



COMMONWEALTH OF AUSTRALIA

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JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

Reference: Auditor-General's reports Nos 18 to 31 (2008-09)

WEDNESDAY, 24 JUNE 2009

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**JOINT STATUTORY
COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT**

Wednesday, 24 June 2009

Members: Ms Grierson (*Chair*), Mr Georgiou (*Deputy Chair*), Senators Barnett, Mark Bishop, Bushby, Feeney and Lundy and Mr Bevis, Mrs Bronwyn Bishop, Mr Bradbury, Mr Briggs, Ms King, Mr Neumann and Mr Robert

Members in attendance: Mrs Bronwyn Bishop, Mr Bradbury, Mr Briggs, Ms Grierson and Mr Neumann

Terms of reference for the inquiry:

To inquire into and report on:

Auditor-General's reports Nos 18 to 31 (2008-09)

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Committee met at 12.03 pm

BAGOT, Ms Christina, Auditor, Performance Audit Services Group, Australian National Audit Office

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McMILLEN, Mr David, Acting Assistant Commissioner, ICT, Australian Taxation Office

MELLOR, Ms Rona, Deputy Chief Executive Officer, Medicare Australia

MOLINEUX, Mr Darren, Performance Auditor, Australian National Audit Office

OXLEY, Mr Stephen, Assistant Secretary, Renewables and Energy Efficiency Division, Energy Efficiency Branch, Department of the Environment, Water, Heritage and the Arts

SMITH, Mr Andrew, Assistant Secretary, Property Branch, Department of Finance and Deregulation

WRIGHT, Dr Diana, First Assistant Secretary, Environment Quality Division, Department of the Environment, Water, Heritage and the Arts

CHAIR (Ms Grierson)—I open today's public hearing, which examines the Auditor-General's Audit Report No. 25 2008-09: *Green office procurement and sustainable office management*. I welcome the representatives from the Department of the Environment, Water, Heritage and the Arts, the Department of Finance and Deregulation, Medicare, the ATO and the Australian National Audit Office. I draw witnesses' attention to the written guidance on the conduct of hearings, available at the table. Thank you for coming along today. Do any of the witnesses wish to make an opening statement of any kind? Yes, Audit Office?

Mr Cahill—I am happy to table ours.

CHAIR—Yes, yours is tabled and has been already received. Mr Bradbury is moving receipt of that publication. Thank you. I suppose some of you are feeling that you are in the hot seat, when this is an inquiry that went across many, many agencies, but thank you for being here. Some of the members have already said that they want to ask questions of specific agencies. Firstly, has there been a final report from the task force on government leadership in

sustainability? If so, what recommendations has it made? I think probably Environment might know.

Dr Wright—The task force was led by the Department of the Prime Minister and Cabinet—

CHAIR—Of course.

Dr Wright—and that question is really a matter for them. There has been no formal decision by government on that matter at this time, so really any questions regarding that need to be directed to—

CHAIR—But you have not received anything arising from any report from that task force?

Dr Wright—No.

CHAIR—Okay.

Mr BRIGGS—You are a member of that committee, though?

Dr Wright—There is an interdepartmental committee that has been led by the Department of the Prime Minister and Cabinet.

Mr BRIGGS—It was due to report in June 2008. You are saying that it has not reported as of June 2009?

Dr Wright—I am saying that that is a matter for the Department of the Prime Minister and Cabinet to answer.

Mr BRIGGS—So you will not answer a question?

Dr Wright—It is not my responsibility to answer where that process is up to.

Mrs BRONWYN BISHOP—There has not been a report; that is the bottom line.

CHAIR—That is our understanding, but if you—

Mr BRIGGS—That is extraordinary.

Mrs BRONWYN BISHOP—Sorry, is there a report or not?

Dr Wright—As I said, that is a matter for the Department of the Prime Minister and Cabinet to answer.

Mrs BRONWYN BISHOP—No. Is there a report or not?

Mr BRIGGS—With all due respect, the minister you are responsible to actually announced the inquiry. I think it is reasonable that we ask the department that is responsible to Mr Garrett

where this report is at. Your minister—along with the Minister for Climate Change and Water, Minister Penny Wong—announced on 29 March 2008 that there would be this inquiry.

CHAIR—We will be asking that question of PM&C. If you can answer it, that is fine. If the report is with a minister or with a department, we would like to know.

Dr Wright—The matter is subject to consideration by government, and the Department of the Prime Minister and Cabinet is best placed to give guidance on where that is up to in the process. Because it may be subject to cabinet consideration, I really cannot give any further information at this time.

CHAIR—Yes, so we will ask that—

Mrs BRONWYN BISHOP—So is it up to the IDC stage, with people making comments on it? Is it doing the rounds?

Dr Wright—The IDC has concluded its deliberations—

Mr BRIGGS—When did the IDC conclude?

CHAIR—Please finish what you were saying.

Dr Wright—I do not recall. It was some time late in 2008.

CHAIR—Thank you.

Dr Wright—It has not met since that time.

CHAIR—A number of departments and agencies suggested that they would find it useful if examples of good practice were disseminated to provide guidance on ways to improve their performance. Are you aware of any steps being taken to identify best practice, to disseminate that in any way and to make it available?

Dr Wright—It would help me if you could clarify what aspect of performance you are referring to, whether it is sustainability in the broad or energy efficiency, waste or water, because there are quite a lot of initiatives across government. It would be helpful to my department and also the department of finance to know how to target our answers.

CHAIR—I think best practice would be in the areas of the audit report, which were energy efficiency, water saving, paper saving, environmental practices in management systems in your offices et cetera.

Dr Wright—That is a very broad area. Certainly I could give you an example. The Department of the Environment, Water, Heritage and the Arts has recently, in the last 12 months, been out to tender for its ICT services. That tender process has concluded and the tender has been awarded. The new service provider, Datacom, will take over in two days time. That tender process is acknowledged to be, in terms of sustainability, a very green tender, with lots of

elements that go to the heart of sustainability, energy efficiency and the like. There is quite a lot of—

CHAIR—Would that be things like computers that turn themselves off, or would it be disposal of computers?

Dr Wright—It would be all of those. It would include the use of thin client, consolidating printers, reducing the ratio of printers to staff and moving to multifunction devices.

CHAIR—So you are satisfied that that tender included all of those elements?

Dr Wright—Absolutely. We would be happy to provide a copy of it. It is being used in our engagement with Agemo on developing further guidance material.

CHAIR—I will ask just one last question before passing over to my colleagues. Are there steps being taken to make the development of an environmental management system mandatory for all department agencies?

Dr Wright—It is not mandatory at the moment, but there is guidance available and there are ISO certifications so that departments can select and implement an EMS that—

CHAIR—So you are telling me that the development of an environmental management system for an agency is not mandatory?

Dr Wright—It is not stipulated as mandatory. The PM&C requirements for annual reports do stipulate that ecological sustainable development and environmental performance reporting under section 516 of the EPBC Act is mandatory but not specifically the way you get there.

CHAIR—To all the agencies: if you have to report on it, surely you must have some system in place to measure it and therefore include it in the annual report, which is mandatory. I ask this question of all the agencies and departments sitting in front of us: could you tell us if you have an environmental management system documented with someone responsible for implementing and monitoring it?

Dr Wright—Certainly our department does for our Canberra offices. That meets the ISO 1401 2004 specifications.

CHAIR—Thank you. Medicare?

Ms Mellor—We certainly do. We certainly have an environmental management plan. We report to our corporate management committee. I think we go further than that in building it into a whole range of decision making in the organisation. We do have an area absolutely responsible for monitoring and managing our policies.

CHAIR—Thank you. ATO?

Mr Cheney—We certainly do have an environmental management system which covers all out sites. But we also have environmental plans for each site as well.

CHAIR—Finance, I am sure you have mandated that by now, haven't you?

Mr Lewis—No. It would not be for us to mandate it.

CHAIR—Oh, wouldn't it?

Mr Lewis—Our environmental management system is nearly in place. It is not completely in place, I am sorry to say, but it is well advanced.

Mr BRADBURY—I would like to ask some questions in relation to a fairly specific area in regard to ICT waste. Perhaps I will just begin with a question to the ANAO in relation to the report because that might provide some clarity before I ask each of the agencies and departments to respond in terms of specific measures that they may be implementing. On page 78 of the report there is a reference to stewardship clauses and there is a footnote—footnote 66—which states that:

Product Stewardship is an approach that recognises that manufacturers, importers, governments and consumers have a shared responsibility for the environmental impacts of a product through its full life cycle ... Product stewardship is sometimes referred to as extended product responsibility.

I note that the report indicates that only 25.4 per cent of agencies include product stewardship clauses. Can I have some clarity on that. Specifically, what does that mean in a practical sense? When a computer reaches the end of its life, what is the practical effect of having or not having a stewardship clause in place?

Mr Molineux—What it means is that the vendor actually agrees to take the computer back and they will recycle it and dispose of it appropriately rather than the electronic waste ending up in landfill or as a possible illegal export or some other undesirable outcome.

Mr BRADBURY—I just wanted to be clear about that, because the report does refer to arrangements where that is the case but those agencies where a stewardship clause is in case place, all of their computers will then be returned to the vendor and they will recycle or do whatever they need to do to dispose of those.

Mr Molineux—It would depend on the contract, but where that is part of the contract the computer is subject to that, yes.

Mr BRIGGS—To follow up, you are saying that 75,000 of the 100,000 computers currently each year that are turned over, the monitors are not subject to a stewardship clause. Is that right?

Mr Molineux—Yes, they are not subject to a stewardship clause. They may end up being sold second-hand.

Mr BRIGGS—How many of the 100,000 end up in landfill?

Mr Molineux—We do not know that.

Mr BRADBURY—I am not certain that those figures are as specific as that because, as I understand it, the reference to the 100,000 desktop computers and laptops has been determined by reference to the 1.6 loading stated in the Gershon review.

Mr Molineux—It's a question in the modelling.

Mr BRADBURY—Okay. So in rough terms we are talking about 100,000 computers each year will cease to be used.

Mr Cahill—What we are saying is that we are talking about 25 per cent of agencies. How that translates into how many computers depends on how many computers those agencies have.

Mr BRIGGS—You are saying agencies, not actual computers.

Mr Cahill—Yes.

Mr BRADBURY—So it could be less than 25 per cent of computers, 25,000 computers, it depends on the agencies.

Mr BRIGGS—Are you able to tell us that from your figures?

Mr Molineux—No.

Mr BRADBURY—I would be interested to know that. I am a little disappointed that is not available. Can I ask the question of the specific agencies and departments, what systems you have in place, whether or not these stewardship clauses exist in contracts that you currently have, but also more generally, for any computers that are not the subject of stewardship clause arrangements, what are your practices in terms of disposal of computers or e-waste once it is surplus to the needs of your agency or department?

Dr Wright—I will kick off. As I previously mentioned, we are moving to a new service provider for DEWHA's ICT requirements and that contract does include provisions for responsibility for end of life of ICT, and that will cover 95 per cent of ICT procurement by the department. For the remaining five per cent we have not yet developed a handling methodology but that is underway.

Mr BRADBURY—That is for computers that will be secured under this tender arrangement.

Dr Wright—The tender has closed. The contract has been negotiated with the provider. The provider formally takes over in two days time. From then 95 per cent of DEWHA's ICT will be covered by product stewardship.

Mr BRADBURY—Can I just be clear: what will happen to computers that are already in the system? Are they covered by this arrangement, or are we only talking about computers that will be delivered as part of the contract?

Dr Wright—No, the provider takes over the existing asset base and it will be refreshed probably in February.

Mr BRIGGS—What happened previously? What has been the practice of the environment department?

Dr Wright—There was not a specific provision in the contract. I would need to take that on advice. It is not my direct area of responsibility.

Mr BRADBURY—Can I have those figures again?

Dr Wright—It is 95 per cent.

Mr BRADBURY—And five per cent are unaccounted for or a policy will have to be determined for them.

Dr Wright—That is correct.

Mr BRADBURY—In the past when these arrangements have not existed, typically what has been the method of disposal? You cannot answer that.

Dr Wright—I cannot answer that because that is not my direct area of responsibility. I would need to check on that.

CHAIR—Medicare, you actually have built in a national framework for environment standards. That is across all of your offices in Australia?

Ms Mellor—That is right.

CHAIR—And I think that you have claimed to have achieved cost savings because of that.

Ms Mellor—That is right.

CHAIR—Can you give us a more details about that?

Ms Mellor—Sure. I will take a very obvious example of cost savings. We do not see having an environmental management framework as a separate thing from business decision-making. In October 2008 we implemented videoconferencing, for example, which had business benefits for us in terms of better engagement of our staff, productivity, wellbeing and environmental consequences.

CHAIR—Who can you videoconference?

Ms Mellor—We can videoconference to our state headquarter sites and our national office—

Mr BRIGGS—Wellbeing? How does that have a wellbeing benefit?

Ms Mellor—It means, for example, if you are a senior executive or a senior person in Perth, you are not spending as much time away from your home and family or away from your office—

Mr BRIGGS—Okay, fair enough.

Ms Mellor—so your productivity has a better continuity. We started the arrangement in this financial year with a bit of investment in the previous financial year, an outlay of around \$570,000. This year alone we have saved \$1 million in airfares. Our Environmental Management Unit also tries to measure the impact on the environment of that. So it has had both cost savings and environmental savings. One of the changes in our organisation since we have been focusing heavily on environmental management is not to look at the two things individually but to see how they come together.

Likewise, through the management of our car fleet we looked at the cost both to the business and the environment and we have reduced the number of cars. In the fleet we have purchased hybrid cars for all our Sydney and Melbourne staff. Also in reducing, we have had a look at public transport options and are looking to provide rail passes and bus passes for staff in some capital cities to reduce the use of cars. So there is a cost and an environmental benefit in those sorts of things.

As for paper, in 2003-4 we saw competitive prices around the availability of higher-speed printers and the deployment of those and, like a lot of other organisations, we provided higher access to printing facilities and paper usage went up. That has now plateaued and we count paper in sheets and we save it across the organisation. We have a target and we are around 5½ thousand sheets per person, which has plateaued. It used to be up in the 6,000s. By managing down some of the use of technology and resources we have also seen both cost and environmental benefits. They are just some examples that I put on the table.

Mr BRADBURY—Referring to the question I asked earlier, I was hoping for a response from all of the agencies—

Ms Mellor—I can answer that question. Our infrastructure is not owned by Medicare Australia; it is owned by our outsource provider, and we have two main ones, IBM and Optus. That arrangement has been in place for sometime. I cannot answer your specific question about whether we have the stewardship in the contract. I do not have the contract in front of me—

Mr BRADBURY—Can you take it on notice?

Ms Mellor—Yes, I can. However, we have in our environmental management framework got a range of guidelines around procurement, which picks up environmental benefit in procurement, and we do have some guidelines called the Information Communications Technology Products and Services Procurement Guidelines which have a preference for the stewardship concept in them, and in the course of going through procurement that is being built into the way we do procurement.

CHAIR—Medicare, you are citing substantial savings from implementing a PC shutdown policy and the automatic shutdown of monitors after 15 minutes of non-use.

Ms Mellor—Yes.

CHAIR—Did you have to engage someone to set that all up or is it a manual process by staff?

Ms Mellor—No, it is a centralised process in our IT deployment. We take a corporate decision, if you like, at the corporate table that that has benefits for the organisation and then we work with the outsource provider to implement that. So that is just normalised. In one sense, I guess, we see that there are two sets of effort you need to make. One is what can be done centrally that changes the way people work—that sort of thing—and the other one is: what do you need to keep doing to encourage staff to work differently themselves.

CHAIR—And that has not been an added cost? It is just part of the ongoing relationship between your provider and—

Ms Mellor—There is sometimes a cost in developing the business requirements and developing the solution, but in that example and others the benefits outweigh the cost.

Mr McMillen—In terms of waste disposal, we have contract agreements with EDS, Telstra and TBS, and we have also just recently announced a contract for Optus to provide our carrier services and voice services. There are environmental clauses in all of those contracts requiring that the vendors dispose responsibly of things like monitors, desktop computers, laptops, mobile phones and those other sorts of IT assets.

Mr Lewis—In Finance, talking about IT and the issue of computer equipment progressively closing down, we have rolled out to two of the groups in Finance already and we are progressively implementing that approach in relation to the other groups of Finance on a weekend basis, basically at weekends for the next month. So within a month or so we will have that same technology to improve environmental performance in IT. I am advised that our current contracts with IT providers provide for them to receive the equipment at the end of its useful life.

Mr BRADBURY—Can I get a sense of whether or not that is an extra cost in negotiating an agreement or contract with the provider of the technology? In terms of cost implications, because they are getting the asset back and presumably in some cases they can actually realise a value from the asset that has been returned to them, is that a cost or a benefit to them? Does anyone have a view on whether that is seen, in negotiating the agreement, to be something that will reduce their costs or increase their costs?

Mr Oxley—I might make an observation, and it is essentially from the reading that I have done in this area generally. If you look at the continuing advances in technology, by the time a desktop or a laptop reaches the end of its useful life it has a zero value, essentially, and that means that taking the product back is actually a liability for the service provider. So what has been going on intergovernmentally and in dialogue with the IT industry—and there are some industry leaders now who are taking it up—is this adoption of product stewardship. That is starting to be incorporated into government contracting for IT services.

So there is a cost associated with taking back an old computer. There is an emerging e-waste industry which is taking and using some of the componentry and recycling, but it is a work in progress in terms of how the industry absorbs that cost or, in the end, passes it on to consumers through a higher purchase price for the laptop or desktop initially to take account of the subsequent recycling costs associated with it.

Mr BRADBURY—I am aware of some government bodies that will, at the end of the life cycle of one of these assets or a collection of them, enter into arrangements with training providers or local community groups to pass them on to others who might be able to continue to use them. Are there any arrangements of that sort in place at any of your departments or agencies?

Dr Wright—That is really the responsibility of the outsource provider. As Mr Oxley referred to, there are currently a range of approaches depending on the providers. Providers like EDS do a number of things with the PCs that they take back at the end of their life. So it really depends. Some may be exported and some may be dismantled. Part of the componentry may be dismantled in Australia, other parts overseas. There are really a whole range of approaches.

What my colleague was also referring to is that under the Environment Protection and Heritage Council, which is a council of environment ministers across all jurisdictions, they have been looking at the need for a product stewardship scheme for the TV and computer industry in Australia. At the last meeting, on 22 May, the council said that they would be going out for public consultation on a product stewardship scheme and that they anticipated there would be a decision at their November meeting. So the public consultation has not yet started under the formal process, but that is about to happen. That could result in a national approach with individual players joining a scheme, but that is not in place at the moment.

The extent of recycling in the corporate sector as a whole in Australia is, from memory, about 34 per cent. In the private sector it is far less because there is no general infrastructure available. So it is really a work in progress. There are product stewardship schemes for ICT in a number of countries, for example in Canada, and many manufacturers are looking to do this as part of their corporate social responsibility. There is a change in behaviour across the industry and there is a lot happening.

CHAIR—Before we leave the IT area, the report cites the savings Environment have achieved by implementing a server and desktop virtualisation project. Could you tell us something about that and how it creates savings?

Dr Wright—Basically there has been a trial because the desktop and server virtualisation would be implemented as part of the new contractual arrangements. The trial that we undertook covered 22 staff over five weeks and identified energy savings of 83 per cent compared to the traditional PC model.

CHAIR—In terms of just the hardware—is that what you are saying?

Dr Wright—In terms of operating the trial, which is virtualisation, rather than having the traditional PC model and multiple servers.

CHAIR—I do not understand that. Could you explain that to me.

Dr Wright—With server virtualisation, rather than running a number of servers, each of which performs different functions and has quite high energy and cooling requirements, what you do is take one single box and it has imaginary partitions so it can separately perform

individual functions, and thereby you make considerable energy savings. In a way it is adopting a conceptual model not dissimilar to the old mainframe systems that operated in the eighties.

CHAIR—Thank you.

Mr BRIGGS—My question is to the environment department as the lead agency across government in implementing energy efficiencies and green office approaches. I am referring to Mr Cahill's opening statement, which I believe you have a copy of, but I will quote this for you. On the second page, at the top, he says:

... as a whole, the Australian Government public sector has considerable work to do if it is to achieve its goal of being at the forefront of sustainable procurement practice. Many of the issues raised in the 2005 audit remain unresolved and many of the recommendations have yet to be fully implemented. More action is required from agencies if leadership is to be demonstrated in energy efficiency, water conservation and waste management. Energy efficiency is particularly important given that energy use accounts for over 95 per cent of greenhouse emissions from Australian Government agencies and savings of \$75 million per annum have been identified in the report if more agencies adopted better practices.

Are you disappointed with that finding?

Mr Oxley—I am not sure that one would be disappointed with the finding. I think the ANAO has made a finding and it is the responsibility of governments to respond.

Mr BRIGGS—Do you agree with the finding?

Mr Oxley—I think the ANAO has clearly identified that dealing with energy efficiency in government operations and broader issues around green office procurement is a work in progress and that there is substantial progress that still needs to be made.

Mr BRIGGS—Just digging down into those figures, it strikes me as disappointing that in paragraph 30 of the report on page 23 in the summary section it says:

The majority of surveyed agencies (52 per cent) were unable to provide any waste reporting data ...

This is three years on from the first report and still more than half of the agencies have not been able to provide what seems to be reasonable basic information.

Dr Wright—I can give you further information on that. In terms of waste reporting data, the Commonwealth is a signatory to the National Packaging Covenant and under the covenant there are reporting requirements. Over the last three years the department that has whole-of-government responsibility for collecting data and providing it to the National Packaging Covenant council for reporting has been developing guidelines and tools on packaging waste, in particular, to enable agencies to report. As of 2006-07 we had 53 per cent coverage and the 2007-08 report, which is in progress, has 83 per cent coverage, with much better consistency of metrics of reporting. We have also established a database for capturing that information and so for the first time there is some baseline data across government.

Mr BRIGGS—Is it better than 52 per cent now?

Dr Wright—The reporting is 83 per cent for the 2007-08 year and we are yet to tackle the current financial year. It has taken considerable time and effort to get this in place and one of the problematic areas, which is referred to in the report, is the nature of the tenancy contracts that agencies have in the buildings they are in. Whether it is information on waste in general, as opposed to different components, like paper, to get that data is particularly difficult in multitenanted buildings where you have a number of providers and a number of inhabitants. There is also very frequent change at present in building occupancy in Canberra. I can give you a ‘for instance’ for DEWHA in Canberra. Since February 2007 we have been in 15 different buildings. We are currently in five and it is about to be six and we have moved five times in the last 12 months because of the ending of leases and the changing size of the department. In the last five years the department has changed in size from 1,800 to nearly 3,000 people. We have gone from eight portfolio agencies to 14 and from 10 divisions to 17. So this constant flux, the nature of the different agreements and the provision of environmental services make it very, very difficult to collect data, whether it is on water or waste. Energy is easier but it is an area where it is very difficult to get the statistics.

Mr BRIGGS—It is interesting that you mentioned water because I was about to move on to it.

CHAIR—Could I just ask Mr Lewis a question. Listening to that and understanding that there are constraints on people because of their tenants, has Finance looked at lease conditions in terms of requiring the landlords who hold the property to provide some sort of support to sustainability programs?

Mr Lewis—There are two elements. One element is in terms of what Finance is doing itself as a department. We have a corporate team—

CHAIR—I think you manage leases, don’t you?

Mr Lewis—We do. We also have a responsibility where we act as landlord of a number of properties where Finance holds the property on behalf of the Commonwealth and we have tenants. In some cases those tenants include Treasury and the Minister for the Environment, Heritage and the Arts, for example. As to clauses in those contracts, I need to call on one of my colleagues.

Mr Oxley—I might, while Mr Lewis is doing that, make the observation that one of the elements in the energy efficiency in government operations policy requires that for any new buildings, leases for new buildings or major refurbishments of buildings the lease arrangements be done on the basis of the office space achieving a minimum 4½-star NABERS energy rating. Also, where new leases with a net lettable area of 2,000 square metres or more are being entered into by Commonwealth agencies, there is a policy that the green leasing provisions will be dealt with through a green lease schedule.

CHAIR—Is there a green lease schedule?

Mr Lewis—I am advised that the leases we have in place right now are ageing leases, so they have been in place for some time. As part of our next round of leasing arrangements we are certainly looking to do that. If it would be useful to the committee, I could ask my branch

manager in charge of property management to come to the table and briefly explain what we have in mind and its relationship to the EEGO policy.

CHAIR—Yes, we would be happy for you to do that.

Mr Smith—As Mr Lewis has said, the leases we currently have in place are quite aged and certainly came out before the EEGO policy directed that we have green leases in place. What Finance has done with a number of its major buildings is entered into voluntary green improvement programs with our major tenants. Those voluntary green improvement programs mimic the green lease schedule. We have management meetings where we discuss issues to do with the environmental performance of the buildings and we put green improvement programs in place in those buildings. Once the leases do expire, which is still a few years away, we will certainly move to the green leases as required under the EEGO policy. But, in the meantime, we have got voluntary green improvement programs to try and get the same result.

Mr NEUMANN—I am more interested in the construction and refurbishment of buildings. I think the Auditor-General says that 13 per cent of the commercial property market is taken up by the Australian government, with 4.4 million square metres of office space. There was \$2.3 billion spent by the Australian government on buildings—construction and refurbishment—in the last year. What happens with all the waste construction materials? I am interested to know whether you have got any specific policies about how to deal with that waste: the construction materials that are there. You can see them in regional centres and it is a major drive for employment, but do you have any guidelines? Particularly the environment department should be able to comment on this. Are there any guidelines for dealing with this construction and refurbishment waste?

Dr Wright—We do not have any specific guidelines. The department, however, is supporting the Environment Protection and Heritage Council in the development of a national waste policy. That is one across jurisdictions. The issue of commercial and industrial and construction and demolition waste recycling is something that all jurisdictions will be looking at in the context of that policy. That is scheduled for completion in November.

Mr Oxley—To add to that briefly, the Australian Procurement and Construction Council, the APPC, has been doing ‘an amount of work’ and has established an overarching national framework for sustainable procurement. I suspect but cannot confirm—but I will take it on notice—that there will be guidance generally taken into account around waste disposal and whole of life cycle costs as part of that. I would be happy to relay some information back to the committee in that regard.

Mr NEUMANN—I understand that Medicare have some guidelines in relation to this. Could you comment and give some more clarification?

Ms Mellor—I feel like a bit of a try-hard sometimes! But we do have two green lease schedules, so we have had a go at that and that is working. We have green office guidelines. We are not an owner of buildings—we are a tenant in many, many buildings—and some of the issues that the committee has put to the witnesses here, about waste management et cetera, are difficult for a tenant. You rely on local councils. You can imagine. We have 239 sites in shopping strips and shopping centres, and the waste management is a matter for the shopping centre or the

strip. We influence, where we can, the issues about recycling and commingling. So, again, it is what we can do within our own site versus what the broader site actually does. But we do have some green lease schedules. We are not a constructor, but as a tenant of buildings—

Mr NEUMANN—But you have guidelines there.

Ms Mellor—We certainly do, and we look for natural materials in office refurbishments. We certainly have issues about the use of energy. We look at air conditioning where it is our own, if you like, as opposed to shared air conditioning in a shopping centre, for example. Those things, with our property managers, are becoming normalised.

Mr Cheney—Perhaps I could help in terms of the ATO. We are in a similar position, where we have a number of new green leases and have incorporated aspects of green energy and waste management arrangements with those. They are more recent than some of our older leases. In terms of construction, whilst we also are obviously not building owners, we have made sure, particularly in our most recent activities, that we have included some clauses there which go to the issue of recycling. For example, in our Canberra premises, 60 per cent of the waste material was recycled from the construction of that building.

Mr Smith—From a Finance perspective, we do manage a number of construction projects. We are not the largest construction manager in the Commonwealth, but most of our contracts require up to 70 per cent recycling of materials that come out of refurbishments or even new construction projects.

CHAIR—You had a different area of questioning, Mr Briggs.

Mr BRIGGS—I do, thank you. Back on the report—this is the environment department in the first instance, but it may go across—I refer to page 23, paragraphs 31 and 32, particularly 32. It says:

Despite the majority of agencies indicating they have taken steps to reduce water consumption, knowledge of actual water use was poor. Only 35 per cent of surveyed agencies were able to measure water usage at one or more sites, a small improvement from 28 per cent in 2005.

Dr Wright, have you got more up-to-date information on that, as you did on waste, or is that figure still largely true?

Dr Wright—Sorry; I need to take advice. We do not have any better information at the moment. Particularly with water, it goes to the heart of the issue of being able to meter usage in different buildings and under different tenancy operations. Quite often you find in commercial office buildings that there is only one point of measurement for water consumption, so it is very difficult for individual tenants to get any measurement that refers specifically to their operations and, therefore, what efficiency measures would do. So, whilst agencies can undertake audits to see where they can make water efficiency improvements, actually measuring performance is highly problematic. It is very expensive, as my colleagues in Finance may be able to confirm to you, to retrofit individual water metering for different levels of tenancy in different office buildings.

Mr BRIGGS—I reluctantly accept that answer—we had this discussion earlier—but frankly I find it very hard to believe that 65 per cent of government agencies are in tenancy arrangements which do not allow them to measure their water use. Are we able to break down which agencies have that issue where they cannot measure their water use compared to those that just have not done the work needed to do so? It is a very important issue, including in my home state and my electorate in the Lower Lakes, where water is a very important issue. I do not think my punters and other punters would accept the fact that the federal government just does not know how much water it is using.

Dr Wright—My recollection—and my colleagues from finance will be able to confirm it—is that it would be a major undertaking to actually gather that information. Given the constant movement of agencies you could get a snapshot, but I would defer to my colleagues who have a better handle on the leasing arrangements.

Mr Lewis—I would concur with that. It would be quite difficult. Just to give you an idea: of the four major tenancies that the finance department has in Canberra, we are the sole tenant of none. We share that tenancy—

Mr BRIGGS—With whom? Are they other government agencies?

Mr Lewis—In some cases, yes; in some cases, no. We actually have several major lease arrangements where we are just the tenant in the building owned by private sector landlords. We have the treasury and finance building where we are the landlords, so we will be able to track the water consumption for all the departments in those buildings, but not the split between different agencies, for example, in the Treasury Building between that consumed by, say, Finance, Treasury and the NCA and in the John Gordon Building between, say, finance and the environment department. As I think Mr Smith mentioned before, there are voluntary initiatives which are in place right now with the objective of reducing water consumption significantly in both—

Mr BRIGGS—Voluntary initiatives? Is there a view to actually making them compulsory? In Parliament House as the chair will know—

Mr Lewis—Mr Smith mentioned that, when it comes time for lease renewal, we will certainly be looking to stiffen up in that regard. As I say, in advance of that we have existing leases in place. We are on a voluntary basis putting in place better water management practices right now.

Mr BRIGGS—When you say ‘stiffen up in that regard’ what do you mean by that?

Mr Lewis—We will review the lease clauses in relation to water consumption management. If you go back a number of years, we did not have that focus as a lessor and clearly now we absolutely do. We are working with the existing arrangements—

Mr BRIGGS—Sorry to interrupt you but if I can summarise, what you are saying is that you actually do agree that about 65 per cent of government agencies are not in a position to report and that is why that figure is that high.

Mr Lewis—No. I do not think I could go that far because we just do not have that level of data. If my department and other departments I am aware of in Canberra are any example to go by, we share tenancies a lot of the time. There just does not exist that separate metering. We would actually like to have it.

Mr BRIGGS—Ms Mellor, as Medicare is the goody-goody in a lot of this stuff, as you said earlier, do you have water management practices which are compulsory across your sites?

Ms Mellor—Let me start with the data side. For our national headquarters in Canberra we have the data. Over the next year in our larger sites, where we have offices as opposed to shopfronts, we are looking for the sort of initiative where we can actually get the data on our consumption. We do an estimation based on the data we have in national office for office sites however. It is very different in a shopping centre. Some of our staff do not have a bathroom in the site for example so it is very different.

Mr BRIGGS—I understand that. But are you putting in place water management practices?

Ms Mellor—Yes.

Mr BRIGGS—Are they compulsory across sites?

Ms Mellor—At a building level we have been installing dual-flush and high-pressure-flush toilets in the bathrooms as a matter of course. That is our policy. It is part of our refurbishment or leasing arrangements. Can you make a staff member turn off a tap? Yes, you can educate and you can remind; it is part of the culture. It is signed right through all of our buildings. There are signs about not just doing it but why you should, so it is right through at multiple levels in our environmental management strategy. There are the things as I said before that you can do at an infrastructure level and there are the things that you can do at a cultural level.

Mr BRIGGS—This is my last question. To the Audit Office, on the comment from Mr Lewis about the 65 per cent that are not reporting on water: from your study in April 2008, do you think that is fair answer? Is there a large proportion of that where (1) it would be too hard to tell us how many are just not collecting the data and (2) it is because of tenancies and so forth? Do you that answer is a fair reflection? I do not want to criticise, of course.

Mr Cahill—No. The commentary would suggest that there are opportunities to re-recognise there are limitations when there are dual tenancies. When there are Commonwealth departments on the same site or when there is actually a Commonwealth department that is the predominant tenant in a building, there is a way of starting to look at how you can estimate that, trying to balance accuracy with having a bit more of an extended picture.

Mr BRIGGS—Thank you.

CHAIR—One of the areas identified by the report was that savings could be found in buildings after hours. Are we a tenant or owner of buildings that leaves everything on all night? If so, have we done anything about that and what are we doing?

Mr Cheney—From the ATO's perspective—

CHAIR—Just remember that when I drive home tonight I am going to look!

Mr Cheney—as part of our environmental management systems we have lights on only during the times they are needed—that is, for core hours, from seven till seven. Just about all our sites have zoned lighting. People utilising the office after hours would be able to access a zone for their particular area, and that would automatically shut off. I think that practice is common in all our sites where we can implement it, and I do not believe there are any where that is not the case.

CHAIR—Environment, do you think that is the case for your multiple sites?

Dr Wright—We manage that through our environmental management system and also, as with other agencies, through cultural measures—for example, turning off both your PC and your monitor as you go out. We have very high coverage of that. Confining that to Canberra, the portfolio covers the Antarctic and National Parks, and clearly that takes you into a different ball game.

CHAIR—And that is going to be in those newly negotiated releases, eventually.

Mr Lewis—Also, in relation to the finance department itself, I would just mention the same cultural education initiatives. We are seeking to promulgate regular communications with our staff about energy conservation, like powering down and turning the lights off at night. Also, we have dual flush toilets, efficient showerheads in showers and the like. A lot of it is through the messaging, so, for example, people are not running taps too long. We are seeking to improve our ability to track that over time.

Ms Mellor—There are small places where these things can make a difference. We audit energy usage on our sites to reinforce good behaviour. Even in our data centre, we have found that if we increase the temperature by a few degrees instead of running it cold, the technology of data centre management having changed, we get a higher level of efficiency out of that. We obviously do not have data centres all over the place—we have a data centre in one or two places—but it does make a difference. Each of the small initiatives, as long as you keep monitoring, auditing and reinforcing it with people, can make a difference. Some of that you can do centrally. You can have lighting banks that go off, you can have air-conditioning that is tempered around office use, you can have dual flush bathrooms, but you have to get people to use them, so auditing their use is important as well.

CHAIR—Feedback is always important, and to get buy-in you do need to have it.

Dr Wright—Our Canberra based office sets EMS targets and objectives regarding electricity, fuel and paper use as well as the generation of waste. We review those annually, so it is factored into active management.

CHAIR—We have not asked you any questions about the green car, hybrid car type situation. There has always been a preference for Australian vehicles but the issues are the availability of these vehicles and of course the costs. Can someone tell us what steps are being taken to resolve those issues? What policy developments are needed to facilitate a move towards purchasing environmentally friendly cars for the Australian government fleet?

Mr Lewis—I might ask John Grant, division head of Procurement Division, to join us.

Mr BRIGGS—That is a very unfortunate name at the moment!

CHAIR—You have a fixation, Mr Briggs.

Mr BRIGGS—Or a fortunate name, depending on which way you look at it.

Mr Grant—It has been much used. In this regard, targets were set as far back as 2003 to improve the environmental efficiency of cars. In 2003 a target was set of 28 per cent of government motor vehicles in passenger fleets—so it does not include trucks and things—reaching a score of better than 10 on the *Green Vehicle Guide*. By 2005 that had not been met, but we are now approaching 49.5 per cent of government motor vehicles that are covered by the *Green Vehicle Guide* reaching better than 10 as a score.

CHAIR—What has driven that?

Mr Grant—I think it is because departments and agencies have taken on board environmental issues. Certainly the branch in my division which deals with this has ensured that agencies are aware of the options and of the *Green Vehicle Guide*, so it gives them an option to do it. There is also a green car challenge that the government has accepted, which is that, by 2020, 50 per cent of the Commonwealth's passenger vehicle fleet will be Australian made, value for money vehicles and environmentally friendly cars. It challenges the manufacturers to make environmentally friendly cars.

Mr BRIGGS—Are you intending to do another survey of this at some point? Is it part of your work schedule, Mr Cahill, or do you need more funding from the government?

Mr Cahill—It is not outlined in our forward program for the next year, but in two or three years time we would be revisiting the topic to see.

Mr BRIGGS—So you think in 2011?

Mr Cahill—Yes.

CHAIR—I would like to thank everyone for attending. In concluding, I will just say that it is obvious that this needs a highly integrated cross-portfolio approach to make it successful. We have also seen that some zealotry and commitment in certain agencies can deliver efficiencies and savings. I would like to boast a little bit and say that I come from the only city in Australia that measures its emissions every day—and where a very successful program has been rolled out to every school, small business et cetera with regard to waste, energy efficiency and water efficiency. I do always feel a little bit embarrassed because I sometimes think the government are behind what is happening in the real world, because there is great enthusiasm in the real world for finding those efficiencies. We can only encourage you to keep doing what you are doing. Certainly, we are going to pursue the task force and its recommendations to government because there is a responsibility to have those recommendations before this is reported on and we would like to know more about them. On behalf of the committee, I thank you all for coming

and for being in the hot seat. There may be a few additional questions, but we have covered a lot of work, with your patience. Thank you very much.

Resolved (on motion by **Mr Briggs**):

That this committee authorises publication, including publication on the parliamentary database, of the transcript of the evidence given before it at public hearing this day.

Committee adjourned at 1.04 pm