of time. It was allowed to run for a lot longer than originally intended before it was turned off.

Senator FAULKNER—This pilot was for the electronic submission of overtime and TA forms, wasn't it?

Mr Goodwin—It certainly was for TA forms, and I think it was overtime as well.

Senator FAULKNER—Was it for anything else?

Senator LUNDY—It was for overtime.

Senator FAULKNER—You were on the committee, weren't you, Senator Lundy? Can you now submit overtime and TA forms electronically?

Mr Goodwin—You can submit them electronically by fax and they are processed on receipt of the originals.

Senator FAULKNER—But that was not what the pilot was about, was it?

Senator LUNDY—No. The pilot was about a web based function where, by email and a web page, we could submit overtime forms. That is what we are talking about.

Senator FAULKNER—I think you are trying to confuse me with your superior knowledge of IT.

Mr Goodwin—Not all, Senator. The pilot was a demonstration of that functionality; it was not an implementation of that functionality.

Senator LUNDY—Are you telling me that when I went through the process of going to the web site and authorising those overtime forms I was not really authorising them?

Mr Goodwin—Senator, you were really authorising them. You were not using technology that would allow you to do that over the web in a wide network sense.

Senator LUNDY—What was I doing when I was clicking on the authorise button on the webpage?

Mr Goodwin—You were authorising the claim that was submitted through your system, which was also submitted in duplicate through a paper claim.

Senator LUNDY—That was not my understanding, and during the course of the pilot we did not also submit those forms by another method.

Mr Goodwin—Senator, it was my understanding that the duplicate claims were submitted.

Senator LUNDY—No, that is not correct.

Senator FAULKNER—Did this involve TA and overtime forms for MOP staff? It did, didn't it?

Mr Goodwin—Yes.

Senator LUNDY—Just to clarify: I was authorising overtime forms for MOP staff solely through that electronic environment on the web and using the emails. There was no duplicate sent by fax or post or anything else during the period of that pilot, which goes back to my question: what function was I doing when I pressed the 'authorise' button? My understanding was that that provided the appropriate authorisation for that overtime and that that pilot was functioning as it was designed to. What I am hearing is that it was not.

Ms Mason—One of our colleagues from the e-Solutions Group will join us at the table. The issues you are raising are a mixture of business group issues that relate to MAPS and some technical issues that are beyond my expertise and beyond the expertise of Mr Goodwin. We hope that Mr Loudon can assist us.

Mr Loudon—Mike Loudon, Branch Manager, Strategic Intelligence.

Senator ROBERT RAY—What was the department?

Mr Loudon—Strategic Intelligence.

Senator ROBERT RAY—That is like the help desk.

Senator FAULKNER—You'd be out of place in Parliament House!

Mr Loudon—We can confirm, as far as we know, that the pilot as it was situated did intend to have duplicate forms provided. I do not know your particular instance, but we learned more about the authentication we would require to roll it out across a fairly significant network—as it would be to senators, members and their staff. The pilot gave us a lot of information on the areas of security, which we needed to develop further to implement a secure environment for that data.

Senator LUNDY—Perhaps you can provide an explanation as to why we were not advised that my staff were not required to submit hard copies via fax or otherwise as part of that pilot.

Mr Goodwin—I was not in charge of the project at the time the pilot was implemented, but my understanding was that, when the pilot was first implemented, people were advised that they were required to submit duplicated signed claims, particularly for overtime.

Senator LUNDY—That is not the case in my office. I can speak on behalf of other people, who were conveying their experiences to me with respect to the pilot, that we were not advised that that was the case. In fact, one of the interesting features of the pilot was that it was up and running, we were using it, and we did not have to submit it on paper as well. That was a distinct feature of the whole exercise.

Senator FAULKNER—Let us be clear. You mentioned faxes. I am talking about online; let's get the terminology right. You cannot have an online submission of staff overtime or TA forms?

Mr Goodwin—That is correct, Senator.

Senator FAULKNER—You said that you can submit a staff form for staff by fax—you used the word 'electronic'—but will the department act on a facsimile form if it is received?

Mr Goodwin—It depends on what form it is.

Senator FAULKNER—For overtime or TA. Will you begin processing a MOP staff overtime or TA form, to use your words, 'submitted electronically' by facsimile?

Mr Goodwin—We do not process overtime forms unless we have the original signature.

Senator FAULKNER—Exactly. So the truth is: in relation to the submission of these forms, it is done by paper—via the mail.

Ms Mason—Senator, the questions you are pursuing raise a number of issues: one is the technical capabilities that we may be able to put in place using computers and using the web; the other is fraud prevention and protections to make sure that we do not—

Senator FAULKNER—I appreciate all that. I understand that. I understand what might well be the reasoning behind it. I am only trying to establish how much money was wasted in

the pilot scheme—that is all. And you are going to find that out for me on notice. So that is good.

Ms Mason—We do not consider that money was wasted. The nature of pilot projects is that an investment is made to determine whether or not a system is feasible. We have had evidence this afternoon that indicates that there were valuable learnings from the pilot project which we can take into account in trying to design a system in the future that does allow us to do both things: take advantage of the technology that is available to us and also ensure that senators, members and the Commonwealth are protected from possible misuse of entitlements.

Senator FAULKNER—I understand all that, but I am sticking with my comment. I thought it was a reasonable question to ask why the thing was junked. That might be a very good reason to junk it—a very good reason indeed.

Ms Mason—The system was not junked; the pilot project had a discrete life. Mr Goodwin has already given evidence that the life of the project was extended. We do not consider that it was junked or that it was a failure.

Senator LUNDY—I would like to follow that up. I have a few questions. It appears that my office was actually misled in the conduct of this pilot. So I am interested in pursuing a few issues. First of all, you say that the pilot had a discrete life. That was not conveyed to our office. In fact, it was only by virtue of the overtime forms not being honoured or not being responded to electronically that we were advised, ‘Oh, no, you need to send in a copy as well,’ after some lengthy period of operation of just submitting the forms electronically. Secondly, at that point we were not advised that there was a discrete life to the pilot project. We were effectively given the run-around for quite some time before realising that you had pulled the system down and we had to submit it in writing as we had previously. What I am looking for is a very full explanation, particularly in relation to when participants in the pilot were advised of what course of action and by whom. We were certainly not advised, and I want to know what you think was happening. I think you will find that there were some serious gaps in your implementation of the pilot and certainly the withdrawal of the pilot.

Mr Goodwin—I may be able to fill in some of those gaps. My understanding from the documentation I have seen is that when the pilot was first introduced it was specifically to be introduced for a period of two to three months. I also understand that when it was first introduced there was duplicate paperwork required. It may be that during the pilot’s extended life—it actually stayed in operation for, I think, nine or 10 months; far longer than it was originally intended—that requirement to submit duplicate paperwork fell by the wayside for some reason as people became more used to relying on this system. However, the pilot, as it was implemented, was never properly designed to provide a readily expandable web based method of providing claims; it was simply a demonstration that would allow officers to get used to submitting electronic claims and to allow us to judge whether that method of business would be suitable for us.

Senator LUNDY—We certainly got used to it.

Mr Goodwin—Senator, may I finish, please. As it went on we found that we were running into difficulties in keeping it operating, because we were diverting resources from development of the main system to maintain a system that could never be expanded to provide that functionality. We also had to address the issue where we were starting to receive claim forms that were not properly signed and authorised.

Senator LUNDY—When did you realise that? I am interested in when you thought, ‘Oh, maybe we are not getting the forms properly authorised.’

Mr Goodwin—As I think you would recall, we strengthened and reinforced the requirement to submit signed overtime claims towards the end of last year. I think it was November or—

Senator LUNDY—But not without major inconvenience to several staff employed under the MOP(S) Act who found out the hard way that their overtime was not being authorised adequately—they did not get paid that week or some such inconvenience.

Dr Boxall—Mr Chairman, we have agreed to take on notice the issue about when members in the pilot were advised and what they were advised. So it is not possible to conclude whether officers were misled or inconvenienced, as yet. We have undertaken to investigate the documentation about what was sent out to the participating officers and, until we have investigated that, one cannot conclude whether instructions were given or not.

Senator LUNDY—I have one final question on that. I can conclude that staff were inconvenienced, and I am putting that to you. I want to know why you invested in a pilot that was obviously not scalable as an ultimate solution to be rolled out. I think that goes in part to the question that Senator Faulkner has placed on notice. If you could incorporate in your response why you made that investment in the first place, I would appreciate that.

Senator ROBERT RAY—First of all, I want to know why trendy computer-literate people always get included in these pilot programs and Luddites from Victoria, such as Senator Conroy and I, never get asked. On this documentation, I am not so familiar with the pilot program but we got a letter from Ms Hughes about payments to staff on original documents only. Am I right in saying the situation at the moment is that, if a minister or a member of parliament claims TA, they can fax that form through and it will be processed, but if a staff of a member of parliament or a minister does so, it will not be processed until an original signature is received?

Ms Hughes—We do accept faxed claims from senators and members, because we have independent methods of verifying their travel through Jetset, Comcar and other records.

Senator ROBERT RAY—But not for staff.

Ms Hughes—Not always for staff, no.

Senator ROBERT RAY—I assume the reason for doing this is concern that, with modern technology, there would be a potentiality for fraud.

Ms Mason—Prevention of fraud is a matter that we certainly are interested in.

Senator ROBERT RAY—I have read one of my colleague’s views on this somewhere: Mr Duncan Kerr’s views. Has he been responded to yet? His letter of about 29 November was sent to the portfolio minister at the time rather than to Senator Ellison. Do you know whether that has been responded to?

Senator Abetz—No, I do not. I will take that on notice.

Senator ROBERT RAY—Do you know what I see as the biggest downside of this change?

Senator Abetz—When you say the ‘portfolio minister’, that is Mr Fahey?

Senator ROBERT RAY—Yes.

Senator Abetz—We are not sure; we will take it on notice.

Senator ROBERT RAY—It was an extremely colourful letter, and I wanted to read the response.

Senator Abetz—I had better dig it out.

Senator ROBERT RAY—Could I just say what I see as the big downside of this? I understand the fraud aspect. You would know what the great advantage is to staff in faxing their stuff: it is that they get a response slip that it has been received. When you send it all off by mail, you do not know if it has been received or not, and most people do not keep a track of it at all. I do not expect you to send an acknowledgment out, having received an original, either—that is bureaucracy gone mad—but do you see that as a disadvantage, as I do?

Ms Hughes—I should add to the earlier answer that we continue to process claims for travelling advances for staff—that is prior to their travel—because we always then have the subsequent acquittal signed by their employer. So we still accept fixed claims for travel advances from staff. As to the other issue—

Senator ROBERT RAY—That was not really explained in this letter that went out to members of parliament, was it, that that was still to be paid in that way? Have you communicated that in another form that I have missed?

Ms Hughes—I do not actually recall the terms of the letter.

Senator ROBERT RAY—I will read you the first paragraph. It says:

The purpose of this letter is to inform you that claims involving payments to staff (such as overtime claims, employment contracts, travel allowance acquittals and so on) are now processed only on receipt of forms with original signatures. Facsimiles and photocopies will no longer be accepted.

As I say, I think I understand the purpose, the intent, and the safeguards involved here. There is no mention of an exemption for travel allowance claims in advance that you can later verify by way of certification. So I do not think that one has been communicated anywhere.

Ms Hughes—We will take that on board.

Senator ROBERT RAY—Again, you did not really respond to the point I was making.

Ms Hughes—About the verification?

Senator ROBERT RAY—Yes. Letters do get lost, I find.

Ms Hughes—In terms of the overtime claims, almost all officers now have moved to the system of sending them to us in overnight express envelopes, which tend to have a tear-off slip for the sender. To my knowledge, we have had almost no feedback from staff that this is not working or that they are not being paid their overtime in the subsequent pay. So I think it seems to be accepted.

Senator ROBERT RAY—You do not supply those envelopes, though; they have to come out of the postage allowance, do not they?

Ms Hughes—That is correct, yes.

Senator ROBERT RAY—I would not do it as a special effort but, through you minister, I would just make the suggestion that the next time you are corresponding on like matters, you draw it to their attention that they can fax in TA claims in advance and, secondly, advise them that the express letters are a much more recordable system to protect them from things going astray.

Senator Abetz—Thank you for that suggestion.

Senator ROBERT RAY—I was going back—before Senator Faulkner started off—to this very helpful document that you gave me that I did not want. It has the classification, salary range et cetera. It says here that there are five principal advisers. I do not recall there being five. Could you remind me whom they work for? We know that two work for the Prime Minister, because they are listed here. I assume there is one for the Treasurer.

Ms Hughes—There is one for the Deputy Prime Minister and one for the head of the cabinet policy unit.

Senator ROBERT RAY—So it is the Treasurer, the Deputy Prime Minister, the cabinet policy unit, and two for the Prime Minister?

Ms Hughes—That is correct.

Senator ROBERT RAY—That is a record number, isn't it?

Ms Hughes—I do not recall.

Senator ROBERT RAY—With the AWA salary range for principal advisers, they can be paid up to \$130,000, and then do you add in the \$12,000 MSA?

Ms Hughes—That is correct.

Senator ROBERT RAY—We know that there are two being paid in excess, we think, of that but we are seeking that information. Of the other three employed, are any of them not receiving the maximum salary for a principal adviser?

Ms Hughes—I would have to take that on notice; I do not know.

Senator ROBERT RAY—What I am asking is: are the other three being paid at the maximum range? This very curious thing at the end: is this a new classification, 'special adviser'? I have never heard of that before, other than I know that we have a special adviser within MAPS, but this is under the MOP(S) Act.

Ms Hughes—Ms Briton might be better placed to answer that.

Ms Briton—A classification of special adviser was approved by the Prime Minister in June last year, I believe.

Senator ROBERT RAY—So it is an initiative of the Prime Minister to create this category?

Ms Briton—I believe it followed consultation with the government staff committee.

Senator ROBERT RAY—Who is on the government staff committee?

Senator Abetz—Mr Reith, Senator Hill—

Senator ROBERT RAY—I was not so much looking for individuals, although that may well be helpful. But if you are a minister for industrial relations do you automatically go on it? That is the sort of thing I am asking—what positions are on it and who is on it.

Senator Abetz—We will take it on notice. I have been to one, but I am not sure that I will necessarily remember all of the people around the table.

Senator ROBERT RAY—While you are taking on notice who is on it—because I have no particular knowledge of this committee and how it interrelates with the creation of positions and who suggests what—could we ask when it was set up and what its powers are. I will leave it at that, but we are still coming back, I hope, to try to explore the circumstances of how two of the Prime Minister's staff earning \$142,000 a year are getting paid more than that, because I do not understand the process. Are these special advisers available to the opposition

in the staffing regime now that it has become a created position? The opposition is entitled to some senior advisers, media advisers, advisers and assistant advisers. As I understand it, and quite properly, it is not entitled to a principal adviser—or maybe one—but what about ‘special adviser’?

Ms Briton—My understanding is that there are only two and they are on ministerial staff.

Senator ROBERT RAY—Specially reserved on ministerial staff. Do you have anything to add?

Ms Briton—No.

Senator ROBERT RAY—There is at least some news. The last time the Prime Minister intervened to get someone a big salary rise, that person was working for Senator Colston. I am pleased to report that she won the state seat of Burleigh in a canter last Saturday, so she is very well employed.

CHAIR—Thank you for reminding the committee.

Senator ROBERT RAY—I did not want to remind the colleagues up there, because what goes around comes around. I understand that.

CHAIR—Any further questions, Senator Ray?

Senator ROBERT RAY—Yes, plenty.

Senator FAULKNER—Can I ask Dr Boxall or the minister if I could receive a categorical assurance that department liaison officers and departmental staff are only assigned to ministers and parliamentary secretaries.

Dr Boxall—If I recall rightly, this issue has come up before, and it is not the duty of ministerial and parliamentary services to keep track of departmental liaison officers. I am not sure where we came out when you raised this issue before, but I think that each department needs to be asked and it was to be coordinated by PM&C.

Senator FAULKNER—Prime Minister and Cabinet, as you know, have a coordinating role in relation to this. But I think you have indicated before that MAPS have kept a weather eye on this issue. There is technically no coordinating function in terms of getting broad statistics on departmental liaison officers, or it is difficult to establish this, but—

Dr Boxall—I am not in a position to give a categorical assurance as to what departmental liaison officers do in ministers’ offices.

Senator FAULKNER—I appreciate that.

Dr Boxall—And it is not part of our function. It is coming back to me now. I think the last time we discussed this the Prime Minister and Cabinet was to coordinate a response and we were to give assistance where we could.

Senator FAULKNER—I appreciate that, and I know you do try to give assistance where you can. What I am interested in finding out from you—you may not know but you may be able to assist me—is whether you are aware of any cases of staff working in a member or senator’s office who are being paid in full or in part by another department, as opposed to the Department of Finance and Administration.

Dr Boxall—Ms Mason and I are not aware of that, but just to repeat for the purposes of *Hansard*: there is no reason why we would be aware of it, because it is not our job to monitor it. You asked if we are aware and the answer is that we are not aware of any such case.

Senator FAULKNER—Fair enough. I will try to chase it with home departments.

Dr Boxall—As far as the four departmental liaison officers from the Department of Finance and Administration are concerned, two are in Minister Fahey's office, one is in the Special Minister of State's office, and one is in the parliamentary secretary's office. So there are no people who are paid by my department working in offices outside the portfolio.

Senator FAULKNER—Thank you.

Senator ROBERT RAY—Could I ask you this question, and I do not ask it an aggressive way. From time to time we switch Senate estimates from a sitting week to a non-sitting week. Inevitably coming out of that is an agreement to supplement the staff travel budget because of the extended sittings. It seems that, time and time again, there is no coordination within government to inform the officials of DOFA that this is the case. It is amazing the number of times my office has had to tell them and then they have had to check back. Could you give some thought to putting some procedures in place—I know you are not the manager—so that, when we are switched to a non-sitting week, we have a formal process for notifying the officials and supplementation of the staff budget.

Senator Abetz—I looked at this matter just yesterday and we will look at those issues on a case by case basis. I understand there was some concern with some extra travel that was required in previous estimates.

Senator ROBERT RAY—This round of estimates does not come within that; it is agreed without supplementation. But sometimes the government wants to get its program through, it wants the extra days, the negotiations happen—which do not include the minister that holds your spot—there is an agreement to supplement, and somehow it never gets communicated.

Senator Abetz—If those agreements are made, it is important that they do get communicated to everybody.

Senator ROBERT RAY—Yes.

Senator FAULKNER—I have had an issue raised with me by a couple of members and senators, and someone may have given some consideration to it. I have no personal view about this, but I did wonder if, in relation to your capacity to provide flags, any consideration had been given, at any level, to making the Centenary of Federation flag available through the national flag program. I wondered if that had been raised directly with the department or not.

Senator Abetz—We are talking about the Centenary of Federation flag—not flags celebrating the Centenary?

Senator FAULKNER—I saw Senator Ellison's note about the Australian flag for Centenary of Federation celebrations. A couple of members and senators have raised with me whether, because of the Centenary of Federation, any thought had been given to the Centenary of Federation flag. It is a different flag. I do not have an axe to grind; I am just asking whether this has been raised or not.

Senator Abetz—I understand that those flags you are inquiring about are the property of the Centenary of Federation Council, and inquiries ought to be directed to the minister, Mr McGauran. I am unable to assist further on that.

Senator FAULKNER—I understand that that minister has a responsibility, but it is not completely outside the loop for the national flag program and that is why I raised it here. Anyway, no thought has been given to it; is that right?

Senator Abetz—An entitlement to flags—that is, the Australian flag—I have been advised is determined by legislation.

Senator FAULKNER—Yes.

Senator Abetz—You are raising whether or not it would be appropriate to have a look at the Centenary of Federation flag. I am not sure that has come across my desk as yet, but it seems appropriate that we look at that.

Senator FAULKNER—The reason I am raising it is that I understand that quite a lot of schools tend to go to their local member or senator for a flag, and they have been trying to use the flags program to see if they can get a Centenary of Federation flag. I did not know whether it had come across the department's desk. I am not arguing that you should do that; I am merely asking whether any consideration had been given to it, that is all. And the answer is no.

Ms Mason—We have, according to my briefing, had some representations on that issue. As far as I am aware, we have not yet properly considered it and do not have a final briefing for it.

Senator FAULKNER—I am not surprised to hear that, Ms Mason, as I thought you would have had representations because a number of people have spoken to me about it. It was indicated to me by at least one person they had approached.

Dr Boxall—I think the bottom line is that it has been raised with us, we have yet to brief the Special Minister of State and we will do so.

Senator FAULKNER—Fair enough. That is the only reason I raised it.

Senator ROBERT RAY—Did I hear it said that the provision of Australian flags depends on legislation?

Mr Ignatius—Under schedule 1 of the Parliamentary Entitlements Act, there are specifications about what can be provided by members and senators. It specifies Australian flags and printed materials related to national symbols for presentation to constituents. The Centenary of Federation flag is not the national flag. As Senator Abetz pointed out, that is the property of the Centenary of Federation Council.

Senator ROBERT RAY—Sorry, I was just asking about Australian flags.

Mr Ignatius—It is specified under legislation.

Senator ROBERT RAY—Are the conditions that prescribe who you can give it to in the legislation?

Mr Ignatius—It is elaborated on in the guidelines that have been issued from this department. I can read out the guidelines if you like.

Senator FAULKNER—No. The point is that, while what you say is absolutely correct—and we appreciate that—from time to time members and senators might supply an Aboriginal flag or a Torres Strait Islander flag. This is not uncommon, as I am sure senators around the table would appreciate. So the legislative defence, I suppose, about the Australian flag is reasonable as far as it goes. I am not arguing the case here; I am merely wondering whether there has been any action in the department. Dr Boxall has answered that question. I understand where it is up to and I do not want to take it any further, but I think you have to be careful that you do not misinterpret some of the guidance that you have, because I think this

program works fairly well and it does allow provision for other flags, as you would probably appreciate.

Senator ROBERT RAY—Getting back to the Australian flag, were representations made to allow MPs to give out 50 flags by a variation of the guidelines?

Senator Abetz—Yes, we did receive representations on that.

Senator ROBERT RAY—Was Ms Fran Bailey from McEwen one of those who wrote in and asked for flags?

Dr Boxall—Our briefing indicates that it was not Fran Bailey, the member for McEwen.

Senator ROBERT RAY—That reformed attitude from her is very refreshing. You can actually, as a member or a senator, give out 50 flags without having to go through the normal rigmarole—is that a reasonable summary?

Senator Abetz—As I understand the difference, the normal guideline is that it is to an organisation or community group, and this will allow presentations to individual constituents.

Senator ROBERT RAY—So you have looked after our Christmas presents for the end of the year. Thanks. This is trivial.

Senator Abetz—Why ask about it?

Senator ROBERT RAY—Why put out a circular on it, for heaven's sake?

Senator Abetz—If we did not put out a circular, and we did allow it, there might be criticisms that we had not notified everybody.

Senator ROBERT RAY—The point is that you should not have allowed it.

Senator Abetz—Damned if you do, damned if you don't.

Senator ROBERT RAY—It is just a sop to the House of Representatives members to hand out flags and make big people out of themselves. Moving along, you will almost certainly want to take this next question on notice. I think it was last week that the Deputy Prime Minister sacked two of his staff. You can take this on notice: what is the difference in the pay-out of those staff—not the total, the difference—between being sacked and resigning?

Senator Abetz—We will take that on notice.

Senator ROBERT RAY—I have a question on travel allowance claims. In the recently tabled document, looking at January to June 2000 in relation to senators, there is a provision under travel allowances that Senate chairs can claim travel allowance in performance of their duty as a chair when the committee is not meeting. What clause is that?

Senator Abetz—Clause 24, I have been advised.

Senator ROBERT RAY—I noticed that there were 44 claims made under clause 24. I also noticed that one senator claimed 22, half of them. A similar clause was operated by the Department of the Senate, and the then and current President, Senator Reid, put out procedural rules. That was the process they had to go through before the equivalent clause 24 claim could be made. Are they now procedural rules within the department? Did you pick those up from the Senate? You were looking at it a year or two ago.

Ms Mason—In the absence of Mr Gavin, who we believe would be across that issue, we do not have the answer for you here today, but we can check.

Senator ROBERT RAY—I had better make that question very specific so that it is not misunderstood. Previously, when travel allowance for senators was within the power of the

Department of the Senate, the same claim could be made, that is, a committee chair not at a meeting could claim travel allowance. Three senators, I think—from all sides of politics—made a real meal out of it. They were running around the country campaigning and then putting in for the travel allowance. They were an absolute minority. Because of this, Senator Reid brought in procedures so that in advance of putting such a claim in you had to write to the secretary of the committee and say that you were going to be on committee business and that you were going to put in that sort of a claim. I asked a couple of years ago whether DOFA had picked it up. At that stage, they had not and I have not returned to the issue since. I am really now asking whether they have, because I do worry when a Senate committee chair, in just six months, puts in 22 claims just for that period, whereas the other 20 committee chairs that are around put in a total of 22 claims, and the more abstemious ones, like Senator Mason, are yet to trouble the starter as far as I can tell.

CHAIR—I am celebrating that knowledge, Senator Ray.

Senator ROBERT RAY—Good. We are watching. While I am on the question of travel allowance—and I can hardly contain my excitement here—the Senate is going to meet in Melbourne on 10 May to hear an exciting address—

Senator Abetz—No travel allowance for you, Senator.

Senator ROBERT RAY—Absolutely not. I promise you that I am coming by tram, so I am not even troubling Comcar.

Senator Abetz—Do you have a gold pass for that?

Senator ROBERT RAY—No. It will be \$2.40.

Senator Abetz—With GST.

Senator ROBERT RAY—With GST it will be \$2.40.

Senator Abetz—Good.

Senator ROBERT RAY—So you will get your whack out of it.

Senator Abetz—Steve Bracks will get it in the end anyway.

Senator ROBERT RAY—That is right. I am just wondering—and I do not think that this will affect many people at all but I thought we might as well clear it up now—if those members of parliament that are bringing staff to Melbourne will be able to use the staff travel budget to bring their staff to Melbourne and claim travel allowance for the thrill of listening to Senators Hill, Faulkner and Lees each address us for 20 minutes before we adjourn to a reception?

Senator Abetz—Is that the program?

Senator ROBERT RAY—It is a shocker.

Senator Abetz—I think I had better reconsider what I signed off on yesterday. If I knew that was the purpose—

Senator FAULKNER—I will enjoy it. I do not know about anyone else.

Senator ROBERT RAY—I am just asking whether that—

Senator Abetz—Yes, consideration is being given to that on an individual request basis, as it might impact on travel budgets—

Senator ROBERT RAY—I would have thought that the budget would have paid for it unless there is an extraordinary length of distance extra that has to be travelled and I do not really see that coming in. It is very much the same.

Senator Abetz—Thinking out aloud, it would seem inappropriate, let us say, that Victorian senators have their staff travel budget supplemented for that. That is why the suggestion has been made that it be on an individual request basis. If you can show that your staff travelled to Melbourne and as a result took money out of the budget, then there will be supplementation.

Senator ROBERT RAY—The capital city TA rate is higher for Melbourne than it is here. That is good. As long as you are looking at it.

Senator CONROY—John Forrest might have an argument for some money.

Senator Abetz—John Forrest may well have.

CHAIR—Senator Ray, I do not want to break your train but Senator Brandis has a couple of questions. Can we interpolate him now?

Senator ROBERT RAY—Yes, absolutely.

Senator BRANDIS—I wanted to ask a couple of questions about staffing arrangements and use of entitlements in the office of Senator Harris. It may be that you will need to take these questions on notice. It is the case, as I understand it, that Ms Pauline Hanson is employed as a member of Senator Harris's staff under the terms of the MOP(S) Act. Is that right?

Ms Mason—That is correct.

Senator BRANDIS—At what classification is she employed?

Senator Abetz—As a minority senator, I think he is entitled to four staff and he has the A, B, C and assistant adviser classifications. She is employed as assistant adviser.

Senator BRANDIS—Does that classification carry with it a designation of a base from which Ms Hanson works, such as the electorate office?

Senator Abetz—I think every position, no matter what, requires a home base to be nominated for the purposes of claiming travel allowance.

Senator BRANDIS—That is what I thought. What is the nominated home base for Ms Hanson?

Senator Abetz—I do not know.

Ms Hughes—From memory, it is Ipswich.

Senator BRANDIS—And that is Senator Harris's electorate office?

Ms Hughes—It is his electorate office.

Senator BRANDIS—Thank you. Did the department receive the appropriate forms of application for annual leave for Ms Hanson prior to her commencing annual leave for this year on 3 February?

Mr Ignatius—The leave form for Ms Hanson was received on 14 February.

Senator BRANDIS—When you say 'received', do you mean that is the time at which it was first received by the department, not the time at which it was processed?

Mr Ignatius—That is the time it was first received by the department. The form was dated 3 February.

Senator BRANDIS—I am a little confused because Senator Harris was quoted in the Brisbane *Courier-Mail* newspaper of Friday, 16 February as saying that the relevant annual leave forms had been approved and processed weeks ago, that is, weeks prior to 3 February. Is that statement incorrect?

Mr Ignatius—I cannot comment on that except to say that our records show that the leave form was first received by the department on 14 February.

Senator ROBERT RAY—Was the leave supposed to start on 3 February?

Mr Ignatius—That is correct. It started on 3 February.

Senator ROBERT RAY—Could I just interpolate one question there, Senator Brandis? There was no evidence, was there, of any travel using parliamentary entitlements after 3 February?

Mr Ignatius—That is correct.

Senator ROBERT RAY—I was just wanting to check that.

Mr Ignatius—There has been no evidence of Commonwealth funded travel since that time.

Senator BRANDIS—And a staff member would not ordinarily be entitled to use that Commonwealth funded travel during a period of annual leave, would they?

Mr Ignatius—That is correct.

Senator BRANDIS—Is it consistent with the ordinary procedure of the department for applications for annual leave to be lodged subsequent to the date of commencement of the leave?

Mr Ignatius—The leave is approved by the senator whose staff it is. Their obligation is to notify us but not necessarily in advance.

Senator BRANDIS—But it ought to be, ought it not?

Mr Ignatius—It is not necessarily the case. We need to be notified so we can adjust pay but there is no obligation to notify us in advance.

Senator BRANDIS—Mr Ignatius, does the form you have bear a date of execution by Senator Harris?

Mr Ignatius—I believe the form is dated 3 February.

Senator BRANDIS—But it was received on 14 February.

Mr Ignatius—That is correct.

Senator BRANDIS—Did it come under cover of a letter or other identifying document which would indicate the date on which it was prepared?

Mr Ignatius—There was only the form we received, as I understand it.

Senator BRANDIS—Where was it received? Was it in Canberra or Brisbane?

Mr Ignatius—In Canberra.

Senator BRANDIS—Did it come in the post or by fax?

Mr Ignatius—I believe it was faxed to us.

Senator BRANDIS—Does the facsimile copy allow us to further identify the date on which the form was executed?

Mr Ignatius—I have not seen the form itself.

Senator BRANDIS—I wonder if you could inspect it.

Senator Abetz—Are you asking us if it had a fax imprint on it and when it was transmitted?

Senator BRANDIS—Yes, the transmission report. That presumably was 14 February as well. About what time was it?

Mr Ignatius—I cannot say I am aware of that.

Senator BRANDIS—Can you tell us please?

Senator Abetz—If we do not have it we can take it on notice.

Ms Mason—We can certainly check that.

Senator BRANDIS—The reason I am interested in the time is that in the *Courier-Mail* newspaper report to which I refer there is a suggestion that the form was first lodged some hours after an inquiry by a journalist on 14 February.

Senator Abetz—Just to clarify one issue, in what you read out in relation to the media article did it say it that was lodged and approved weeks—

Senator BRANDIS—Senator Harris is quoted in direct speech as saying:

Pauline has been on the campaign since February 3 while on annual leave until next week. All the paperwork was approved and processed weeks ago for her annual leave.

Senator Abetz—The only approval that could be referred to is in fact Senator Harris's own approval. I wanted to clear that up, that there is no approval by the department of any annual leave or leave that somebody might be taking.

Senator BRANDIS—But the processing is by the department?

Senator Abetz—Yes, the processing by the department, but any approval would not have emanated from MAPS.

Senator BRANDIS—Thank you, Minister. Can I turn to another matter, again relating to Senator Harris? Has there been a request on behalf of Senator Harris for the chartering of a helicopter travelling between Brisbane and the Gold Coast on Thursday, 15 February 2001?

Senator Abetz—We are not aware of such a request.

Senator BRANDIS—In the event that an application were made for payment of an air charter from Senator Harris's charter allowance, that would come to the notice of the department, would it not?

Senator Abetz—Yes.

Senator BRANDIS—In the event that such a request is lodged, could the fate of that request be reported back to the committee, please?

Senator Abetz—With a request for payment of a charter, as I understand it, a member or senator within their charter entitlement can book, take the flight and then certify at a later stage that it was within entitlement. Then it goes to the department for payment.

Senator ROBERT RAY—What is the definition of air charter? Does it include helicopters? Is it just non-specific?

Ms Hughes—There is no definition, but we certainly pay accounts for air charter by helicopter for senators and members.

Senator BRANDIS—Further to that, could the committee also be informed, please, whether there was a booking again for the charter of a helicopter in Cairns, to travel in Cairns and the hinterland around Cairns on Friday, 16 February 2001?

Ms Hughes—Yes.

Senator Abetz—It would be doubtful the department would have that as yet.

Senator BRANDIS—Quite; but I ask this question proleptically, so that we can know—

Senator Abetz—In due course, yes.

Senator ROBERT RAY—Minister Abetz, we had a discussion with your predecessor about direct mail by members and senators. The question came up I think in relation to one of Senator Macdonald's letters, but it could have come up in relation to anyone, especially for senators. I do not want to verbal him, but I think Senator Ellison was saying that if in writing to constituents you mention the name of your local representative it is incumbent upon you as the author to identify a party affiliation to that person, in order not to deceive the electorate. I do not expect your answer to this on the spot, Senator Abetz, but could you go back or get your staff to go back and look at that section of the evidence and let us know whether you agree with his interpretation?

Senator Abetz—You are saying that was in the last round of estimates, was it?

Senator ROBERT RAY—I think it was the last or the one before last. It was in the last two. I did raise the Senator Macdonald question simply to get, for once, an interpretation because a lot of parliamentarians, especially senators, are terrified that they are going to send out a letter that is not within the requirements as prescribed, if you like. But, at the fine edges of the point, it comes down to ministerial interpretation. I understand that it is not easy to put that in writing but I think all our colleagues would be reassured. If that is the interpretation, I am satisfied with it; if it is not, I just want to know what it is.

Senator Abetz—I will take that on notice.

Senator ROBERT RAY—I don't want Senator Lundy listening to this question, if she can avoid it!

Senator Abetz—Coffee time, Senator Lundy!

Senator ROBERT RAY—A note we got is headed 'Provision of information technology facilities in visiting members' offices'. Does that mean are you providing computers in visiting members' offices, or does it mean are you providing the appropriate plug-in point? I did not understand the letter.

Mr Goodwin—I think that letter refers to providing a computer in the office.

Senator ROBERT RAY—I am a bit puzzled by that. I would have thought that, now that all senators and members have a notebook computer, this may be unnecessary; that all you really need is a plug-in point, as we see in front of us, to go into—

Senator CONROY—It is for staff as well.

Senator ROBERT RAY—You are saying it is for staff?

Senator CONROY—It is for staff.

Senator ROBERT RAY—Maybe that is a good point that I had not thought of. Did you give it any thought that a lot of them have notebooks?

Mr Goodwin—Yes. The demand was not only for senators and members but also for their staff to be able to operate in the visiting offices. What we are attempting to do is to provide the equipment to do so.

Senator ROBERT RAY—Senator Conroy says he is going to find it very useful. What more can I say? Thank you for that answer.

Senator FAULKNER—In answer to a question on notice from Senator Ray on 23 May, I noted that in the government members' secretariat there is one new CD burner. What is a CD burner for? What does it do?

Senator Abetz—It makes CDs. You can get a blank CD, as I understand it, and then it is like recording on to a blank tape, I suppose—for want of a better description—in the old technology.

Mr Goodwin—It is for recording software onto the CD in the same way as you would save it to a disk.

Senator FAULKNER—Okay. What was the cost of that CD burner in the government members' secretariat?

Mr Goodwin—I do not know the exact cost, but I know you can buy one for about \$250 to \$300.

Senator FAULKNER—Is there any provision for blank CDs to use in this CD burner?

Senator Abetz—You would not have a CD burner if you were not going to put blanks in.

Senator FAULKNER—You just said that you put blank CDs in it. So where do they get the blank CDs from?

Mr Goodwin—Blank CDs are a stationery item that you can order through most stationery suppliers. So I assume that they can do the same thing.

Senator FAULKNER—But you do not have any idea how the government members' secretariat accesses blank CDs for the CD burner?

Mr Goodwin—No, I do not.

Senator FAULKNER—So we do not know how many blanks have gone through this CD burner?

Mr Goodwin—My colleague Ms Hughes has just reminded me that the government members' secretariat is supplied by the home department through Corporate. I would assume that their stationery stocks are ordered through the same supplier that the department uses.

Senator FAULKNER—The home department being?

Mr Goodwin—Being DOFA.

Senator FAULKNER—If that is the case, someone can assist me.

Ms Hughes—But not Ministerial and Parliamentary Services.

Mr Goodwin—It is a Corporate question.

Dr Boxall—We will have to take it on notice, because all the people from Corporate have returned to their department.

Senator FAULKNER—I see. You are going to find the cost of the CD burner—although Mr Goodwin has told us that it is around \$300. That is fine, but tell us the precise cost. You

are going to tell us how many blank CDs have been provided for use in the CD burner at the government members' secretariat, please.

Dr Boxall—Correct.

Senator FAULKNER—Could you provide me with the cost of those blank CDs, please?

Dr Boxall—Yes.

Senator FAULKNER—Are there any rules, copyright issues, et cetera in relation to the use of a CD burner?

Ms Mason—I believe that would depend on the material being stored on the CD. If it were commercial software, copyright issues might well arise. If it were data created by somebody else, presumably they would own the data.

Senator FAULKNER—I read something on the web at www.crikey.com.au.

Senator Abetz—A reputable source!

Senator ROBERT RAY—He used to work for the Premier, Jeff Kennett, but that is all I know about him.

Senator Abetz—That is the rumour.

Senator ROBERT RAY—No, he certainly did.

Senator FAULKNER—I am not commenting on the nature of the source at all. I was merely concerned to read it. No doubt you will be able to put any concerns I have at rest if there is nothing in it. According to the web site:

All sorts of resources have been tipped into the seat—

I interpolate here that the seat is Ballarat, which is Mr Ronaldson's seat; Mr Ronaldson has some responsibility in relation to the government members' secretariat—

to shore him up and the Government Members Secretariat—the Liberal Party's taxpayer funded electioneering unit—has even 'tested' campaign techniques in Ballarat.

It would certainly be a misuse of the resources of the government members' secretariat if it occurred. Wouldn't you agree, Senator Abetz?

Senator Abetz—Let us see what the allegation is. But the allegation of shoring him up when he has announced his intention not to recontest the seat seems to me to be somewhat fanciful. Why would they be trying to promote Mr Ronaldson and shore him up in a seat when he advised the Prime Minister quite some time ago, before the public announcement, that he was not recontesting?

Senator CONROY—They are pretty slow in that unit, though. They might not have heard yet.

Senator FAULKNER—Someone may be trying to shore up the seat, as opposed to Mr Ronaldson.

Senator Abetz—The story, as you quoted it, said it was him. But I am not a believer in www.crikey.com.au.

Senator FAULKNER—Let us forget about whether Mr Ronaldson renominates. I do not know what he will do—I have no idea. But my concern was this comment—and you may be able to indicate whether there is any truth to it—that there has been testing of campaign techniques in the seat of Ballarat by the government members' secretariat. If you can allay my

concerns about that, that is fine. Let us not get hung up on whether Mr Ronaldson recontests the seat. Let us look at the substantive issue of an alleged misuse of Commonwealth resources.

Senator Abetz—That was the allegation that you put to me. Now you are putting a different suggestion to me. I will take that on notice.

Senator FAULKNER—You cannot give me an assurance that there has been no misuse of Commonwealth resources in this regard? Do you have to take it on notice?

Senator Abetz—As I said to you, I do not avail myself of the misinformation that is usually available on www.crikey.com.au. As a result, I was not aware of that story. As a result of your perusal of the web site and your advising me of its contents, I was made aware of it 30 seconds ago and I will look into it.

Senator ROBERT RAY—Do you realise that you have compromised yourself by that statement? In the last Crikey, they made the point that anyone who mentioned Crikey in the estimates process was going to get a free subscription. You just qualified!

Senator Abetz—I think Senator Faulkner has the first free subscription, and I will get the second.

Senator ROBERT RAY—Yes, both of you.

Senator CONROY—It is not always an accurate journal, though.

Senator Abetz—It is not when they have described me in unflattering terms from time to time.

Senator ROBERT RAY—There is a lot of commonality around there.

Senator CONROY—They suggested that I had perhaps been tired and emotional, at one point, at a party.

Senator FAULKNER—Can somebody indicate to me whether any GMS resources have been moved from Canberra to outside Canberra in the last six months?

Ms Mason—Senator, as we are dealing with outcome 3 here, you have MAPS and Comcar personnel. Support for the government members' secretariat is a home department matter that is within the Finance portfolio. The officers who would be best placed to deal with those inquiries are in the Corporate group and the Corporate group staff have returned to the department. I dare say they will be monitoring the broadcast and taking note of your queries, but we do not have the people here to answer the questions right now.

Senator Abetz—We will take them on notice.

Senator FAULKNER—Perhaps they could join us a little later on. There are a few questions I want to ask and I would prefer to ask them directly, just in case there is any follow-up on this. By the way, my recollection of the last round when we dealt with this is that we agreed to deal with the government members' secretariat at this point in our agenda. I appreciate the point you make about corporate services; I thought we had been reasonably flexible about that in the past, but I might be mistaken. I will come back to it.

Senator ROBERT RAY—I would like to raise the issue of the missive sent out by Senator Ellison on 20 July.

Ms Mason—Excuse me, Senator. Ms Hughes has some staffing information so we could perhaps deal with those questions and wait—

Senator ROBERT RAY—I think we will do that directly after the afternoon tea-break. We will come back to those issues then. I refer to the missive sent out by Senator Ellison about the assignment of duties to staff and basically the fact that, as he says in his last paragraph, ‘decisions about assigning duties to individual staff members and the nature of those duties remain the responsibilities of the employing senator or member’. Is that basically the position?

Senator Abetz—This is the minister’s memo of 20 July?

Senator ROBERT RAY—Yes. I assume that this, in part, may have been stimulated by what we call the ‘babysitting case’ in Queensland. Has that been finalised? I understood that there was an instruction to a staff member to deal with child care. There were problems created in that relationship, there was a dismissal and then there was an unfair dismissal case. I am just asking whether that has been finalised.

Mr Miles—There was in fact an unfair dismissal case involved but it was discontinued by the applicant.

Senator ROBERT RAY—So that has been settled?

Mr Miles—That is correct.

Senator ROBERT RAY—So, Minister, we are still left up in the air, given this memo, as to whether child care can be directed to staff.

Senator Abetz—As I understand it, it did not specifically refer to that issue.

Senator ROBERT RAY—No, it did not. I am asking if there is a view on whether a member or a senator is entitled to direct a staff member to provide child care. I am not asking whether they are entitled to request it, as part of the relationship between staff and member or senator concerned, but whether a member or senator is entitled to direct staff, as part of their duties, to undertake child care.

Ms Mason—At the top of page 2, the circular refers to ‘professional assistance to meet the employing senator’s or member’s objectives as elected representatives’. Perhaps one could take inferences from those words.

Senator ROBERT RAY—You would take inference from those words to—

Ms Mason—That perhaps child-care duty would not be consistent with those words.

Senator ROBERT RAY—As a direction from the member or senator? If the member or senator asks a staffer and they happily agree to look after the kids once or twice because of an emergency, that is not at question; it is the direction, is it not?

Ms Mason—Yes.

Senator Abetz—It is like when the division bells ring from time to time and there is not someone in the office. We have had occasions when there have been strangers in the House.

Senator ROBERT RAY—I think that is understood. Commonsense will prevail.

Senator Abetz—Hopefully. I have just been handed a note which says that the GMS has a role to assist members and senators in their electorate offices. But GMS has not been trialing new election techniques in Ballarat.

Senator FAULKNER—We will get some other people who might be able to assist us with the GMS. Senator Ellison also sent round a circular—he became very expert, Minister, in the

last six months of his period as Special Minister of State in sending around circulars to people.

Senator Abetz—I just hope he used Tasmanian paper.

Senator FAULKNER—I do not know. One of the circulars related to arrangements for bookings with Impulse Airlines and Virgin Blue. You are probably aware of this. It outlines difficulties for Jetset in making bookings on Virgin and Impulse, basically because of different accounting and booking arrangements. So it has been difficult, obviously, for Jetset to establish these sorts of special booking arrangements for parliamentarians. I wonder if anyone could assist me with the background to this. As I read the letter, I must say, it makes it very difficult for parliamentarians, given the processes that have been outlined by Senator Ellison, to use these new players in the domestic civil aviation market. They are quite complex procedures compared to the booking arrangements with the older players.

Ms Mason—We are pleased to report that there has been some progress in relation to bookings through Jetset with Impulse. Impulse has agreed to establish an account arrangement that will facilitate easier booking procedures. We have a remaining difficulty and constraints associated with Virgin Blue. The procedures outlined in the circular need to be followed for bookings for travel with Virgin Blue.

Senator FAULKNER—So is there going to be a new note sent around to indicate this? Senator Abetz will be able to send a circular on this one, will he?

Senator Abetz—That could be my first missive.

Ms Mason—Yes, it is intended that people are notified of that change.

Senator FAULKNER—With Virgin, are you still working on trying to make these arrangements less complex and unwieldy?

Ms Mason—We continually seek to improve services for senators and members and to achieve efficiencies within the department. We will continue to do that. But, ultimately, it will be a commercial decision for that airline as to how they deal with us.

Senator FAULKNER—I suppose the only issue that crossed my mind was whether one of the issues here would be the amount of time it might take MAPS—this is not a criticism—to finalise accounts. I thought that might be an issue for one or other of these newer airlines in the market. Would that be right?

Mr Goodwin—We have a service level agreement with Jetset, through which we finalise the accounts within a specified period. It is a matter for Jetset to deal with the airlines.

Senator FAULKNER—I understand that. Do you know whether the account settlement time is an issue in relation to some of these problems, regardless of whose responsibility it might be?

Mr Goodwin—I have not personally been involved in negotiations, but I do not think it is an issue. I think the issue principally is that those airlines are structured without the necessary accounting frameworks.

Senator ROBERT RAY—I appreciate the answers—2915 through to 2923—given to me by the department. This followed a series of questions about staff removal and transfer. After some broad aggregate answers, I asked for more specific—and then for some more specific—answers. The department has been very cooperative in providing the answers. I am curious about the checks the department does to verify these claims. I notice in the case of two of my fellow Victorians, Mr Peter Costello and Mr Peter Reith, that both had about the same number

of staff move in that period for which you answered the question. I note that the total cost for Mr Costello's staff was \$8,610. I note that the equivalent cost for Mr Reith was \$40,413.15. I am wondering why there would be such a wide differential, when it is the same number of staff moving—presumably, but not necessarily—between Victoria and Canberra. There are other figures given to us here, all of which are much less than \$40,000, and some of whom had to presumably transfer from further away. I am wondering why it is a five to one differential.

Ms Hughes—While I do not have the individual details in front of me, there is a wide variation in the costs of removals. It depends on the point of recruitment. If the person is coming from Perth or Cairns, it necessarily means that the uplift of their goods will be much more expensive. It depends on the family composition of the person. If a person relocates ahead of their family, they are entitled to a longer period of temporary accommodation at the point of arrival. It is up to 13 weeks in the case of a person who is not accompanied by their family. There would also be family associated costs of their travelling either to the minister's home base or to Canberra, wherever they are relocating to. There are also some storage costs—you can store your goods for a certain period. So there is a wide variation we notice in removal costs, for those reasons.

Senator ROBERT RAY—I assumed there would be a lot of variables, but I did not think it would make a five to one difference between two ministers who both operate out of Victoria. From memory, most of the movements are from Melbourne to Canberra, but I cannot absolutely say that. There were not any extraordinary ones; they seemed to have equivalence.

Ms Hughes—It would depend on family composition in that case. Sometimes people simply load their effects into their car and drive up and charge us a mileage allowance—that is the entire cost of their removal, so circumstances vary widely.

Senator ROBERT RAY—I know these are hard fought for industrial conditions, but I am not sure that some aspects especially are not open to misuse. I am sure you will have to take this question on notice: the MAPS section does pay a certain House of Representatives member's printing costs by way of application, et cetera. I am sure that you are entitled to put out a calendar with a magnet on the back—I am sure I have even read that that is an entitlement of members—but I want to ask whether the department paid for this particular one. It was for Mr Gary Nairn MP, member for Eden-Monaro. The printing was done by Excell Printing Pty Ltd at Pambula. The magnets were attached by the Tulgeen Group at Bega. I want to know whether the department has paid for this particular matter. If it did not, I will assume Mr Nairn paid for it himself. I think that is a fair assumption. Could you take that question on notice for me?

Ms Mason—Certainly.

Senator ROBERT RAY—You will be pleased to know, Senator Abetz, that the school holidays are right, too.

Senator Abetz—That is what happens when you can get the printing done elsewhere.

Senator ROBERT RAY—Well, you do not have the same printing allowances, you see.

Senator Abetz—No.

Senator ROBERT RAY—Nothing like it. And you suffer that disadvantage. Can I ask about the decision to use employment agencies to fill electorate office vacancies: was there any consumer demand for this before the decision was sent out? It was circular 009.

Ms Hughes—The former minister did receive some representation from members who wanted to use the services of the local Centrelink in their area to recruit staff.

Senator ROBERT RAY—Presumably there will be no extra cost to the taxpayer, because they have to forgo advertising rights.

Ms Hughes—That is correct, for that position.

Senator ROBERT RAY—Have you done a tally of how much those who have never advertised for staff have saved you over the years?

Ms Mason—No.

Senator ROBERT RAY—I am massively in credit, let me tell you; I never have.

Senator Abetz—You have people queuing at your door wanting to work for you.

Senator ROBERT RAY—No, I just lock it so no-one can get out. We got another memo here, ministerial 30, 'Private plated Commonwealth vehicles, fuel cards and account management'. I read a newspaper article that there was a bit of turbulence in the coalition party room over fuel cards; I never got to the bottom of it. Then this came out some time later, so I can only refer back to this. Firstly, is it correct that you are going to have a more transparent system for senators and members to be able to look at their fuel card charges and verify them? Is that right?

Senator Abetz—That is the idea, yes.

Senator ROBERT RAY—How are you going to do that?

Senator Abetz—If I remember the brief that I was given, we are going to be given the date of purchase, place of purchase and the amount that appeared on the docket. And of course you have to put your odometer reading on it.

Senator ROBERT RAY—I have been putting the odometer reading on for a long while, but I think Senator Faulkner and I have had other experiences occasionally: you go in, get your petrol, tell them the odometer reading, grab the receipt, put it in your pocket and two days later you find that they have not put the odometer reading on it even though you have given it to them. I assume there would be some flexibility to deal with those circumstances.

Ms Mason—In those circumstances, the member or senator would be asked to certify that the account was correct before we pay it. It does build an additional step in, but the account can still eventually be paid.

Senator ROBERT RAY—In the very early days of petrol cards there was some concern that some people may have been running up other bills on them. Am I right in saying that technology these days itemises everything and that can now be excluded from consideration?

Mr Ignatius—That is correct. The information we get from Dasfleet has each item shown and what it was for—whether it was for fuel, car wash—

Senator ROBERT RAY—Tell me what you are entitled to use the card for: fuel, obviously; oil?

Mr Ignatius—Correct.

Senator ROBERT RAY—And a car wash?

Mr Ignatius—That appears on the card. The entitlement is for the operational costs of the vehicle. That is what is funded by the Commonwealth. That is generally interpreted to be fuel, oil and car wash.

Senator ROBERT RAY—I have never used it for a car wash. I thought you could, though.

Senator Abetz—I will have a clean car from now on.

Senator ROBERT RAY—I thought your kids would earn their pocket money. Do your kids take Shell Card?

Senator Abetz—I don't think so.

Senator ROBERT RAY—You would not expect people to make a meal out of the car wash thing, would you? You would expect they would have a car wash once a month or once a fortnight, I take it?

Mr Ignatius—There is no specific guidance on that, no.

Senator ROBERT RAY—Will this use of the car wash be on the monthly report?

Mr Ignatius—Yes.

Senator FAULKNER—Could you buy brake fluid on the card?

Mr Ignatius—If the car required that, I would interpret that as being for maintenance and operation of the vehicle. I think that would be reasonable.

Senator ROBERT RAY—There are special arrangements for tyres and batteries, as I understand it.

Mr Ignatius—As I understand it, yes.

Senator ROBERT RAY—Members and senators now know that they must put the odometer reading in. They will have a chance to peruse the accounts when they come in, and they know the only things they can put on the card are fuel and the types of running costs that you have indicated here today. I think that will make it clear for all our colleagues.

Mr Ignatius—That is the intention of it.

Ms Mason—That information about user fuel cards is already included in the monthly reports.

Senator ROBERT RAY—I think I saw it in the last report.

Ms Mason—Yes.

Senator ROBERT RAY—What we want on the public record is not always within our knowledge, so it is nice to get it all there so everyone can read it—or 76, at least.

Proceedings suspended from 4.02 p.m. to 4.23 p.m.

CHAIR—Minister, Senator Ray says I have precedent for the first question so I will take that. Just quickly, recently in the *Bulletin* magazine a former senator, Mr Noel Crichton-Browne, made the allegation that the minister in some way was dragging his feet with respect to investigation of an issue involving a Mr Wilkie in Western Australia. I was wondering whether you could clear that up.

Senator Abetz—That is in relation to the former minister?

CHAIR—Yes.

Senator Abetz—As I understand it, everything has gone through the appropriate processes. Whilst some people may have wanted certain things to be done more expeditiously for certain purposes, from what I can gather, I believe that Senator Ellison pursued the normal and appropriate course and the other matter is ongoing.

CHAIR—In your understanding due process has been followed?

Senator Abetz—Yes.

Senator FAULKNER—Can I just, first of all, Dr Boxall, say thank you to the department for at least keeping in touch with me about my FOI request in relation to documents on the usage of telecards issued to Mr Reith. I did lodge that request on 13 October, and I wanted to indicate that I do appreciate the fact that, even though there has been delays, the department kept in touch.

Dr Boxall—Thank you.

Senator FAULKNER—I also wanted to say that I felt that the reasons for the delay in this case were sound. But the most important thing is that if you have managed to keep in touch with people about the progress of these sorts of things it tends to create a great deal less angst. I thought that was worth placing on the public record. I might say, having given that bouquet—

Senator Abetz—Now the backhander.

Senator FAULKNER—No, I am always generous—the claims for exemption have been stretched almost beyond breaking point. It could not be possible to stretch them any further. As an example, I might say, Dr Boxall, there is no document at all that even mentions the name ‘Paul Reith’. None of the correspondence between Mr Reith Sr and the department or any of the legal opinions relating to Mr Reith’s liability for the \$50,000 have been released. So I am balancing my comment in relation to the fact that you did keep us informed of progress with, nevertheless, a comment about the nature of the FOI request.

But just following on from those documents being provided I did want to ask a few questions. I just want to establish a couple of facts here. It is true, is it not, that from the time Mr Reith was first advised of the overuse of his telecard, which was on 30 August 1999, right up to the meeting that occurred with MAPS—I think Mr Gavin and Mr Wight were the attendees there—on 13 April 2000, Mr Reith maintained that the telecard usage was totally unconnected with him? That is, I think, absolutely clear from the documents you have provided.

Ms Mason—Senator, I am not in a position to answer that question. The people who would be best placed are either Mr Wight or Mr Gavin, neither of whom are present this afternoon. Mr Wight is on other duties and Mr Gavin is not at work today. If you have a particular question, of course, we can—

Senator FAULKNER—It is going to be made very difficult in that circumstance for me to progress this issue at this hearing, and that is a pretty unsatisfactory situation.

Mr McMahan—Can you just confirm for me the nature of your question. You were saying is it true that from the time that Mr Reith was advised on 30 August 1999 to the meeting between Mr Reith and MAPS, Mr Reith said that the telecard was unconnected with him?

Senator FAULKNER—Yes.

Mr McMahan—That is my understanding.

Senator FAULKNER—Thank you.

Senator ROBERT RAY—I have read the same documents. Have we got a date on which Mr Reith first acknowledges that the use of the telecard might be related to him in some way?

Mr McMahan—Is there a date that he acknowledges that?

Senator ROBERT RAY—Yes. All the way through these documents it is reflecting that Mr Reith said he did not have the telecard—that is in the early stages of the documents—that he had handed it back or that he had never got another one. I just want to know at what point he suddenly started to acknowledge that, yes, there was a telecard there and it was used.

Mr McMahan—I am not sure that I can answer that. We can probably go back and have look at the documents that we have. I do not know that I will be actually able to answer that then. If I understand your question, it is, ‘When did Mr Reith acknowledge that he had a telecard?’

Senator ROBERT RAY—That he had a telecard or was responsible for its use post the critical date in 1993 on which the old one with the magnetic strip was sent back and the new one was issued, which was then extant for the rest of time—until it was cancelled on 30 August 1999.

Mr McMahan—Perhaps I should preface this by saying that I have certainly looked at all of the documentation that covers the Reith telecard affair but you might appreciate that the pile of papers is quite high.

Senator ROBERT RAY—How high is it?

Mr McMahan—It is fairly significant.

Senator ROBERT RAY—I just wanted to compare it with what we got under FOI. Was it this high or this high?

Senator FAULKNER—It looked like two metres there so I reckon I am about 1.9 metres short at the moment.

Mr McMahan—All I am saying is that I have been through all the documentation. There is a lot of it. I went through it in a reasonably short time, as you would appreciate. I was not involved in the processes earlier on, so I am just prefacing my comments in that regard. What I have also said is that we will go back and have a look at the documentation to try and establish whether there is a point that can be reasonably drawn or whether there is not a point.

Senator ROBERT RAY—Thank you.

Senator FAULKNER—Mr Gavin said, at the last round of estimates:

... it was decided that the sensible thing to do, given particularly our understanding of Mr Reith’s view that the card usage was totally unconnected with him, was to visit him with the evidence in the form of these documents and take him through it to the point where he appreciated that there appeared to be a linkage to him so that he was given the opportunity to reflect on what he had earlier said.

It is true—and this is in terms of key dates—that Mr Reith himself told the *Canberra Times* on 9 October that it was only in the course of the DOFA investigation that he was ‘made aware for the first time of some use of the card by a member of my family’. So I think in this sense there is little argument. Dr Boxall, is it true that for 7½ months after Mr Reith was made aware of this huge fraud on his telecard he failed to remember that he given the telecard details to his son? His lapse of memory was 7½ months and lasted until Department of Finance and Administration officials convinced him or reminded him.

Dr Boxall—I do not know that I can comment on what Mr Reith remembered or did not remember but the testimony of Mr Gavin that you just read out was about the staff meeting with Mr Reith—which is the April 13 meeting. That meeting, as Mr Gavin quite rightly points out, was called with Mr Reith so that the officers of the department could go through the material with him and show him what material we had uncovered in our investigation.

Senator FAULKNER—Yes. So it is only when DOFA confronted Mr Reith with the evidence of the analysis of the calls on the telecard that Mr Reith suddenly recalled this vital piece of information—that he gave the telecard to his son. That is right, isn't it?

Dr Boxall—I cannot really comment on that, Senator Faulkner. All I can say is that at the meeting of 13 April, when Mr Reith checked over the material that was provided to him by DOFA, he did mention the possibility of the telecard being used by his son. That is not to say that that was the first time he realised it. I am just saying that that is the first time, in my recollection, he communicated it to us.

Senator FAULKNER—But Mr Gavin used the words, 'given particularly our understanding of Mr Reith's view that the card usage was totally unconnected with him'.

Dr Boxall—Mr Gavin's words stand.

Senator FAULKNER—I accept them. I am making the point that, for 7½ months at least, Mr Reith refused to accept any responsibility. I think that is a fair statement.

Dr Boxall—That is a comment that you are making. Officials from the department cannot comment on your point—

Senator FAULKNER—No, but they could comment on whether, at the meeting on 13 April between Mr Gavin, Mr Wight and Mr Reith, Mr Reith was informed of DOFA's view that he was liable for the full amount of the \$50,000.

Dr Boxall—My recollection is that, at the meeting on 13 April, the departmental officials discussed with Mr Reith the material that they had uncovered in the investigation. I do not think—but we can check—that he was actually informed at that time that it was our view that he was liable for the full amount. I recall that he was informed by letter a little later.

Senator FAULKNER—Yes, that is true. I think that letter was dated 2 May, from memory.

Senator FAULKNER—We know that the department formally wrote to Mr Reith about the department's view of his liability on 2 May. It struck me as being quite likely—more than likely, in fact—that he was informed of that view on 13 April. I did want to try to establish that if I could.

Dr Boxall—Unfortunately, as we mentioned earlier, Mr Gavin is indisposed today. He was prepared to come in, but the committee elected not to call him in, which we appreciate. Mr Wight is on official government business, he is not on leave, and unfortunately—

Senator FAULKNER—I am not criticising the two officials.

Dr Boxall—I just want to make it clear for the *Hansard*. Unfortunately, those were the two officers who were at the meeting. I was not at the meeting, so I do not know whether the two officers actually said to Mr Reith in unequivocal terms what the department's view was. What I do know is that it was communicated to Mr Reith in writing, and you quite correctly point out that it would have been the letter of 2 May.

Senator FAULKNER—Could you take that on notice, then, so we can establish whether that issue was raised on 13 April?

Dr Boxall—Certainly we will take that on notice.

Senator FAULKNER—Thanks. Can you confirm that in the letter to the department of 8 May 2000—which is mentioned in these FOI documents but it is not released—Mr Reith indicated that his assessment of the cost of phone calls made by his son was \$950, for which he enclosed a cheque, but that he did not accept liability for the remaining \$49,000?

Mr McMahon—Can you indicate which document that is?

Senator FAULKNER—I am talking about Mr Reith's letter of 8 May.

Mr McMahon—Do you have a document number there?

Senator FAULKNER—No, sorry. We have only just got this material, as you know, and document numbers are not my highest priority.

Mr McMahon—A letter that I have in front of me, which is from the minister to Daryl Wight, says:

I accept that costs of around \$950 are my responsibility and I enclose a cheque for that amount.

Senator FAULKNER—Does it indicate that he does not accept the liability for the remaining \$49,000, or is the letter silent on that issue?

Mr McMahon—It is not silent; it offers an opinion from Mr Reith.

Senator FAULKNER—Can you share that opinion with us?

Mr McMahon—It says:

I do not believe I can be reasonably held responsible.

Senator FAULKNER—So he did not accept liability for the remaining \$49,000. These documents also reveal that, when Telstra rang on 17 July 1998 to inform DOFA that Mr Reith's telecard had been identified on a monthly high usage report, the department made some inquiries and produced a report. That report was dated 31 July 1998. I think that is a pretty accurate summation of the early stages. Would that be right?

Mr McMahon—I think that is correct.

Senator FAULKNER—And that report, according to these documents, says:

So that Telstra can validate the veracity of the calls made and, if necessary, can proceed with an investigation into any suspicious circumstances ...

I think you can confirm that that is the case also?

Mr McMahon—I think that is correct, yes.

Senator FAULKNER—And it is also true that the inquiry has ascertained that Mr Reith could not have made either of the two calls about which Telstra expressed concern. One was from Melbourne at 4.07 p.m. on 7 July 1998, when Mr Reith was in Canberra, and one was from Perth at 6.39 p.m. on the same day, when Mr Reith was en route from Canberra to Perth. You can confirm that?

Mr McMahon—I seem to recall seeing those documents, yes.

Senator FAULKNER—And then it seems, according to the papers I have available—mind you, I am a couple of metres short of the full wad of material, and these have been extensively censored—that after that the investigation falls into a hole. There is no indication that the report ever led to any action. I wondered if someone could assist me with that.

Dr Boxall—I think we have been over this before. A cursory investigation was done, but because of the restrictions on access to the MAPS staff to individual phone numbers—which goes back to that protocol that was put in place in the early nineties—it was not possible to investigate further. So, after a cursory examination was done which checked his travel records and what have you, it was decided not to pursue it. That has consistently been the position.

Senator FAULKNER—As you say, Dr Boxall, we have canvassed this area previously. I appreciate that that is right. But my interest here is in some of the public statements that have been made—now that I have had a chance to look at the documentation—by the Prime Minister. Were you aware what the Prime Minister had to say on 20 October last year about this warning? On 20 October on the Neil Mitchell program, he said:

It was found that Mr Reith in fact had visited the part of the country in which the card had been used so the use of the card was not irregular.

But that is not right, is it?

Dr Boxall—I do not know. I would need to look at the whole statement. But the point is that a staff member in the Ministerial and Parliamentary Services area did do a cursory investigation. Mind you, they did that cursory investigation knowing that there was a regulation in place about investigating individual telephone numbers, but they decided not to proceed. My understanding is that the reason they decided not to proceed was that they crosschecked with some travel information and concluded that Mr Reith had indeed visited the place in question.

Senator FAULKNER—Yes, but it is quite clear from this documentation that the inquiries made made it absolutely and categorically clear that Mr Reith could not have made two calls. That is about the only bit of useful information in the FOI documents. Knowing that, I then went back and had a look at what Mr Howard said on the Neil Mitchell program, which is just plain wrong. He made another comment in a doorstep on 23 October which was just plain wrong again. I can show you the transcript if you like. It says:

And what happened was there was a low level contact between Telstra and the department and they looked at Reith's travel patterns and were satisfied that the use of the card was consistent with those patterns and decided to take it no further.

Given that those statements are clearly incorrect from the documentation you have provided to me, I was interested in whether you were able to provide any briefings around this time to the Prime Minister, the Prime Minister's office or the Department of the Prime Minister and Cabinet to try to clarify some of the key points where the Prime Minister is out there in the public arena making clearly incorrect statements. On what basis could the Prime Minister say that? Those statements are wrong.

Dr Boxall—Clearly the Prime Minister was advised along those lines.

Senator FAULKNER—Who advised him? I do not necessarily expect you to know. My question to you is: did DOFA advise him or the Prime Minister's office?

Dr Boxall—No, DOFA does not advise the Prime Minister's office directly. It is possible that the Prime Minister was advised by the office of the Special Minister of State after having received advice from DOFA.

Senator FAULKNER—Could we establish whether that is the case?

Dr Boxall—I do not know. I do not know what the Special Minister of State advised the Prime Minister.

Senator FAULKNER—But do we know whether any advice was provided by DOFA to the Special Minister of State that might have enabled him to brief the Prime Minister on this issue?

Dr Boxall—There was a question time briefing and other briefing material related to the low level contact between Telstra and MAPS around July 1998. That briefing was provided to the Special Minister of State. There were question time briefings done at that time.

Senator FAULKNER—I am interested in how the Prime Minister could have got those statements so wrong on 20 October and 23 October. I did not realise until seeing these documents—even in their limited form—the extent of the inaccuracies in the Prime Minister's statements. I am not necessarily critical of this—this is just one of those things that occur—but I am interested in trying to understand any background and any involvement the department might have had, given the information that you have been able to provide to me. The Prime Minister has made two grossly inaccurate and incorrect statements. What was the basis for making these statements? That is what I am asking you, if you can help me.

Dr Boxall—I cannot help you with the Prime Minister's statements; all I can do is repeat that which we discussed last time: the department carried out a cursory investigation by cross-referencing with travel records which, at the time, established, they thought, that Mr Reith could have been in those locations. So there was a decision taken not to pursue the matter any further. That was the tenor of the advice that was given to the Special Minister of State.

Senator FAULKNER—And that was generated in the department?

Dr Boxall—Yes.

Senator FAULKNER—In MAPS?

Dr Boxall—Yes.

Senator FAULKNER—We will progress it with Mr Gavin and Mr Wight when they come back.

Dr Boxall—Certainly.

Senator FAULKNER—I have no alternative but to deal with them on this particular matter, as you would appreciate, as they were the first parties in relation to some of these issues. No doubt, we will be able to make a little progress next time.

Senator ROBERT RAY—The other thing that stands out in those documents—and it could be because of the absence of other documents that puzzles me—is the department's behaviour from 30 August right through until the matter was resolved. A fair bit of activity is generated and then the internal audit unit is called in and, according to these documents, they are very active in chasing everything up. They meet and report back and, at some stage, they are sent away to do more investigations. I am not wrong in that, am I? It was around 13 November.

Dr Boxall—From recollection, that could be right.

Senator ROBERT RAY—There is this query in my mind: did they then take a long while to complete this extra task? There seems to be a bit of a black hole before the activities in April.

Dr Boxall—Not really. The internal audit started investigating in September, I think.

Senator ROBERT RAY—That is right.

Dr Boxall—They investigated, came back and were sent away to investigate further. They continued investigating right into December. Admittedly, nothing much happened in January, but February, from memory, was when we first called a meeting to, in a sense, take stock of the situation. It might seem a long time, but the investigation—because there were so many

telephone calls—was huge. It was a huge exercise to pull together all this material, trace calls, try to work out from which telephone number the calls were emanating and which telephone numbers were most frequently called. Based on other investigations which pass by my department in the public sector where the AFP is called in to investigate things, this was pretty quick work. A huge amount of information had to be assembled, analysed and gone through. So it is not as though a lot of time was lost. One reason why the AFP were able to move so fast when it was finally handed to them was that they had basically taken all the work that had been done by DOFA internal audit.

So I can say to you, Senator Ray, that, as you know from the record, once the matter was raised in August, the internal auditor was working very hard on the matter in September, October, November and into December. From memory, not much was done in January. But the whole process was kickstarted in February, using the committee system, which was to try to introduce some objectivity into this matter and to take up the matter with Mr Reith. Again, you cannot go to Mr Reith, or to any member or senator for that matter, with such a serious issue without having done your homework. So they went off to Mr Reith and discussed it with him on 13 April, and you know pretty well the sequence of events after that. But the committee which I chaired as the secretary to DOFA met quite intensively for two periods of time. One period was during April-May, and the other period of time was when the results of the AFP investigation came in, which would have been around September or October 2000.

Senator ROBERT RAY—Thank you for that. If I see a hole there it is in February-March. Nevertheless, I accept what you say and how much quicker it must have made the Federal Police investigation because of the preliminary work that you did. I have only two other questions on this. One is actually a comment. If you look at the department's behaviour in October, I think it was one of your finest hours. Having got on top of the issue and having it broken publicly, I think the way you pursued it is to be commended, because they must have been tough circumstances.

Dr Boxall—Thank you.

Senator ROBERT RAY—I have one other question, out of curiosity. When Senator Faulkner, and to some extent I, started asking questions about telecards in May 2000, did that ring a bell with anyone?

Senator Abetz—It didn't ring the phone, by the sounds of it.

Senator ROBERT RAY—Because you did have a committee meeting considering a sensitive issue, and I was just wondering.

Dr Boxall—We did note the timing of your question.

Senator ROBERT RAY—Thank you.

Senator FAULKNER—When you examine this in terms of the FOI material that has come to me, Dr Boxall, you might care to go to the brief marked 'TeleCard/Reith' in travel and transport services, dated 31 July 1998, which does talk about the EMIS records—now that I know what EMIS is, that is a very good thing—and that Mr Reith departed Canberra. It talks about the 4.07 p.m. flight and the 6.39 p.m. call and about the 5 p.m. flight departing Canberra for Perth and arriving in Perth at 8.35 p.m. As you can see, there is concern that the telecard may have been used without Mr Reith's consent or knowledge. Attached to that are what are described as the 'EMIS screen dumps' and the 'Telstra telecard' report. It is that background that you and I are both aware of that is the reason I ask these questions in relation to the public statements made by the Prime Minister. My question goes to the nature, if any, of

any briefing. If it occurred it seems to have been very inadequate in the circumstances. The Prime Minister has just got the wrong end of the stick on this.

Dr Boxall—We will investigate that.

Senator FAULKNER—That is the key document, and I point out that I am comparing the information you have provided to me in that document with the public statements that the Prime Minister made on 20 October and 23 October last year. Understanding all the background that we have traipsed through over many hours on this issue—and I do not want to do it any longer—it does appear that the briefing that the Prime Minister received, if he received a briefing, was not adequate. Certainly, there has somehow been a massive miscommunication of the facts that has led to factually incorrect material being used by the Prime Minister in his doorstep on 23 October and on the Neil Mitchell program.

I do not expect you to explain to me that they are not your words; that they are the Prime Minister's words. I am merely trying to fill in the gaps prior to 20 October and 23 October—to try to understand the nature of briefings and whether or not there is any reason for these inaccuracies being on the public record. Anyway, we will chase it down at a later stage. I want you to be clear: that is the key document from the FOIed material in relation to showing—clarifying—how wrong the Prime Minister got it in his public statements.

Senator ROBERT RAY—Is now an opportune time to return to the two principal advisers? Do we have further information on that?

Dr Boxall—We have made some limited progress on that question, Senator Ray.

Ms Briton—Senator, you asked who the two principal advisers were on the Prime Minister's staff.

Senator ROBERT RAY—Yes.

Ms Briton—They are the two most senior positions. There is the Chief of Staff—

Senator ROBERT RAY—Who is that?

Ms Briton—Arthur Sinodinos. The secretary to the cabinet policy unit is Mr Paul McClintock.

Senator ROBERT RAY—So when we see it here, we are acknowledging that Mr McClintock is directly in the Prime Minister's office—which has always been a matter of argy-bargy, but that is good. So I take it there is a third principal adviser in the Prime Minister's office, who was not subject to those arrangements.

Ms Briton—That is correct.

Senator ROBERT RAY—It is a bit confusing, but we are getting there. We know who they are.

Dr Boxall—The next question was: when?

Ms Briton—In respect of Arthur Sinodinos, it was 17 August 2000. For Mr McClintock, it was 10 July 2000.

Dr Boxall—The next question is: why? We would like to take that on notice because we do not have that just at the moment.

Senator ROBERT RAY—Yes, I think it can be. I should make this clear: you are the department responsible for MOPS, but you are not necessarily the approving agency for

allocation of staffing levels, et cetera. We have this division between you and Prime Minister and Cabinet.

Dr Boxall—That is correct.

Senator ROBERT RAY—I could not raise these issues in Prime Minister and Cabinet and, prior to you giving us this very helpful document, I did not know about them. If you cannot answer the why question, you might pass it on to Prime Minister and Cabinet to try to answer.

Dr Boxall—Okay.

Senator ROBERT RAY—Even though I am smelling a rort here, I do not smell a DOFA rort.

Dr Boxall—The next question was: how much? As you point out, this raises privacy issues, so we would obviously like to take that on notice too. These people are on AWAs and we need to take that into consideration.

Senator ROBERT RAY—Yes, I did qualify it there. But there is very little privacy on salary levels, as you know, because the various gradients are spelled out everywhere. We do know that it must be beyond \$142,000 because otherwise special arrangements would not have had to be made.

Senator FAULKNER—Do not forget that the other bands are made public, and you have done that today anyway.

Dr Boxall—I beg your pardon, Senator Faulkner?

Senator FAULKNER—The other bands are made public in terms of MOP staff.

Dr Boxall—That is correct.

Ms Mason—Within a range.

Senator FAULKNER—I am sorry, should I use the word ‘range’ and not ‘bands’?

Dr Boxall—Yes.

Senator FAULKNER—I consider myself castigated.

Senator ROBERT RAY—I think I am going to get hit to the boundary here. What is the new range for principal adviser, taking into account the new arrangements?

Dr Boxall—We have to take that one on notice. We do not know.

Senator ROBERT RAY—That does not ask for an individual’s range.

Dr Boxall—I appreciate your question, but we do not have the information, so we need to take it on notice.

Senator ROBERT RAY—But you tell us that the staff committee approved these changes.

Ms Briton—That is correct, Senator.

Senator ROBERT RAY—Do we have any further information—and I know you took this on notice, but I thought you may have got the answer—on who is on the staff committee?

Senator Abetz—Sorry, but we have not pursued that.

Senator ROBERT RAY—I thought some of the other officers may have.

Ms Briton—It is a committee of ministers, and I am not aware which ministers are on that committee.

Senator FAULKNER—What formal bureaucratic function does it have in terms of its interface with MAPS or DOFA?

Dr Boxall—Broadly speaking, it is a committee to advise the Prime Minister and other ministers as to the appropriate salaries of ministerial staffers. The interaction with us is that, once a decision is made to pay a staffer certain salary, we then proceed to pay it.

Senator FAULKNER—Who informs you of that?

Ms Briton—The chief of staff of the Prime Minister.

Senator ROBERT RAY—So one day—presumably a little after 17 August 2000—Arthur rings you up and says, ‘I have a pay rise. Pay it.’ Is that the way it works?

Ms Briton—Sorry, let me correct that. The chief of staff of the Prime Minister provides advice to the Special Minister of State and the office of the Special Minister of State provides advice to ministerial and parliamentary services.

Senator FAULKNER—Cut out the middleman—that is what I always say.

Senator ROBERT RAY—We do not know when this staff committee was set up. What puzzles me, Minister, is that we had salary ranges before that were pretty immutable, although you could upgrade them. Once you get to principal adviser, you cannot really upgrade. I am just wondering what controls are in here. The Prime Minister has upgraded three of his staff. It sounds a little strange to me that it can be done in that way without some sort of bureaucratic or other control. It is not this department’s direct responsibility: it is the executioner of the decision and not the maker of it.

Dr Boxall—Senator Ray, it is consistent with the devolved management of personnel matters where chief executives now have a discretion to set salaries for people within their own departments. This procedure is consistent with that.

Senator ROBERT RAY—I think the arguments here, Dr Boxall, for privacy start to evaporate when you consider who the decision makers are. The decision makers are political masters employing either political staff or staff—they often fall into either category—so the defence of privacy there is not, I think, very strong. I think the need for transparency overrides that. But anyway, whether that is right is a decision that I know you will make in consultation with people. If in fact you cannot give us the individuals—Arthur Sinodinos and the other chap—you might consider giving us what the total salary bill is for the five principal advisers within government. It is true that, if they are all paid at an extreme, a clever person might be able work it out then, but at least there is some coverage in that. We have usually asked those questions on an even broader range where there can be no individual identification. Can I put that to you as a supplementary question on notice for if I fall at the first fence.

Dr Boxall—We will take that on notice, Senator Ray.

Senator ROBERT RAY—When was the decision made to create the two special adviser positions? Have we got any information on that?

Ms Hughes—That was in June 2000, Senator.

Senator ROBERT RAY—What would happen if Mr Beazley rang up tomorrow and said, ‘I would like my chief of staff to get some extra money’? What would be the processes involved there? If Mr Costello is watching, don’t get excited—I am not serious about the pay rise.

Dr Boxall—Senator Ray, our understanding is that Mr Beazley, hypothetically, is free to negotiate an AWA with members of his staff within the framework set by the Prime Minister. In the event that he wanted to go outside that framework, he would need to approach the Prime Minister, because it is the Prime Minister's framework. That is our understanding.

Senator ROBERT RAY—But it does not go to the staff committee?

Dr Boxall—That is our understanding. If that is not correct, we will correct it. My understanding of the staff committee is that that has been in place virtually since the coalition came to government in 1996 and that is an internal committee for the government to review, set and advise on pay and conditions for government ministerial appointments.

Senator ROBERT RAY—Would the staff committee have approved and presided over the 63 extra government staff members since 1996, or is that in another area?

Dr Boxall—I believe that the—

Ms Briton—Yes, Senator. Those decisions are made by the government staff committee.

Senator FAULKNER—Has the government staff committee only got responsibility with MOP staff or does the staff committee also from time to time look at the issue of departmental liaison officers? I know that you are going to tell me about the authority lines in relation to that. I appreciate that. But it seems a perfectly reasonable question in the context of this wide-ranging discussion that we are having.

Ms Briton—The government staff committee is concerned solely with senior ministerial staff positions under the MOP(S) Act.

Senator ROBERT RAY—Was this the committee that, to your knowledge, approved that raft of upgrades from advisers to senior advisers two years ago?

Ms Briton—Sorry, I'm not familiar with what happened two years ago, Senator.

Senator ROBERT RAY—I am.

Senator FAULKNER—When you say 'senior' in terms of the classifications, can you indicate, in relation to the staffing establishment as of 16 February 2001 document, how we define 'senior' here. Are consultants, principal adviser, senior adviser or any of the others included?

Ms Briton—It is position at adviser level and above.

Senator FAULKNER—So it is consultant, principal adviser, senior adviser, media adviser and adviser.

Ms Briton—I am not entirely certain in respect of consultants. I do not know whether those arrangements—

Senator FAULKNER—Fair enough.

Senator ROBERT RAY—Could I ask this question—it may foreshorten things a bit, Minister: who chairs this committee? That is where you would take most of your questions, I think, if it is part of their ministerial responsibilities. Do we know that?

Senator Abetz—If I recollect, it is a joint chairmanship between Senator Hill and Mr Reith.

Senator ROBERT RAY—And there has been no change since Mr Reith changed portfolios, or you would not know that yet?

Senator Abetz—I am not sure.

Senator ROBERT RAY—He is industrial relations up until that point. That is why I wanted to know.

Senator FAULKNER—Are you on the committee as Special Minister of State?

Senator Abetz—Yes. I have been to one meeting—

Senator ROBERT RAY—We could pursue Senator Hill on the environment committee, because that is his primary committee, and ask him some questions. Thank you for digging up what you have got so far.

Senator FAULKNER—Could I ask a couple of very quick questions about Comcar. My questions relate to circular 2000/34. This is in relation to the recommendations by Justice Barblett. I just want a clarification, Minister. This of course is in the name of your predecessor, but I am sure you will be able to help me. The first arrow point says, ‘Comcar will not be restricted to any set hours of operation. Comcar vehicles and drivers will be available later at night.’ Could you tell us what ‘later at night’ means? Have you got any clarification or further definition of that?

Mr Sweeney—The new shuttle arrangements that have been put in place allow for vehicles to be available with drivers from 6 p.m. until midnight, from Monday through Thursday during sitting weeks.

Senator FAULKNER—You use the word ‘shuttle’?

Mr Sweeney—Yes.

Senator FAULKNER—Is there any significance in your use of the word ‘shuttle’?

Mr Sweeney—The reference there is during sitting weeks. The reference in relation to Senator Ellison’s note of 15 December refers to vehicles being available later at night. We are saying there that the core hours for Comcars, vehicles, as opposed to the Comcar service, has been extended.

Senator FAULKNER—Until midnight?

Mr Sweeney—No, I stand corrected on that. I was speaking in relation to midnight about the shuttle in sitting weeks.

Senator FAULKNER—So what is the situation in relation to this arrow point here?

Mr Sweeney—Comcar vehicles, on a booking basis, can be made available, with a driver, through a booking through our national number, with advance booking to meet any requirement.

Senator FAULKNER—The third arrow point says, ‘This initiative takes effect immediately.’ So it is in place now, obviously?

Mr Sweeney—Yes.

Senator FAULKNER—Did it literally kick off as the minister’s circular went out?

Mr Sweeney—That was the intention.

Senator FAULKNER—Anyway, it is in place now and has been for some time.

Mr Sweeney—Since the 15th, yes.

Senator FAULKNER—Good. Are there any plans for the review—which goes to the next arrow point, the driver training program—that is going to occur in the first half of 2001? Is there any development of that?

Mr Sweeney—We have got plans under way for that to occur. We are seeking expressions of interest in the next month or so to look at the providers for the training of our drivers.

Senator FAULKNER—But who is going to do the review?

Mr Sweeney—We have an internally managed process to do a review of driver training and to—

Senator FAULKNER—So it is an internal review?

Mr Sweeney—There is an internal review of the process to go to tender for training. For the class 6 training, we use external providers.

Senator FAULKNER—So a Commonwealth officer will be conducting the review?

Mr Sweeney—Yes. Commonwealth officers will be doing the preparation for the tender for the training that will be done.

Senator FAULKNER—I hear that, but this says, ‘Comcar will review its driver training program.’ That is a bit different to a tender, or am I missing something, Dr Boxall?

Dr Boxall—I think you are.

Senator FAULKNER—If you could tell me what I am missing, I would appreciate it.

Mr Hodgson—As part of the Barblett review, it was recommended that we look at the level of driver training on a couple of fronts. One is to establish whether, in some particular cases, we were overtraining the drivers for the purposes they have been asked to perform. Another area was whether drivers who were not permanent drivers had been adequately trained for the purposes which occasionally we asked them to carry out. So we are undertaking a review to establish the level of training appropriate for each area and then whether that can be cost effectively delivered externally or by some other means.

Senator FAULKNER—How will the review be conducted?

Mr Hodgson—The review will be conducted internally by the Comcar branch.

Senator FAULKNER—And you still plan to do this in the first half of 2001?

Mr Hodgson—Yes.

Senator FAULKNER—So it is your responsibility, Mr Hodgson, effectively?

Mr Hodgson—Yes.

Senator FAULKNER—Are these new contractual arrangements which are mentioned at the bottom of the page in relation to hire cars used by Comcar being separately negotiated with contractors?

Mr Hodgson—Correct. In the past—again, as part of the Barblett review—it was identified that we had some varying standards with regard to hire car providers. These were hire cars which were provided to senators and members when a Comcar was not available. We have had a review of the performance of a number of these hire car companies and set a performance contract which we are negotiating with each of these companies. Essentially, they will be contracted to meet those standards of performance with the appropriate penalty clauses, and if they are not prepared to sign up to that, they will not make the new list of available hire cars.

Senator FAULKNER—Finally, I noticed there is an indication that Comcar has already reduced overheads by decreasing the number of administrative and management positions. How many have gone?

Mr Hodgson—I am sorry, I do not have that exact figure to hand. I can take it on notice.

Senator FAULKNER—Can you take on notice how many have gone and what are the savings? I think that is reasonable in this instant, isn't it, Dr Boxall?

Dr Boxall—It definitely is.

Mr Hodgson—I should say that the savings identified for the review overall were \$700,000 a year.

Senator FAULKNER—But I am talking about other savings.

Senator ROBERT RAY—On that question, have you got a computed saving for the revised Comcar shuttle arrangements that apply around this building?

Mr Sweeney—Yes, we have an estimate of \$100,000 in a full year.

Senator ROBERT RAY—You seem to have revised these just to deal with peak periods—that is, before parliament sits and after it sits. Am I right in saying that the shuttle is here for longer, though, than it used to be?

Mr Sweeney—It is available from 6.00 a.m. until midnight in sitting weeks. For evening periods, that would constitute a period that is longer in coverage than it previously was. But, having said that, during the day, it is not available during the business of the House. So, overall, it is available for a shorter period of hours.

Senator ROBERT RAY—My guess is that most members would rather it be available later, rather than getting out there and finding nothing there, and would sacrifice those periods during the day. There is one curiosity in this memo that you sent out, Mr Sweeney, and that is the shuttle on Friday—5.00 a.m. until 9.00 a.m. Why was 9.00 a.m. chosen and not about 9.30 a.m.? There is a 9.55 a.m. flight that an awful lot of people get on. Maybe you could dispatch them before then.

Senator Abetz—How lazy getting up that late!

Senator ROBERT RAY—This is for the less conscientious—for the efficient parliamentarian who does not have to race home and crawl to their preselectors and electors to get here. There are a few on the flight. I will not nominate them—but I am one.

Senator FAULKNER—And there are the others who have done three or four hours work in their office.

Senator ROBERT RAY—I am just wondering whether 9 o'clock is absolutely definitive or whether it can be varied. It just seems to me to be strange that you might miss one of the major flights out.

Mr Sweeney—Part of our implementation program is to get feedback from the customers. We will certainly take on board at the end of this session the responses that we get.

Senator ROBERT RAY—I think 9.15 a.m. would cover it. It just stuck out to me. I actually book one before then, but if you live near the airport you might not. That is all I have for MAPS.

Senator Abetz—There are two things. We have from Ms Mason the fax imprint in relation to Senator Brandis's question and I have a map.

Ms Mason—In answer to the question, the time it was received in MAPS was 12.50 p.m. on 14 February.

Senator ROBERT RAY—What time did the journo ring—12.40 p.m?

Senator BRANDIS—It merely revealed that the story was written some time before that. The remark was made to the journalist some time on 14 February.

Senator Abetz—The government staff committee, I am reminded, is an advisory committee to the Prime Minister. The Prime Minister sets the number and levels of ministerial staff and salary ranges, but there is scope under AWAs for variations.

Senator ROBERT RAY—So, in actual fact, the staff committee could advise the Prime Minister about Mr Sinodinos's pay rise, but the ultimate decision is the Prime Minister's, not the staff committee's?

Senator Abetz—Yes.

CHAIR—I have put some questions on notice relating to Comcar. There are three quick questions.

Senator FAULKNER—I indicate before Dr Boxall leaves the table that I had indicated to him informally during the last break that I thought, in the interests of trying to move the committee hearing along, I might deal with the government members secretariat at a later stage and not today. I thought that might help all concerned. I indicated that informally to Dr Boxall so he could inform the relevant officers.

CHAIR—As there are no further questions, I thank Dr Boxall and officers. I call the Australian Electoral Commission.

[5.33 p.m.]

Australian Electoral Commission

CHAIR—I welcome back Mr Becker and officers of the Australian Electoral Commission. Good evening. We will resume questioning from yesterday.

Senator ROBERT RAY—I have just one question. Have we got a Deputy Electoral Commissioner here?

Mr Becker—Acting.

Senator ROBERT RAY—I thought you may have filled it overnight.

Senator Abetz—Estimates went a little bit long.

Senator FAULKNER—I want to try to tie off one issue from last night in relation to what I thought might have been an indication of a state based No GST Party. I do not actually think the transcript from Hansard is available yet, so I did not have a chance to check that, and we went in other directions after it, but was there a state based No GST Party?

Mr Edgman—There was. There was one registered in New South Wales, but it was deregistered by the New South Wales Electoral Commission in January this year.

Senator FAULKNER—I think you have indicated that, on the issues surrounding the No GST Party, you are seeking legal advice.

Mr Edgman—We had sought the legal advice. We are in a position now to make a decision.

Senator FAULKNER—So you actually have legal advice?

Mr Edgman—We have taken legal advice on a couple of issues surrounding the No GST Party.

Senator FAULKNER—I appreciate that. That was not clear to me. Did you seek that externally?

Mr Edgman—I think it was sought from AGS.

Senator FAULKNER—Thanks for that. We had this issue raised yesterday by Senator Abetz in relation to the status of investigations that have been referred to the Australian Federal Police. Unfortunately, Minister, you mentioned one that I had written to the AEC about. Given that circumstance, I think I should ask Mr Cunliffe about his letter to me of 12 February 2001, which goes to the question of enrolments in the division of Lindsay. You can confirm, Mr Cunliffe, that you wrote to me on 12 February 2001?

Mr Cunliffe—Yes, Senator.

Senator FAULKNER—I think the thrust of that letter was to indicate that the AEC had referred material and other relevant information to the Australian Federal Police in relation to enrolments in the division of Lindsay. Is that correct?

Mr Cunliffe—Yes, that is correct.

Senator FAULKNER—I understood that the purpose of this material—this communication you had with the AFP—was to ask for advice on whether the information warranted reopening its investigations into this matter.

Mr Cunliffe—That is correct, as was outlined in the letter.

Senator FAULKNER—Has that matter been finalised yet?

Mr Cunliffe—I am unaware of any report back. The formal referral was done through our New South Wales head office—by the Australian Electoral Officer for New South Wales. I spoke to her after lunch today. Certainly there was no indication then of any advice back to her.

Senator FAULKNER—To my knowledge—you can correct me if I am wrong, Mr Cunliffe—until yesterday at this hearing that matter had not been made public, had it?

Mr Cunliffe—I am not aware of any occasion.

Senator FAULKNER—Mr Chairman, I am trying to deal with outcome 1. I hope I do not transgress.

CHAIR—We are pretty flexible, Senator Faulkner.

Senator FAULKNER—I know that. In relation to enrolment objections, has there been an increase in objections in the seats of Richmond or Gwydir.

Mr Cunliffe—Each of those matters is covered by the question on notice that you have asked. We are seeking that information.

Senator FAULKNER—It is covered by my question on notice, but you would appreciate that I have not got an answer to the question on notice.

Mr Cunliffe—I appreciate that.

Senator FAULKNER—I am not critical of that because I imagine there is a reasonable amount of work involved. I was interested specifically in those two seats. I wondered whether you had been able to make any progress on it. How far away are we from an answer to the question on notice?

Mr Dacey—We have gone out to the Australian Electoral Offices for the states in which the divisions you asked about are located. I think we have asked them whether we could have the information by the end of this week.

Senator FAULKNER—I see. You cannot specifically give me any information on either Richmond or Gwydir at this stage?

Mr Dacey—No, I cannot. I do not have the information with me.

Senator FAULKNER—In the most general sense, have you got any indication on a policy level of the impact of losing the ATSI electoral information service? Has any policy work been done internally that you might be able to share with us? You might be able to point me to something that I can have a read of. That would be helpful.

Mr Becker—Only to the extent that, before any event these days, we have to get out into the field. To try to make sure that we capture all the enrolments, particularly from the communities, we have a 10-week program. We do expect some drop-off in continuous enrolments, of course, because we have not got people in the field the whole time.

Senator FAULKNER—The reason I ask this is that your own submission to the Joint Standing Committee on Electoral Matters talks about the axing of the service causing a decline in enrolments of indigenous people. I am interested in trying to quantify that and understand a little more about it. I wondered whether you could point me in the right direction.

Mr Becker—I do not know how we would quantify it without having a survey of the communities. What we have found in the past, when we have gone out for the three events that we have had since 1996, is that there has been a reduction in the enrolment. Consequently, we have attempted to pick that up through the specific programs that have been done in the 10-week period shortly before those events occurred.

Senator FAULKNER—Does the AEC maintain its commitment to the ATSI electoral information service or something like that to ensure that there is maximum enrolment amongst Aboriginals?

Mr Becker—I think it was a very good program—an excellent program, in fact. But there was a funding commitment, and with the reduction of those funds we just did not have the resources to be able to maintain it.

Senator FAULKNER—I appreciate the background of it, but I suppose I am now trying to assess the impact of cutting the service. That is what I am interested in. Mr Becker, I wonder whether there is anything you can point me to or assist me with so that I might start to understand and quantify this impact a little more scientifically than perhaps has been done to date.

Mr Becker—Perhaps our Australian electoral officers in the states where it has had the most impact would be the ones we could probably approach or you could approach. That would be in Queensland, the Northern Territory, South Australia and Western Australia.

Senator FAULKNER—But are you comfortable with the general conceptual point that there has been a decline in the enrolment of Aboriginals? This is the point that you have made.

Mr Becker—That is fine, but the thing is that we do not know what it is on an ongoing basis. It is only as we come up to an event that we put the money from that event into that training program or education program.

Senator FAULKNER—But I suppose you must have had enough confidence to be able to make the general statement in the first instance.

Mr Becker—We had the confidence based on experience.

Senator FAULKNER—But my recollection about your submission to JCEM is correct about this. I am right about that, aren't I?

Mr Becker—Yes, you are. We are not the only people in the game.

Senator FAULKNER—I am not critical of it and I have no doubt it is right, but all I am asking the AEC is whether there is any hard evidence or anything really tangible that a member of this committee or someone in the parliament could lay their hands on to give support to that suggestion.

Mr Becker—Offhand, I cannot tell you. But I would think that it would be possible to get some information out. If we have a look at the communities and enrolment over a particular time, we should be able to get some figures out on that. But, honestly, we have not done so as a special exercise. The states may well have. Obviously, they have a similar problem to us in terms of maintaining that continuous Aboriginal enrolment within the communities. Whether they have done any of these studies themselves, I do not know.

Mr Cunliffe—As part of the 1998 election follow-ups, states were asked to report on the impact of the changed arrangements that they perceived in their state or territory. That is really what we are drawing on to get the general picture, but it was not a literal measurement.

Senator FAULKNER—Yes, but what the states have done, as I understand it, is report what is a fairly clear and identifiable trend. I accept the trend. I know you accept the trend. But a trend is one thing; a really hard statistical base for it and support for it is another. I wondered if there is any of that sort of evidence around that you could point me to.

Mr Becker—There is evidence in the roll. I do not know whether we could do that electronically.

Mr Dacey—One of the difficulties, obviously, on the roll is that there is certainly no identification of Aboriginal persons. It is a difficulty. I do not know the full details, but I understand that the Western Australian Electoral Commission, prior to the recent state election, ran a successful program in the west. It is still difficult to make a judgment, in making comparisons with history, on whether or not that sort of program was particularly successful in getting people in communities on the roll because of the demise of the ATSIIEIS program or not. It is so difficult because you cannot make those global comparisons, because there is no identification. I guess it would be an indicator if that program were particularly successful, in that significant numbers of Aboriginal people were enrolled for Western Australia. It is an indicator to us that indigenous communities—like youth and other areas of the community—are areas of underenrolment.

Senator FAULKNER—I accept that—I have for a long time. If some harder evidence becomes available, if you would care to draw that to the committee's attention at some point, I am sure we would appreciate it. It is a matter of ongoing concern for a lot of members and senators from all sides of the parliament. It is also matter of some real significance in terms of broader electoral policy issues in this country. I did want to ask also in this outcome whether there has been some sort of change to address standards for rural areas. I ask this because it does appear that, either at a state government or local government level, at least in New South Wales, there appears to be some sort of newly devised numbering system for properties that appears to be derived from distance from a given post office or the like.

I have had a couple of examples—which I would prefer not to give the names of, but I suppose I can privately—given to me of where the new address standard has led to very different enrolment addresses as opposed to the actual residential address, looking very different on the electoral roll. I may have just had one or two examples of this drawn to my attention—it may not be a pattern. That is what I want to ask: whether anyone is aware of this, whether this has been drawn to your attention and if there is actually an issue here.

Mr Dacey—There has been a push from some state governments, probably going back five or six years, and some local councils in particular to commence a program of what they call rural road numbering. A lot of those have been state or federal government funded programs where the long-term unemployed, for instance, have been used in developing these programs.

The main reason for that was to get some sort of consistency of road numbering within rural areas—not just for electoral purposes, but for things like emergency services—and to try to give rural addresses perhaps a better identification in terms of a spot on the earth. So if you lived at 306 Smith Road, that might be 3.6 kilometres from the town or the start of the road. Most federal and state agencies, Australia Post and the AEC have picked up, to the best we can, those new addresses, those rural road numbers. It does, in some instances, lead to confusion. We have had some relatively few instances of electors themselves resenting their address being changed. For instance, it might have been known as the ‘Willows’ for 50, 60 or 100 years, and they resent in some way being referred to in official correspondence as, in the example I gave before, 306 Smith Road.

It is becoming more and more accepted. It is being pushed through local governments. Tasmania has been quite proactive, as has Victoria. Western Australia has done a lot of work. I have heard, as you have, Senator, that some local councils in New South Wales have in more recent times been embarking on this exercise.

It certainly has its benefits when it is accepted by the community and all agencies, in that we do have some form of standards and consistency, but there is the drawback of people getting used to it. We have made no secret of the fact that it can lead, in some instances, to duplicate addresses on the roll—that is, we may put the new address on as 306 Smith Road but for some reason we may still have the ‘Willows’ there. We are going through a process of culling those—and it is a gradual process—and cleaning up the roll of those duplicate addresses.

Senator FAULKNER—But the point here is that someone can have their address changed on the electoral roll and have no knowledge of it effectively.

Mr Dacey—Oh—

Senator FAULKNER—It is the same residence, but it is described in a different way; that is a better way of me putting it to you. That is true, isn’t it? You can have your address described in a different way to the way that you yourself might describe your address?

Mr Dacey—Certainly, you could have your address described in a way that is different to the way you described it when you lodged your enrolment application form.

Senator FAULKNER—Yes. And it can be quite different, can’t it?

Mr Dacey—It can be quite different, but as far as I am aware, the residents would be aware of that new address. It is not an address the AEC is imposing. It is an address that is determined by the councils.

Senator FAULKNER—That may be so, and I appreciate that. But in relation to electoral enrolment, an address that might be quite different to the actual one the enrollee originally enrolled under and had witnessed in accordance with the enrolment provisions might suddenly appear on the electoral roll.

Mr Dacey—That is correct.

Senator FAULKNER—Do you get the information from state and local authorities?

Mr Dacey—Local authorities mainly.

Senator FAULKNER—At what stage of the process do you actually confirm changed addresses with residents and enrollees? It seems, at a minimum, a courtesy.

Mr Becker—It depends on how far you go. I think in the country that would be fairly straightforward. You have probably heard about the brouhaha in South Australia about the Bradman Drive issue. Burbridge Road is a big road, and we could write to everyone on that road, but if we just wrote to them as 'Burbridge Road', they would think, 'Cripes, they're behind the times. Everyone in the country now knows it's called Bradman Drive.' That would be changed, I would imagine, automatically, and there would be very little point in writing because every address would be 'Bradman Drive'. It would not just be us.

Senator FAULKNER—I am not talking about Bradman Drive. I am talking about people who raised it with me. I think that was because I am a New South Wales senator and not in any other capacity. They are people who are quite uptight about what has occurred. They do not think it is a very courteous thing to find themselves enrolled at an address that they have never heard of. There has been a change on the electoral roll in relation to the description of their address. Their address has not changed. The description of address can be quite different. In one of the examples I have here, in a seven-word address only one word is the same as a word that previously appeared in an enrolled address on the electoral roll. In your normal review processes, eventually this is going to land in people's letterboxes or on their doorsteps or whatever and they are going to be asked to confirm that enrolment, aren't they?

Mr Becker—They are, but we are not the only people writing to them. Australia Post have the same address; we have the same address; Centrelink have the same address. We are in the national address file system nowadays. We are not the only people with an address base.

Senator FAULKNER—I do not know why Australia Post would be writing to them but they are getting a lot of letters via Australia Post.

Mr Becker—Australia Post maintain an address file, which you would expect them to do.

Senator FAULKNER—But you maintain an electoral roll. When someone has their residence remain the same but their address changed, how long is it before they are asked to confirm the different description of their address in these affected areas?

Mr Dacey—It would very much depend on the next time we contact them, which would mean that we would need some stimulus to contact them. That change of address to a rural road number that becomes their formal address, for all intents and purposes, is accepted by many agencies and set by the councils. The next time we have a cause to write to them—whether because we have some information that someone has moved in or out or for a non-voter's notice or to enrol someone else at the address—would be the first time they would have official correspondence from the AEC to that new address.

Senator FAULKNER—Can I flag this with you as an issue that really has caused concern for some people? These are very genuine people who are very surprised, particularly in the

current environment where there has been the odd bit of media speculation and commentary about electoral enrolments and false electoral enrolments. It is hardly surprising that a number of good and honourable citizens who find that their own address is described very differently on the electoral roll have got some concerns. I do not think that would come as a surprise to you, would it, Mr Dacey?

Mr Dacey—We have had some electors expressing concern to us but not a significant number.

Senator FAULKNER—I am flagging with you that I have had some expressing concerns with me. I suggest it is a matter that the Australian Electoral Commission deal with relatively sensitively because it is not to be taken lightly when people enrol at a certain address and find it is described in a very different way on the electoral roll. I do not put it at too high a level. But since it has been drawn to my attention as an issue, I certainly wanted to pass it on to you and indicate to you that those concerns have been expressed.

There might be one or two issues in outcome 1 that others might want to come back to. Can we just pass on to outcome 2? I think if we want to come back to outcome 1 we might do so at a later stage. Senator Ray may have an issue he wants to raise in outcome 1. I am not certain.

[5.59 p.m.]

CHAIR—We now move on to outcome 2.

Senator FAULKNER—Is it true that the Liberal Party drew a \$100,000 cheque in favour of the Greenfields Foundation on Monday, 28 June 1999—

Mr Edgman—I believe that is correct, yes.

Senator FAULKNER—and that the Greenfields Foundation received it, I think they entered it into their records, on Tuesday, 29 June—

Mr Edgman—Correct.

Senator FAULKNER—and banked it on Friday, 2 July 1999?

Mr Edgman—Yes.

Senator FAULKNER—Did the AEC have certain concerns about that process?

Mr Edgman—No concerns about the process; it was simply a case of which reporting period that transaction should have been disclosed in by the Greenfields Foundation. The treatment they originally did was to show it in the financial year of 28 June when the cheque was drawn. The disclosure documents are actually done on a cash accounting basis rather than on an accrual accounting basis, so it was really just a difference of treatment.

Senator FAULKNER—You have actually formally recommended to the Greenfields Foundation that arrangements be put in place to avoid similar timing differences with the receipt and banking of similar material receipts in future years.

Mr Edgman—It was not so much a recommendation from us as just—

Senator FAULKNER—A ‘request’ would it be?

Mr Edgman—an agreement, really, with them. They were just obviously concerned that we were asking for it to be reported in a different period from the one they had originally wanted it to be, and we simply suggested to them that if they want to avoid this sort of a situation then drawing the cheque a week earlier would avoid any concerns—whether you have treated it on an accrual or a cash basis it would be disclosed in the same period.

Senator FAULKNER—But what is the actual effect of such a transaction spanning two disclosure periods?

Mr Edgman—Certainly once the disclosure documents for both periods are lodged it really does not make any difference; it is simply a case of a cheque having been drawn in one period and having been disclosed as a payment made and a receipt in that period. If the cheque is never actually cashed, the money is never actually transferred from one entity to the other, and if the cheque was never cashed that would not become apparent until 12 months later when the next disclosure documents are lodged.

Senator FAULKNER—You say it is an agreement. Did the Greenfields Foundation acknowledge that and agree to a slightly different process?

Mr Edgman—I think they just accepted our advice that that is the easiest way to avoid these sorts of issues. Ultimately it is still up to them when they want to draw the cheque and so forth, but we will just insist on cash reporting.

Senator FAULKNER—Where is the compliance audit of Pauline Hanson's One Nation up to?

Mr Edgman—The audits of the 1998-99 returns have been completed of One Nation throughout Australia; no audits of the 1999-2000 returns have been commenced as yet.

Senator FAULKNER—Is the AEC involved with the Australian Taxation Office in relation to the reported concerns, which I have certainly read in the newspapers, about this alleged refusal to account for, I think, \$74,000 in cash and precious metals? Has the AEC got any involvement in that?

Mr Edgman—No involvement at this stage, no.

Senator FAULKNER—Has the AEC actually passed on any information from its investigations to date to any other agencies, such as the AFP or Queensland authorities?

Mr Edgman—I do not believe so, no.

Senator FAULKNER—What are you actually doing in relation to the compliance audit of One Nation at the moment? What is the actual process that you are undertaking?

Mr Edgman—The audits as such have been finalised. There are some outstanding amendments that we are seeking to one of the 1998-99 returns and, as you might be aware, with the 1999-2000—the latest set of returns—there is limited reporting for One Nation in New South Wales at this stage. That has primarily arisen from problems that the party agent has had in accessing records in the New South Wales office. Those records are now with the liquidator. We have been in touch with the liquidator, and on 31 January he agreed that One Nation—the party agent or a nominee—could visit his offices to go through those records and finalise the return. So we have passed that on to One Nation and have asked them to respond to us, by the end of the month, as to what arrangements they will have entered into.

Senator FAULKNER—The end of February?

Mr Edgman—Yes.

Senator FAULKNER—In relation to the activities of the Queensland DPP—and there has been a lot of press speculation about this—the Australian Electoral Commission has had no engagement or involvement in any of the background that led up to the Queensland DPP's considerations?

Mr Edgman—It is really nothing that we are involved with; it relates to their registration in Queensland and the election funding they were paid there.

Senator FAULKNER—I appreciate that. That is why I am asking. I am just wanting to clarify whether there had been any AEC involvement whatever, peripheral or otherwise.

Mr Edgman—I think that the police have obtained some basic records from us, just confirming things like the registration of the party federally and that sort of thing, but nothing of any significance.

Senator FAULKNER—Has the question of Austereo's return for 1999-2000 been drawn to your attention? I have seen some publicity about this in relation to donations of gifts. Is this a matter that has come before the Australian Electoral Commission at all?

Mr Edgman—To my knowledge nothing has been raised with us as yet. I have to admit that it is not something I am aware of at this stage.

Senator FAULKNER—I see. I am surprised you have not had any of this material drawn to your attention, but we will deal with that at a later stage. This goes to the question of the value of in-kind or the gift of free air time, in this case to the Liberal Party. I have had the opportunity to peruse the donor to political parties annual returns; my question to you is whether in relation to Austereo you are satisfied that Austereo has properly disclosed its gifts of free air time to the Liberal Party.

Mr Edgman—With the disclosure returns lodged by donors, we have no power of audit, so to some extent we are in the same boat as everybody else in that we take their declarations at face value until such time as there is something drawn to or that comes to our attention that may lead us to believe that maybe there has been a misreporting. In such a case, if we had reasonable grounds for believing that is the case, we then do have the power to conduct investigations.

Senator FAULKNER—There are two issues, aren't there? There is the question of the donor to a political party annual return, and then of course there is the political party's own return. So I suppose I should ask you whether you are satisfied that the Liberal Party has properly disclosed receipt of those gifts.

Mr Edgman—We have not yet undertaken an audit of the Liberal Party for that return so, again, we only would have mounted an investigation if we believed that there had been a breach. Until we have audited the party returns, again we take it at face value.

Senator FAULKNER—The reason I raise this, Mr Edgman, is that I was reading in a document called Crikey the Whistleblower section—

Senator ROBERT RAY—That is two free subscriptions.

Senator FAULKNER—I do not know what you mean by that, Senator Ray.

Senator ROBERT RAY—Because in the last Crikey column, anyone that mentions it at Senate estimates gets a free subscription. Senator Abetz is already in the frame, I am because I commented on Senator Abetz and you are twice.

Senator Abetz—Not to mention that you will have to put it in the declaration of interests.

Senator ROBERT RAY—Correct.

Senator FAULKNER—You probably do not access this web site.

Senator ROBERT RAY—This is the one that refers to one of our valued colleagues as Senator George Washington Brandis. Very distinguished.

Senator FAULKNER—Did you see the 14 February Whistleblower article on www.crikey.com.au/Whistleblower/austereo.html?

Senator Abetz—That is for a free T-shirt.

Mr Edgman—I did not, no, Senator.

Senator FAULKNER—If you did not see it then I suppose I cannot ask you about it. Fair enough. It is not an easy thing to do, assessing the value of free air time that is given to political parties. That is one of the tougher things.

Mr Edgman—It is certainly a grey area—any sort of editorial comment. Obviously the act does not try to impose itself on normal editorial comment or, for instance, on satire programs. So it is an indeterminate area. You are right, Senator. It is not cut and dried, so it is something that we do have to look at.

Senator FAULKNER—Fair enough. I wrote to the AEC on 8 February 2001 about a Prime television broadcast, which was a *Landline* program that had Mr Howard speaking about rural issues, current political issues, road funding, the petrol excise, et cetera. You would be aware of this letter, I think, Mr Becker. Are you aware of the letter that I have written in relation to that?

Mr Becker—Yes.

Senator FAULKNER—I have also, by the way, written to the ABA and FACS about this. There is some suggestion that it may not be a breach of the relevant part of the Broadcasting Services Act. Although it may be political matter, there might be an argument that it did not need to be authorised because Prime were not broadcasting on behalf of someone else—Prime actually produced it.

My argument was that it was electoral matter, as you know, and that it should have been tagged. I think it is fair to say—and you can confirm this—that you say that the authorisation of broadcast political matter is covered by the Broadcasting Services Act. I think that is basically the position of the AEC on this?

Mr Dacey—That is correct, Senator. Certainly we have advice that section 328, which is to do with authorisation, does not cover electronic publishing.

Senator FAULKNER—Yes. So the end result of this, it seems to me, is that a broadcast of something that is clearly political, clearly electoral matter, has not been authorised, and is certainly against the spirit of both the Electoral Act and the Broadcasting Services Act, may well manage to get through. Am I being fair in saying that I think we have a loophole here?

Mr Dacey—That could possibly be correct, Senator. I certainly do not profess to have any expertise in the Broadcasting Services Act, but if there is some claim that it is not covered there, it is quite possibly correct.

Senator FAULKNER—It seems to me to be a loophole, but thinking about the issue we have just been talking about in relation to funding and disclosure returns, if this broadcast—this is my question to you, Mr Becker—was produced and broadcast on Prime's own initiative, it would be fair to assume that the full value of that program will be shown in Prime's funding and disclosure return for 2000-01. Would that be right? I think it is, but I want you to confirm that for me.

Mr Becker—This falls back into that area that Mr Edgman was talking about earlier.

Senator FAULKNER—Do you mean the grey area?

Mr Becker—Yes. As to what the value of that is—

Senator FAULKNER—I do not reckon you can have it both ways. I am not saying that you are, but I do not think we can have a situation where it might just squeak through because it happened to be Prime's own production and so forth. It is still political, it is still electoral matter, and it is not authorised. It strikes me as open and shut—not a grey area but black and white—that it ought to be in Prime's funding and disclosure return for 2000-01. And here am I using the Senate estimates committee process to seek some advice on this.

Mr Becker—I could not disagree with you. If that were the circumstance, that would be something which could be assessable, but again there is something which isn't.

Senator FAULKNER—Is anyone planning to write to Prime television to tell them?

Mr Edgman—We tend not to write to people with potential disclosure obligations until the end of the financial year, but, obviously, we would be keeping an eye out with something like that.

Senator FAULKNER—I am just trying not to be completely thwarted on this issue. This is my last shot in the locker, as a former Prime Minister once said—when it was not his last shot in the locker at all. Anyway, thanks for that advice, and I hope that they read your words of wisdom, Mr Becker.

On another quick issue, the AEC has been monitoring developments in relation to online voting. I think you have had some meetings, which is a good idea, with elections.com. I think that is correct, isn't it?

Mr Becker—Elections.com, Electronic Voting Solutions—

Mr Dacey—VoteHere.net—

Mr Becker—There is more than one.

Senator FAULKNER—Thanks for that. I mentioned elections.com because I think it has got a role in managing the NRMA—the National Roads and Motorists Association—ballot in New South Wales later this year. That is, of course, a very large ballot. I think there are some 1.8 million voters, according to a press report I read at some stage. I wondered if you were providing any support or advice in relation to the conduct of that ballot, either directly or through the ongoing interface you are having with elections.com and other online voting organisations.

Mr Dacey—Certainly from my point of view, in any discussions that I have been involved in with elections.com, because we could be seen as competitors in ballots like that—in fact, the AEC has conducted an NRMA ballot in the past—we are not providing any advice, information or assistance as far as I am aware to elections.com.

Senator FAULKNER—You are not.

Mr Dacey—No, we are not.

Senator FAULKNER—I think this is Australia's fifth largest ballot, with 1.8 million voters. Given the nature of it and given your interest in online voting, I would have thought it might be something worth monitoring. I hear what you are saying, Mr Dacey, but this is a different issue in terms of the analysis of how it might go, a feel for some of the issues that are raised and so forth.

Mr Dacey—Certainly we are extremely interested in monitoring it, because we are interested ourselves in starting to use in some small way, in some commercial elections,

perhaps, online or Internet voting to facilitate some of those ballots. We have not taken that step yet, but there is certainly some potential for the AEC in the marketplace.

Mr Becker—We are planning discussions with them next month and with one of the other players.

Senator FAULKNER—Thank you for that, Mr Becker. This is something that I think would be very interesting to follow through at a later stage. I am sure that we will do that here, or if not here then certainly at the hearings of the Joint Standing Committee on Electoral Matters. I know Senator Ray has some questions, but I wonder if I could place on notice some questions in relation to IT outsourcing that I am sure you will be extremely relieved to hear I actually do not want to wade my way through today, although I am now an IT expert.

CHAIR—I would be delighted to accept them, Senator Faulkner.

Senator ROBERT RAY—I want to follow up a question that was taken on notice. You were not here, Mr Becker, when it was taken on notice. I had previously asked a question at an estimates committee about what contact there was with the AEC in relation to the proposed GST mail-out. I think the question was answered by Mr Dacey on that night, who took it as being directed specifically at him rather than at the Electoral Commission so I went back and rephrased it. It was taken on notice and has subsequently been answered. The answer is a little broader than previously indicated, but that is natural because there has been a wider consultation. Coming out of that, Mr Becker, who from the Prime Minister's office rang you or contacted you about this?

Mr Becker—Mr Tony Nutt, and that was with regard to whether we could put a salutation on a mail-out from the electoral roll. We could not do that because we had only just started collecting the salutation.

Senator ROBERT RAY—Yes, because you can only use a salutation for those who have actually enrolled subsequent to the decision.

Mr Becker—Subsequent to the change in legislation, yes. To follow on from that, we were not prepared to impute it because some people get upset if we get it wrong. In fact, we have had situations where mail has been returned unclaimed because those who do use it—

Senator ROBERT RAY—You could have them as Erica Betz, for instance, by tangling it up, or Roberta Ray or something.

Mr Becker—So that was the issue there.

Senator ROBERT RAY—When was that call made, do you know?

Mr Becker—I think it was probably about the first week of May. It was around Easter time that we first started talking to the Taxation Office and I reckon this was about two or three weeks later.

Senator ROBERT RAY—When he rang, did he announce that he was ringing in his capacity as a member of the Prime Minister's office staff?

Mr Becker—No, he rang me to congratulate me, actually, and then he asked me: is it possible that the roll could contain salutation?

Senator ROBERT RAY—Oh! I am just seeing if I came down in the last shower!

Mr Becker—That is exactly what he said.

Senator ROBERT RAY—That is what he said but, Mr Becker, you have to look a bit beyond that.

Mr Becker—He did not say in what capacity he was ringing.

Senator ROBERT RAY—If I ring you up tomorrow and congratulate you about something, you should at least be aware I am after something else. I mean, really!

Mr Becker—Well, he was.

Senator ROBERT RAY—I know. Exactly. He did not ring you up to congratulate you; he used that as an excuse.

Mr Becker—You asked me if he actually said where he was from. Of course he said he was from the Prime Minister's office. Crumbs, Tony Nutt is not exactly unknown!

Senator ROBERT RAY—The reason I asked that is that he did not announce himself as a member or a cohort of the Ministerial Council on Government Advertising.

Mr Becker—No.

Senator ROBERT RAY—And he was the only one to ring about these issues?

Mr Becker—He was the only person I spoke to, of course.

Senator ROBERT RAY—We are talking 'you' as being the Electoral Commission now.

Mr Becker—Sorry. About the tax—I have not got the response Mr Dacey gave you last time in front of me.

Senator ROBERT RAY—It says:

Prior to and including 24 May, the AEC had contact with staff of the Australian Taxation Office—
well, I think we knew that—

Australia Post—

we would have assumed that—

the Department of the Prime Minister and Cabinet—

I might come back to that in a moment—

the Prime Minister's office—

Mr Becker—That was Tony Nutt.

Senator ROBERT RAY—That was on only one occasion?

Mr Becker—Only on one occasion.

Senator ROBERT RAY—With you?

Mr Becker—We had a two-minute or three-minute call.

Senator ROBERT RAY—And then some other commercial enterprises.

Mr Dacey—Yes.

Senator FAULKNER—On the commercial enterprises, could you indicate who QM Industries are? I think I have a bit of an understanding from the description there.

Mr Dacey—QM Industries are basically a printing and mail house. We had no relationship with them. The Taxation Office had some relationship with them in relation to the mail-out.

Senator ROBERT RAY—You had enough relationship to have contact.

Mr Dacey—We had no commercial relationship with QM in relation to the mail-out.

Senator ROBERT RAY—We are not going on a big rehash of this issue. The issue has been and gone. We asked last time about a couple of consequences that came out of it—how in future you are going to access legal advice on this—and it is still, as I understand it, the Government Solicitor's office and A-G's that are going to provide advice on these sorts of issues or related issues.

Mr Becker—That would be the first port of call, certainly. But we have had private advice, too, as you know. The Solicitor-General gave advice on this matter as well. But now that we have, hopefully, straightened out that part of the legislation one would hope that we could rely on that.

Senator ROBERT RAY—My point is that similar types of issues are going to arise. I do not want to editorialise. You know my view: that the advice from the Government Solicitor's office was trash, basically. But we could never debate that with them: because of the rules of engagement in politics you cannot engage with them. I am just wondering whether that or any other incident has given you pause for thought that you might have to broaden your legal advice—that's all.

Mr Becker—We have done in certain circumstances. We went to the Australian Government Solicitor over Liberals for Forests and got advice which conflicted with advice that the Western Australian commissioner had. So we went privately and got further advice, which then supported the WAEC. The first port of call would tend to be the AGS, but we are not wedded to that.

Senator ROBERT RAY—I know that you went back to the Australian Government Solicitor and got further advice, as did the tax commissioner. Did you actually approach counsel to represent you on this in an anticipated case?

Mr Becker—Are you talking about the counsel that the ALP had approached? In one of the reports, either 24 May or some subsequent time, I noted that you referred to the fact that the AEC had approached counsel that the ALP had approached.

Senator ROBERT RAY—I was not sure whether it was the AEC or the Government Solicitor's office?

Mr Becker—We certainly hadn't.

Mr Cunliffe—We not only didn't, but we hadn't given instructions to do so. Whether they were making preliminary inquiries of some sort, I cannot answer.

Senator ROBERT RAY—I am just trying to establish that, because that was my belief, but I was not certain of it and now you have corrected the record—that is, it was not you. Really, that leads to the question: therefore, there were no expenses incurred in terms of counsel anywhere?

Mr Cunliffe—I think that is right. We can confirm that from the records, but I believe that that is right. The only advice which you might say would be in the nature of counsel was the Solicitor-General's, and of course that was not advice direct to the AEC.

Senator FAULKNER—Could you be a little more fulsome in terms of the answer in relation to the contact with the Department of the Prime Minister and Cabinet? At what level was that, Mr Becker?

Mr Cunliffe—I am best placed to answer that, because the contact was with me. When the phone call came in, I was not available. I returned the call later and spoke eventually to somebody who I think was at senior adviser level.

Senator FAULKNER—Senior adviser? That would not be right, would it?

Mr Cunliffe—I think that is what they call them in Prime Minister and Cabinet. I am not sure what the current terms are, but he was a senior officer level, sub SES level, I believe. I do not think I am doing him an injustice. I do not think he was an acting SES at that stage. They had become aware of the issue of the proposed mail-out and they were checking to see whether we had legal advice on that step forward which was taking place.

Senator ROBERT RAY—Let me get this right: someone in PM&C, learning of the direct mail-out, rings you because some bell has gone off in their head.

Mr Cunliffe—I do not know exactly what prompted it, but what they were seeking to find out was whether the AEC was operating in an area that was new and, if so, whether there was legal advice that had been obtained. The answer that was given consistently was the answer that was given to this committee on a previous occasion—that is, there was previous advice but there was not anything recent at that point that we had obtained. If you are interested in the date, it was about a week before estimates. I think it was 16 May.

Senator FAULKNER—And that is the only contact with the Department of the Prime Minister and Cabinet?

Senator ROBERT RAY—Leaving aside the Government Communications Unit, did they have any contact with you?

Mr Cunliffe—Not with me, and I do not believe with anybody in the agency. When I say that was the only contact, it is possible that somebody later rang me to clarify what I had passed on from PM&C, but I do not remember that and I do not have any knowledge of it. If so, there was no new material.

Senator ROBERT RAY—Let me tell you that your memory of these events collectively in the AEC is a massive advance on the tax office. In many cases, they cannot remember anything to do with this, but anyway, thank you for the answer.

Mr Becker—Senator Faulkner—

Senator ROBERT RAY—We are about to suspend for dinner, so if you add something now we might go for another 25 minutes. Go on, why don't you?

Mr Becker—It is only in respect of last night. There were a couple of things that you wanted us to follow up, and one thing you mentioned was Cook and Baird. The reason why we looked as though we had fallen out of the balloon was that we were unaware of that being raised in *Hansard* because of our changed procedures. We now no longer get the hard copy. We now get an email copy.

Senator FAULKNER—Let us be clear, Mr Becker. We are now talking about the question I raised with you in relation to two questions I asked in Senate question time on the Cook electorate issue; that is the best way of describing it. I think we decided to use the electorate descriptor yesterday.

Senator Abetz—There are substantial differences.

Senator ROBERT RAY—Are there?

Mr Becker—That is what we are looking at, so we are just going to have a look at that in light of the other.

Senator ROBERT RAY—Just remember what we are urging.

Mr Becker—We were unaware of this; that was all. We have to change our procedures.

Senator ROBERT RAY—We are arguing for a much higher evidentiary basis before it goes to the Federal Police. I am not asking for a different treatment of Mr Baird to Mr Swan.

Senator Abetz—Mr Baird has not been mentioned.

Senator ROBERT RAY—Yes, he has.

Mr Becker—So that clarifies that. That is why we had not looked at it.

Senator FAULKNER—No. The specific issue I raised with you to ask you to consider before you came back to the table was the question of whether there had been any question time briefs prepared for the then minister on the Boehm issue. I wondered whether you could recall that.

Mr Becker—The answer was no, but the reason the answer was no is because we were unaware of it. So now we are aware of it, we now will investigate it, in the same way as we investigated the others.

Senator FAULKNER—In this situation, I am not surprised in the first instance in relation to 5 December; I suppose I am a little more surprised in relation to the 6th, given that the issue had been raised in the parliament, that something was not generated.

Mr Becker—It was raised in the parliament, but we were unaware of the fact that it was raised in the parliament. We actually had a file on it, but it had not filtered through to the top. What we had been getting in the past was copies of the *Hansard* and ‘Have a look at this.’ This was on our email. I was not around at the time—I was out of the country—but we missed it.

Senator FAULKNER—Fair enough; but do not you also proactively establish or draw up your own list of hot issues or whatever you might call them that you pass on to the minister for his benefit during question time, if he cares to use it?

Mr Becker—Sure.

Senator ROBERT RAY—I am not saying this is gospel, but I think it was covered on the *7.30 Report*. Is that right? Or was it on *World Today*?

Senator Abetz—No; *7.30 Report*, I think.

Mr Cunliffe—Yes, I have established from looking at the file today that that is quite right. There was a series of press covers and everything else. But, in a sense, I cannot fully justify it. All I can tell you is that that is the case. The agency was aware of it. There is a file which reflects those facts. But for whatever reason, we were not; and that was why—

Senator FAULKNER—I am sorry: the agency was aware of it?

Mr Becker—We have a file on it.

Mr Cunliffe—There was a file that had been prepared but, for whatever reason, it had not filtered through.

Mr Becker—It had not filtered up.

Senator ROBERT RAY—Towards the end last night, I was going through a series of cases asking whether the minister’s office had drawn these to your attention. I did not quite finalise one of those, and that is the case of Mr Cameron Boardman MLC, in Melbourne, who was referred to the Victoria Police for investigation—who did not find enough evidence, I have to put on the record, for a successful case. But subsequent to that, a new round of evidence has come out that he has yet again falsely enrolled at his mother’s place in Frankston

but living in St Kilda. It is a bit complex, because the line of where you can get TA is just short of Frankston but that remains unclear. If in fact he is falsely enrolled on the Victorian roll but also on the federal roll, is that a case that you would ask to be investigated, if you think there is enough evidence there?

Mr Dacey—Certainly, if that is brought to our attention. It may well be with our Victorian office but, until you mentioned it last night, I certainly had not heard of this particular issue. But, if we have an allegation of a false enrolment, it is certainly something we do not take lightly.

Senator ROBERT RAY—I think from memory it got enormous coverage on 3AW one morning, backwards and forwards. I do not actually recall seeing much coverage in the newspapers about it, so I can understand why it may not have come to the minister's or the minister's staff's attention at all up here.

Mr Dacey—Was it recently?

Senator ROBERT RAY—Yes, it was a couple of weeks ago.

Senator FAULKNER—I must say, Mr Dacey, I believe I had read about this issue in the AEC clips—your excellent clipping service—but I might be wrong.

Senator ROBERT RAY—I can tell you where you can find it: the Neil Mitchell program ran the story and then ran Mr Boardman's denials, and then Mr Boardman later came on and qualified his denials. So it is all there. Again, it is only allegations, I stress.

Mr Dacey—We will get copies of the reports.

Senator FAULKNER—The other issue I had left in abeyance, Mr Becker, was whether you had prepared a question time brief for Senator Abetz's first two question time performances. Did you remember to chase that up?

Mr Cunliffe—There were a number of briefs prepared, of course, in the normal way. You, I think, described them last night as dorothy dixers. I do not know whether we have identified the questions you had in mind, but there were certainly two questions we identified relating to the funding and disclosure publications on the AEC site. There weren't any question time briefs prepared on that particular issue, although the minister had been briefed of the pending release—

Senator FAULKNER—I am very relieved to hear that. They were so bad that I would not want the AEC to have been involved.

Senator Abetz—Senator Faulkner, it is funny that your colleagues should come up to me afterwards and say that I did very well, although they said, 'Don't report it to Senator Faulkner; don't let Senator Faulkner know, but we think you wiped the floor with him.'

Senator FAULKNER—Yes, we asked them to. We said, 'Whatever you do, you have to congratulate him.' We did not think you would be conned by that. The amazing thing is that we said to our colleagues, 'Go up and say to Eric what a good job he has done, because you never know: he might say it again.'

Senator Abetz—Senator, you picked a fight after question time and you lost it.

Senator FAULKNER—Sucked in, sucked in!

Senator Abetz—No, you picked the fight after question time and you lost it.

CHAIR—After that performance, it is time to go.

Senator ROBERT RAY—I have one further question to Mr Edgman.

Senator Abetz—At least I did not discover forestry coupes in the middle of Bass Strait, as a former minister for the environment did.

Senator ROBERT RAY—Is the repartee over? My question is to Mr Edgman. The Victorian branch secretary of the Labor Party, Mr Feeney, released a whole series of documents on Liberal Party fundraisers, because he had an accountancy firm audit them. If you like, it was a remote audit, because I do not think they opened their books entirely. Have you seen those documents?

Mr Edgman—I have not seen them personally.

Senator ROBERT RAY—This is on the McCormick Foundation, the Free Enterprise Foundation and, I think, the 500 Club and one or two other associated entities.

Mr Edgman—I have not seen them myself, no.

Senator ROBERT RAY—I will see if he wants to send you a copy. I do not think they are knockout blows, but they are quite interesting. Thank you.

Senator Abetz—While he is at it, he can send us the audited copies of Markson Sparks, too; that would be helpful.

Senator ROBERT RAY—That is right. It is such a secret fundraiser in front of about 1,000 Liberals.

CHAIR—Thank you, Senator Ray. Minister and departmental officers, many thanks for your assistance. I just want to remind the commission, Mr Becker, that the committee has set 23 March as the date for the submission of written answers to questions that you took on notice. Thank you very much for being here this evening.

Senator ROBERT RAY—Does Mr Becker know that we have cancelled the supplementary round of additional estimates?

Mr Becker—No.

Senator ROBERT RAY—Yes, we have; so it is your shout!

Mr Becker—That is great news.

CHAIR—The committee will resume at 8.00 p.m. when it will examine OASITO and the Department of Finance and Administration.

Proceedings suspended from 6.43 p.m. to 8.02 p.m.

Office of Asset Sales and Information Technology Outsourcing

CHAIR—We welcome the officers from the Office of Asset Sales and Information Technology Outsourcing and of course also the members from DOFA again. Good evening. We are due to sit until 11 p.m. tonight and if there is any overflow then we will sit this Friday—the 23rd. Are there any general questions or opening statements?

Mr Yarra—Mr Chairman, I would just quickly like to make some clarifying remarks in relation to a question on notice that popped up in hearings of this committee on 28 November. On the night of 28 November I answered a question from Senator Lundy, who asked the question, ‘Who gave you expert advice on the financial methodologies?’ She also asked about the nature of that advice and the dates on which it was given. That night I said PricewaterhouseCoopers and Deloitte—that was correct. But I took the rest of the question

on notice—I did not know the dates and I did not know the nature. On 7 February, in front of the Senate references committee, I was asked the same question and I gave the same answer in relation to the end of term assets issue. I also added the dates then and they were correct. In recent days, I have reviewed our written answer to the question on notice element of the 28th and I noticed that we answered the question in the broad. We identified four firms but failed to identify PWC. So there is a list of firms that gave us advice on both the finance lease and operating lease issue and the financial methodologies issue. That was a list of four firms and it should have been five.

Senator ROBERT RAY—When did you discover the error in the answer?

Mr Yarra—About two weeks ago, when I was preparing for this hearing.

Senator ROBERT RAY—Then what did you do?

Mr Yarra—I checked it out and reread the transcript.

Senator ROBERT RAY—Yes. But did you write immediately to the committee to correct your answer?

Mr Yarra—I did not, Senator.

Senator ROBERT RAY—Did you know that that was the normal requirement—that the first occasion that you realise there is an error in the answer, you write to the committee and then we show a lot of leniency because you have acted on it immediately? You did not know that?

Mr Yarra—I was not aware of that, Senator, no—not the need to move immediately, no. But I knew it was general practice, once an error was discovered, to make the committee aware of that, yes.

Senator ROBERT RAY—Dr Boxall, I know you do a lot of internal training. Can you make sure that is put somewhere on the syllabus for internal training?

Dr Boxall—For my department?

Senator ROBERT RAY—Yes, because they are still within your overall portfolio. It is just as a reminder to people that mistakes occur. We all make mistakes. But the real requirement here is that it be corrected immediately.

Dr Boxall—I will take note of that and make sure that people in the Department of Finance and Administration are aware of that. I am sure Mr Smith, who can speak for himself, will do the same thing.

Mr Smith—I too have to place an apology with this committee for the same issue. I was not aware that there was a time issue in relation to an answer that I corrected recently. I deeply apologise for that to this committee. I am now fully aware of the obligation to respond quickly and will do so in the future. I will make sure that my staff in OASITO do the same thing.

CHAIR—Thank you, Mr Smith.

Senator LUNDY—Mr Yarra, I suggest that you do write to this committee formally and correct the record in that way. Mr Smith, on the other issue that you mentioned about incorrect information provided to the committee which you later corrected, I ask the same question that Senator Ray asked: when did you first become aware of that incorrect information and how does that relate to the dating of your letter which, from recollection, was 17 or 9 February?

Mr Smith—I think it was 7 February. I appeared before the Senate estimates committee on 28 November. It was pointed out to me that I had given an incorrect answer shortly after that time. As I said in my testimony just a moment ago, I was not aware that there was an obligation to immediately correct the record. I apologise for that. Incorrectly, my view was that it would be best to correct the record in the most transparent possible way which is part of my reasoning for having tabled in the first week of sitting. I have now discovered that is inappropriate and will make sure it does not happen again.

Senator LUNDY—Can you tell me, though, when you first realised that you had made that mistake?

Mr Smith—As I said, I think it was maybe within 24 hours or so of my appearance on 28 November. I did have to, by the way, then check the records and do research and all that sort of stuff to verify it.

Senator LUNDY—Sure. I am concerned about it because the letter of correction emerged in the context of other questions having been raised by virtue of correspondence with the references committee about that very matter. I am concerned that, even though you were aware of it the day afterwards, the prompt did not actually come until the same issues were being canvassed in another forum. It would have exposed the inconsistency.

Mr Smith—Senator, I do not think the issues are exactly the same. I have to say to you—

Senator LUNDY—They are not the same but they are related.

Mr Smith—I have to assure you that the two are not related in my mind. It was not a prompt from me because we had this other business in relation to the references committee. The two were not at all associated. I believe that I did the right thing by putting a correction on the record. I apologise for it being delayed. It was not to do with anything in relation to the references committee. It was a decision I took personally because I take providing correct information to this committee and all parliamentary committees very seriously. I erred in not providing it early. I apologise for that.

Senator LUNDY—I guess the point there—and it is an observation more than anything else—is that the sensitivity of the correction had a far lesser degree of relevance post the tabling and response to the Humphry review than it would have had if we had known that information at the time of that original committee hearing when you made the error.

Mr Smith—Wrongly again, I assumed that the first time that my amendment could be scrutinised would be in this forum when parliament resumed. I had no desire to be anything other than transparent on the issue, I made it available and I made an error of judgment in terms of timing. As I said, I apologise for that.

Senator LUNDY—Are there any other corrections that any officers of OASITO would like to take the opportunity to correct now, that you are aware of?

Mr Smith—There is no other correction that I am aware of within OASITO that needs to be made to this committee or to any other committee. As I said, part of the fact that we have made the correction is we take this very seriously and go back and check records, and we have double-checking in place by people pointing something out to us and saying, ‘My understanding is that was not quite what you said.’ We take that very seriously. On both of these occasions we absolutely did not respond quickly enough. The point is that in all of the time I have been in OASITO I am not aware that we have had to correct the record previously, certainly not the individuals you see at this table, and I am not aware of anything else within our organisation that requires correction.

Senator LUNDY—I turn to the additional estimates statements issued by the Finance and Administration portfolio. I am referring to page 36, outcome 2: the extension of the information technology outsourcing initiative. There is an additional \$4.6 million allocated next to the column which says:

Increase in departmental price of outputs

Extension of Information Technology Outsourcing (ITO) Initiative.

Can you provide an explanation as to that additional \$4.6 million?

Mr Smith—I will try to give you the explanation now. If there is any supplementary information I will give it to you separately. We were funded up to 31 December. This is the funding for the remainder of this financial year. So it is the first half of calendar year 2001. We were only funded to 31 December.

Senator LUNDY—How does it compare to the allocation from 1 July to 31 December, out of interest?

Mr Smith—I am advised that it is lower than the first six months by approximately \$2 million. We could certainly provide you with a breakdown of how the second part of the year was compiled. We do not have that information here.

Senator LUNDY—Does this \$4.6 million figure take into account the changes to the program brought about by the recommendations accepted from the Humphry review?

Mr Smith—No, it does not.

Senator LUNDY—What is the status of that budget in light of the recommendations of the Humphry review having been accepted?

Mr Smith—Our budget will be reviewed in the budget context. My expectation would be that any moneys not anticipated to be spent would be returned. But that is a matter for budget consideration.

Senator LUNDY—So out of that \$4.6 million can you tell me what your internal budget assessments are for the expenditure of that money over the next six months, again given that the recommendations of the Humphry review have been accepted and that you have offloaded at least one of your most expensive consultants?

Mr Yarra—That is the subject of briefing we provided to the minister in the upshot of the Humphry review. He has not responded yet. The outcome of that will be taken up in the budget context, so our preference is not to advise you of what was in that briefing to the minister. It will certainly pop up in later assessments.

Senator LUNDY—I think you are allowed not to tell me what you tell the minister, in some circumstances. On the issue of what happens next for OASITO in the context of the Humphry review, I would like to begin by asking what changes you have made in the operation of OASITO as you prepare for your modified or transitory role over the next six months. I know you have spoken in the other committee forum, and I am trying to draw a barrier. I would like you to give me some in-depth explanation as to what happens next in OASITO—financially, organisationally, in relationships with consultants and with other departments and so forth.

Mr Smith—I am happy to do so. It is multifaceted, so we will take consultants for a start. As I indicated in the references committee, all of our consultancy arrangements are in the process of being terminated, other than BDW—that is Blake Dawson Waldron, the legal advisers. We will take BDW on an ad hoc arrangement so we will have a covering

arrangement which allows us to seek ad hoc legal advice that may be called upon for the six-month period. All other contracts have been or will be terminated—that is, the financial advisers; the probity auditor; the Shaw Pittman contract, which we terminated on 31 December in any event; and the industry development consultants. So there will be no consultants going forward other than BDW.

In terms of staffing, as I said on another occasion, we have around 16 or 18 staff in IT outsourcing. At this point it is difficult to determine how much of that resource will be required, but my estimate is that it is going to be considerably fewer than 18. We are in the process of seeking opportunities for staff in other agencies, such as DOFA, Defence and other places that are interested in picking up some of the skill base that we have built up over the last three years. That is the staffing side. I think we will get down to a core of around four or five people to continue with their advisory role through to 30 June on IT outsourcing. The remainder of the functions—privatisation and market testing—remain essentially unchanged. In terms of other staffing, we will be reducing the corporate functions to support and reduce numbers in the organisation. I think that is about all on the resourcing and consultant side.

The financial side obviously is affected by where we end up with the organisational shape. As Mr Yarra said, that is a subject of advice to the minister. It will come out through the budget process as to how many dollars we need to run through to 30 June. Does that cover all the areas you might be concerned about?

Senator LUNDY—Yes. Are any of the consultants or contracts that you have with consultants being transferred in any way to other areas within OASITO? Indeed, are any of the same consultants being contracted to do work for, for example, your market testing, contracting out project or anything like that?

Mr Smith—Not as a direct result of Humphry. We have Blake Dawson, for example, doing work for us on the submarine project, but that was a separately competitive process. None of the consultants have been transferred across to any other function as a result of the Humphry review. They have been selected in relation to separate competitive processes. I recall BDW may be the only one. BDW is on rail and it is also on submarines, but that was as a result of separate processes. Our consultants have been terminated. It is not our intention to use them elsewhere unless they are selected by a separate competitive process on a case by case basis.

Senator LUNDY—So even if you remove that relationship as a result of the Humphry review, have any of the consultants that have been terminated with the IT outsourcing initiative been subsequently engaged in other areas in OASITO?

Mr Smith—I could not tell you that. I am not aware that that is the case. I could imagine that agencies will be requiring legal, financial and other support and may call upon the expertise of those firms, but I am not aware of any agency picking up any of the consultants to date. They may have, but I am not aware.

Senator LUNDY—The original portfolio budget statement for the budget 2000-01 identifies the budget estimate as being \$8.7 million. I am looking at output group 2.1, IT infrastructure initiative, on page 119. You said \$4.6 million was approximately \$2 million less. I just want to reconcile the \$8 million figure there. It does not actually give an indication that it is only for half the financial year, yet there is still this subsequent \$4.6 million additional allocation.

Mr Smith—In answer to the earlier question, I said I would try to get you the details of that. It appears that the \$8.7 million referred to here is for the first six months of the year, so

there was a gap of about \$4 million, not \$2 million, but we need to get you the breakdown of that. The \$8.7 million that you see here is for the first six months of the financial year.

Senator LUNDY—Where does it say that in the PBS?

Mr Smith—I do not think it actually does say that.

Senator LUNDY—Then how are we supposed to know that?

Mr Smith—I would like to take that on notice. I understand—but I want to check this carefully for you—that we were funded on a calendar year, not a financial year, previously. I need to get you the right answer. We will get you a full written response.

Senator LUNDY—Thank you for that, but I want to press this point, because it says:

Table 2.1.2 shows how the 2000-2001 appropriation is translated into total resourcing.

There is no mention whatsoever of calendar year funding in this portfolio budget statement. If what you are saying is correct then this document is highly misleading, and that is an issue in itself.

Mr Smith—We will check this for you and get you the right answer. What we can say is that the \$8.7 million is for the first six months and the additional \$4.6 million is for the second six months. We were only funded to 31 December and we had to then seek an additional \$4 million for the second half of this financial year. We will get you the full explanation and give it to you as soon as possible.

Senator LUNDY—Could you cross-reference that with the previous *Hansard* relating back to last year's budget? My recollection tells me that we did in fact discuss some of the budget allocations during that estimates round, so I would like to cross-reference.

Mr Smith—We will give you a full explanation of last year and this year.

Senator LUNDY—I mention last year because we would have discussed these allocations in the estimates following the budget last year for this coming financial year.

Mr Smith—We will check the *Hansard* to see what the discussion was. We will certainly give you both years' information.

Senator LUNDY—In terms of the processes now, post Humphry review—and again I appreciate we have gone some way into this in another forum—can you describe precisely what services OASITO will be providing from here on in, particularly in the context of the ongoing role you have with both the existing contracts and what you will actually be doing with your remaining resources in the IT outsourcing area over the next six months, at which point I presume you wind up?

Mr Smith—As I previously said, it is very difficult for us to determine precisely the nature of support we will be giving agencies going forward. It largely depends on their requests for our assistance. Over the last few years we have developed a range of documentation, support manuals and so on, which we will be packaging and making available when people request them. To date, requests for advice has been patchy. The requests range from direct support in terms of helping with direct tender documents to, 'How do we go about this? How do we go about that?' So they range quite extensively, from direct to relatively indirect support. How that washes out going forward is still unclear.

My estimation is that as people pursue their own processes they will increasingly take on the skill base themselves, and we will see progressively that there will be less and less reliance on OASITO over the next six months. In terms of direct involvement—and I think

your question was about what ongoing role we have with contracts already in place—I see that being no different, in a sense, to what we have had in the past, which was to provide advice to agencies if they request advice from us. I do not see that being any different. So it is unclear. We stand ready to provide any advice and assistance that is sought from us, but to date it is not clear as to how that might unfold.

Senator LUNDY—You mentioned packaging information. Do you have any documents produced by Shaw Pitman that encapsulate the strategic advice that you have been paying so much for over the last few years?

Mr Smith—We certainly would not have a document which said, ‘Here is an accumulation of Shaw Pitman’s strategic advice.’ We do have a range of things like contract management manuals; the small agency program is a fairly well developed suite of documents—draft tenders, contracts, ‘how do step by step processes’ and so on. Shaw Pitman had an input in their development, but they are OASITO documents. We would absolutely make those available to agencies going forward.

Mr Yarra—If you read the tender document, and if you read the services agreement, you would see that there is a heavy input from Shaw Pitman in the way that the documents are structured and in the way the schedules are structured. All of their advice surfaced in the documents that we prepared for the tender process, so we cannot read the bits that Shaw Pitman contributed—they just contributed on an ongoing basis to all of those documents in a major way.

Mr Smith—I might ask Ms Makay to list the sorts of documents we have ready for agencies.

Ms Makay—There is a number of documents that we are packaging, including the service level guide, aspects of the due diligence guide that we provide to agencies, the evaluation guide, contract management guide and preparation for definition of scope documentation. There is a large body of material. Basically, we want to streamline the material, because the request that we have from agencies would mean that we would generate five or six separate CDs, some of which would be relevant to implementation in the future, some of which would not. We would do some work to streamline it and then we can package it together for agencies.

Senator LUNDY—And that is essentially the only service you will be providing over the next six months?

Ms Makay—I do not think that was the point that Mr Smith was making.

Mr Smith—There is one level of documentation we will provide. Austrade has asked whether we could help them with their tender preparations. We will probably make an officer, or perhaps two, available to help in the preparation of their documents. As I said earlier, people are ringing up.

Senator LUNDY—Is Austrade part of the small agency program?

Mr Smith—Austrade was part of the group 6 process. I understand Austrade is doing its separate process now and approached us as to whether we could help them with preparation documentation. I have agreed to allocate one or two people to help them over the next few weeks through that process, so that is one level of support. As I said earlier, there is a level where people simply call and ask for advice on particular issues on a day-to-day basis. It is not clear as to where the resource level for all that will fit for us.

Ms Makay—In addition to that we have some continuing small agency involvement with the Australian Sports Commission and a number of what I would call low-level support activity, where we continue to provide interpretation and assistance to some of the small agencies.

Senator LUNDY—In terms of that involvement, what is your status? Is there any obligation for those small agencies to continue to involve you? Are they locked in to involving you?

Ms Makay—No, it is completely at their discretion.

Mr Smith—All advisory stuff going forward is discretionary. You may recall that we talked about the small agency program. Agencies ran their own small agency programs with guidance from us. They issued their own tenders and did their own evaluation and so on. So that is really not going to be much different. All of our services are now provided on a discretionary basis until 30 June.

Senator LUNDY—What happens on 30 June?

Mr Smith—On 30 June OASITO will no longer have an advisory role for IT outsourcing. We will seek to place those staff who remain, who we are unable to place, in other agencies at that time, depending on what their wishes may be. As I said, I think we will be down to a small number of staff at that point. At the moment we are working very hard with the staff to make sure they get placed in good positions or in positions in which they are interested in being placed to bring it down to that core number.

Senator LUNDY—We have heard a lot about the relationship with the Department of Finance and Administration, or lack thereof—depending on your perspective. Has that changed during this six-month period or is there still the same relationship? You say that OASITO reports to the minister. Has anything about that chain of command stuff changed?

Mr Smith—As indicated previously, we are an executive agency. As chief executive I report direct to the minister. He also provides me with delegations directly. So I am fully accountable to the minister on all functions for my office, quite separate from the Department of Finance and Administration. There is to be no change in that going forward.

Senator LUNDY—I would like to turn to an area relating to the industry development aspects of the IT outsourcing program. My understanding is that you, along with the Department of Communications, Information Technology and the Arts, jointly manage the industry development aspects. I note with interest the response to some questions I placed on notice on the industry development outcomes. Perhaps to start with, could you clarify what role you have with respect to the industry development aspects of the IT outsourcing contracts—or should I say had?

Mr Smith—I will try to answer part of that question and then I will ask Ms Makay to do the rest of it. The industry development process was separately conducted, as we have previously spoken about, from the main part of the evaluation process. OASITO did not participate in that evaluation. The industry development evaluation committee comprised external consultants and an officer from DOCITA. That evaluation committee was chaired by Yasmin King from Flexible Resources. OASITO did not participate in that evaluation.

So our role was essentially to incorporate the industry development policy framework in the RFTs that we placed. The evaluation and negotiation of the outcomes with industry development were conducted by this evaluation committee, independent from OASITO. That then was fed into, as we spoke about previously, the option committee process, and I usually

chaired those committees. So that is the relationship in the way in which it worked in the RFTs and the contracts.

Senator LUNDY—Yasmin King was contracted to OASITO, was she not?

Mr Smith—Correct.

Senator LUNDY—So it is not really independent of OASITO.

Mr Smith—It absolutely is. We engaged Yasmin King. That evaluation committee was evaluated quite separately from OASITO. A very important part of that process was evaluated—

Senator LUNDY—I am not saying that there is necessarily an issue with that, other than I think it is a bit of a stretch to claim that it is a completely independent committee when the person chairing it is someone who has been effectively on your books for a number of years now.

Mr Smith—The fact that we engaged and paid the consultant was incidental. What was very important to us was that that process be independent. Because of our involvement on the services side with the agencies, it was important that we have a separate process going for industry development.

Senator LUNDY—Where was Ms King located through the course of her consultancy?

Mr Smith—She is an Adelaide based consultant and, whenever necessary, she came to Canberra to participate in evaluation and to provide appropriate briefing, evaluation reports and so on. But she is based in Adelaide and travelled to Canberra, as necessary.

Senator LUNDY—That partly explains the high fees.

Mr Smith—I think she represented excellent value for money.

Senator LUNDY—I think it is all a question of perspective. That industry development evaluation: you mentioned two external people. Who are they?

Mr Smith—Yasmin King and Allens Consulting, who specialise in doing commercial and modelling analysis of business proposals.

Senator LUNDY—Who was the representative from Allens Consulting who participated? Was it the same person?

Mr Smith—No. Usually it was David Charles, but I could not say categorically that David was the consistent person on all those evaluations. We could check that for you and give you the information, if that is your wish.

Senator LUNDY—Yes, please. For all of the industry development evaluation committees, was that the structure of the evaluation committee?

Mr Smith—That is my understanding, but again we could check that for you.

Senator LUNDY—If you could provide me with details of the actual participating membership for each of the contracts, that would be helpful.

Mr Smith—Will do. Rather than just contracts, if I could help you there, there are some that did not get to contract that had panels going. So for contracts and those not up to contracts in the process, we can provide all that for you.

Senator LUNDY—Thank you.

Mr Yarra—We also named the DOCITA personnel several hearings ago, and I think only one of those changed.

Senator LUNDY—Right.

Mr Smith—But we will clarify that for you.

Senator LUNDY—Thank you. I am just trying to pull the information together. In terms of the evaluation of the industry development aspects, can you tell me the process and measures by which the different proposals were evaluated and whether or not you prepared a guideline that we could use as some reference to understand that process in detail?

Mr Smith—We have provided previously to you the RFT documentation. That has in it a chapter on industry development, which specifies clearly the objectives of the industry.

Senator LUNDY—Yes, that is not what I am asking for though. It is more of—

Mr Smith—Evaluation criteria: is that what you are after?

Senator LUNDY—Yes. Looking at the RFT—which sort of says, ‘This is what we are hoping to achieve’—what are the actual points by which you assess that as part of that evaluation process? Is that that committee’s role or are there other working parties involved? Does Allens Consulting have to look at a specific aspect of it?

Mr Smith—I understand your question. We will have to take that on notice for you. My understanding is that Allens did the modelling in terms of analysing business cases where things were sensible from a business perspective. But, to do justice to your question, we will go away and get the correct answer for you. At high level, the objectives were set out and, therefore, the evaluation was surrounding the objectives that you would have seen in the RFT. But whether there were specific evaluation criteria, I would need to check, and we will provide that for you as well.

Senator LUNDY—When you check that, can you tell me how that evaluation criteria was provided, if at all, to the tenderers, or whether the only guidance the participating tenderers had was, in fact, the RFT?

Mr Smith—We will certainly do that for you.

Senator LUNDY—We have asked the question in other forums with respect to information about the evaluation reports, but I want to ask you specifically for the evaluation reports arising from the industry development evaluation committees and just seek clarification as to whether that documentation—I presume there was a document produced?

Mr Smith—There would be a report, absolutely.

Senator LUNDY—Was that documentation encompassed as part of the request, which was placed on notice by the references committee, generally for the evaluation reports?

Mr Smith—I am advised that the evaluation reports are a key part of the evaluation and we are considering those in accordance with the request from the references committee.

Senator LUNDY—Thank you. I have learned the hard way to be very specific. The provision of those industry development evaluation reports to the options committee: my understanding is that obviously a key role of the options committee is to assess that evaluation report along with the other evaluation report.

Mr Smith—Yes.

Senator LUNDY—Can you, first of all, give me the names of the participants in the options committee for each of the main contracts and where they existed for the contracts that were not yet signed? I am particularly interested in the structure but also the participants, understanding that there are some people drawn from industry to participate at that stage.

Mr Smith—The answer I can give you at this point is that they were chaired by OASITO. Two private sector members, DISR and DOCITA form the options committee. The two private sector members varied from contract to contract and tender to tender, and I do not have that information with me but most certainly will get it to you as soon as possible. I can actually give you the names of all the members—be they DOCITA, DISR—of the committees.

Senator LUNDY—Were those participants from the private sector compensated or remunerated for their efforts?

Mr Smith—My recollection is that they were paid a daily rate plus their airfares—their incidental costs associated with coming to Canberra, yes.

Senator LUNDY—Were those people participating in that process members of the panel that you identified back in February 1999?

Mr Smith—I believe that is the case, yes.

Senator LUNDY—I think it was at the last round of estimates—in November—I asked a question about that panel. I got a response from you that implied you did not know what panel I was talking about. Have you had the opportunity to check the *Hansard*?

Mr Smith—No, but we can. I was not aware that that was an outstanding issue for you.

Senator LUNDY—I knew I was right, but I did not have my answers in *Hansard* handy. But I do want to clarify that now, if that is possible.

Mr Smith—Could you refer me to the *Hansard*?

Senator LUNDY—I will come back to that. It is one of those things that you find later and want to clarify. Just referring to the panel, in an answer to a question on notice that you provided on 9 February 1999, there was a list of some 30-odd private sector people. Has that list changed at all since it was first compiled and provided to the committee?

Mr Smith—Not that I am aware of, but we can certainly do that check for you.

Senator LUNDY—Can you tell me this for the record as well: for what other purpose do you use this panel of businesspeople, other than for participating in options groups for the IT outsourcing initiative?

Mr Smith—They are used for selection processes for advisers and consultants on the assets sales, the privatisation side of the organisation. When we are selecting advisers for, say, the submarine sale or the National Rail sale, we appoint business advisers and legal advisers. The process is that there is a panel of three: an OASITO chair and two independent panellists from that list comprise the selection panel. That is for all business adviser and all legal adviser appointments on the privatisation side.

Senator LUNDY—On what basis was this particular group selected?

Mr Yarra—That list has been around for quite some time, we would have to go back and check where it came from, but we have always used that list for those purposes. We will have to take that on notice and get back to you. I do not know the original genesis. I arrived and it was there. So, as far as I am concerned, I do not know where the list came from.

Mr Smith—I suspect that list has been generated out of the minister's office, but we will check that for you. As Mr Yarra said, it is some time ago. But we will check the genesis of that and get that to you.

Senator LUNDY—If you establish an options committee, how do you select which panellist would participate in that exercise?

Mr Smith—I just wanted to make sure the practice was the same on both sides of the house—outsourcing and asset sales. I am advised that whenever there is a transaction the minister's office provides us with a list of names out of the panel as to who we might approach. That is based around the particular capabilities and particular expertise of the panel members for the particular transaction that is in front of us. It often depends on availability of people. These are senior private sector individuals, usually at CEO or chairman of the board level. There is a list of six or 10 suggested to us, and we go through the list and see who is available until we find two people who are available.

Senator LUNDY—So that short list arrives to you from the minister's office?

Mr Smith—That is what I am advised, yes.

Senator LUNDY—Obviously, that has been happening in Finance for a long time. Perhaps I can ask Dr Boxall if that process of garnering private sector input—being provided with a short list of names from the minister's office—is standard practice, or a practice that is widespread in establishing such high-level decision making bodies within the Australian Public Service.

Dr Boxall—Can you repeat the beginning of that question, please?

Senator LUNDY—The context of the discussion is the process by which names selected from a pre-established panel, which is pulled together by the minister's office, are then provided to, for example, OASITO, so they can pick two of those people to place on the options committee. I am asking you a general question: do you also, as a departmental secretary, have the list of the panel or have a process by which you require the minister to provide you with a short list of names for any decision making processes?

Dr Boxall—We are in a different line of business than the office of asset sales and so we have had very few panels. But one panel that we did have in the previous 12 months, which is similar to the options panels that you have just been discussing with the office of asset sales, had two senior private sector people on it, and these were names that very much came from the minister's office. Those were two private sector people out of a panel of five. So whether the practice is widespread across the Australian Public Service, I do not know.

Senator LUNDY—I am just exploring it. To clarify, Mr Smith, the options committee effectively had three departmental representatives and two private sector representatives?

Mr Smith—Yes, I think it is correct. There were the DISR, DOCITA, OASITO and two private sector members on the options committee. On asset sales, though, it is two private sector people and OASITO—it is only three on the asset sales side.

Senator LUNDY—We found this elusive reference. Referring to page 187 of the *Hansard* of this committee on Tuesday, 28 November 2000, in the top couple of paragraphs, I ask the question:

Do you still have a private sector panel advising you on implementation issues?

You said that you were not aware that you ever had one. I said:

I recall a panel that was accessible by OASITO, or perhaps OGIT, consisting of some 30-odd business people.

You said:

I have been responsible for this initiative for about three years now and there has been no such panel that I have had to consult with, liaise with, talk to or seek guidance from during that time.

Then I made the point. But I wanted to clarify that that was the panel that I was referring to, from which you have drawn involvement for the options committee.

Mr Smith—That is the panel. The question you talked about was on implementation issues, and I did not understand that.

Senator LUNDY—I thought you would probably rely on the semantics of ‘implementation’—

Mr Smith—It is not semantics—

Senator LUNDY—to the exclusion of everything else, Mr Smith.

Mr Smith—It is a matter of fact and truth, Senator, not semantics.

Senator LUNDY—I am sure it is. Reminding you of a panel of 30-odd business people did not cause you to recall this particular one?

Mr Smith—Obviously not. I would have answered it as I saw it at the time. You have asked me an express question tonight and I have answered it. You have asked that question previously and I have answered it accurately.

Senator LUNDY—I am a slow learner, Mr Smith. I would like now to refer to the answer you provided to a question on notice about industry development outcomes. Quite frankly, I really need your assistance in interpreting this document. Do you have the answer I am referring to?

Mr Smith—Which one is it? Just give me a reference.

Senator LUNDY—It is *Hansard*—

Mr Smith—I have got a document like that. Is it the same as yours? It has got on the top right hand corner F&PA 204.

Senator LUNDY—F&PA 204—that is right. We are looking at the same paper. The table at the bottom says:

ITO Contracted Industry Development—incorporating Cluster 3, ATO and Group 5 achievements to date (all \$values expressed in \$ms)

Commitment at Contract Execution Date

One thing I wanted to clarify at the outset is: does this table relate only to commitment at contract execution date or to the actual figures returned by virtue of the industry development reports by the contractors?

Ms Makay—Again, it was obviously a difficult level of detail to represent clearly. What we tried to show here was both pieces of information: first, a breakdown of the contracted information, as you requested—payments to SMEs, strategic investment, net exports and employment—second, a breakdown by contract, as you requested. So we went through and broke down ‘in scope’ and ‘out of scope’ as well. So you had totals at contract execution. With the belief and understanding that DOCITA were putting forward their 1999-2000 achievements report, we took some information from DOCITA and represented that as an

overachievement column for the first two years of Cluster 3 and the first year of ATO and Group 5.

Senator LUNDY—Right. So the only figures in this table that relate to achievements based on the DOCITA outcomes report are in the last two columns?

Ms Makay—They are captured as part of that. The DOCITA achievements report was specifically on the 1999-2000 financial year; it did not capture the first year of Cluster 3. So we tried to show accumulative.

Senator LUNDY—Right, so you have tried to incorporate the first two years of Cluster 3 in this?

Ms Makay—Yes.

Senator LUNDY—The DOCITA report expresses outcomes in percentage terms. How do you extrapolate these figures across the percentage terms contained in the DOCITA report?

Ms Makay—In previous advice to you I think we have said that it is 30 per cent of total work for SMEs and 75 per cent of Australian value add. Again, I could take it on notice to give a breakdown.

Senator LUNDY—The percentage breakdowns as well.

Ms Makay—Sure.

Senator LUNDY—What I want is a reconciliation between this document, which has actual figures, and the document circulated by DOCITA, which only has a percentage representation.

Ms Makay—Again, I want to draw to your attention the fact that their report captures only one financial year. So it will only be part of the picture.

Senator LUNDY—So that would make a difference to only Cluster 3?

Ms Makay—Correct.

Senator LUNDY—Not the other two. So you could still do it for the other two?

Ms Makay—Yes. We will take that question on notice.

Mr Smith—We will try to do it for Cluster 3 as well, Senator. We will try to create it for you so you have consistency across them all.

Senator LUNDY—That would be useful. I want to discuss the in scope and out of scope assessments. Can you explain to me how the out of scope figures you have relate to what commitments are in the contracts themselves?

Ms Makay—In general terms, out of scope refers to out of scope initiatives that the contractors commit to, and that is a cumulative picture across the range of out of scope initiatives that they sign up to.

Senator LUNDY—When you say out of scope, are they initiatives that they contained in their industry development submission, if you like, as part of the tender evaluation process?

Ms Makay—It is part of the tender evaluation. In scope relates to the services delivered as part of delivering the contract requirement to the agencies. Out of scope is additional to the services provided.

Senator LUNDY—So the out of scope does not necessarily have any relationship with the work being performed in the IT outsourcing contract?

Ms Makay—It is additional.

Mr Smith—By definition it does not.

Senator LUNDY—By definition it does not?

Mr Smith—Correct. In scope is for the services on a day-to-day basis. Out of scope means it is not related to the services.

Senator LUNDY—So it is like the IBM call centres—an out of scope initiative, for example?

Mr Smith—Yes. Scholarships at university and things like that. We call that out of scope versus providing PCs and SME involvement in delivering the services.

Senator LUNDY—Okay.

Ms Makay—I believe the DOCITA report captures, at least at summary level, for ATO Cluster 3 and Group 5 what those initiatives actually are. So it gives you a current breakdown.

Senator LUNDY—It does go into some specificity. Given that you are jointly responsible for all of this and the former consultant to OASITO's Yasmin King, can you explain to me the role that OASITO had in actually formulating these assessments? I guess it is a question going to the formula you used for calculating the payments to SMEs in the first instance.

Mr Smith—As I previously said, OASITO was not involved in the evaluation of industry development. To the extent that we can identify the methodology—it goes to your question, I think, of the methodology of how we dealt with the various aspects of that—we will try to do that for you. That manifested itself in those outcomes that you see there, and we will try to do the trail of the methodology, the evaluation outcomes and contracts versus actual, and create a matrix for you so you can follow it—and I find this confusing myself—from tender commitment through to actual commitment.

Senator LUNDY—Can you also, as part of doing that, reconcile the figures here as part of that exercise?

Mr Smith—Sure.

Senator LUNDY—That is quite genuinely the difficulty in that, whilst we have asked the government publicly and via the committee processes to make the reports public, the actual audited reports provided to the government by the individual contractors—which would, in fact, introduce the sort of accountability I am looking for, and I am still hopeful of getting those documents—would be useful for you to reconcile these figures, the DOCITA percentages, along that trail that you are going to create as well.

Mr Smith—I think I understand what you want, and we will try to do that for you.

Senator LUNDY—Where you have the column headed 'Overachievement', is that a straight up analysis of the figures underlying the percentages in the DOCITA report with your totals?

Ms Makay—I understand it reconciles those figures and, as I mentioned before, also includes the first year Cluster 3 achievements.

Senator LUNDY—Okay.

Senator Abetz—Chair, are there going to be any more questions? There has been some considerable delay.

Senator LUNDY—I am sorry, that is because I am looking at my notes, Minister, so you can just be patient. If you had committee members who were paying attention they could leap into this pause and ask their own series of questions to the officers at the table.

CHAIR—You have caught me out, Senator Lundy.

Senator Abetz—I think most of the information is already available. This is just trawling.

Senator LUNDY—I beg your pardon?

Senator Abetz—Just trawling.

Senator LUNDY—Are you bored?

Senator Abetz—Absolutely!

Senator LUNDY—That is not my fault.

Senator Abetz—I think it is; I am sorry.

Senator LUNDY—I would like to revisit some of the evaluation processes that OASITO were involved in with previous contracts and how that related to your role. My understanding of the role OASITO had in evaluation was that you effectively dominated the process from an agency's perspective and that that allowed you not just to make decisions about the decision making process but to deny the agencies what they claimed to be their appropriate role in the decision making process. I first want to ask you how that assertion was reflected in the Humphry recommendation that the decision making processes be devolved to the agencies. I am looking for your comment on that.

Mr Yarra—I have seen that assertion made many times. In my view, it is not true. I will try and present as factually as I can the role of agencies in the evaluation, in fact in the whole process. I might have said several times before that the agencies are involved every step of the way, so much so that they find the resource commitment to the process quite demanding because they are involved with us in drafting sessions and meetings, day in and day out, to get their documents prepared in the way that they want them prepared.

Speaking from experience of my involvement in a previous project, the evaluation coordinator was an agency individual. The evaluation team leaders were from the agencies. The evaluation teams were from the agencies. OASITO was chair of the evaluation committee. I would say that, in terms of times spent and effort put in, 99 per cent of the evaluation effort came from agencies. OASITO coordinated, convened meetings, maintained timetables and kept the process on track. I do not know of a single instance in my experience where I or the staff on my team got in there and told an agency that they were making the wrong decision on a technical issue, a solution, et cetera. The audit report does reveal tensions with the agencies in terms of our understanding and accepting their cost baselines. That did come through in the audit report, for example, in the discussion on Group 5. I see that assertion all the time, and I reject it totally. It is so untrue. To me, it is becoming a point of real contention.

Similarly, in the negotiation phase I have seen testimony from other agencies. OASITO provided a strategic negotiator, Shaw Pitman. Their role in this was strategic negotiation but, for example, in the Group 1 process the leader of the Group 1 team from Centrelink was the co-lead negotiator—that is, in a negotiated document with them the role of the Centrelink person was as the co-lead negotiator. There was no way that the negotiation strategy could have been finalised without absolute agreement from Centrelink on every detail. We went to great lengths to finalise a document with them that they expressed their view on and would

not accept until it was finalised. I remember that I answered a question from you several hearings ago as to why we had not opened bids on Group 1 for a whole month after they were received and that I said that it was because we had not satisfied the conditions for tender opening. The reason for that was that we had not been able to negotiate with Centrelink and fax the tender evaluation plan because, at the end of the day, we did not do anything unless the agencies agreed with it; we did not do anything unless the agencies signed off.

To suggest that we somehow ran the process as far as agencies were concerned is absolutely wrong in my view. It is repeated over and over. It pops up in the Humphry review. The one thread that pops up that is true is that we had to adopt a fairly on-the-front-foot position in driving the process forward. It was claimed, for example, that we were timetable driven. We use a timetable as a discipline in a tender process, but that suggestion sits oddly with the audit conclusion that in fact we had blown the timetable out. Somewhere in the middle is about right. There is no other way to move a process forward where the agency ends up with a contract for five years with an outsourcer and then to have the agency fully signed up in all aspects of it. Any suggestion that we somehow subjugated their interests is absolutely wrong. That is my personal experience.

Senator LUNDY—How do you explain the fact that Centrelink were not on the options committee as part of their Group 1 process?

Mr Smith—We have been through the rationale of why agencies were not on industry development committees, but I will come back to make the point again.

Senator LUNDY—There are inconsistencies, aren't there? Some agencies were on the options committee and some were not.

Mr Smith—I think the only exception was the ATO. We could check that for you. That was a single agency process.

Senator LUNDY—And they were on the options committee?

Mr Smith—I think that is the case.

Senator LUNDY—I think Health was as well.

Mr Smith—I do not think that is the case, but I will check for you. Where there was a health policy issue that may be affected by the industry development aspects or bids, we consulted with Health.

Senator LUNDY—I think Mr Podger thinks he was on it.

Mr Smith—We will check that for you. That is not my understanding.

Senator LUNDY—I would be interested to see your response.

Mr Smith—In writing to Centrelink, we said that Centrelink absolutely had responsibility—when you get to that point—of signing off on the evaluation process. Centrelink and only Centrelink and FACS had absolute responsibility for signing off on which of the parties met their technical service strategic requirements—not OASITO, not any other party, only Centrelink and FACS.

Senator LUNDY—They described a process today that involved no fewer than about 11 different committees, six of which were in fact evaluation committees and subcommittees from each of the departments or agencies—Centrelink and FACS. Does it strike you as being a streamlined and empowering process for an agency or department when you have got so many layers?

Mr Smith—We will check the structures for you, but Mr Yarra is absolutely correct: at the end of the day, on the evaluation process, Centrelink and only Centrelink could sign off as to who met the requirements of the technical aspects. It is not a question of how influence—

Senator LUNDY—I am not suggesting they do not, but I am suggesting that they had to fight. The evidence we heard today suggested that they had to really assert themselves for that privilege of effectively fulfilling their statutory obligations under the FMA Act—they really had to fight for that.

Mr Smith—I have not seen their testimony, but it is no different—

Senator LUNDY—I am paraphrasing their evidence, sure, but that was certainly the implication as I interpreted it.

Mr Smith—But the role that Centrelink played in Group 1 is no different from the roles the others played in the other processes; that is, every agency has been required and all the five—or six or seven, depending on which way you interpret that—processes were running. The agencies were required to sign off on the important part of whether that particular bidder could meet their service requirements—not OASITO. So they had to conclude—let us take, for example, Group 3—after their evaluation and sign off categorically and absolutely that CSC was their preferred bidder and was able to deliver the service satisfactorily. OASITO had no role in that process, only the Group 3 agencies, and it was the same for each of them. We will read the transcript to see what Centrelink has had to say, but the model has been the same in that important area.

Senator LUNDY—Can you then enlighten me as to the role you played in authorising, or otherwise, any IT acquisition or procurement or contract for any agency effectively on OASITO's timetable for outsourcing?

Mr Smith—I will just make a couple of observations and then I will get Mr Yarra to talk about the details. We formed a very early view based on experience that it was important to allow agencies to continue to run their normal business and, therefore, to continue to acquire whatever the necessary infrastructure upgrades or additional services they had to get to fulfil their obligations. That was based on the South Australian experience where we understand that agencies tended to hold up things and then, when the service provider came in, a whole raft of things were outstanding and caused chaos. I think we have learnt from that experience. We had a process in place—

Senator LUNDY—I recall that you said in the *Hansard* that you did not use the South Australian whole of government IT outsourcing as a model in any way, shape or form for this particular initiative.

Mr Smith—We certainly did not use it as a model, but you have also asked us on occasions whether we had learnt anything. The answer is yes. We have learnt internationally and domestically.

Senator LUNDY—You are actually watching what is happening internationally now!

Mr Smith—I said we always watched.

Senator LUNDY—A bit late.

Mr Smith—On a serious note though—and I have forgotten what I was going to say—

Senator LUNDY—Sorry, I should not have distracted you.

Mr Yarra—Senator, the formal obligation on departments was through a Finance circular—circular 1997/31 from memory—in which the IT outsourcing process obliged them to notify OASITO of any significant acquisition plans that they had for IT. It was left at that in relation to interpreting the meaning of the word ‘significant’. In their view, significant meant, typically, that it affected the operations of their IT shop in a major way that may interfere with subsequent outsourcing. It was left at that. It was left to the agencies to interpret the word ‘significant’. So we had advice from agencies at many different levels. The threshold for ‘significant’ for a huge agency with huge IT was much greater than the threshold for a small agency. Over the period of the last three or four years, on many occasions agencies actually acquired new IT equipment in the context of outsourcing. It was necessary to keep the shop running. It was a refresh, or something like that. They were required to notify OASITO when doing so.

Senator LUNDY—Did they have to seek your approval?

Mr Yarra—They certainly notified us. We consulted internally to form a view as to whether or not it would interfere. We asked them to ensure that any contractual arrangements they entered into did not interfere with subsequent outsourcing—for example, by not allowing a novation or an assignment of a contractual relationship to an outsourcer. In my view, in the process of responding in that way, a green light was given in that interaction backwards and forwards. I think it formalises the process too much to use the word ‘approval’. It is really a process of notifying us and then we express our satisfaction or we ensure, firstly, that it was necessary for the ongoing operation of their IT shop and, secondly, that they did so in a way which did not interfere with subsequent outsourcing. We had to be happy on both counts.

Senator LUNDY—It is still kind of a watchdog role though?

Mr Yarra—Certainly. It is a monitoring role to protect the integrity of the outsourcing policy.

Senator LUNDY—Mr Smith said earlier that the departments have to participate in this process and sign off at various stages. That was done in an environment in which they were funnelled absolutely down a certain path by virtue of both your policy and your processes.

Mr Yarra—There is no doubt that this process was centrally driven. You cannot drive a centrally driven process if you do not hang on to all the bits of string.

Mr Smith—Senator, I refer you to appendix 10 of the Humphry review and to the roles and responsibilities that we have talked about in the past. The roles were defined for OASITO and for the agencies. You referred earlier to the fact that they went down a certain path. You will find in appendix 10 of the Humphry report the predetermined roles for each of the agencies. So to use the language ‘down a certain path’, yes, there were prescribed roles for both parties.

Dr Boxall—We are approaching the halfway mark between 8 p.m. and 11 p.m. I was wondering whether it might be appropriate to take a short break soon. Does the committee still require officers from the Department of Finance and Administration? We have had two questions of a very general nature in a period of 1½ hours. My colleagues and I have been here more or less continuously since 9 a.m.

CHAIR—We had contemplated that, Dr Boxall. I think Senator Lundy still requires you.

Senator LUNDY—Yes. I am moving through a sequence of questions and I am coming to questions for Dr Boxall. I will make an extra effort and ask the questions I have for DOFA.

Dr Boxall—That is fine, as long as you are coming to us.

Senator LUNDY—Yes.

Proceedings suspended from 9.24 p.m. to 9.40 p.m.

Senator LUNDY—I refer to a document dated 7 February 2001, tabled by DOFA in the references committee. It relates to DOFA's intention to establish a body within that department to advise agencies, at their request and on a fee-for-service basis, on managing the transition of IT functions to the private sector. I ask the department how that relates to what we have just heard from OASITO about providing what seems on the surface to be precisely the same kind of service, albeit free of charge to agencies, post the agreement by the government to the recommendations of the Humphry review.

Dr Boxall—They are different units with different functions. The unit in the Department of Finance and Administration, which is covered in the government's response to recommendation 6 of the Humphry report, is a body to advise agencies in managing the transition of IT functions to the private sector. The Humphry review identified this as an area for attention and the government's response is to establish the unit. The government's response makes it very clear that it has always been the responsibility of agency heads to manage the transition to IT outsourcing, but nevertheless they will establish a body to advise agencies at their request and on a fee for service. The six-month transitional arrangement in the office of asset sales which is covered under the government's response to recommendation 5 of the Humphry review is to essentially do as the office of asset sales has just testified—in a sense, to be there as a transitional arrangement as we move from an essentially managed outsourcing function to a devolved outsourcing function. So they literally keep on doing what they have been doing in the past, except that they are there in a transitional advisory capacity as agencies move to the devolved framework. There are completely different functions; they are different bodies and are established on a different basis.

Senator LUNDY—What are the resources devoted to your unit, and what are you calling it?

Dr Boxall—I appreciate, Senator Lundy, that you want to keep the testimony from the references committee separate, but we covered that last time. I am happy to do it again for the purposes of the record.

Senator LUNDY—Thank you.

Dr Boxall—It is a unit which has been established within the Commercial and Projects Branch of the Business Services Group. In terms of resources, as is indicated in the government's response to Humphry, the unit would be established on a fee-for-service basis and at the request of agencies. Therefore, as we have previously testified, we will wait and see what sort of business we get. When we get any business or any requests—and we will charge a fee for service—we will resource it.

Senator LUNDY—I am interpreting what you are saying to be that there were no additional allocations, in a budget sense, to that unit.

Dr Boxall—No. We will absorb whatever cost is required up front and then we will capture the cost on a fee-for-service basis.

Senator LUNDY—I would now like to ask you some questions that relate back to the appointment of Mr Humphry. Section 4 of the Members of Parliament Staff Act provides for appointment of consultants. Was Mr Humphry engaged under the MOPS Act under that provision?

Dr Boxall—Our understanding is that Mr Humphry was hired as an outside expert to conduct a review. He was not hired under the MOPS Act; he was hired, reporting directly to the minister.

Senator LUNDY—As a consultant under the MOPS Act?

Dr Boxall—No, he was hired as a consultant but not under the MOPS Act as far as I am aware.

Senator CONROY—Under what act did you pay him?

Dr Boxall—The department and just about every agency in Canberra hires consultants from time to time. This is a time when Mr Humphry was hired to report directly to the minister and the department paid so we absorbed that, too.

Senator LUNDY—What sort of contract was Mr Humphry employed under?

Mr Prior—Mr Humphry was appointed under a terms of reference between the minister and Mr Humphry.

Senator LUNDY—But there must have been some formal engagement process?

Mr Prior—As I say, he was appointed by the minister.

Senator LUNDY—Is there actually a contract that is put into place following an appointment by the minister?

Mr Prior—There is an appointment letter by the minister, yes.

Senator LUNDY—To what degree of detail does that letter of appointment go into about the terms and conditions of what Mr Humphry was engaged to do?

Mr Prior—It basically referred to the terms of reference that were announced by the government and, as we have already submitted in the other committee, Mr Humphry was paid a daily rate for his services and that is included in the costings.

Senator LUNDY—What was the mechanism for DOFA's authority to pay Mr Humphry? Is it just that letter?

Mr Prior—Yes, that is right.

Senator LUNDY—Once you see that letter you can authorise payment?

Dr Boxall—That is correct. It is a letter of appointment and it specifies a daily rate. Once it is clear that he has performed the duties we can make the payment.

Mr Prior—That is right.

Senator LUNDY—Did that letter contain a clause or information or requirements which provided for material coming into existence pursuant to what he had been asked to do being deemed to be Commonwealth material?

Mr Prior—I do not know any of that detail.

Senator CONROY—Dr Boxall has outlined what he thinks is in the letter in terms of hourly rate and those sorts of things. Did it specify that it was independent of the Commonwealth Archives Act? Did it set that out?

Dr Boxall—Senator Conroy, I have not outlined what I think is in the letter. I was asked what was the authority to pay Mr Humphry and I said that Mr Humphry had a letter of appointment which specified fees and having fulfilled the duties he was paid. I have not seen the letter.

Senator CONROY—How do you know he has fulfilled the duties if you have not seen the letter to know what duties are specified?

Dr Boxall—Because the minister indicated that he had performed the duties and he delivered the report. He reported to the minister, not to me.

Senator CONROY—So you have never seen the letter?

Dr Boxall—No.

Senator CONROY—The department has never seen the letter at all? There is not a copy on file anywhere?

Mr Prior—No.

Senator LUNDY—Have you seen a copy of the letter, Mr Prior?

Mr Prior—I was privy to a draft.

Senator CONROY—You were with the department the last time I checked.

Mr Prior—Yes, Senator Conroy.

Senator CONROY—Thanks. And in what context did you see a draft? Was it being sent out?

Mr Prior—No. It was prepared for the minister's office.

Senator CONROY—So it was prepared in consultation with the department?

Mr Prior—Senator Lundy understands that there are two separate processes here. In the other committee I have given evidence to say that I went off line with a number of people and we situated ourselves quite clearly separate from the department.

Senator CONROY—So you wrote yourselves a letter?

Mr Prior—We wrote ourselves a letter.

Senator LUNDY—Just to clarify that, did you assist in the preparation of the draft after you had been transferred to the secretariat?

Mr Prior—Absolutely. Yes.

Senator LUNDY—The secretariat had already been established prior to that letter being sent to Mr Humphry.

Mr Prior—Correct.

Senator LUNDY—How does that fit with the timing of the minister's announcement of Mr Humphry's appointment? Was the letter provided to Mr Humphry subsequent to that public announcement?

Mr Prior—That would be my understanding, yes.

Senator LUNDY—How long after the public announcement?

Mr Prior—My understanding is that it would be a couple of days or more, around that timeframe.

Senator LUNDY—Could you take it on notice, through the department of finance, to provide the committee with a copy of that letter?

Mr Prior—As far as I am aware, the department does not have a copy of that letter.

Senator LUNDY—I will ask the minister.

Senator CONROY—If I can borrow your phrase, in your off-line capacity you saw a draft, but it was not the final draft.

Mr Prior—It was not the final draft because it went from the minister directly to Mr Humphry.

Senator CONROY—So you prepared the draft that went to the minister or you were involved in the consultation of the draft that went to the minister's office?

Mr Prior—That is right.

Senator CONROY—Do you have a reasonable idea of what would be in it?

Mr Prior—Not in a sense of input. The minister's office asked us to engage the AGS to help prepare a letter of appointment. That was done for the minister's office, and then they dealt with it by forwarding it through to Mr Humphry.

Senator CONROY—I will come back to my question. You were consulted about what was in it. So you have a reasonable knowledge of what was in the letter?

Mr Prior—I have a general idea of what is in the letter.

Senator CONROY—I am not asking you to sign off on any changes that were made in the minister's office. Obviously I would hope that there were not too many changes from a letter that was drafted by the AGS that you guys checked off on. If there were changes, I am not asking you to sign off on them. So you have a reasonable knowledge of what is in the letter?

Mr Prior—I will just say that the general terms of the appointment were as I explained before.

Senator CONROY—Was there any reference in the letter about the Archives Act and that documents were to be not deemed to be Commonwealth property?

Mr Prior—Not to my knowledge. As I say, I have a general view but—

Senator CONROY—Sure. I appreciate that it may have been added in by the minister's office.

Mr Prior—You asked me about the Archives Act. In general terms, I am not aware of that.

Senator CONROY—I am looking to find out at what point Mr Humphry was informed or the minister's office was told that the normal processes did not apply in terms of the Archives Act and keeping copies—those procedural issues, if I could use that term, to cover a whole range of different procedures that you guys would normally do.

Mr Prior—I am not sure of the question.

Senator CONROY—There was nothing in that letter, albeit that you have seen only the general draft, that indicated that this is a consultancy that did not have to comply with the Archives Act or those sorts of things?

Senator Abetz—I am not sure that we necessarily want to canvass what were drafts for the minister, do we?

Senator LUNDY—We do not have the letter. This is the only documentation that any officer in the room has been privy to, so I think it is quite reasonable.

Senator Abetz—No. As a matter of principle, whether we discuss—

Senator CONROY—This is completely independent of the department, Minister.

Senator Abetz—But it is advice prepared for the minister.

Senator CONROY—We are just seeking to ascertain whether or not the Archives Act, as a simple example, was specifically excluded in the letter of offer. I am presuming it was a letter of offer to Mr Humphry to take up an appointment.

Senator Abetz—Nobody seems to have seen the letter here, so let's take it on notice.

Senator CONROY—That is not quite right.

Senator Abetz—No, there has only been a draft.

Senator CONROY—A draft, yes. I am only asking you the generalities.

Senator Abetz—Yes, but it might be that, even if we do canvass what was in the draft, if that was not in the final letter we can spend even more time this evening going down burrows that have got no reference in them.

Senator CONROY—This is terms of reference for a public inquiry that we are talking about, Minister. It is not a state secret, albeit the way it has been treated by some people it might be. This is a letter of offer to conduct an inquiry that is a public inquiry.

Senator Abetz—I am saying we can take it on notice but we are dealing with hypotheticals, because nobody here knows what was in the letter.

Senator CONROY—We are seeking to ascertain what is in the terms of reference of an offer.

Dr Boxall—The terms of reference, Senator Conroy, have been made public. There is a difference between the terms of reference and the letter of appointment.

Senator CONROY—The parliament is still entitled to know what the costs are, how much is charged—those sorts of things are factual issues and, given you have picked up the tab, the parliament is still entitled to ask those questions.

Dr Boxall—Yes, and we testified to the reference committee, as we can do again, about the costs associated with the consultancy. We do know the costs, because we have paid them; we know Mr Humphry's fee, because we have paid it; but I have not seen and I do not think anybody else has seen the actual letter of appointment of Mr Humphry.

Senator CONROY—Did Mr Humphry show you the final letter that he received? He did not come in and say, 'Look, put this on file'?

Mr Prior—Certainly he did not come to me and say, 'Put this on file.' It was his letter. Senator Conroy, in six weeks—very busy—I can tell you that if Mr Humphry had shown it to me, I have no recollection of that. It was extremely rushed.

Senator CONROY—I am just trying to get to the bottom of what are the terms of the appointment and whether the minister specifically specified in the letter that this was such an arms-length, independent matter that the Archives Act, for instance, was excluded. I would have thought you would have had to put down a specific exclusion. Maybe I am just wrong, and I have not been through the process.

Mr Prior—As I said before, in general terms I do not have a recollection of the Archives Act being mentioned in the drafting. I do not know that I can say much more.

Senator CONROY—Sure. Dr Boxall, I am trying to remember the testimony at the other hearings that we have been having. You consulted the Government Solicitor, or you got other legal advice about whether the Archives Act applied?

Dr Boxall—That is correct, we did.

Senator CONROY—I genuinely cannot remember: was it just from the AGS, or was it some external advice as well?

Dr Boxall—I will recapitulate. The secretariat, according to Mr Humphry's and Mr Prior's testimony, sought advice from the Australian Government Solicitor, and the department of finance also sought legal advice. We sought our advice from Phillips Fox.

Senator CONROY—Given that you did not have the letter with the terms of appointment, how was it possible for Phillips Fox to give you a comprehensive legal opinion, when there could be information in the terms of appointment that are relevant to whether or not the Archives Act and other acts apply? How were they able to do that?

Dr Boxall—Phillips Fox were provided with some information and they were able to give us legal advice. No doubt Phillips Fox provided the legal advice based on their understanding of an independent review. We did not have the letter so we were unable to give them a copy of it.

Senator CONROY—How would they ascertain what their understanding of an independent review was if they did not ask somebody?

Dr Boxall—One position for Phillips Fox or any other legal adviser to start from is that ordinarily the records of an independent review are not the property of the Commonwealth.

Senator CONROY—Did you say 'ordinarily'?

Dr Boxall—Yes.

Senator CONROY—Can you give a couple of examples of other independent reviews of this sort that you are aware of?

Dr Boxall—I am advised that the issue is that, because Mr Humphry was the independent contractor, the material he has is not the property of the Commonwealth unless the contract specifies otherwise.

Senator CONROY—I ask this question because I would assume that the onus is the exact opposite: it is on either you, the secretariat, the government solicitor or the minister to exclude it specifically. I would have thought the onus was the exact reverse to what you have described. I am more likely to be wrong than you are, but commonsense says that you operate under a particular procedure unless otherwise specified.

Dr Boxall—That is the advice I have received.

Senator CONROY—Are you aware of any other independent reviews that fall into this category?

Dr Boxall—We do not know of any reviews per se.

Senator CONROY—It is just that you described the situation as being ‘normal’ and I am seeking to ascertain what we created—

Dr Boxall—We described it as being normal because we have advice that the property of independent contractors is not Commonwealth property. That is why we described it in that way.

Senator CONROY—Is that the advice you gave to Phillips Fox?

Dr Boxall—No, that is part of the advice they gave to us as we tick-tacked with them.

Senator CONROY—Is it possible to get a copy of the information that the department supplied to Phillips Fox and upon which they based their advice? Is that available to the committee—not information to the minister just to Phillips Fox?

Dr Boxall—In the references committee we advised members that we would approach Phillips Fox and see about releasing that advice to the committee.

Senator CONROY—I am not after their advice to you: I am looking for the departmental documents that you gave to them. I would not have thought that they constitute an illegal privilege. I am looking for what you supplied to them; I am looking for their riding instructions.

Dr Boxall—I understand your point, Senator Conroy, and I am getting to it. The point is that the advice we got from them has our instructions, I am advised, embedded in it. So if we are able to give you the advice they gave us, you will also get the instructions.

Senator CONROY—I am asking you about your advice to them. It is purely a departmental document. You are in charge of the contract and you have hired them, so they do not tell you what you can and cannot release because they are your documents. I am just seeking to find out whether your document—purely a departmental document—is available to the committee. I appreciate that it may become clear upon reading legal advice that we may or may not see, but I would actually have thought—

Dr Boxall—We briefed them orally.

Senator CONROY—Sensational! Have you met Ken Henry? He has this great memory, as well. He does a lot of oral briefings.

Dr Boxall—He just got appointed as secretary to the Treasurer.

Senator CONROY—Yes, I know. He is a very talented man, as he has demonstrated to us many times. He has a magnificent memory. It is an in-joke. You had to be at the Senate committee hearing. So there are no written documents that you supplied to them in terms of, ‘Here, this is the information’—none at all?

Dr Boxall—No. Just to recap this issue, my advice is that we briefed Phillips Fox orally and that Phillips Fox have given us written advice which embeds our oral briefing—that is stage 1. Stage 2 is we have already testified to the references committee that we will approach Phillips Fox and see whether we can release it.

Senator CONROY—I understand that—the deadline is tomorrow.

Dr Boxall—In the event that we do release it, then you will get not only Phillips Fox's advice but also their—

Senator CONROY—Their embedded oral advice.

Dr Boxall—The embedded oral advice.

Senator CONROY—Were Phillips Fox advised that the process was as you described, which is that the normal process was independent, therefore, it meant that there were no archives or Commonwealth property involved? Was that part of the oral advice to them? Did you say, much as you said to us, that this is the normal process of government departments?

Dr Boxall—The issue here is that he is judged to be an independent contractor. Therefore, his property to do his task is not Commonwealth property unless the contract—that is, the letter of appointment—specifies otherwise.

Senator CONROY—I asked you before: are there any other precedents? You indicated that you thought that was the normal process and you were still trying to find one other example that that is the normal process.

Dr Boxall—I am not a lawyer, Senator Conroy, but my understanding is that this is a basic principle of law: if you are an independent contractor, the materials you have are yours, not those of the person or the body to whom you are contracted. I am quite happy to be corrected on that, if that is wrong, but that is the advice that I have. That is how this situation with Phillips Fox proceeded.

Senator CONROY—So presumably Phillips Fox did not see the letter from the minister to Mr Humphry, and that letter may actually specify that he is bound by the contracts act.

Dr Boxall—They did not see that letter. There is no way they would have seen that letter. We have not seen it, and we did not give it to them.

Senator CONROY—So how did they make a judgment that this was the case if they did not know what was in the written terms of appointment, if they did not see the actual letter?

Dr Boxall—They just made an assumption, which is quite a reasonable assumption, that, as Mr Humphry was an independent contractor, the documents were his property. Obviously, if they were later briefed that the letter of appointment said that the documents were to be Commonwealth property, then they would obviously have advised differently.

Senator LUNDY—Did you pay Phillips Fox for that advice?

Dr Boxall—When we get the invoice, we will pay.

Senator CONROY—I would call it a guess, not advice.

Senator LUNDY—You have not paid for it yet?

Senator CONROY—We have two eminent lawyers at the desk who cannot keep a straight face.

Dr Boxall—The fairly obvious point, Senator Conroy, is that Mr Humphry himself sought advice from the Australian Government Solicitor. It would have been rather surprising for Mr Humphry to have sought advice about whether or not the documents were Commonwealth property if he had already signed it away in the letter of appointment.

Senator CONROY—I am just asking about Phillips Fox. I am seeking to establish the basis on which Phillips Fox advised you.

Senator LUNDY—Have you paid Phillips Fox for that advice?

Dr Boxall—I just said that we will pay them when we get the invoice.

Senator LUNDY—How much is it going to cost you?

Dr Boxall—We do not have an estimate yet.

Senator LUNDY—So you will find out when they send you an invoice?

Dr Boxall—That is correct. But, as I pointed out at the references committee, Phillips Fox are a member of our panel and we do a lot of business with them. It is an ongoing relationship. We wanted the advice fast, they provided the advice and they will invoice us. If we think the invoice is inappropriate, we will take it up with them.

Senator CONROY—How did they know he was an independent contractor if they had not seen the letter giving his terms of appointment? You did not know he was an independent contractor at the point when you were asking for the advice, because you had not seen the letter. Why did you make the assumption? Just because the words ‘independent review’ came up?

Dr Boxall—It is an independent review. There are lots of independent contractors that work for the government. It is not something abnormal.

Senator CONROY—Are many of them conducting independent reviews? Do we have a lot of independent reviews going on at the moment?

Dr Boxall—I am sure there are other independent reviews. It is just that we have not had one in my department for quite a while.

Senator LUNDY—Can you provide the committee with details of how much that advice cost you when you receive an invoice?

Dr Boxall—We will take that on notice.

Senator LUNDY—You mentioned before that you needed to speak to Phillips Fox before releasing the advice to the committee. Why do you have to speak to them about providing that advice to the committee if you are paying for it?

Dr Boxall—That is a normal routine issue of legal privilege.

Senator CONROY—It is your privilege, though.

Senator LUNDY—It is your privilege, because you have purchased that advice. It is yours, isn't it?

Senator CONROY—You own it; it is your property.

Dr Boxall—It is not our practice just to release things without the courtesy of checking with the supplier, and sometimes the advice is given with a proviso—it is not quite the right word—but with a—

Senator LUNDY—But you do not tell anyone else what it is?

Dr Boxall—Mr Chairman, do you want me to answer the question?

CHAIR—Yes, Dr Boxall.

Dr Boxall—Thank you. The normal legal privilege is that we would not release the advice without consulting the people who supplied the advice. Often, when they provide the advice, they put in some sort of proviso or some request that they be consulted before release. We made it clear at the references committee that we would consult with Phillips Fox before we

released it, and we are doing that. An additional point is that we need to check whether the release of any advice would be prejudicial to our legal position—again, standard procedure.

Senator CONROY—Presumably, you have seen the advice? I presume it arrived on your desk, Dr Boxall? Did you notice, in reading, whether there was a proviso about the release of the legal opinion? Presumably, you scanned it thoroughly, and I am sure a number of other gentlemen at the desk did?

Dr Boxall—My officers have reviewed the advice and have advised me, and I have answered your question.

Senator CONROY—What I asked was: did you or your officers note that there was a requirement? You said that it is often common that they write to you and specify that they do not want it released. Was there any caveat that any of your officers noticed when you read the advice that you received and paid for?

Dr Boxall—We are not in a position to divulge bits and pieces of the advice. In the event that we release the advice—

Senator CONROY—That is not legal advice, though. What they gave you is the legal advice. This is sort of covering letter that includes a caveat.

Dr Boxall—No, they gave us a piece of advice which we are treating as a totality, and when we—

Senator CONROY—Is the envelope included in the totality?

Senator Abetz—It may well be. Who knows? It has been taken on notice.

CHAIR—Dr Boxall.

Dr Boxall—I have finished.

Senator LUNDY—You said before that you know how much Mr Humphry was paid, because you paid it. How much was it?

Mr Clout—We have had clearance from Mr Humphry's office to release the fees that he was paid for conducting the review. The fees from 17 November to 29 December were \$9,780.

Senator LUNDY—Could you table that document, please?

Mr Clout—Sure.

Senator LUNDY—Mr Humphry commissioned Michael Riordan to prepare a paper on the principles of effective IT outsourcing, which formed appendix 8 of the report. Did the Commonwealth or did Mr Humphry pay for that aspect of the review?

Mr Prior—The Commonwealth.

Senator CONROY—Directly?

Mr Prior—Yes.

Senator CONROY—It did not go to Mr Humphry, who paid it and then—as an independent contractor would, perhaps—forwarded the bill to you?

Mr Prior—The arrangement was for us to pay directly to Mr Riordan.

Senator LUNDY—On what basis was that arrangement struck between Mr Humphry and the minister?

Mr Prior—I do not understand the question.

Senator LUNDY—We have just spent the last however many minutes determining the extreme independence of this review. Here is an expense that was incurred, presumably in the course of the review, but that Mr Humphry did not have to deal with independently. He was able to access another mechanism to allow the Commonwealth to, effectively, pay a bill. I want to know the basis upon which Mr Humphry knew that that opportunity existed, and the formal authorisation process by which that was embarked upon.

Mr Prior—As I say, my understanding of the terms—my understanding, my recollection—

Senator CONROY—Be careful, you might be discussing what is in it, and Dr Boxall will not be happy.

Mr Prior—As I said to you, Senator Conroy, I do not have recollection of the detail of it. That is just the position I have. But my understanding, as I said before, is that the terms of appointment, in general terms, considered issues like his travel—the normal costs of doing the consultancy, which included any subconsultants that he needed to engage.

Senator CONROY—So with somebody's air fares, for instance—

Senator LUNDY—Hang on. Just on that point, can you point out where the expenses relating to the commissioning of that paper are in this IT outsourcing review expenditure document you have just tabled?

Mr Prior—I have not got the document. I believe it is Timbelle Pty Ltd.

Senator CONROY—To go back to, for instance, the air fares: were they booked by the department and just paid straight out of a department account, or again did Mr Humphry have a separate, independent entity that booked and paid them and then they sent you this bill? Or did you just book them direct, using the departmental—

Mr Prior—Senator, I actually cannot remember. I do recall that Mr Humphry used his credit card. I remember one discussion about his saying, 'Can I get some reimbursement for my costs that I have booked on my credit card?' I cannot remember exactly which ones were for air fares or accommodation or whatever. I do not recall that but either way, ultimately, the department paid.

Senator CONROY—I am familiar with various tax rulings—in both my current capacity and my previous capacity before I came into parliament—about the legal definition of an independent contractor. I am just struggling to see how Mr Humphry, even in a tax sense, would be considered to be an independent contractor if you were actually paying his bills directly and he was not even billing you but drawing up a list where some of it is paid for directly by the department and some of it is paid for by his own credit card and so on.

Mr Prior—He did present invoices.

Senator CONROY—For all of these things—the only one being different would be Timbelle, which you believe you paid for directly yourself?

Mr Prior—As far as I am aware, Mr Humphry presented invoices for all of those amounts and Timbelle presented their invoice directly to the secretariat in accordance with the arrangements that Mr Humphry had with the government.

Senator CONROY—We think—because we have not seen the letter.

Senator LUNDY—We do not know what those arrangements were.

Senator CONROY—We hope.

Senator LUNDY—Theoretically, that letter to Mr Humphry, those terms of engagement, said something along the lines of ‘and, with any subsequent consultancies that you subcontract out as part of this independent review, we will cover the cost’.

Mr Prior—As I said previously, it is my general understanding that it covered those sorts of costs of conducting his independent review.

Senator CONROY—Have we asked the minister if the letter of appointment is available?

Senator LUNDY—We have put it on notice in respect to this. Minister?

Senator CONROY—Did you, in fact, take that on notice, Minister?

Senator Abetz—Yes, I have taken it on notice.

Senator LUNDY—Could you also take on notice whether—and it may or may not have been contained in the body of that letter—there was any cap on expenditure with respect to this review? What, if any, authorisation was required for any other contractors or consultants to have been engaged in this process such as Timbelle Pty Ltd?

Senator Abetz—I thought you people agreed with the outcomes?

Senator LUNDY—Minister, you are making some dreadful assumptions in making that statement. What we are interested in here is process, the relationship between the department and the secretariat, and the relationship between the secretariat and the minister’s office. If you have not found the time or do not have the capacity to get your head around it, then do not make inane comments.

Senator Abetz—Senator, with your performance tonight, I would not be commenting on—

Senator LUNDY—Do not indulge yourself.

Senator CONROY—Having ‘honourable’ in front of your name should mean that you are above that sort of repartee nowadays, Minister.

CHAIR—Please—it is getting too late for provocation.

Senator CONROY—Mr Prior and Mr Davis are listed as having been paid travel allowance in this list. Were they paid for by Mr Humphry or by the department directly?

Mr Prior—They were all paid for by the department.

Senator CONROY—Mr Humphry did not bill the department, did not pay for them and—

Mr Prior—No, we were part of the secretariat.

Senator CONROY—You said that everything on here was basically invoiced, so I am just trying to make sure—

Mr Prior—I must say this is the first time I have seen this, so I am sorry but I am just trying to catch up.

Senator CONROY—That is okay. For instance, how was Mr Humphry's own travelling allowance paid? Did he pay himself travel allowance and then bill you, or did the department just pay him a travel allowance?

Mr Prior—I think that says 'motor vehicle allowance'. He drove to Canberra for interviews at different times rather than flying. My understanding is that that is a reimbursement for the use of his motor vehicle.

Senator CONROY—That would be part of an invoice as opposed to separately—

Mr Prior—As I understand the invoice.

Senator CONROY—Yes, I understand. It says 'travelling allowance' a couple of times, so I am just trying to ascertain which parts the department were invoiced for and which parts they paid directly for the independent inquiries.

Mr Prior—I may stand corrected but, as I understand it, it was invoices presented to claim for these various items of his directly.

Senator CONROY—This is an independent review which means the secretariat is off line. I would have thought that it went through Mr Humphry and then got invoiced back. But what seems to be happening is that you have been claiming directly from the department. I think you said that you claimed your TA from the department as normal.

Mr Prior—Yes.

Senator LUNDY—How does that relate to being off line?

Dr Boxall—It is pretty simple. Mr Prior and his colleagues were put off line. The department continued to pay their salaries. Mr Humphry did not pay their salaries and then we reimbursed Mr Humphry: the department paid their salaries. It is a matter of being practical. When members of the secretariat were obliged to travel, the department paid for that. We kept track of all the costs so that we could give a total cost to the secretariat. In the case of Mr Humphry, according to Mr Prior's testimony—which I am sure is correct—Mr Humphry submitted invoices when he had out-of-pocket expenses, and we paid them.

Senator LUNDY—What was the cost of the salaries of the six DOFA staff who worked on the review? That is not included in these totals.

Dr Boxall—We will take that question on notice. At the references committee the point was made that this is the cost excluding the salaries of the staff members. We can give an estimate of the cost of the salaries of the staff involved. We can also give an estimate of the rent of the office space.

Senator LUNDY—That would be good—and any other associated expenses that come to mind.

CHAIR—We look forward to receiving that information, Dr Boxall.

Senator LUNDY—I would like to turn to a different aspect of the IT outsourcing that relates to the Department of Finance's arrangements. You previously cited a certain amount of money that has been identified as savings that can be attributed to the Department of Finance. What proportion of that figure constitutes what is generally described as 'competitive neutrality estimates'? It is really a disaggregation of your savings estimates for your own IT outsourcing contract. To clarify that, evidence provided by other agencies indicates that the term 'competitive neutrality' is used to refer to what proportion of the savings figure

identified by the minister can be accounted for by virtue of additional company tax, GST and payroll taxes that result from the process of outsourcing.

Senator CONROY—That is a sneaky little earner.

Mr Bowen—I think we understand.

Senator LUNDY—I was just checking that you did.

Mr Bowen—Those costs were included in the baseline costs for our own IT. In terms of the exact amounts, we will have to go back to the calculations and find those figures. I think it is fair to say that, with the original DOFA—it was Department of Finance outsourcing at that stage—our savings were of the order of 45 per cent ongoing, which was many times above whatever the competitive neutrality component would have been. We are happy to look it up for you, but it would be a very small component of that 45 per cent.

Senator LUNDY—I have two points on that, firstly, concerning the calculation of that 45 per cent saving. Could you provide information under which methodology that assessment was actually calculated on?

Mr Bowen—I can tell you broadly what that was because I was very heavily involved in it. The methodology was a typical discounted net present value calculation based on the projected cash flows compared with a projected baseline. In the case of Finance, we actually disposed of all of our assets to the contractor and the value that we expected to receive in the contract for those assets was taken into account in the calculation. That is broadly it.

Senator LUNDY—Which reflects broadly the methodology applied by OASITO in subsequent contracts.

Mr Bowen—I will leave that to OASITO to comment on, but that was the methodology we used.

Senator CONROY—There was no residual value then?

Mr Bowen—The residual value was the value of the disposal of the assets, and that was taken into account.

Senator CONROY—You do not have any asset left?

Mr Bowen—No. We do not have any assets.

Senator CONROY—The residual value is zero. You got the up-front hit from the sale.

Mr Bowen—That is right—the up-front benefits.

Senator CONROY—Benefits, yes—a better word.

Senator LUNDY—So the figure you cite of 45 per cent saving, the percentage, obviously absorbs that up-front benefit?

Mr Bowen—That is one of the benefits, yes.

Senator LUNDY—Have you done the calculations that reflect better the recommended method by the Auditor-General which changed the methodology in accounting for those residual assets and recalculated your real percentage saving? Have you used the Auditor-General's preferred methodology of calculating savings?

Mr Bowen—There is absolutely no reason to change the methodology we use—

Senator LUNDY—No. It could be embarrassing, I guess.

Mr Bowen—I believe not. We are quite happy to stand by the methodology and I am happy for anybody to have a look at it.

Dr Boxall—Under the devolved framework it is up to the CEO and the managers to make a business case and a cost using a model and this is the model that we chose, that Mr Bowen outlined, which has withstood three or four years of scrutiny and has been signed off by the consultants to the baseline, and it has yielded us huge savings.

Mr Bowen—To put it in perspective, Senator Lundy, from memory, the residual value of the assets was only about \$3 million, or something of that nature, out of the contract that was worth in excess of \$30 million over five years. It was a very small percentage. In fact the savings, I think, were \$26 million over five years and the value of the assets that were part of that saving were about \$3 million. We still would have had massive savings whether we took that into account or not. But it was a real saving.

Senator CONROY—Unfortunately I am confused, and it is perhaps by your terminology and my lack of understanding of it. You describe the residual value above zero there and I thought we had agreed that you had sold the assets and there was no residual value. I am sure it is just me not understanding and you need to clarify—

Mr Bowen—Let me explain, please. We did not keep any assets, but the value we got for them, the disposal value, is part of our equation.

Senator CONROY—If you had said ‘disposal’ I would not have got confused, I suspect. It is just a terminology issue.

Mr Bowen—The disposal value was of the order of \$3 million, out of a total benefit of \$26 million over five years.

Senator CONROY—You received \$3 million for them?

Mr Bowen—Yes, and we took that into account.

Senator LUNDY—How much of that savings was leveraged by the economies of scale you extracted from piggybacking on the DVA contract?

Mr Bowen—It is quite hard to say, except that—

Senator LUNDY—But some of them could be attributed to the way you structured your contract on the back of that DVA contract?

Mr Bowen—Certainly, and we have never backed away from that because that was the basis for our deal—it was a competitive deal based on their rates; and, yes, there were benefits by having additional volume on the contract.

Dr Boxall—In effect, it was a voluntary cluster between Veterans’ Affairs and the department of finance.

Senator LUNDY—A very convenient one at the time for Finance, wasn’t it, seeing you did not have to go through a competitive tendering process to do it?

Dr Boxall—Not only convenient, Senator Lundy; it made good sense from the taxpayers’ point of view. Through the initiative of Mr Bowen and his colleagues, we managed to achieve large savings by being able to capitalise on the economies of scale by going into a voluntary cluster with Veterans’ Affairs. Indeed, under the new devolved framework which the government has now put in place for the IT outsourcing policy, there might well be other voluntary clusters as agency heads recognise the benefits of getting together for economies of scale. It is not a question of being convenient or opportunistic; it is a question in the

department of finance, in this instance, and other departments showing initiative to reap huge savings for the benefit of taxpayers.

Mr Bowen—To add to what Dr Boxall has said, one of the benefits that you do not see necessarily unless it is pointed out is that by doing it the way we did, in a fairly streamlined fashion—

Senator LUNDY—Is that a euphemism for overriding procurement guidelines and using ministerial discretion to sign off on it?

Mr Bowen—Not at all.

Senator LUNDY—I think it is.

Mr Bowen—By doing it in a streamlined fashion we were able to achieve those savings at least a year earlier than we otherwise would have and, frankly, we would never have caught up.

Senator LUNDY—Let's pursue the issue.

Mr Bowen—If you want to repeat what we did three years ago—

Senator LUNDY—You are singing the praises of it but I want to reflect on the circumstances in which it occurred. Dr Boxall, can you confirm that it was section 4(a) or 4(c) of the procurement guidelines that did require an active ministerial discretion to bypass the procurement guidelines and avoid a competitive tendering process that allowed you to embark on what you describe as a great innovation in extracting savings?

Mr Bowen—That is not accurate, Senator. We always maintained at the time and we still maintain that what we did was entirely consistent with the procurement guidelines.

Senator LUNDY—I am not disagreeing with that because there is, in fact, a ministerial discretion available in the procurement guidelines.

Mr Bowen—Well, what is the issue then? I know you are asking the questions but—

Senator LUNDY—It is not an issue; it is a point.

Dr Boxall—What is the point then?

Senator Abetz—Are you saying more savings would have been made?

Senator CONROY—Thank you for your contribution, Minister.

Senator LUNDY—Don't contribute if you are not following the discussion, Minister.

Senator Abetz—It seems your concern is with the CPSU and not with the taxpayers of Australia.

Senator CONROY—Minister! I know you interrupt just so you can hear me say that.

CHAIR—Senator Conroy, let's get back to Senator Lundy.

Senator CONROY—I am trying to.

Senator Abetz—Very trying.

Senator LUNDY—The issue is one of conduct of a competitive process, particularly given that the political context and the policy espoused at the time was that the whole outsourcing exercise was designed to introduce competitive pressures on IT outsourcing. What we are hearing tonight is that the best success story out of this whole program was not by virtue of

introducing a competitive tendering model into the marketplace but by piggybacking a contract and bypassing a competitive tendering process.

Dr Boxall—That is just not correct.

Senator LUNDY—It is just another one of the anomalies in the government's position on this whole policy.

Senator Abetz—You have just been told you are not correct. Listen to the officers at the table and they might be able to educate you on it.

Senator LUNDY—We don't need your sarcasm, Minister, so butt out.

Senator Abetz—Excuse me. At the end of the day, all the answers come through me. If you want me to butt out, all the officers will butt out as well.

Senator LUNDY—Can I suggest that you actually get yourself briefed before you participate in the discussion?

Senator CONROY—Minister, it has been a long day and you have done very well on your first day.

Senator Abetz—I can assure you I have been better briefed than you have or you would not be asking some of these silly questions.

CHAIR—Can we proceed? We have 20 minutes until stumps.

Senator LUNDY—Perhaps we should ask the minister some questions about government policy in this area.

Senator CONROY—He is well briefed; let's not.

Senator Abetz—I would be interested to find out what the Labor Party policy is, because you seem to be always contradicting what was decided on IT outsourcing in that fair city of Hobart.

Senator CONROY—I would happily change seats with you, but unfortunately that is not possible.

Senator Abetz—Was it policy 49 or something?

Senator CONROY—Listen to the Liberal Party state council in Tasmania.

CHAIR—Minister and Senator Conroy, if you could just hold it for a second, I would like to have a chat with Senator Lundy about how we are going to proceed.

Senator LUNDY—Can you take on notice to provide the proportion of the identified savings for the Department of Finance and Administration that relates specifically to the competitive neutrality factors?

Mr Bowen—Yes, I have already done that.

Senator LUNDY—And also disaggregate that amongst the various types of taxes that go towards making up that competitive neutrality offset figure?

Mr Bowen—I will certainly do my best.

Senator LUNDY—I presumed you would have all of these at your fingertips?

Mr Bowen—Senator, we will go back into the files, and I trust that we will be able to provide the information.

Senator LUNDY—Can I ask the Office of Assets Sales and Information Technology Outsourcing if they have disaggregated figures of the identified savings for each of the contracts that can identify the proportion of those savings announcements that relate specifically to the competitive neutrality offsets for each of the contracts?

Mr Smith—The audit report clearly specifies the competitive neutrality aspects of the three contracts it audited, and that is on the public record.

Senator LUNDY—Can you disaggregate those figures on the basis of which taxes they are actually derived from—that is, GST, payroll tax, company tax and any other contributing taxes?

Mr Yarra—What we can do is give you the competitive neutrality methodology which was applied in each case.

Senator LUNDY—I want the actual figures, as they make up a proportion of the savings announced by the minister and advocated by you.

Mr Yarra—The figures are on the public record. We will apply—

Senator LUNDY—No, not all of the figures are on the public record. They are not on the public record for Health; they are not on the public record for Group 8. They actually are on the public record for Customs, because we have extracted them ourselves, and we look forward to them from Finance.

Mr Yarra—We will do the best we can. We will take that on notice and get an answer for you.

Senator LUNDY—Can you also take on notice to provide those figures for the small agencies?

Mr Yarra—I am not sure we are able to do that, Senator. They are decisions made by the small agencies, their evaluations are run by the agencies and we are not privy to those numbers.

Senator LUNDY—Can you undertake to find out if any utterances by the minister have alluded to savings by the small agencies and what proportion of those relate to the competitive neutrality figures?

Mr Yarra—In my view, it is appropriate to approach the agencies. But, at the end of the day, it is their job to report those. They are accountable for those numbers. I do not think it is our job to report those numbers. It is their process. If we are aware of those numbers, and I do not think we are, we will ask the agencies to provide the numbers to the Senate. I do not think it is our job to do that.

Senator LUNDY—If you could pursue that, that would be useful. I am trying to ask this question in the right way so as not to get caught by semantics. In providing those disaggregated savings figures, can you provide a table that demonstrates the figures associated with competitive neutrality and how they relate to the deductions to agencies and departments, given that is a reduction to the budgets of those departments and these savings are in fact not realised by agencies and departments?

Mr Yarra—The deductions that agencies bore in their forward estimates made back in 1996-97, or whatever the year was when deductions were made, were cash deductions against the budget and, as I understand it, they by definition did not include competitive neutrality. The evaluations that have been undertaken include competitive neutrality for the purposes of calculating savings. There is no link between the outcomes of the competitive tendering

processes that were evaluated, which included competitive neutrality, and the deductions against the budgets of agencies in the 1996-97 budget or whatever year it was.

Senator LUNDY—Let us flick it over to Finance. You are aware of all of those budget reductions that were made in anticipation of IT outsourcing. Perhaps you could undertake this analysis on the savings the government have realised they claim as a result of competitive neutrality—that is, additional taxes coming in as a result of IT outsourcing—and compare that for each agency and department within each cluster against their budget deductions. The point is that the competitive neutrality savings are savings realised to the department of finance—as the manager of government finances per se—which is a whole of government saving, as you claim, yet the agency deductions affect the ongoing operational budgets of each agency. Do you see what I mean?

Dr Boxall—Not really, Senator Lundy. The deductions from the forward estimates of the agencies which are in the cross-portfolio budget measures in the 1997-98 budget are deductions on a cash basis, because in those days we had a cash budget and they are calculated as such. As the office of asset sales has explained—as, indeed, we discussed at the Senate references committee and as the Auditor-General points out in his report—it is not possible to make a direct comparison between the figures in the cross-portfolio budget savings and the savings announced for each cluster or contract. I am not sure that I understand the question. If I do understand the question, I am pretty sure that it cannot be done.

Senator LUNDY—The proportion of that competitive neutrality figure for each contract is identifiable, is it not? That has certainly been done for the three contracts that have been audited.

Dr Boxall—That is not a budget savings issue; that is an issue which CEOs or the office of asset sales, a centrally managed system, calculate.

Senator LUNDY—I appreciate that. What I am looking for is how that relates to the various budget reductions that were made initially. The first issue is that we need to disaggregate that competitive neutrality figure from the contracts into an agency by agency basis. Are you saying that that is what cannot be done?

Dr Boxall—Senator Lundy, the bottom line is that the competitive neutrality savings, which are calculated as part of the business model, do not relate. You want to know how they relate. The answer is that they do not relate. They do not relate because, under the cash budgeting system where the government budgeted for the expenditure of agencies and budgeted for revenue, what happened was that the government did the exercise and took a decision to deduct from the forward estimates of the agencies their expenses in the budget context. They are the cash expenses. As I am advised, the baseline cost did not include competitive neutrality because this was basically a docking of the forward estimates, which were cash forward estimates.

Senator LUNDY—I am not suggesting that you have this information at the moment and can somehow extrapolate. I am asking you to undertake a comparative analysis, which would obviously involve OASITO's work in trying to disaggregate the competitive neutrality figures within agencies as part of that and then pass that over to you so that we can do a comparison of the budget reductions.

Dr Boxall—Senator Lundy, I understand what you are suggesting. What I am saying is that it is not possible to do it. What is more: it is not just DOFA that says it is not possible; the ANAO says it is not possible.

Senator LUNDY—Where did they say it is not possible?

Dr Boxall—On pages 128 and 129.

Senator LUNDY—So the aspect of what OASITO should be able to disaggregate is not possible—not comparing that? So the breakdown is not possible?

Dr Boxall—It is possible for the office of asset sales and for individual CEOs who do a business case and work out the baseline to make an estimate of the competitive neutrality factor.

Senator LUNDY—For their agency or department?

Dr Boxall—Yes. So they can do that. But it is not possible to relate the savings which were docked from the forward estimates in the government's cross-portfolio—

CHAIR—Can I butt in, Senator Lundy? We have got about 10 or so minutes to go. Would it be possible to direct questions to Dr Boxall and DOFA so that we spare Dr Boxall and his officers coming on Friday?

Senator Abetz—How much longer do you think we are going to go?

Senator LUNDY—Part of the reason why I would like the opportunity to reserve the right to call both on Friday is that, throughout this week, I have had and will have the opportunity to take evidence from other agencies and departments involved in IT outsourcing. It may or may not be the case that I require DOFA on Friday, but I will certainly require OASITO, and I would like to reserve that right.

CHAIR—I appreciate that.

Senator LUNDY—Certainly on Thursday we will be able to advise DOFA one way or the other whether they are required.

CHAIR—At this stage, we will require you, Mr Smith, and your officers to come back on Friday. But we are not sure about you, Dr Boxall. You will be hanging by a thread, I am sure. We can advise you on Thursday whether you are required.

Senator Abetz—We can't sit a bit later tonight to get it finalised?

Senator LUNDY—No. I have just explained the reasons why some processes—

Senator Abetz—But the overflow was not designed so that you can go trawling in other estimates to try and find other lines of questioning.

CHAIR—I appreciate that; I do understand that.

Senator CONROY—I thank Senator Abetz for drawing my attention to the answer to that question that I had asked, which revolved around Mr Reith, the telecard, his status and the status of politicians in general. The answer makes clear that senators and members are not employees of the Commonwealth. You go on to say that my original question seeks legal advice that the department cannot give. The answer then reads:

The government's clear policy on the use of frequent flyer points has not changed as a result of the Solicitor-General's advice. Frequent flyer points accrued as a result of travel undertaken at taxpayers' expense should only be used to reduce the cost to the taxpayer of further official travel and not to enhance entitlements.

Do you have any legal advice that supports the Commonwealth's having the ability to access frequent flyer points? Do the Commonwealth believe they are the owners of those frequent flyer points?

Senator Abetz—I will take that question on notice.

Senator CONROY—I am happy for you to take that question taken on notice. I accept that the government can make policy and say anything it wants, but what if there is no legal basis on which to make a claim or give a direction, which is what they are saying is all that should be used? If there is no legal basis to the direction that is given, other than some policy advice, on what does the government base its belief?

Senator Abetz—I understand that the Remuneration Tribunal may have made some determinations. In the answer we will provide you with those details.

Senator CONROY—I am confused. Fortunately for you, one of the members of staff of your predecessor was reported recently in a newspaper. There seem to be some arguments about the way in which the House of Representatives and the Senate treated the issue. I am not sure whether this member of staff was quoted correctly, but I am hoping that your office has seen that article. I am trying to clarify the issue as there appears to be some confusion and some differences between—

Senator Abetz—That was a misquote, I am told, on the part of the newspaper.

Senator CONROY—It did not seem to make sense when taking into account previous answers.

Senator Abetz—I think it relates to members, senators and staff, not between members and senators.

Senator CONROY—That makes more sense.

Senator Abetz—It was an easy mistake for the newspaper to have made.

Senator CONROY—As I said earlier, that is probably what confused me. It would be great if you were able to clarify that legal basis.

Senator Abetz—Yes.

CHAIR—On behalf of the committee, I thank the Minister, Dr Boxall, Mr Smith and other officers for their attendance and assistance tonight. I remind everyone that the committee has set 23 March 2001 as the date by which answers on notice are required. Mr Smith, we will see you at 9 a.m. on Friday. I am sure you look forward to that.

Mr Smith—Mr Chairman, can I just clarify one point?

CHAIR—Yes.

Mr Smith—There are two distinct areas in our organisation—IT outsourcing and privatisation. A large number of people from the privatisation side are present. Will they be required on Friday, or is just IT outsourcing required?

CHAIR—No, just IT outsourcing.

Mr Smith—I seek the indulgence of the committee on one small point of clarification relating to an answer I gave tonight. Senator Lundy asked me how the panel members were selected. I indicated that a list was provided to us by the minister's office. I am now advised that there are several projects for which my officers provided a list to the minister's office from his bigger list of possible panel members. We then received guidance from the minister's office as to who should be approached. In relation to the list of several projects provided to the minister's office we have actually put forward the names of six, eight or 10 people. The minister's office has given us guidance as to who on the list should be approached. So it is a two-way process.

Senator LUNDY—I might follow that up on Friday. The committee will also be asking some questions about market testing and contracting out.

Mr Smith—Thank you very much; that is helpful.

CHAIR—Thank you, Dr Boxall. We may see you on Friday.

Committee adjourned at 10.58 p.m.