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ECONOMICS LEGISLATION COMMITTEE

Reference: Car Dealership Financing Guarantee Appropriation Bill 2009

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**SENATE ECONOMICS
LEGISLATION COMMITTEE**

Friday, 19 June 2009

Members: Senator Hurley (*Chair*), Senator Eggleston (*Deputy Chair*), Senators Cameron, Joyce, Pratt and Xenophon

Participating members: Senators Abetz, Adams, Back, Barnett, Bernardi, Bilyk, Birmingham, Mark Bishop, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Bushby, Cash, Colbeck, Jacinta Collins, Coonan, Cormann, Crossin, Farrell, Feeney, Ferguson, Fielding, Fierravanti-Wells, Fifield, Fisher, Forshaw, Furner, Hanson-Young, Heffernan, Humphries, Hutchins, Johnston, Kroger, Ludlam, Lundy, Ian Macdonald, McEwen, McGauran, McLucas, Marshall, Mason, Milne, Minchin, Moore, Nash, O'Brien, Parry, Payne, Polley, Ronaldson, Ryan, Scullion, Siewert, Sterle, Troeth, Trood, Williams and Wortley

Senators in attendance: Senators Abetz, Cameron, Eggleston, Fifield, Hurley, Joyce and Pratt.

Terms of reference for the inquiry:

To inquire into and report on: Car Dealership Financing Guarantee Appropriation Bill 2009

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Committee met at 1.00 pm**COHEN, Mr Gregory, Managing Director, FCA Holdings Ltd****KHAZANCHI, Mr Ravindra, Director, Finance, FCA Holdings Ltd**

CHAIR (Senator Hurley)—I declare open this hearing of the Senate Economics Legislation Committee into the Car Dealership Financing Guarantee Appropriation Bill 2009. On 16 June the Senate referred the bill to the committee for inquiry and report by 23 June 2009. The bill seeks to provide an appropriation to enable claims to be paid under the deed of guarantee in respect of the Australian government guarantee to support interim funding to car dealerships. The guarantee is a component of the special purpose vehicle known as OzCar, announced by the Treasurer on 5 December 2008. The special purpose vehicle aims to provide liquidity to car dealer financiers who have encountered financing problems as a result of the global financial crisis.

These are public proceedings, although the committee may agree to a request to have evidence heard in camera or may determine that certain evidence should be heard in camera. I remind all witnesses that, in giving evidence to the committee, they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee, and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee.

I remind members of the committee that the Senate has resolved that departmental officers shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions to superior officers or to a minister. This resolution prohibits asking for opinions on matters of policy only and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted.

If a witness objects to answering a question, the witness should state the ground upon which the objection is taken and the committee will determine whether it will insist on an answer, having regard to the ground which is claimed. If the committee determines to insist on an answer, a witness may request that the answer be given in camera. Such a request may, of course, also be made at any other time.

I welcome witnesses from Ford Credit. Thank you for coming in today. Do you wish to make an opening statement?

Mr Cohen—Yes, I do, thank you.

CHAIR—Please go ahead.

Mr Cohen—Good afternoon, Senators. Thank you for inviting me to attend this inquiry in my capacity as the managing director of FCA Holdings Ltd, known as Ford Credit. I am joined here today by our director of finance, Mr Ravindra Khazanchi.

Ford Credit has been operating in Australia for the past 37 years as a wholly owned subsidiary of the Ford Motor Credit Company, which is the Ford Motor Company's wholly owned global captive finance company. During this time, we have operated as a financier to Ford dealers and their associated franchises by providing funding for new and used vehicles held at dealerships. This is commonly known as wholesale or floor plan financing.

Currently, we are also successfully servicing and collecting our outstanding loan portfolio of some 67,000 customers with a receival value of \$1.3 billion. Today we have 133 employees, who are dedicated to supporting Ford and our dealers in Australia. We are specialists in automotive financing and have proven capability in our systems and processes. We run our business professionally and efficiently. We have a high-quality portfolio, with superior risk management and low losses. We also have a good record of profitability. At our peak in 2002, we had \$1.1 billion in wholesale loans. Currently, our portfolio is \$350 million in wholesale.

Historically, we have funded our business in the local market through securitisations, commercial paper programs, note issues and bank lines. More recently, the frozen credit markets have affected our ability to raise local funds. The temporary solution was to borrow from our parent company in the US. It is Ford Credit's corporate strategy to diversify its funding sources globally, funding its operations locally for each market. As you know, last year several other major finance providers, including GMAC and GE, exited the market. Now only a few financiers are in the business of providing wholesale financing, and they have tightened their lending.

Due to tight credit in Australia, we made the decision last December to exit our retail originations business and ceased offering loans and leases in February this year. With the prospect of OzCar on the horizon, we continued offering wholesale financing to dealers. However, at this point it is being funded through our inter-company loans from our parent in the US.

Today, Ford Credit provides financing for 227 dealerships—95 of these are Ford dealers, which represents 43 per cent of Ford's national dealer body. The remaining 132 sites are operated by dealers who also hold a Ford or Volvo franchise. So we support not only Ford and Volvo dealers but also dealers of other manufacturers' brands.

Wholesale financing is a critical part of the smooth flow of vehicles from the manufacturers to the dealers and makes it possible for dealers to stock a large range of vehicles. A typical medium-size dealer has about 45 days supply of vehicles, or \$3 million in new vehicle inventory, on hand at any given time. Used vehicle inventory is typically at 75 days supply, and an average borrowing for this size dealer would be about \$1 million. The provision of dealer financing is considered critical to the survival of many of our dealers and it is directly linked to the sustaining and growing vehicle sales of Ford Motor Company.

Ford Credit has been a successful business in Australia and has served as a critical partner to Ford. We have explored all avenues of local funding for our business, but due to the closure of the credit markets for wholesale funding, we are currently unable to secure a local suitable alternative. The remaining capacity in the Australian market was primarily absorbed by dealers who used to rely on GMAC and GE. It is also important to note that 147 of our dealers—that is, 65 per cent of our total dealer body—are located in regional and rural Australia, where little financing is available. All this is why the OzCar financing trust is a very welcome initiative to us and to Ford.

We greatly appreciate the government's efforts to improve liquidity in this important market segment. Our participation in OzCar has been strongly endorsed by our dealer body. In fact, we are starting to see an increase in stock ordering and sales activity at the dealerships, due in part to the increased confidence. This is very important for the future success of Ford Australia.

It is our intention to continue to closely manage our dealer credit risk and to maintain a close dialogue with the administrators of OzCar during the program period to ensure its smooth operation. The OzCar program will provide critical support for Ford Credit and our dealers, and it is our intention to utilise the funding for this program for the whole period. We see OzCar as an excellent bridging action until normal credit market activity returns.

We confirm that, as announced by the Treasurer, we are committed to working with Treasury on potential long-term financing options prior to 31 March 2010. I appreciate your attention, and will now be happy to take any questions you have.

CHAIR—Thank you, Mr Cohen. Just to clarify, you were talking about not doing retail origination but concentrating on the wholesale funding?

Mr Cohen—That is correct.

CHAIR—So Ford Credit used to fund directly to enable customers to buy on a lease plan or whatever?

Mr Cohen—Correct. There have been two major parts to our business since we have been here. The retail part is funding consumer loans and leases for dealership customers—people who want to buy a car and walk into a dealership. The second major part of our business was providing wholesale or floor plan facilities to dealers across a wide range of brands, principally Ford, and then extending to, if they buy another dealership, other franchises and funding the units on floor or in the vehicles from the manufacturers.

CHAIR—And you no longer do that retail component around providing leases?

Mr Cohen—No, we no longer do retail. But, as I said, we still have a \$1.3 billion portfolio of some 67,000 customers, which we are still servicing and collecting. We ceased that business only in February this year. We still have four or five years of collections and servicing of that customer base.

CHAIR—The ex-GMAC and -GE customers have gone elsewhere for funding?

Mr Cohen—Correct. It is a matter of you having to ask those finance companies, but my understanding is that GE is still in Australia. They have transferred some of their dealers to a different division, but the GE Money business has ceased operation for new dealers. On my understanding, GMAC still has a few dealers left.

Senator CAMERON—Before I go to Mr Cohen in terms of Ford's situation, I wish to table three sets of documents. The first two are all of the emails from the Treasurer's office to Treasury on the John Grant matter. The third is an example of the Treasurer's office making representations on behalf of another car dealer. That matter was raised with the Treasurer's office by the member for Hume, Kay Hull. If I could table them, they may be of some interest to this inquiry.

Senator ABETZ—Can copies be made immediately, please?

CHAIR—Yes.

Senator ABETZ—Thank you.

Senator CAMERON—Mr Cohen, I should first indicate my interest in Ford. I drive a G6, a great Australian car. Well done.

Mr Cohen—I am pleased to hear it.

Senator CAMERON—Turning to the issue of the wholesale financing, I am interested in terms of regional and rural plants. Sixty-five per cent, or 147, of these regional retailers have problems with financing. Could you just explain what that problem is?

Mr Cohen—It has been our experience that the major financiers that remain in the market have not been very ambitious to service those dealers. These are typically family owned businesses, smaller rural dealers. They are very critically important to their city or town, and play a very big part in their infrastructure and in the local economy. However, in relation to the attractiveness of automotive financing, it is a specialist activity and a lot of the general financiers, in our opinion, are not very much interested in it. It has been the case that a number of dealers who are not part of the Ford group or have a Ford franchise have had difficulty getting funding. They have to pay a lot more for those funds, if they can get them.

Senator CAMERON—So none of those regional and rural car dealers would be under any illusion about the effects of the global financial crisis on their—

Mr Cohen—They are feeling it. As we all know, a lot of areas in regional and rural Australia had been going through some significant drought and local issues before the global financial crisis hit. The automotive industry in those areas has not been as attractive for financiers.

Senator JOYCE—Even more for credit managers.

Senator CAMERON—You should get them to talk to Senator Joyce because they are a little bit more realistic about it than Senator Joyce is at times. How many employees would you think are in these regional areas?

Mr Cohen—It is very hard to estimate, but we think it is a significant multiplier. I think the Treasury press bulletin said in the thousands. I would not disagree with that. It is very hard to tell, though. I do not have any statistics with me.

Senator CAMERON—This would be clerical—

Mr Cohen—Yes, and mechanics. Most of these dealerships have very big service sites and parts businesses and service businesses, and they are a critical infrastructure as a part of the community.

Senator CAMERON—How about apprentices?

Mr Cohen—Yes, absolutely, they would have apprentices working for them. Typically a lot of mechanics train in the rural areas and then come into the metropolitan areas to take jobs later on.

Senator CAMERON—Are the difficulties in the rural area mirrored in some of the metropolitan areas as well?

Mr Cohen—Correct. It has been easier. I think it has been the transition from the GE and GMAC withdrawal that the available financing first went to the metropolitan dealers. Regional and rural Australia had a lot more difficulty. I am aware that some of them have resorted to paying cash and having to have local resources and having very few vehicles or stock ready to sell.

Senator CAMERON—So the finance market has actually failed as a result of the global financial crisis. Would you put it like that?

Mr Cohen—I think that is a reasonable assumption, yes.

Senator CAMERON—Thank you.

Senator ABETZ—Thank you to Ford Credit, for attending. Time is very limited. I will make my questions brief. If you could, please, also when responding but, of course, giving us the detail that is necessary. Can I ask you whether you wrote to the government seeking Ford Credit's involvement in OzCar?

Mr Cohen—That is correct.

Senator ABETZ—Right. Thank you. Was a meeting arranged for you to meet with a Treasury or Treasury officials to discuss this proposal?

Mr Cohen—Yes, we had several meetings. Correct.

Senator ABETZ—Can you recall when the first meeting was?

Mr Cohen—We had a meeting when we first set up an idea of trying to get some help, back in October, in Treasury in Canberra, and we had a number of meetings in November with Treasury in Canberra. We also had some meetings with David Murray at the time, who was appointed by the government to look into the issue. That was in November.

Senator ABETZ—All right. Did you have any meeting with Treasury officials?

Mr Cohen—Yes,

Senator ABETZ—With whom?

Mr Cohen—We had meetings with Treasury officials—certainly in October with a group, with Jim Murphy and his team. It was led by Jim Murphy. Mr Godwin Grech was there as well.

Senator ABETZ—Did you have a meeting this year with Treasury officials?

Mr Cohen—Yes, we have had several meetings this year. The project from our end, from January, was taken over by Mr Godwin Grech.

Senator ABETZ—So, from January this year, it has been with Mr Grech?

Mr Cohen—Correct.

Senator ABETZ—During those meetings, was the plight of any particular car dealer mentioned to you?

Mr Cohen—Yes.

Senator ABETZ—And how many?

Mr Cohen—There are at least three or four that I can recall.

Senator ABETZ—All right. And one of those was Mr John Grant?

Mr Cohen—That is correct.

Senator ABETZ—Yes. That was raised with you while the issue Ford's involvement in OzCar was still being discussed?

Mr Cohen—That is correct.

Senator ABETZ—Yes. Because the government's announcement on Ford being part of OzCar was made only on 13 May, the day after the budget.

Mr Cohen—I agree there was an announcement then. There was also an announcement, I think, in December, was it not, Ravi? There was an announcement in December.

Mr Khazanchi—That was the OzCar announcement, but nothing about Ford.

Mr Cohen—No. There was an announcement that the Treasurer put out in late December about having discussions with Ford Credit and clarifying discussions with Ford Credit.

Senator ABETZ—Yes, discussions, but not an actual decision.

Mr Cohen—That is correct.

Senator ABETZ—Yes. So, at the time that Mr Grant's situation was raised with you, the government had not determined to include Ford Credit in OzCar?

Mr Cohen—Not formally.

Senator ABETZ—Right. Thank you. When Mr Grant's situation was mentioned, by whom was Mr Grant's situation mentioned to you?

Mr Cohen—Mr Grech.

Senator ABETZ—And where was that meeting?

Mr Cohen—In my office in St Kilda Road, in Melbourne.

Senator ABETZ—Right. Was Mr Grant's situation the only one mentioned on that day?

Mr Cohen—I believe he was the one substantially mentioned. Another dealer was also discussed.

Senator ABETZ—All right. As I understand your evidence, you only provide funding and support to dealers that have a Ford or Volvo connection.

Mr Cohen—That is correct, Senator.

Senator ABETZ—Did Ford Credit make contact with Mr John Grant as a result of the representations I have just referred to?

Mr Cohen—We did.

Senator ABETZ—On what day?

Mr Cohen—It was, I would say—I do not have an exact diary record of that because I did not make that call.

Senator ABETZ—Right. Who did?

Mr Cohen—My sales director, Mr James Bailey, did. It would either be that same day, around 23 February, or the day after.

Senator ABETZ—Right. What were you told about the plight of Mr Grant?

Mr Cohen—We were told that there was a dealer in Ipswich in Queensland that had been asked, as other dealers had been, by GE to find alternative funding. He needed some advice and help.

Senator ABETZ—Not only advice and help, but an alternative financier?

Mr Cohen—Well, an alternative financier; that is right.

Senator ABETZ—Yes. That was the purpose of Ford's call to Mr Grant—to explore that?

Mr Cohen—The purpose of our call was that Mr Grech was not fully aware of, or did not tell me, all of Mr Grant's business dealings and understanding what franchises he held. So we called him to understand what franchises he held.

Senator ABETZ—What were you advised—that he was a Kia dealer?

Mr Cohen—A Kia and a caravan and recreational vehicle dealer.

Senator ABETZ—The caravan and recreational vehicle situation was covered by GE, was it not?

Mr Cohen—I do not know.

Senator ABETZ—You do not know. But interest was only in relation to the Kia dealership?

Mr Cohen—I am not aware. As I said, I did not speak to him.

Senator ABETZ—You were not part of those discussions. Is that what you are saying? All right. Do you know where Mr Grant was actually contacted?

Mr Cohen—As I said, I believe it was around 23 or 24—

Senator ABETZ—No. Where? The suggestion in today's paper is that it was New Zealand.

Mr Cohen—No. My understanding was we were supplied with a contact number.

Senator ABETZ—Who by?

Mr Cohen—By Mr Grech.

Senator ABETZ—Right. Thank you.

Mr Cohen—The contact number, I believe, was his mobile phone. We called that, and it is my understanding that he was on a dealer trip in New Zealand at the time.

Senator ABETZ—And then Ford Credit met with Mr Grant later on?

Mr Cohen—We have never met with Mr Grant, no.

Senator ABETZ—All right. You had discussions with him over the telephone?

Mr Cohen—Correct.

Senator ABETZ—Yes. And certain advice was offered to him?

Mr Cohen—That is correct.

Senator ABETZ—Right. Was the telephone number of other dealerships supplied to you on that occasion?

Mr Cohen—No.

Senator ABETZ—As I understand what you are telling us, you only look after dealers that have a Ford/Volvo connection.

Mr Cohen—Correct.

Senator ABETZ—By the sounds of things your current portfolio, you tell us, is \$350 million?

Mr Cohen—That is correct.

Senator ABETZ—That is a substantial wind down from where it previously stood; is that right?

Mr Cohen—That is correct. We had previous businesses in the early 2000s, several years ago, where we did support non-Ford franchises. But our policy changed in about 2004.

Mr Khazanchi—About then.

Senator ABETZ—Did you have any discussions with Mr Grant's accountants?

Mr Cohen—No.

Senator ABETZ—What about Mr Bailey?

Mr Cohen—No.

Senator ABETZ—So you are aware of that?

Mr Cohen—I am aware that we did not have any other discussions. We had two discussions with Mr Grant.

Senator ABETZ—And none of those were with Mr Grant's accountants?

Mr Cohen—I do not believe so, no.

Senator ABETZ—Well, you do not believe so, or you know so?

Mr Cohen—I know so. We did not have any discussions with his accountant.

Senator ABETZ—All right. You were not in the business of writing new business at this stage. You were winding down your books?

Mr Cohen—We are still in the business of writing new business for Ford and Volvo dealers.

Senator ABETZ—Yes, and rewriting other business. But you were contracting your books?

Mr Cohen—Correct.

Senator ABETZ—And you were wanting to vacate the space of car financing?

Mr Cohen—Not at all, no.

Senator ABETZ—But you were winding down your books because of the credit crisis?

Mr Cohen—I would like to make a point of clarification. We are winding down our book on retail financing, consumer loans and leases. We continue to provide funding on wholesale for Ford and Volvo and their related franchises. That area is able to grow, and that is why we are asking for a facility up to \$550 million from the OzCar program.

Senator ABETZ—Right. Thank you very much.

CHAIR—Senator Abetz, before you go on, I have other Senators on my right here who want to ask questions. We only have about five minutes remaining.

Senator ABETZ—Right, thank you, Chair. You were not in the business of signing up non-Ford/Volvo dealerships?

Mr Cohen—That is correct.

Senator ABETZ—So, just to recap, at a meeting in Melbourne, the specific case, and from your recollection only the specific case, of Mr Grant was put to you by Mr Grech, with the supply of a phone number asking if you could assist him.

Mr Cohen—Correct.

Senator ABETZ—And this occurred prior to the government determining whether or not Ford Credit would be able to participate in OzCar?

Mr Cohen—That is correct.

Senator ABETZ—And you would agree with me that the original parameters of OzCar had to be changed to facilitate Ford Credit to be able to be part of OzCar?

Mr Cohen—I would agree with you, yes.

Senator ABETZ—Thank you.

Senator PRATT—Clearly, the global financial crisis has had a wide range of implications for the motor trades industry in Australia, not just on finance. I want to ask you about the connection between capacity to finance and demand for Australian-manufactured cars.

Mr Cohen—Yes.

Senator PRATT—If financing in this area were to dry up, what would be flow-through effect on Ford's manufacturing here?

Mr Cohen—It is a very quick flow-through actually. The way the Australian manufacturers operate—as do the worldwide manufacturers—is that they need a significant lead-time for customer orders. When I say 'customers', I mean dealers. The extent of the financial crisis affecting manufacturers and the cost of working capital means that these manufacturers cannot afford to hold a lot of stock. It is very costly in cash flow for them. The philosophy of 'just in time' is very important so that, when a vehicle is manufactured, it is within a few days invoiced and the manufacturer is paid for that and the vehicle is shipped to a dealer. If the dealer cannot fund that stock, it quickly reflects back on the manufacturer and a build-up of stock occurs. If that is not resolved, the factory has to shut down because they cannot keep forwarding. It is a very quick and rapid cause to the manufacturer.

Senator PRATT—So you would be fielding a lot of queries from all sectors of the industry about how the industry is managing financing—right from the shop floor through to manufacturing?

Mr Cohen—Yes.

Senator PRATT—How are you generally managing those inquiries?

Mr Cohen—We have worked hard to keep our wholesale business going at the expense of our retail business. From a Ford point of view, from a captive finance company point of view, that is probably the most critical for us. That is why we have demonstrated to not only our workforce but also the workforce of Ford Motor Company that we want to stay in business, and we need to stay in business, to help all of those people. More importantly, from our end, for the dealerships as well.

Senator PRATT—So you are actively listening to people across the industry and advocating on their behalf?

Mr Cohen—Correct.

Senator JOYCE—What are the forms of financing? Do you just give Ford finance to a range of cars, or to any car at all?

Mr Cohen—We finance dealerships. If the dealer has a franchise that is other than—first of all, if it is a Ford or Volvo dealership, they are qualified to talk to us. We obviously go through a risk-management process to understand if that dealer qualifies for funding.

Senator JOYCE—What sort of dealers do not qualify for funding?

Mr Cohen—Well, it would be a dealer that has either a very weak balance sheet or cash flow that is not able to pay for a large line.

Senator JOYCE—So, basically, if they did not financially stack up, you would not be backing them up, would you?

Mr Cohen—Correct.

Senator JOYCE—How do you determine whether someone is financially out of sorts and that you would want to stay away from that deal?

Mr Cohen—We would go through a process of evaluating their balance sheet, financial statements, cash flow forecasts and business performance.

Senator JOYCE—Did you go through that for Mr Grant?

Mr Cohen—No.

Senator JOYCE—Who did?

Mr Cohen—I am not aware. We have not had any contact with Mr Grant's financials. I am not aware.

Senator JOYCE—Does he get this coverage from you?

Mr Cohen—Sorry?

Senator JOYCE—Does he get coverage from Ford Credit?

Mr Cohen—No.

CHAIR—Thank you, Mr Cohen and Mr Khazanchi, for coming in this afternoon. I will now call to the table the Motor Trades Association of Australia.

[1.30 pm]

DELANEY, Mr Michael, Executive Director, Motor Trades Association of Australia

DUCKWORTH, Mr Colin, Senior Policy Officer, Motor Trades Association of Australia

SCANLAN, Ms Sue, Deputy Executive Director, Motor Trades Association of Australia

CHAIR—Welcome this afternoon. Mr Delaney, do you have an opening statement you would like to make?

Mr Delaney—Yes, I do. Thank you, Madam Chair and Senators. The Motor Trades Association of Australia and the Australian Automobile Dealers Association are delighted to have this opportunity to assist the committee with its inquiry into the Car Dealership Financing Guarantee Appropriation Bill 2009. The MTAA is a federation of the various state and territory motor trades associations as well as the New South Wales-based Service Station Association Ltd and the Australian Automobile Dealers Association. I am the executive director of both MTAA and AADA. MTAA represents all those who sell, service and repair Australia's motor vehicles. That ranges from new motor vehicle dealers to motor vehicle body repairers to automotive parts recyclers.

The Australian Automobile Dealers Association represents at the national level those businesses engaged in selling new motor vehicles. Those businesses hold franchise agreements with vehicle suppliers and purchase their new motor vehicles from suppliers under what is known as 'bailment' arrangements. The funding or floor plan financing, as it is also known, for that bailment arrangement is provided by specialised financiers such as Ford Credit Australia or Capital Finance, to name a couple.

I would like to place on record our clear support for the government in relation to the establishment of OzCar. We have on a number of occasions publicly welcomed and thanked the Australian government for the coordinated, overarching resolution of the financial and liquidity crisis for motor dealers arising from the global financial crisis. Both MTAA and AADA have worked closely with the government and officials on the resolution of the crisis caused by the withdrawal from the motor vehicle finance market of GE Money and GMAC on respectively 23 and 24 October 2008. The task of recognising, addressing and designing an appropriate response has been hitherto unknown to us, immensely complex and requiring the highest level of expert consideration.

The response made by government, which is represented by this bill, we think meets and reflects those burdens and that it will do what is necessary to correct these circumstances. Indeed, it has ameliorated, we believe, what potentially could have been an economic catastrophe occurring in the market. I must therefore place on the record the sincere thanks of MTAA and AADA to those officers in Treasury and Prime Minister and Cabinet and the respective secretaries of both departments who worked tirelessly on the establishment of OzCar.

AADA and MTAA want it to be abundantly clear that this is not a bailout of car dealers and the motor trades—not so in any way, and cannot be so proposed or represented. We say it is a market failure which required government and society to intervene. That intervention is a public good and it can, and has already in this case, secured a market correction. That is entirely appropriate and valuable. No motor trader through this measure will secure market money at a lower cost. There are no distortions to the hitherto operating market in these arrangements, and the liquidity and confidence that has been secured is all that is necessary to kept market appropriately operating.

Absent these measures, the cascading collateral effects of the loss of car dealers and their contributions to the economy would have been a horrific impact on employment, GDP and confidence. Nothing like circumstances facing dealers in late 2008 had been seen before. No solution such as this therefore has ever before been necessary. Absent these measures that the bill represents we believe, and were able to document to government, that Australia would have lost 500 car dealers from its near to 1,500 new car franchise dealers, having 3,500 outlets, could have lost up to 75,000 jobs and would have seen almost all of the present stock of motor vehicles fire saled through liquidations of anything up to below 50 per cent of the list price.

That would have wiped out the valuations of all new and used cars for all persons and parties holding a motor vehicle as an asset. In any case it could have caused the cascading call for more security from the financiers of those parties. Into the bargain, the cascading effects of the complete sedation and devaluation of the retail new and used market could have transmitted to the wholesale manufacturing import markets, given

the then very high levels in stock relating from, at the time, a 22 per cent turndown in demand. That would have produced even more write-downs on new stock, which would have been unavoidable, with chaos in all elements of the market being the result.

That none of the potential market disasters foreshadowed have come to fruition, despite the continuous difficult trading circumstances for most Australian new vehicle dealers, is indicative of the effect of good policy and the adoption that this measure represents can bring to bear in the market. The last remaining action to be taken to formally ensure the success and benefit of the government's policy is the passage of this bill.

I should say that, in general terms, I and my associations do not expect that the government guarantee provided for under this bill will be called upon. I cannot give a guarantee on that, of course, but my advice and past history suggests that very few dealers ever default on their bailment finance arrangements. So I see the guarantee arrangements as being one of providing for confidence in the market more than anything else. The MTAA and AADA therefore strongly encourage you to recommend to the Senate that the bill be passed without delay. With that said, I thank you for your indulgence and would be happy to take any questions.

CHAIR—Thank you, Mr Delaney. You were saying that there was a market failure in terms of what was happening with the drop in demand for cars and the difficulty in getting finance. When did you first detect that happening?

Mr Delaney—We had hearings and soundings of it as early as August-September. Indeed, coincidentally, our then president of AADA was one of the first to be affected by the change in that market. So his circumstances alerted us to likely further developments. We did not, however, expect a precipitate announcement by GMAC and GE that they were simply leaving the market in the manner that occurred. But against the background of the global financial crisis, perhaps in retrospect it should have been unsurprising. What was difficult about it, and what we complained about to them vigorously, was that it was not only an announcement but a declaration that they needed their money returned by December. That is to say that, some time between 23 and 24 October and December, all of the affected car dealers—as I said, we believe that there were near to 500—were somehow or other supposed to be able to get set with alternative finance in very large sums.

In the broad, we think the bailment finance market is \$8 billion a year, and we thought that at a minimum it could be \$2 billion or \$3 billion that would need replacement. The problem we had is that it is a very specialised market. It is not a market that the banks typically stand in or finance companies stand in. The reason is that the goods and the assets against which the floor plan finance is secured are, of course, mobile, being motor vehicles. So it is a come-and-go arrangement against stock, the composition of which stock is constantly changing as it translates from wholesale into retail stock.

Being as specialised as it is, there were typically very few financiers in that market. I think in total there were about eight, and they were specialised. They have been specialised and operating in it for a long period of time, as you have just heard from Ford.

The process of getting set with an alternative financier and the due diligence that is required by those specialised financiers is something that can take up to three months. It involves an extraordinary level of assessment, analysis and insight into the affairs of the particular dealer, and ultimately a judgement of the strength of the balance sheet. So, that is the circumstance.

CHAIR—At the time that GMAC and GE made that announcement, I imagine that you got representations from many dealers organisations—almost panic, I would have thought.

Mr Delaney—I have been a lobbyist for a long time. I have never had anything like it in the way of being assailed by really troubled constituents. I did. It came from everywhere, from absolutely everywhere. It was of such an order and there was such panic abroad that we had to immediately petition the government at the highest levels to see what might be able to be done.

We did that immediately, from 23 and 24 October. It was not until about 24 November that the government was able to call all of the interested and affected parties together and offer, in the broad, a design of an amelioration and accommodation. At that stage it was a matter of the officials from Treasury and Prime Minister and Cabinet assessing whether their propositions would meet the needs and solve the problem. Thereafter, there were quite a few iterations of that design work before ultimately we received in late December the announcement of OzCar and its elements.

CHAIR—I imagine that at that time things were very fluid and flexible and no-one really knew the scope of what was happening.

Mr Delaney—Quite so. I need briefly to say that the business of car retailing is one in which the floor plan finance provides for the stock in trade. It has to be settled with the provider on a regular basis. It is very tightly controlled and audited. Most motor vehicle dealers are lucky if they can secure 1.5 per cent to two per cent gross retained earnings. [1.40 pm]

They are not heavily capitalised; they cannot be. They are constrained in what they can earn. The problem that happens is, if for any reason there is a downturn in their demand and thus their cash flow, or an interruption to their floor plan finance, and therefore to their sales capacity, they can breach covenants near enough to automatically and immediately and tip over immediately into, not administration, straight into liquidation.

There is just no room to move. So, for almost all of them, they were at capacity on personal guarantees, real property and all the like for all their finance needs—their capital needs in the business. If any of those covenants were breached, the whole business could just collapse without warning and with very dire consequences.

[1.40 pm]

CHAIR—And very often we are talking about owners of family businesses. They are mostly small business people and this is their livelihood and they were on the brink of tipping over.

Mr Delaney—Very much so. There are car dealership groups in Australia that are very large and could turn over one at least up to \$2 billion. But that is extremely unusual. They are for the most part very small family businesses as measured by everything other than turnover. They are usually family owned and operated with parents and siblings carrying out roles throughout the business. That is the most usual thing. Many of them are generational family businesses, inherited and passed through to the next generation. Notwithstanding that, they remain largely, not hugely, well capitalised.

It is the case, and it needs to be understood, that the motor vehicle dealers of Australia finance the whole of the stock of the manufacturers of cars from the point of the factory gate through to the point of the car dealership gate for as long as it takes those cars to be sold. In a market that used to be until recently over one million new cars a year, you can imagine what the stock for capital involved in that, and it is provided through floor plan financiers. It is enormous.

CHAIR—Thank you.

Senator ABETZ—Yes, Chair, if I may. Thank you to the motor traders. You are a representative body looking after motor traders. If I might say, you do it exceptionally well. You would not disagree with that?

Mr Delaney—I thank you for that.

Senator ABETZ—Right. Good.

Mr Delaney—So far so good—if we pass the bill.

Senator ABETZ—Nothing to fear I assure, like with Ford Credit. You have a capacity to lobby and approach government, and you have undoubtedly taken a keen interest in the OzCar development for the reasons, if I might say, that you so cogently outlined. Can I ask whether you were consulted about the initial development of OzCar?

Mr Delaney—At every point. There was a working party of senior officials, and we were a party to that working party.

Senator ABETZ—When did you find out that Ford Credit was going to become part of the OzCar vehicle?

Mr Delaney—I learnt of that perhaps a week before it was announced. But I place a caveat on that, in that in the initial working parties of the officials group, the officials led by Mr Grech and other colleagues, sought to find who among the financiers might be intending to leave the market, or not be able to stay in the market. All of those standing in the market—as I said there are about eight or nine specialist financiers—gave an indication of whether they might need accommodation or not.

My memory is—but I can stand corrected by Ford Credit Australia—at the meeting on 24 November, Ford Credit was asked whether it would need accommodation. I thought at the time that it said it did not think it would. But at that point the officials made it very clear that the design of OzCar was to be a fluid or malleable one in the sense that, were other financiers to suffer problems in the market and need to withdraw, it was designed to enable those financiers to be accommodated in the way of the OzCar arrangements.

Senator ABETZ—As I understand it, and the evidence to Senate estimates committees has been, that OzCar was in fact set up initially to look after dealerships and not financiers.

Mr Delaney—No, that is not at all a correct understanding. I have read *Hansard* of the estimates, and perhaps there is confusion. It was, from the outset, a design feature of OzCar that dealers would be proposed by me and others in the trade, if they had lost their finance from GE or GMAC, to approach every other financier still standing in the market to see if they could be accommodated. The idea behind that was that OzCar would bring to the market a resumption of liquidity and fluidity such that every other financier could be approached. [1.45 pm]

So, for the dozens and dozens and dozens of dealers that we had dealings with in this connection, we sent them off to every other financier. The answer was, if you could be accommodated by any other financier, even one that had never dealt in your make of car, that was fine; you were okay. If you could not, the arrangement then was that your circumstances would be assessed and tested with a specialist adviser and then passed through the advisers to the Treasury. If the assessment was a satisfactory one in terms of balance sheet and other considerations, then you could get accommodation through one of the existing financiers, who would enjoy in respect of the risk attaching to that transaction, the government guarantee portion.

Senator ABETZ—Yes, but it was dealership driven, not finance provider driven?

Mr Delaney—Well, I am not sure I can accommodate the distinction, with respect. I guess what I was saying—

Senator ABETZ—If I can indicate—

Mr Delaney—Please.

Senator ABETZ—Time is very short, so sorry to cut in. But we have been told at Senate estimates—and I think the government has no difficulty with this—that the parameters of OzCar were in fact changed to allow for finance companies, such as Ford Credit, to be part of it. From a Coalition point of view, we have no objection to that, and given all the circumstances, on the face of it at this stage it at least, it makes sense. But I want to understand from your position, Mr Delaney and the MTAA, as to what your understanding was when it was first announced.

Mr Delaney—My understanding—and I say that I was not a party to every bit of deliberation or every assembly of people or officials working on it—was that it was designed specifically to admit any other financier whose circumstances might come over time to require that it be admitted. That was always my understanding.

I can say why. We always thought Ford Credit would suffer same fate as GMAC. Indeed, the Ford dealers told us that, right from the start. So, when we contemplated what the quantum of the facility needed to be—we were asked that by Treasury and other officials—we said, ‘Well, it is \$8 billion of turnover a year on floor plan.’ They were proposing \$2 billion and asked me the question, ‘Would that be enough?’ I said, ‘Well, you may need to contemplate \$4 billion because we do not know if Ford Credit can sustain its position.’

Senator ABETZ—All right. It is interesting what was in your mind, if I might say. But, if I might say, *Hansard* reflects a different point of view from the officials. I do not want to go down that track, other than, of course—and I think you have indicated that—you have made representations on behalf of dealerships and others. I am not sure if it was your body or the New South Wales body that kindly took a phone call from my office to make a representation on behalf of a car dealership. That is all good.

Mr Delaney—We were taking calls from many members and senators.

Senator ABETZ—Of course, you were. As a representative body, that should not surprise anybody, especially one, if I might say, with your reputation. But your evidence is that Ford’s official inclusion in the OzCar facility was not known to you until about a week before it was publicly announced.

Mr Delaney—That is correct.

Senator ABETZ—And you agree it was publicly announced on 13 May, the day after the budget?

Mr Delaney—I am sure you are right.

Senator ABETZ—I have the Treasurer’s press release. It is not a trick question.

Mr Delaney—I know that.

Senator ABETZ—Although you say you were involved in the development of OzCar from day one right through, as at February 2009 you were not aware as of whether the government had taken a decision to include Ford in the OzCar facility because you would have been told some time in early May that that decision had taken place.

Mr Delaney—When I say ‘involved’, I should say involved up to December when the announcement of OzCar was made and we thought matters were sufficient at that point and accommodate all we wanted.

Senator ABETZ—So after that there was no longer any consultation?

Mr Delaney—No. We did not need anything.

Senator ABETZ—Right, understood.

Mr Delaney—Our contact thereafter was with Mr Grech or—

Mr Duckworth—Credit Suisse.

Mr Delaney—Yes.

Senator ABETZ—Yes. He seems to be Mr OzCar.

Mr Delaney—In respect of named dealers brought to us by the dealers themselves or our member bodies in the federation, or by members, senators—

Senator ABETZ—Yes.

Mr Delaney—Members of the public, whomever. It just came from everywhere.

Senator ABETZ—Right.

Mr Delaney—The way in which we did it was to say that because OzCar was never designed, nor should it ever sustain an unviable dealer which fact we made clear right from the start—that is, it could not bail any one out or prop anyone up—that we would take each case to Mr Grech of Treasury and he would take it from there. And he did in every case. [1.50 pm]

Senator ABETZ—Yes. Look, thank you for that. That was on behalf of each individual dealer?

Mr Delaney—That is right.

Senator ABETZ—Yes. For what it is worth, we have had evidence that the parameters of OzCar have changed to include Ford Credit, which on the face of it I must say seems potentially to be a good thing. Nevertheless, you were not made aware of that official decision until about a week before the budget. So can we agree early May?

Mr Delaney—Yes, that is correct.

Senator ABETZ—Yes, early May. And you were not involved in any discussions about Ford Credit’s involvement in OzCar after about December 2008 when the special purpose vehicle was announced?

Mr Delaney—Quite so. My memory is that Ford Credit was at the table at the first meeting and did not indicate it needed to be accommodated. What we said to Treasury was: ‘In the design, you had better anticipate that others will need to join this later.’ I suppose we could debate whether that is a parameter change or a circumstance change.

Senator ABETZ—That is fine. Thanks, Chair.

Senator PRATT—Mr Delaney, you highlighted in your remarks that the industry was on the brink of tipping over. What are the ramifications across the whole of the Australian car industry of finance drying up? It is not just the dealers we are talking about here, is it?

Mr Delaney—Look, in answering that, Senator, one unavoidably nearly starts sounding exaggerated, but I am not. The position is this, as you heard from Ford Credit Australia: if the dealerships, for whatever reason, find that their floor plan finance dries up, they cannot order cars from the factory. If they cannot order from the factory, the supply chain from manufacturing through to the dealership gets interrupted nearly immediately. It is all just-in-time manufacture, real-time.

What we said was that unless something is done about this super quickly, you could find that Geelong and Broadmeadows are closed down in no time at all, albeit it may have been that they were not shut down so much as on a forced holiday, with the employees on forced holidays and all the rest of it. But the problem was that if the dealer side of the business collapsed—that is, the 500 dealers—permanently, that is a demand capacity that just disappears immediately, as against local manufacture and as against imported vehicles.

You have no way of knowing, if you have a fall of that calamitous order, whether the factory, that has to close down on account of what is just happened, gets to open again. That is what we fear could happen. The cascading effect because of the just-in-time, real-time nature of the industry, could have been so impacted and disrupted that getting it going again would have been terribly difficult. That was also against the background that we did not know, and apparently nor did anyone in the US administration, what were to be the circumstances of GM, Ford or Chrysler.

Senator PRATT—Was that a motivating factor behind making sure that, in terms of the scheme being defined in December, the door was open to changes and having it become adaptable?

Mr Delaney—That was entirely a factor. The reason was that we were prepared to take Ford's declaration in good faith as to its intentions. But we did not know in circumstances into the future whether that could have been the case. The records of the departments will show that I did say that this could be \$4 billion or 50 per cent of the whole floor plan turnover per annum. That was precisely because I thought so Ford or others might enter.

There was another player in there as well—Capital Finance. For other reasons to do with its ownership out of Europe—which was going back to Scotland originally—it at one point looked like it was not sure that it was not going to be impacted in the same way. Indeed, it came and saw us and had long discussions with us about that.

Senator PRATT—How have individual car dealers come to terms with this in terms of judging when they are or are not going to be affected?

Mr Delaney—One of the things that OzCar did, and the government's announcement that it was working on some amelioration package, was to slow GE and GMAC down altogether from simply trying to ease it with their money. We protested vigorously; we sought the intervention of every agency we could possibly find to stop that happening. What that did was, it bought time for the dealers to then be able to shop around all the other financiers to see if they could get someone in substitution.

I have mentioned how long it takes to get set because of the character of the due diligence. As it turned out, many of them did get set by the two other large lenders in that market, Esanda and St George, but, at the same time, the standards tightened up, the availability of finance tightened up, and the price went up. So, it became much harder altogether. [1.55 pm]

There has been mention made here by Ford Credit that GE in fact on account, I imagine, of the fact of OzCar, switched a lot of its dealers from its floor plan facility to its GE Money. The difference between the two facilities was something of the order of three per cent or 3.5 per cent on the cost of funds.

Senator PRATT—Thank you.

Senator JOYCE—It must be hard for dealers to try to get set up for finance again, must it not?

Mr Delaney—Extremely hard.

Senator JOYCE—How many of your dealers have a senior Treasury official ringing up or sending emails on their behalf to try and set them for finance?

Mr Delaney—On that occasion?

Senator JOYCE—Yes.

Mr Delaney—Hundreds. Previously? Unheard of.

Senator JOYCE—A senior Treasury official ringing up on their behalf?

Mr Delaney—Previously unheard of. On this occasion, hundreds.

Senator JOYCE—So, Mr Godwin Grech—I see the email here that has now been tabled—was speaking on behalf of John Grant and looking after John Grant. Do you know if Godwin Grech rang up everyone?

CHAIR—Senator Joyce, I think we have Mr Grech as a witness shortly.

Senator JOYCE—Is that the norm? From the feedback you get, how many of your dealers had a senior Treasury official ringing up on their behalf to try to set them up with finance?

Mr Delaney—As I said, previously, never. It was unheard of.

Senator JOYCE—But this time you are saying hundreds?

Mr Delaney—On this occasion, that is exactly what happened. That is the way it was designed. It was designed with our cooperation and our understanding that that was the basis entirely.

Senator JOYCE—So you are saying a senior government official—

Mr Delaney—I am saying ‘a senior government official’.

Senator JOYCE—A senior Treasury official?

Mr Delaney—I am saying it.

Senator JOYCE—A senior Treasury official?

Mr Delaney—I am indeed saying it. It happened multiply; with my conversations with him, with my deputy’s conversations with him, with his conversations with us, and his conversations with car dealers. It happened repeatedly. It happened repeatedly, and it happened repeatedly precisely because that the design element of how it was to work.

It was unusual to me that the Treasury and the government and the Prime Minister and Cabinet were prepared to go to this extent of having a senior official do it, but we welcomed it because it worked. And it worked simple because his seniority and his capacity influenced GE and GMAC to call off the Rottweilers and cause the others to look to cooperate.

Senator JOYCE—Called off the Rottweilers?

Mr Delaney—Yes. It could not have been done otherwise.

Senator PRATT—That kind of participation in the time of a global financial crisis clearly does call for that kind of leadership, surely?

Mr Delaney—Well, that is what we thought.

CHAIR—Thank you. Are there any further questions for the MTAA?

Senator CAMERON—I have been told to be quiet.

CHAIR—No. In that case, thank you, Mr Delaney and other officers from the MTAA, for coming in.

Mr Delaney—Thank you, Chair and colleagues.

CHAIR—I now ask the Department of Treasury to come to the table.

[1.57 pm]

MARTINE, Mr David, General Manager, Financial Systems Division, Treasury

GRECH, Mr Godwin, Principal Advisor, Financial Systems Division, Treasury

CHAIR—I welcome the Department of Treasury. Mr Martine, do you have an opening statement you would like to make?

Mr Martine—Thank you, Madam Chair. I would just like to make a couple of brief opening statements and then obviously take some questions.

First of all, I would like to comment with respect to the media reports last night and this morning suggesting that there is correspondence between the Prime Minister's office and Treasury concerning John Grant and Ipswich Central Motors. With regard to that matter, we have searched our available records to the best of our ability and we have been unable to locate any relevant correspondence, email or otherwise, from the Prime Minister's office to Treasury, in particular, to the senior Treasury official, Mr Grech, managing implementation of the OzCar initiative.

However, as indicated by the Treasurer in Parliament on 4 June and again this morning, correspondence with respect to John Grant and Ipswich Central Motors was referred to Treasury from the Treasurer's office, and I understand that correspondence was tabled earlier in these hearings.

The second issue I would like to briefly comment on relates to the structure and operations of OzCar. I would like to refer the committee to the Treasurer's press release of 19 December 2008, which outlines these issues in detail. OzCar is the trust facility, managed and operated by the private sector. It has an independent trustee. It is the financiers working with the trustee who ultimately make all lending decisions once the facility is activated. Treasury's role has been to assist in establishing the trust arrangements, including the eligibility criteria. Treasury's role, moving forward, is to work with the trustee on the Commonwealth's exposure arising from the guarantee.

Finally, the legislation in front of the committee for consideration is an important element of OzCar to give effect to the guarantee in the event the guarantee is ever called. Thank you, Madam Chair. We are happy to take questions.

CHAIR—Thank you, Mr Martine. We heard evidence from both Ford Credit and the Motor Trades Association earlier that there was a great deal of pressure from dealerships to find financing, given the withdrawal of GMAC and GE, and that this was a very fluid situation, and that the car dealerships were very concerned about it. The response that was developed to that was, I think, always going to have to be fairly fluid at the time it was developed at the end of last year because of the changing financial circumstances. Would you agree with that?

Mr Martine—I would, Madam Chair. I might just ask Mr Grech to elaborate a little bit further on some of the history relating to the development of the initiative. There were certainly very real pressures towards the end of 2008 with respect to car dealerships and the potential withdrawal of GE and GMAC.

Mr Grech—As I have reported to this committee on a couple of occasions now, from about October last year there were serious issues emerging with respect to the floor-plan financing market in Australia following the announcement of two of the largest providers—GE and GMAC—announcing their planned exit from the Australian market. Between those two companies, they had roughly 450 car dealers nationwide. We—'we' being Treasury on behalf of the government—were being told in late October early November that the remaining financiers, primarily institutions such as Esanda, St George, Capital Finance and some of what we call the industry captured financiers, like the Toyota financiers and so on, would not either have the time to do the appropriate due diligence necessary on those 450 remaining GE and GMAC dealers or, more importantly, they would not have the capital to be able to finance those dealerships.

As a consequence—we have been through this before—the government decided, working in partnership with the private sector, and primarily the four major banks were instrumental, to establish what is essentially a private sector trust facility, a special purpose vehicle arrangement, which was known as OzCar, which attracted a Commonwealth guarantee, which of course is in part the subject of this committee's hearing this afternoon with respect to the guarantee appropriation bill, which we hope to get through the Senate in the next week or so.

The OzCar facility essentially—and I did hear some of the previous evidence—is designed to provide primarily—the initial decision was that it would provide liquidity support to those stranded car dealers from GE and GMAC who were deemed to be viable but who, because of the market failure, did not have the capacity to find a new home. And as I think Senator Abetz alluded to as I caught a bit of the previous evidence, there was indeed, and it is undeniable and it is on the record, that there was indeed a change in the parameters of OzCar, following the government's decision, for good public policy reasons, which was announced the day after the budget or thereabouts. There was a change in the parameters of the facility when we decided to include Ford Credit. Essentially, what we were doing, we were using OzCar, the SPV, as a means to provide liquidity to a financier who would then support its existing dealership network, whereas before we were providing liquidity support to viable car dealers who had lost their financier. So there was a change in the parameter, there is no doubt about that.

CHAIR—At the time that this began, it was really in response to that GMAC and GE announcement, wasn't it? It was clear that, as Mr Delaney said, people would not have enough time to obtain financing in the short period of time, and there was great concern.

Mr Grech—Correct. There is no doubt about that. If you like, using a bit of basic jargon, it was a shock to the system represented by the announced departure by GE and GMAC. There was what we would call a market failure because the other participants, for reasons I have already explained, did not have the capacity to fill the void, so we had to intervene. As I said, at the time the expectation was because GE and GMAC were telling government that, come the end of January, they would close their books and depart the scene. Here we are in mid-June and basically almost all of the 450 GE and GMAC dealerships have found a home through alternative financiers.

CHAIR—That success of the GE GMAC response, I guess, then led to the addition of Ford Credit?

Mr Grech—Ford Credit, there was definitely—we were aware, government was aware, in early November-December that Ford Credit was challenged. It had liquidity challenges. But when the Treasurer and the Prime Minister announced the establishment of the OzCar facility on Friday, 5 December 2008 in Sydney, that decision was squarely focused on GE and GMAC financed dealerships. Why? Simply because at the time we had not been formally advised or informed by Ford Credit that they were going to exit the wholesale floor plan market. We knew that they had challenges, but they had not formerly taken that decision. So it would have been quite irresponsible, I think, of government, to take a decision and then publicly make an announcement that involved a facility that would accommodate Ford Credit dealerships.

But there is a subtle difference which is important. If Ford Credit had announced that it was going to depart around November-December late last year, the OzCar facility, as it was established at that time, would have meant that the Ford Credit financed dealerships at the time when Ford Credit was going to depart would have been treated in exactly the same way as those dealerships that had been financed by GE and GMAC. The subsequent decision to accommodate, for want of a better term, Ford Credit within the SPV facility reflected not only a desire to support Ford Credit for various good policy reasons, one of which was a competition policy reason. Australia basically risked losing three significant players in the wholesale floor plan finance market in the space of six months and not every bank or financial institution in Australia that is perhaps in the business of providing retail car loans, which is basically every approved deposit-taking institution, is in the business of floor plan finance. It is a very specialised business.

So when Ford Credit came to us and said, 'There is an appetite, there's an interest, we have an interest in remaining in Australia,' and therefore continuing to support its dealership network, 'if we could get access to the OzCar facility,' initially for 12 months, by the time we got to that decision making point, which I will disclose was a decision taken on 25 March and subsequently announced, as I think Senator Abetz has indicated, on or about 13 May—I do not have the exact press release in front of me—by the time we got to that decision-making point, we were in the fortunate position of most of the GE and GMAC book, if you like, having found a home elsewhere. What was initially anticipated as being potentially a \$2 billion facility had come down to something less than half that. So we actually had the scope and we had the policy rationale to actually take that decision to accommodate Ford Credit.

CHAIR—I was interested in what you said about competition because one aspect of this is that we have already heard that there is small participation in this particular niche market and that if any of the participants had run into serious difficulties and ceased to operate, that would have reduced the competition in that particular area.

Mr Grech—By 'participants', do you mean financiers?

CHAIR—Financiers, yes.

Mr Grech—Correct.

CHAIR—So that was a consideration in adding companies like Ford Credit as well to the scheme?

Mr Grech—That is correct.

Senator CAMERON—On that point, on this issue of confidence, both the previous witnesses have raised this issue of confidence. How important is that to the overall industry?

Mr Grech—Senator Cameron, confidence in a market economy is important in all industries and all sectors at all times, I would argue. It is no exception with respect to the car industry, which is obviously very much a consumer-driven industry. I am on the record as saying this before: what the OzCar announcement helped facilitate was that the market realised there was a fallback and the government working in close partnership with the four major banks. It is important to note that without the support and the cooperation of the four major banks, OzCar would simply not have been possible. I use this opportunity of indulgence to put that on the record because we hear a lot about the banks. On this one, they played the team game.

Frankly, one of the key material consequences of the OzCar facility when we announced it was that dealers suddenly realised, ‘Hey, there was hope,’ which meant that they had the capacity and the willingness to continue to negotiate with other financiers, knowing that there was a fallback in place. It also meant that, instead of a lot of dealers starting to go into almost close-down mode, they kept business going as usual. So that is significant. Confidence is significant, but it is also the case that, contrary to what government, Treasury, was being informed, advised, by the industry around November-December last year, around January-February the remaining major financiers certainly displayed a remarkably healthy appetite when it came to growing their loan books and, for want of a better term, cherry-picking what were some very juicy businesses that GE and GMAC put on the table.

CHAIR—I will go to Senator Abetz now.

Senator ABETZ—Thanks, Chair. Mr Martine, can I ask you: do we have answers to questions placed on notice at estimates as yet? I know that they are still within the time limit, but, given the miraculous appearance of a huge search for emails today, I was wondering whether Treasury also dedicated itself to activating answers to estimates.

Mr Martine—Senator, no, we do not have answers to those questions.

Senator ABETZ—All right. What about my freedom of information request that is now two weeks old—once again within the time limit, I accept.

Senator CAMERON—Mr Martine, do not be bullied. They have got form on bullying. Don’t let them bully you. Even the leader is into big-time bullying, so do not be bullied.

Senator ABETZ—I have already said that it is within the time limit. There is no bullying here, Senator Cameron.

Senator CAMERON—We know you have got form on bullying. So has your boss.

Senator ABETZ—I know you have been given your testosterone for today, but just relax.

Senator CAMERON—You have got big form, big form.

Mr Martine—Senator, I am the actual decision maker on your freedom of information request. It came in, I think, on 5 June.

Senator ABETZ—That is right, and it is currently 19 June.

Mr Martine—It is currently under consideration.

Senator ABETZ—All right.

Mr Martine—We are formally to respond, I think from memory, around 10 July.

Senator ABETZ—Look, I accept that that is the timetable, but given the very proactive provision of a whole host of emails that I am still trying to get my head around, I was wondering whether Treasury was also busy in relation to my own request, but not so, and I accept that. There is nothing untoward about that as it is within the time limit, and I accept that. But I think it indicates the preference that was given in relation to Mr Swan’s emails. But I say no more on that. Can I ask Mr Grech: you were at a meeting, I understand from Ford, with Ford Credit in Melbourne earlier this year?

Mr Grech—That is correct.

Senator ABETZ—Are you aware of the date? Can you recall the date?

Mr Grech—I think it was Monday, 23 February.

Senator ABETZ—And it was asserted by Ford Credit that you raised the name of Mr John Grant at that meeting.

Mr Grech—That is correct.

Senator ABETZ—Did you raise any body else's name at that meeting in relation to being a car dealer?

Mr Grech—I did not take notes at the meeting, but my pretty firm recollection, Senator, is that I did not raise any other car dealerships.

Senator ABETZ—Right. The evidence is that you provided a phone number to Ford Credit, namely, John Grant's, I think, mobile.

Mr Grech—That is correct, Senator.

Senator ABETZ—I ask you why—you raising John Grant's plight at this meeting I assume was on instructions, advice, suggestion, from the Treasurer's office?

Senator CAMERON—Assume what you like—we are going to deal with the facts.

CHAIR—Senator Cameron, no interjections, please.

Mr Grech—Senator, I know that the Treasurer is in *Hansard* dated 4 June. The Treasurer has made clear that the case of Mr John Grant from Ipswich Motors was referred to Treasury by his office. When you talk about Treasury in this context, it was referred to me.

Senator ABETZ—Right. In these emails that we have just been provided, I note with some interest—I am just wondering: do the witnesses have these emails.

Mr Martine—We do have a copy, Senator.

Senator ABETZ—Mr Martine, you were made aware that Senator Cameron was going to table these emails?

Mr Martine—Yes, I was, Senator.

Senator ABETZ—Interesting. Thank you very much. In that case, you would have them in front of you. Just picking one at random, Friday, 27 February 2009 at 5.46 pm, there is an email that states, 'Thanks Godwin. Great work. Just so you are aware, these emails are also going to the Treasurer's home fax. Cheers, Andrew.' That is Andrew Thomas, somebody in the Treasurer's office.

Senator CAMERON—Shock, horror!

Senator ABETZ—That then excited my interest to ask—

Senator CAMERON—You are easily excited.

Senator ABETZ—Chair, are you going to control Senator Cameron or not?

CHAIR—I think if you just continue on with your questioning.

Senator ABETZ—It is very difficult with ongoing interjections. There is a standing order requiring—

CHAIR—Try to ignore the interjections, Senator Abetz. And I will try to—

Senator ABETZ—Oh, thank you, Chair. I was excited and I thought, 'Well done, Godwin,' and 'What email was being sent through to Mr Swan's home fax?' It is this email, if I understand the reading of emails correctly. It was an email that you had sent only a matter of half an hour earlier to the Treasurer's office which, as I read it, was only about John Grant's position and your discussions with Ford Credit. Is that correct?

Mr Grech—That is correct, Senator.

Senator ABETZ—It says: 'Andrew, just to let you know, I have spoken again with John Grant this afternoon. Grant said that he had a good meeting with Ford Credit on Thursday and they told him that while they are generally'—et cetera, and then—'Grant's accountant is currently preparing financial information. I told Grant to keep in touch. Grant seemed genuinely grateful. He also said he wants to come to Canberra to meet me, although I said nothing'—et cetera—'I will keep you informed.' This is the gist of this email, and this is the one that finds its way to the home fax of the Treasurer, not because of you, Mr Grech, but because of

the Treasurer's office staff. Can I ask you: when did the Treasurer's office make representations on behalf of Mr Grant to you?

Mr Grech—Do you mean initially, Senator?

Senator ABETZ—Yes.

Mr Grech—I remember it was Friday 20 February.

Senator ABETZ—Friday 20 February? When was the meeting with Ford Credit set up?

Mr Grech—I had prearranged that meeting. The meeting with Ford Credit, as I say, took place on the Monday which I think would have been 23 February, in Melbourne. That meeting had already been arranged to discuss—

Senator ABETZ—All right.

Mr Grech—Ford's application to OzCar.

Senator ABETZ—All right. Thank you for that. You then travelled to Melbourne to meet with Ford Credit the very next Monday—so, three days later?

Mr Grech—Correct.

Senator ABETZ—And you must have got back at some time?

Mr Grech—I flew back the Monday night, from memory.

Senator ABETZ—I suppose you did not have to fly back, in fact. Modern communications are a wonderful thing. But there is an email that evening of the meeting with Ford Credit, 8.23, and it starts off, 'A report to the Treasurer's office, as promised. I am trying to get Ford Credit to fit in to the OzCar facility. As promised, I raised the case of John Grant with the CEO of Ford Credit during my meeting with Ford Credit in Melbourne today.'

Senator CAMERON—Did you get Kay Hull's email as well?

CHAIR—That is enough, Senator Cameron.

Senator CAMERON—Did you get Kay Hull's?

CHAIR—Senator Cameron!

Senator FIFIELD—Chair, point of order.

CHAIR—I am sorry, I have a point of order.

Senator FIFIELD—Yes. Point of order, Chair. It is clear that Senator Cameron has been given two tasks today: one is to serve as a—

CHAIR—Do you have a point of order?

Senator FIFIELD—Chair, I am taking the point of order. One is to serve as a postman for the Treasurer's office and the other is to run interference.

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

Senator FIFIELD—Could you please bring Senator Cameron to order, Chair?

CHAIR—Senator Abetz, could you continue, please?

Senator ABETZ—Yes, I will, thank you, Chair. Mr Grech, can I ask: how many communications, to your knowledge in relation to car dealers, went to Mr Swan's home fax? We know that John Grant's representations went to the Treasurer's home fax. Do you personally know of any others that went to his home fax?

Mr Grech—No, I do not.

Senator ABETZ—You do not. Thank you. Can I ask whether on Friday 20 February, that is, the same day that Mr Swan's office made representations about John Grant to you at 5.19 pm, you emailed this Andrew—I assume that is Andrew Thomas—

Mr Grech—Correct.

Senator ABETZ—In the Treasurer's office and said, 'I have spoken with John Grant'. So this I assume is 5.19 and it might be after hours, I do not know. But anyway, you emailed and said, 'I have spoken with John Grant and given him a good rundown where things are at.' You flagged the fallback position. 'Suffice to say it involves Ford Credit.' That is what you said to Mr Andrew Thomas on that same day?

Mr Grech—Correct. Yes, Senator.

Senator ABETZ—And not surprisingly, Mr Grant was quite buoyed, if I can use that term, from your email. Very interestingly, less than 10 minutes later—am I right—this same person in the Treasurer's office, clearly monitoring this very closely, 10 minutes later, 'Godwin, we really appreciate this. Grateful if you can keep us in the loop as to how this unfolds over the next few days. It would be useful if you could provide me with a bit of background about how John Grant', et cetera, 'might not fit in', et cetera. We have that email. You received that email?

Mr Grech—Yes, I did, Senator.

Mr Martine—Senator, I do not think there is anything unusual with the Treasurer's office responding to Mr Grech's email within a very short period of time.

Senator ABETZ—Mr Martine, that may well be right. The record will speak for itself as to how many people got this sort of treatment in relation to the car dealerships. But thank you for that. There was an email sent by Mr Andrew Thomas that same night, yet again to Wayne Swan at a Treasury fax. Let us be quite clear: this is in fact Mr Swan's home fax, is it not, and that is why some of the number has been blocked out?

Mr Martine—Senator, I do not think we would be in a full position to confirm that. I am certainly not aware of what the fax arrangements are with the Treasurer, or whether that is the Treasurer's home fax number. I just do not know.

Senator ABETZ—Mr Martine, good try. We have a government directory here that will tell us what the Treasurer's office fax is. The government directory is a public document. There would be no need to block out the rest of the fax number, would there Mr Martine, because it is on the public record what his office fax is.

Mr Martine—Senator, I am not denying that that may be the Treasurer's home fax. I just do not know.

Senator ABETZ—You see, Mr Andrew Thomas from Mr Swan's office has told us that these things would be going to the Treasurer's home fax.

Senator CAMERON—He has told you that he does not know.

Senator PRATT—I am struggling. I cannot hear.

Senator ABETZ—Let me continue.

CHAIR—Order. I am struggling to hear.

Senator CAMERON—You are struggling? Senator Abetz is struggling.

CHAIR—Order! Senator Cameron!

Senator CAMERON—Senator Abetz is struggling big time.

Senator EGGLESTON—Senator Cameron should be brought to order. The witness should give evidence and be heard in peace.

CHAIR—Order! Senator Eggleston! I am getting too much conversation on both sides.

Senator EGGLESTON—I think you should control Senator Cameron.

CHAIR—Senator Eggleston, if you will be quiet, I will try to establish a bit of order.

Senator EGGLESTON—Why do you not tell Senator Cameron to be quiet?

Senator CAMERON—Now, now. Do not bully the Chair. I know that the Leader of the Opposition likes to bully people, but do not bully the Chair.

CHAIR—Senator Cameron!

Senator FIFIELD—Point of order, Chair. It might assist the committee if the person who has the call is recognised as having the call, and other Senators were asked to remain quiet.

CHAIR—I am sorry, Senator Fifield, that you do not think that that is happening. My impression was that it is happening.

Senator FIFIELD—Chair, it is not. I can hear Senator Cameron talking at the same time as Senator Abetz, which would indicate that it is not.

CHAIR—I could hear Senator Cameron and Senator Eggleston talking and I am trying to revert—so far without any cooperation from the rest of the committee—I am trying to revert the conversation to Senator Abetz.

Senator ABETZ—Thank you very much, Chair. At 5.18, Mr Grech, you emailed Mr Thomas who, 10 minutes later emails back to you saying, ‘Godwin, we really appreciate this.’ That very same evening still, this same Mr Thomas emails via a particular Treasury fax, and I have a funny hunch that on 7.27 pm on a particular Friday evening, we may well have found Mr Swan at his home fax, rather than at his office fax, and that is why part of the number is obliterated. Mr Martine, can I ask: you are aware that these documents were going to be presented to this committee? Is that right?

Mr Martine—Yes, Senator.

Senator ABETZ—Did you go through the documents before they were presented to the committee?

Mr Martine—As I indicated in one of my earlier answers, we have been looking at these documents in the context of your freedom of information request.

Senator ABETZ—Yes.

Mr Martine—In that context, we have been looking at the documents.

Senator ABETZ—So in that context you would also know about the obliteration of a part of a fax number?

Mr Martine—I am aware of the—

Senator ABETZ—You are aware of that, are you not? Can you tell us, if this was being done in the context of a freedom of information, why was that part of the fax number obliterated? Was it because it is in fact the home fax number of the Treasurer?

Mr Martine—Senator, as I indicated earlier, I do not know the Treasurer’s home fax number.

Senator ABETZ—I am not asking you that, am I? I am asking you whether know that that which was obliterated was obliterated so as not to identify the home fax number. I am not asking you to repeat the number.

Mr Martine—Senator, at the top of the email exchange—and I think you even quoted this to begin with—the email from Mr Andrew Thomas from the Treasurer’s office states, and I quote, ‘Just so you are aware, these emails are also going to the Treasurer’s home fax.’

Senator ABETZ—Yes, that is right.

Mr Martine—While I indicated that I do not know personally what the Treasurer’s home fax number is, so I do not know whether that is the Treasurer’s home fax—

Senator ABETZ—I am not asking you that. Let us move on. This fax on Friday 20—still the same day when Mr Grech has been asked to look after John Grant—at 7.27 pm a fax is going to the Treasurer with the heading or salutation ‘Treasurer, both Godwin Grech and I have spoken to John Grant this evening.’ This is virtually a full page, is it not, Mr Grech, this email?

Mr Grech—That is correct.

Senator ABETZ—It is a full page.

Mr Grech—Yes.

Senator ABETZ—It is interesting, is it not? Other than the opening sentence, ‘Both Godwin Grech and I have spoken to John Grant this evening,’ there is a degree of familiarity, is there not, in the discussion? It says: ‘John’s case’ and ‘John has not yet been in contact.’ ‘We are confident we can arrange for John.’ ‘Both Godwin and I will keep in close contact with John.’ ‘John currently has finance.’ ‘In John’s case we will only—’ There is a degree of familiarity about that sort of language.

CHAIR—Senator Abetz, I do not think that expressing an opinion about the degree of familiarity is a question that the officer of the Treasury can answer.

Senator ABETZ—All right. In fairness, I think that is a very fair point. The document that is now being made public speaks for itself, and people can determine for themselves whether it is familiar or not. I accept your point. I then move onto the email, Mr Grech, that you sent at 8.23—once again, to this half-obliterated fax number of Mr Swan’s, where you say that you have followed up. It is interesting as you refer to ‘John Grant’, ‘John Grant’, ‘John Grant’, all with his surname ‘Grant’, which might just be a different style, but it does not show the degree of familiarity as was indicated in the Treasurer’s email.

CHAIR—Again, Senator Abetz, I think you are asking, are you not, a question about the degree of familiarity?

Senator ABETZ—That is right.

Senator CAMERON—Ah, when you are desperate—

Senator ABETZ—That is right—and professionalism. We will move on. Then you had that meeting on 23 February.

Mr Martine—Correct.

Mr Grech—Correct.

Senator ABETZ—Then four days later you emailed, yet again, to Andrew Thomas in the Treasurer's office, 'Just to let you know that I have spoken with John Grant this afternoon to clarify progress,' and that is the email which on this occasion, Mr Martine, 30 minutes later attracts the response from Mr Thomas in the Treasurer's office, 'Thanks, Godwin. Great work. Just so you are aware these emails are also going to the Treasurer's home fax.' Can I ask you, Mr Grech: how often were you told in emails to yourself from the Treasurer's office that reports of your good work were being sent to the Treasurer's home fax?

Mr Grech—This was the first example.

Senator ABETZ—How long have you been with OzCar? You have been with OzCar from the start.

Mr Grech—Yes, certainly.

Mr Martine—Senator, I would suspect a lot of material is sent from the Treasurer's office to the Treasurer's home fax.

Senator ABETZ—Sorry?

Mr Martine—I would expect that a lot of material on a whole range of issues is sent from the Treasurer's office.

Senator ABETZ—Mr Martine, that is a very good intervention, but for the fact that the witness, who is dealing with OzCar, and who is to all intents and purposes Mr OzCar, said in the space of OzCar, this was the only time that he was told that this was happening because, Mr Martine, this relates to whether or not the Treasurer has misled the Parliament in his answers as to whether or not John Grant was treated in the normal way, in normal circumstances, like any body else. So, Mr Grech, can I ask you were you told, in relation to the representations you made on behalf of Ms Hull's constituent—and you reported back to the Treasurer's office about that, did you?

Mr Grech—Yes, I did.

Senator ABETZ—Did you get an email in response 'Good work. Great work, Godwin. This has gone to the Treasurer's home fax'?

Mr Grech—No, but I will qualify it, if I may.

Senator ABETZ—All right—

CHAIR—No, Senator Abetz. Mr Grech had not finished.

Mr Grech—It was a different officer in the office handling it. Andrew Thomas handled the John Grant matter primarily, and another adviser in the office handled the Kay Hull exchange. She may have a different style. For what it is worth, Andrew Thomas and I go back a number of years. We came from the same part of Melbourne and we are both sad enough, I suppose, to follow the same football club.

Senator ABETZ—Unless it is Geelong, that is tragic. Can I ask, then: why did you deal with John Grant's issue as opposed to Kay Hull's constituent? Was there an imperative put to you by anybody in the Treasurer's office that this was an important case to look after?

Mr Grech—Senator, actually I have been in the public service now for 20 years, and I take my work very seriously. When a Minister's office—I previously also worked in Prime Minister and Cabinet—so when the PMO or the Treasurer's office approach you with something, you give it priority. In the case of Mr Grant, the referral came from Andrew, and it was made clear to me that it was something that had to be managed and that is what I tried to do.

Senator ABETZ—All right. How was it made clear to you that it had to be 'managed'?

Mr Grech—Basically, the simple chronology is that, just prior to Andrew Thomas's email to me on the late afternoon of Friday 20 February, I got a phone call from Andrew, and he essentially was saying, 'Look, there's this case of John Grant. He's been making representations and the office want Treasury to in the first instance

contact him'—that is, contact Mr Grant—'to get a handle on his underlying needs, concerns, and based on that, try to come up with a satisfactory solution.' That is what I did.

Senator ABETZ—Was it indicated to you, Mr Grech, that there was any particular interest, or that this man, John Grant, may be particularly well-known to the Treasurer?

Mr Grech—I certainly had the impression that he was not your average constituent.

Senator ABETZ—That he was not. All right, thank you for that. I think once or twice before I have indicated that Mr Grech's answers would allow him to join the foreign service. A very diplomatic answer. Can you recall the exact language that may have been used as to why this particular constituent was special?

Mr Grech—This is going back four months.

Senator JOYCE—All the way back there?

Mr Grech—I am getting old, Senator Joyce.

CHAIR—Aren't we all?

Mr Grech—I cannot recollect the exact words, but I was certainly left with a general understanding that Mr Grant had some relationship of some type with at least the Treasurer.

Senator JOYCE—I can smell burning flesh.

Senator ABETZ—Can I quickly go back? The person who dealt with Kay Hull's constituent was an assistant of yours. Is that right?

Mr Grech—I beg your pardon?

Senator ABETZ—The person who dealt with Kay Hull's constituent was an assistant of yours?

Mr Grech—No, no. The lady, the adviser—a very competent one, if I can seek your indulgence—is the Treasurer's staffer. She works in the Treasurer's office. I do not have any assistants, basically.

Senator ABETZ—All right.

CHAIR—Senator Abetz, I have other senators—

Senator ABETZ—We have two hours, as I understand it, for Treasury.

CHAIR—You have had half an hour of it. There are other senators. I will come back to you at a later time.

Senator ABETZ—All right.

CHAIR—Senator Cameron?

Senator CAMERON—Mr Martine, does the special vehicle exist yet?

Mr Martine—The trust facility has been established, but it has not yet been activated. The reason why it has not been activated is that the need has not arisen at this point in time to activate the facility. As Mr Grech indicated in some earlier evidence, the other car dealer financiers have been quite aggressive in picking up a number of the former GE and GMAC dealers. So to this point in time, there has not been a need to activate the facility.

Senator CAMERON—The MTAA gave evidence this morning that things were still a bit up in the air, given the global financial crisis. Is it a possibility that this will still need to be implemented?

Mr Martine—There is no question that the facility needs to be activated, which is the whole purpose of the appropriation legislation to give effect to the guarantee to be discussed by the Senate next week. There is certainly no question about that.

Senator CAMERON—We have heard a lot about Mr Grant this afternoon. Was Mr Grant picked by Ford Credit?

Mr Martine—No, he was not, Senator, as I understand it.

Senator CAMERON—So there has been no benefit to Mr Grant from Ford Credit?

Mr Martine—None whatsoever. With respect to, I guess, the developments beyond the email exchange—Mr Grech can correct me if I am wrong—he spoke to John Grant on 27 February, and that was the last time there were any discussions between Treasury and Mr Grant. We understand that he was rejected by Ford Credit in terms of financing and he currently has alternative financing arrangements, which are certainly not through either Ford Credit or OzCar because OzCar has not provided any loans yet.

Senator CAMERON—Did Mr Grant get any special assistance, or any more assistance, from the Treasurer's office than any others that made applications about this issue?

Mr Martine—Senator, as I think both emails show, we have situations where a constituent raises an issue with the Treasurer's office and the matters have been referred to Treasury. In both cases, the matters were referred to Treasury for a follow-up with the relevant car dealer, and those discussions occurred. I note that Kay Hull's email instructions were very similar: 'Can you, please, Mr Grech, contact the dealer to explain OzCar'—

Senator CAMERON—I will come to that issue. Just let us stick with Mr Grant for a minute. Would Treasury have helped any other dealership who found themselves in this position in the same way you dealt with Mr Grant?

Mr Martine—I think Mr Grech made this comment at the recent Senate estimates committee. Obviously, he will correct me if I am wrong, but I think there were four referrals from ministers' offices or parliamentarians with respect to OzCar. When we walked in to listen to the earlier evidence, I think the earlier witnesses from the MTAA may have given the committee an impression that Treasury is quite active as a normal rule, out there talking with car dealers and car financiers. That is certainly not the case.

Senator CAMERON—I turn now to the email dated Friday, 20 March 2009—the email to Amanda Robbins in the Treasurer's office from Kay Hull, a Liberal MP. Is that correct?

Senator JOYCE—Point of order. The Nationals member.

Senator CAMERON—The Nationals? I cannot get the difference at times. You do what you are told so much, I cannot really tell the difference. Anyway, there we go.

CHAIR—Senator Cameron!

Senator CAMERON—Ms Hull says, 'We have a crisis in car dealer finance for many dealers covering around 80 to 90 dealers in New South Wales as determined by the New South Wales MTAA.' Was there a crisis of confidence? Is that inaccurate? Has Kay Hull MP picked up the lack of confidence and the problems? Did she pick that up in that statement?

Mr Grech—Senator Cameron, we are looking at mid-March to late March. What was happening at that stage was that a number of the more marginal GMAC and GE dealers who had not yet found a new home were getting nervous. Given the time it was taking for the OzCar facility to be brought together, as David said—in fact, it was established as early as 2 January 2009, but it is a very complex instrument and it has not yet been activated—we were still in the process of developing it, come 20 March. No doubt a number of dealers—and I suspect a lot of these 80 to 90 would be GMAC finance dealers—would have been getting very nervous because GMAC representatives would have been on the phone saying, 'Have you organised an alternative floor plan yet because we need to exit the market?' I think that is the type of feedback the member for Riverina would have been getting from her constituency and reporting to the Treasurer's office.

Senator CAMERON—This was a car dealer who survived previous difficulties. According to Kay Hull's email, this car dealer has been in business for 100 years, the global financial crisis hits, the market failure hits, and the drought in the country hits, and this car dealer has real problems and is looking for help. Is that how you would round this off, Mr Martine?

Mr Martine—That is correct, Senator.

Senator CAMERON—Was the inquiry from Kay Hull dealt with in any different manner to other inquiries that have come in, including Mr Grant's?

Mr Grech—I handled it, Senator. I actioned it. I actioned the member's representation—frankly, because the Treasurer's office asked me to. We get ministerials, as they are known, correspondence, be it from VIPs to very diligent members of the community on a whole range of issues. If we just sat there all day preparing responses to this correspondence, frankly we would not get any work of state done.

Senator CAMERON—It is not uncommon to get a lot of correspondence, then?

Mr Grech—We get thousands of correspondence on a whole range of issues, but on car dealerships—a point that my colleague from the MTAA tried to make but it is not entirely accurate from my personal experience—we have not had hundreds of representations from car dealers, simply because the market has generally worked.

Mr Martine—Just as a general point, Senator, in terms of the thousands of ministerials that might come through on a whole breadth of issues, generally they come down with different instructions from the Treasurer's office which may be 'note the issue for filing' or it may be 'prepare a response for either the Treasurer or the Treasurer's office' or it could be 'make contact with the party concerned who has written that correspondence to discuss the issue'. So it is not unusual for instructions to come through on the whole breadth of ministerials and correspondence that come into the Treasurer's office and to the Treasurer.

Senator CAMERON—Mr Grech, you said earlier in relation to John Grant and the matters that have been raised in relation to his situation that you got the impression he was not your average constituent.

Mr Grech—Yes.

Senator CAMERON—Did you get the same impression from the referred-on Kay Hull's inquiry—that it was special because it was coming from the Treasurer's office?

Mr Grech—No, Senator.

Senator CAMERON—You did not?

Mr Grech—No.

Mr Martine—One thing of note, Senator, because we had this discussion with Senator Abetz a bit earlier, is that you can see from the emails that the Treasurer's office passed on Ms Hull's email within four minutes of receiving it. We certainly considered it a priority to send down to the department for us to make contact with the dealer as soon as possible.

Senator CAMERON—So anything that came in, because of the global financial crisis and because of the importance in terms of these car dealers to jobs and regional areas, as we heard evidence this morning, they were dealt with as quickly as possible to try to maintain the confidence in the industry? Is that one of the issues?

Mr Martine—That is correct, Senator.

Senator CAMERON—Can you take me to the issue of confidence? How important, Mr Martine, do you see the confidence issue?

Mr Martine—Confidence is very important in financial markets. Mr Grech earlier in the session made similar comments. We have seen it beyond car financing just generally in the financial markets and what has occurred with the global financial crisis. A significant lack of confidence has fed through and caused a whole range of issues across all the financial markets. In this particular case, there was a significant issue arising in late 2008 with respect to the announcement of GE and GMAC, which really caused a lack of confidence, in particular, from those car dealers who at that point did not really know whether they would be able to access sufficient finance to continue their operations. [3.55 pm]

As we discussed in previous estimates hearings, we certainly see the announcement of OzCar in late 2008 as a significant confidence building initiative. As I indicated a few minutes ago, up to this point, there has not been a need to activated OzCar to write one single loan which, in a sense, has been a good outcome. The market has picked up those dealers who would otherwise have gone out of business.

Senator CAMERON—I come back to the Kay Hull case. Kay Hull has made an inquiry. Was the inquiry a similar situation to the inquiry from Mr Grant?

Mr Martine—Senator, I will make just make a general comment up front. In a sense, it is similar in that an email has come in to the Treasurer's office and it has been passed onto the Treasury for immediate action. In both situations the request has been for the relevant Treasury official to make contact with the dealer to talk through this situation and, importantly, to explain how the OzCar initiative works.

Part of what I would like to say is just referring back to some of my earlier comments in the opening statement: that, at the end of the day, it is these car financiers who make all the decisions about loans to dealerships, including through OzCar. Those decisions will be made by the financier in consultation with the trustee.

Senator CAMERON—The inquiries coming through Treasury came both from Labor and National MPs, these inquiries? It was not just Labor MPs?

Mr Grech—As is said in estimates on 4 June, Senator Cameron, that is correct. I had representations from government and Opposition MPs in relation to only about four car dealers.

Senator CAMERON—Mr Martine, in relation to the Kay Hull case, this was treated in a similar manner to Mr Grant's case. Was it dealt with efficiently and effectively?

Mr Martine—Once again, Senator, in looking through, it is on the record here with the emails. It was immediately sent down to the department to make contact. You will note that the email response back to Amanda Robbins from Mr Grech was on the following Monday after the email was received on the Friday.

Senator CAMERON—In relation to the general inquiries you get were there ever inquiries from any other MP, for example, Bruce Billson?

Mr Grech—Yes.

Senator CAMERON—The member for Dunkley. Did he make some inquiries?

Mr Grech—As I indicated at the estimates hearings on 4 June, I did take a phone call from the member for Dunkley. I cannot remember the exact date. He was simply seeking some information with respect to a car dealer in his constituency. In order to help the local member, I am at the end of the day a public servant, Senator. I offered to speak directly to the car dealer, rather than perhaps risking a mixed message getting back through to him through whatever message I got.

Senator CAMERON—So, just to put this right: you get a Liberal MP ringing you and you have a high level of engagement in this process, you then say, 'I'll make a call', so they get treated very well and very effectively because you are dealing with the issue that was raised by Mr Billson?

Mr Grech—As I tried to say earlier, Senator, I do try to take my work seriously. If an MP—and I do not give a toss, frankly, whether it is Labor or Liberal—if an MP approaches me asking a legitimate question as part of his or her normal work, I try to deal with it as efficiently as I can. I make no apologies for that.

Senator CAMERON—So the Treasurer made some inquiries, Bruce Billson made some inquiries, Kay Hull made some inquiries, and they were all given high level consideration, and they were all treated in the same manner. Is that correct?

Mr Grech—I did my best in looking after or responding to the particular requirements of those cases—those very few cases—that were put to me.

CHAIR—Thank you. Senator Joyce?

Senator JOYCE—I have just one question. Mr Grech, how many other dealers did you give the level of attention and the level of advocacy that you gave to Mr Grant? Would you, if we asked for it, be able to table the emails and the replies and the correspondence to prove that case?

Mr Grech—In answer to your question, Senator, I will not deny the fact that the case of Mr Grant was—

Senator JOYCE—Special?

Mr Grech—It was labour-intensive.

Senator JOYCE—It was very labour-intensive, I suggest?

Mr Grech—It was labour-intensive.

Senator JOYCE—Far more than—

Mr Martine—Senator, if one looks through the two cases and two emails here, both of them are referred by the Treasurer's office, and both of them with a request to make contact with the car dealer. As Mr Grech indicated in earlier evidence, there was already a meeting that he had scheduled with Ford Credit on the Monday, well before the email came through from the Treasurer's office on the John Grant situation on the Friday. Mr Grech took the opportunity to put John Grant in contact with Ford Credit on the Monday. They had discussions among themselves, John Grant and Ford Credit. At some point subsequent to that, Ford Credit obviously knocked back John Grant's application.

Senator JOYCE—On this case of Mr Grant, when you say it was labour-intensive, Mr Grech, how do spell labour in that?

CHAIR—Senator Joyce, really that is most unfair.

Senator JOYCE—It is quite obvious that it is game, set and match.

CHAIR—Do you have any more questions?

Senator JOYCE—Absolutely. Would you say that Mr Grant's case was twice as detailed, or three times as detailed—

Mr Grech—Senator, can I be—

Senator JOYCE—In the amount of correspondence and time you spent on it? What proportion and amount of time did you spend on it? Was it far in excess, just in excess? You must know. You do have a clear understanding. What is it?

Mr Grech—Their needs were different. With respect to the Kay Hull representation, it was simply a case of giving the car dealer a phone call, touching base with him, and informing him. He wanted to know basically how OzCar works, what his options were, where he could go to try to get help. The ‘Kay Hull dealer’, I will put it that way, I had a couple of phone calls with him. But, in all it was a five or ten minute chat, some of which frankly was spent talking about the particular town in which he lived.

With respect to Mr Grant, it was not the amount of work per se. It was different. He wanted to know how OzCar works. He wanted to know what his funding options were and he made it clear that any assistance forthcoming in trying to organise an alternative floor plan, given that GE were basically putting him under the pump with respect to his Kia dealership back in Ipswich, would be appreciated.

Senator JOYCE—I have two last questions. If I asked you, as before, to table the documentation for the member for Riverina’s case, for Mr Billson’s case, would it be in any way comparable to the amount of correspondence that has gone into Mr Grant’s case?

Mr Grech—If we are just judging the cases by the amount—

Senator JOYCE—Do you have another case where there would be—

CHAIR—Senator Joyce, Mr Grech is trying to answer your question.

Mr Martine—Senator, you have in front of you the extent of the documentation. To the extent that the email chain here with respect to John Grant is longer than the email chain with respect to the car dealer in Ms Hull’s electorate, then it is correct to say that there is more documentation.

Senator JOYCE—Quite substantially more.

Mr Martine—This is the extent of it.

Senator JOYCE—That is before the phone calls and the private representations, which we obviously do not see. Mr Delaney said before that you would have made calls to hundreds of dealerships. Mr Grech, did you make calls to hundreds of dealerships?

Mr Grech—No, I did not.

Senator JOYCE—I did not think you did. Thanks.

Senator PRATT—I want to begin by asking, since we are considering the bill before us that is supposed to deal with the impact of the global financial crisis on the car industry, Mr Martine, how has the crisis affected the car industry here in Australia?

Mr Martine—In particular as we have been talking here, the real pressures that were occurring across the board in the financial system in late 2008 were manifesting in a whole range of areas, and in particular on the car financing of the wholesale dealers. Because we are in the situation of a global financial crisis, there has been a lot of pressure put on institutions globally in terms of their liquidity. Certainly in the case of GE and GMAC, it raised issues in terms of their continued operations.

We have seen those pressures occurring elsewhere beyond just car financing. We have spoken in this committee before about commercial property, for example, and the pressures that are occurring there as well. The global financial crisis, particularly towards the end of 2008, was certainly putting a lot of pressure on a whole range of different sectors. In this one in particular, there was a lot of urgency, particularly in late 2008, which led to the government’s announcement to act very quickly. As I indicated to Senator Cameron a few minutes ago, we strongly believe that that announcement provided a very strong confidence effect.

Senator PRATT—How do these issues in Australia compare to other car industries in other parts of the world?

Mr Grech—Each market is different. As I think has been pretty widely reported, the US auto industry has some very serious challenges at the present time not only with respect to manufacturing but also with respect to overall consumer demand. The Japanese auto producers have suffered simply because export opportunities have dried up or contracted. The same situation obviously applies in Europe.

Basically, the global auto industry suffers from—and this is not simply a GFC kind of event, but is something that has been there for quite some time—quite significant over capacity, oversupply. In some jurisdictions at least, there is a need for structural adjustment. But the Australian industry, while facing some very serious challenges, has to be better placed than some of its overseas competitors or peers. But if you want a proper official response with respect to the current state of the auto industry, both in Australia and globally, I will have to refer you to the industry portfolio.

Senator PRATT—Thank you, Mr Grech. Mr Martine, I am interested in offshore financing and the particular significance of offshore financing to the Australian car industry. How does Australia compare to other countries in terms of their reliance on offshore financing, historically?

Mr Martine—Senator, to be honest I would have to take that question on notice. In terms of car manufacturing, as Mr Grech indicated, our industry has probably held up better, particularly compared with the US industry. As a general proposition, Australia does rely heavily on overseas financing, whether it is the banking sector or some of the major corporates. It is a very important source of funding for us, which is one of the reasons behind the government's announcement of the banking incentive back in October because of the concerns that the major banks and the second-tier banks would struggle to raise financing offshore, given the decisions by other governments in particular to introduce guarantee schemes to then make our banks issuance less competitive.

Senator PRATT—So there have been small businesses right around the country affected by that credit crunch.

Mr Martine—Yes.

Senator PRATT—We have been told in evidence before this committee that the motor trades industry is a bit different because of the specific nature of the financing in that industry. How would characterise the difficulty for many of the small businesses that we have been talking about today that have required advocacy?

Mr Martine—As Mr Grech indicated earlier in one of his answers, motor vehicle financing is a somewhat specialised field with Australian institutions, unlike the financing of the purchase of motor vehicles which general members of the public will go to their local bank and get a car loan. The actual financing of car dealerships is quite specialised and quite limited, which causes issues when some of the major players, such as GE and GMAC, are under pressure and are looking to withdraw. It does create a supply issue, which is the context behind the OzCar initiative.

Senator PRATT—Can I ask you this: Treasury, therefore, came out with a strong response with this bill last year, but it has kind of had to adapt its position as financing companies and small businesses, with their various situations, have come forward, have they not?

Mr Martine—That is correct. As Mr Grech indicated earlier, the OzCar initiative was amended to take into account the issues around Ford Credit. At the time in late 2008, they were indicating to government there were some pressures there.

Senator PRATT—And this would be true of the very proactive way in which the government has had to come forward and managed the impact of the global financial crisis on small business and businesses around the country?

Mr Martine—I guess it is correct to say, Senator, that the OzCar initiative is certainly one of the measures that the government has introduced in dealing with the impact of the global financial crisis on Australia's financial system.

Senator PRATT—I would like to know how you would characterise what happened to offshore financing and give us some sense of the impact on dealerships in Australia that has caused them to activate through the Motor Trades Association and to contact their MPs. What is the crunch for those small businesses?

Mr Martine—Certainly there is no doubt that quite a large number of car dealerships who were tied with GE and GMAC, if both of those institutions withdrew, as they threatened to do at the time, those car dealerships would have struggled to find financing. If they could not get financing at the time, then you have your natural flow-on consequences of that in terms of you have a significant rationalisation of car dealerships and the flow-on implications of that to the real economy.

There are certainly liquidity issues. Fortunately a number of other financiers stepped in to pick up some of these dealerships. It is the fact that OzCar is sitting there, already announced, to provide that sort of backstop for some of these dealerships, in case they were not picked up.

Senator PRATT—So the car dealer industry reacted quite strongly. What kind of action did car dealers call for towards the end of last year?

Mr Martine—In a sense what the industry was looking for—and I think you heard earlier evidence—the industry was looking for liquidity support in the event that a number of these financiers were quite vocal, I think, in announcing their departure. So there was a lot of pressure and there was a lot of commentary made at the time of the importance of and the need for the government to act and intervene in this particular market sector. As Mr Grech I think indicated in earlier evidence, there was a real market failure emerging through a lack of supply being provided. [3.15 pm]

CHAIR—What kind of representations did the industry make? I imagine it would have happened from peak bodies like the Motor Trades Association down to individual car dealers being active across the spectrum.

Mr Grech—Senator Pratt, I think Mr Delaney from the MTAA alluded to this earlier. When it was announced that GE and GMAC would vacate the market, we had decided to utilise the services of David Murray, who was engaged by Treasury as a consultant. David Murray got about working on developing possibly an SPV trust option.

Senator CAMERON—Did he use money from the Commonwealth Bank?

Mr Grech—I beg your pardon?

Senator CAMERON—David Murray?

Mr Grech—Yes.

Mr Martine—The current chair of the Future Fund.

Mr Grech—The current chair of the Future Fund and the former managing director or CEO of the Commonwealth Bank. Then we started developing these options. We in Treasury convened meetings with all of the financiers, which included Ford Credit, and the MTAA whereby we tried to (a) get a proper understanding as to the challenges that the GE and GMAC exit presented to the industry, and therefore policy makers. We got together to try to canvass an option that would work.

Senator PRATT—How many Australians are employed in car dealerships across the country?

Mr Grech—I do not have that off the top of my head, Senator. I have to take that on notice.

Senator PRATT—Perhaps on the other hand we might talk about this particular measure being targeted at car dealerships. What would be the ramifications across the motor trades industry as a whole of finance in this area drying up?

Mr Grech—Sure, sure. That is a very fair question, Senator. The Australian automotive industry is a very significant part of our manufacturing base. Obviously it employs a large number of people, particularly in Victoria, South Australia and parts of New South Wales. Then you have the flow-on effects of the automotive components suppliers and producers. Clearly if the dealer network is contracting or is in any other way operating at a suboptimal level, no doubt that is going to impact on the ability of not only domestic manufacturers but also the importers.

We often forget that a lot of these dealers are not simply associated with GMH or Ford, but we are talking about dealers that sell a foreign brand of vehicles. But they too, of course, also employ local Australians and local communities. To the extent that this liquidity issue had not been addressed, there is no doubt that both the Australian automotive production side of things would have been adversely affected, as would have been the ability of a range of small businesses in all parts of Australia involved with the car industry. They too would have been adversely affected by any significant curtailment of the car dealer network.

Senator PRATT—I would like to know why the government believes that the OzCar SPV arrangement will be required only for the next 12 months.

Mr Grech—We took that decision in anticipation that the eight major challenges confronting the liquidity constraints within the car dealer wholesale floor plan market would have been worked out in a more orderly fashion within 12 months. Frankly, in many respects we hit that target almost 12 months early because, as I have said in previous evidence to this committee, there is only a very, very small number of former GE and GMAC dealers that will need to rely on OzCar over the next 12 months. Most have found a home elsewhere.

Senator PRATT—Clearly many car dealers have experienced a high level of anxiety, due to the global financial crisis. How would you characterise that car dealers have responded to the OzCar facility and the government's response?

Mr Grech—How have they responded?

Senator PRATT—Yes.

Mr Grech—With a positive response, no doubt. But in many respects it has been a positive response by knowing that there was a backstop, if they needed it. As I thought I had indicated, particularly from around January or February of this year—and we definitely very much welcomed this—the remaining financial institutions, such as the Esandas, the St Georges, the Capitals of our marketplace, suddenly developed a new appetite and started taking on a lot of the dealerships from GE and GMAC that otherwise would have been stranded.

That was pivotal, but at that very sensitive time, when GE and GMAC had flagged that, come the end of January, they would be leaving. For these dealers, knowing that there was that backstop and that obviously we were working very hard behind the scenes to put in place and activate, was a very important psychological plus.

Senator PRATT—Particularly if you were one of those dealers who had been cut out and left out.

Mr Grech—No doubt.

CHAIR—Senator Abetz?

Senator ABETZ—Thank you, Chair. Mr Martine, you told us earlier that the cases raised by other MPs were dealt with in a similar manner, and I think Senator Cameron told us that they were represented at the same high level. I now ask you, Mr Grech, in relation to the representation—and thank you for the interruption in the questioning, Chair, because that was helpful—I happened to note that the ones relating to Mr John Grant were also cc'd to a Henry, Ken. I dare say that is the chief of Treasury, Ken Henry, is it?

Mr Grech—That is correct, yes.

Senator ABETZ—Can I ask whether Mr Billson's representations or Ms Hull's representations ever went to the chief of Treasury?

Mr Grech—Not from me.

Senator ABETZ—Not from you. Possibly the department could take that on notice. Could I then also ask in relation to Mr Billson's and Ms Hull's representations whether any of those have found their way to the Treasurer's home fax? You may need to take that on notice.

Mr Martine—Senator, we would need to take that on notice.

Senator ABETZ—Yes.

Mr Martine—And consult with the Treasurer's office.

Senator ABETZ—Can I also ask you, Mr Grech: did you raise the plight of Ms Hull's constituent and Mr Billson's constituent with Ford Credit as an alternative source of financing?

Mr Grech—No.

Senator ABETZ—Can I ask whether any of the representations that were made indicated that these people had a relationship of some type with the Treasurer, other than Mr Grant's?

Mr Grech—No.

Senator ABETZ—No?

Mr Grech—No.

Senator ABETZ—I noted, Mr Grech, that you in fact said in relation to the representations from Mr Swan's office to yourself that Mr Grant had some relationship of some type with at least the Treasurer. There are not many people above the Treasurer in the food chain, are there? When you tell me 'at least the Treasurer', can I ask you to specifically indicate which other people were named as having a relationship of some type with Mr John Grant?

Mr Grech—When I contacted Mr Grant, after the Treasurer's Office on the afternoon of Friday 20 February had asked me to contact him—and I must say I found Mr Grant a very personable guy; I have never met him face to face, but a very personable chap to talk to—he made it clear that he had a relationship or an association of some type—I did not press him on this; it is his business—with both the Treasurer and the Prime Minister.

Senator ABETZ—Right. You have told me about your discussion with Mr Grant, but can I just remind you that you, I think, indicated that you had got a general understanding that Mr Grant had some relationship of some type with at least the Treasurer as emanating, not from Mr John Grant as I understood the evidence, but from the Treasurer's office. If we can quarantine what Mr Grant said to you, what did the Treasurer's office say to you about a relationship by Mr Grant with somebody else?

Mr Grech—Senator, I am going by recollection, but—I am trying to be helpful, and I am being helpful to the committee. My recollection is that the Treasurer's office alluded to Mr Grant at least being some type of an associate of the Prime Minister's.

Senator ABETZ—Right. Thank you. Now, Mr Martine told us, helpfully, in the opening statement that Treasury have searched and there was no contact between the Prime Minister's office and representations for Ipswich Central Motors.

Mr Martine—That is correct, Senator.

Senator ABETZ—I accept that. Can I ask whether the Prime Minister's office made any representations on behalf of Mr John Grant?

Mr Martine—Senator, I am assuming that is exactly the same question.

Senator ABETZ—Well, it is not. Ipswich Motors is a different legal entity from Mr John Grant.

Mr Martine—Ah, okay. Senator, my apologies if my opening statement was slightly confusing. We have searched for any correspondence from the Prime Minister's office to Treasury relating to either John Grant, by himself, or John Grant/Ipswich Central Motors. To the best of our ability, and we have searched everything we can look for, we have not located any correspondence whatsoever, either emails or physical correspondence.

Senator CAMERON—There you go, there you go.

Senator ABETZ—Can I ask you, then, Mr Grech: are you aware of any direct contact between the Prime Minister's office and people that work for OzCar?

Mr Martine—Senator, there is no paperwork for OzCar.

Senator ABETZ—I am sorry, I am asking Mr Grech.

Mr Martine—I am just trying to clarify that, Senator.

Senator CAMERON—OzCar does not exist.

CHAIR—Mr Martine is able to clarify.

Mr Grech—In the event that there was any correspondence communications between the Prime Minister's office and OzCar, that in effect would mean correspondence communication between the Prime Minister's office and the Treasury. I am certain that there was no oral communication. In relation to emails and so on and so forth, I am simply not in a position to say anything further to what Mr Martine has said.

Senator ABETZ—Mr Grech, can you tell us why you are not in a position to tell us anything further because, chances are if there was such an email, you may have sighted it?

Mr Martine—Senator, as I indicated, in my opening statement and in response to your question just before, we have thoroughly searched, including Mr Grech has thoroughly searched, all of our available records to see whether we ever received any emails or physical correspondence from the Prime Minister's office with respect to John Grant/Ipswich Motors. As of today, we cannot locate any such correspondence or emails.

Senator ABETZ—Mr Martine, that is very helpful. Why could Mr Grech not tell us that he himself had searched and not found any email trail?

Mr Martine—I think Mr—

Senator ABETZ—I asked Mr Grech that specifically.

Mr Martine—Senator, I think Mr Grech was answering that question, and Mr Grech has been involved in this search. As we talked about earlier, part of your FOI request includes correspondence with respect to John Grant between the Prime Minister's office and Treasury. We, including Mr Grech, have searched and we have located no such correspondence.

Senator CAMERON—Zero, zilch, nothing there.

Senator ABETZ—No oral?

Senator CAMERON—Nothing.

Senator ABETZ—Can I ask Mr Grech, yet again, whether he, at any stage, sighted a document? I can understand that it may well be that you searched and found nothing. I can understand that and I do not question that. What I want to know is whether Mr Grech may have sighted a document, which is potentially now no longer in existence. Mr Grech, can I ask you: have you seen any contact between the Prime Minister's office and Treasury/OzCar facility?

Senator CAMERON—Oh, no. Will you never give this up?

CHAIR—Senator Cameron!

Senator CAMERON—God!

CHAIR—Senator Abetz, I think that question contains a sort of veiled statement.

Senator ABETZ—No, it does not, Chair. It is a specific request. I am fully accepting the witnesses' evidence that they searched and could not find the document. I accept that. What I am asking is: has Mr Grech ever seen a document that might now no longer be locatable? Mr Grech, that must be in your personal knowledge.

Mr Martine—I think, Senator, we have answered this question.

Senator ABETZ—No, you have not, with great respect.

CHAIR—Yes. I think, Senator Abetz, that the question has been answered.

Senator ABETZ—No, Chair. With great respect, that has not been answered, and I ask Mr Grech: has he seen such a document?

CHAIR—The department has answered that question.

Senator ABETZ—No, they have not, Chair.

Senator CAMERON—Yes, they have.

Senator ABETZ—They have said they have found no document.

Senator PRATT—They found no document.

Senator ABETZ—I accept they have found no document. I am making no accusation about that.

Senator CAMERON—You are now just concocting another story.

Senator ABETZ—What I am now asking—

Senator CAMERON—Concocting another story—another straw man!

Senator ABETZ—Chair? You are interrupting.

CHAIR—Senator Cameron!

Senator CAMERON—I mean, that is the problem with you guys.

CHAIR—Senator Cameron!

Senator CAMERON—You try to bully them like Malcolm Turnbull bullies other people.

CHAIR—Senator Cameron, that is enough.

Senator CAMERON—If you are going to continue down that track—

CHAIR—Senator Cameron, order! Please!

Senator CAMERON—They should not be bullied by you guys.

CHAIR—We are trying to have an orderly discussion, although I admit it is not so much on the Car Dealership Financing Guarantee Appropriation Bill.

Senator CAMERON—They have got form, these people.

Senator PRATT—Yes, not so much on the bill.

CHAIR—I have let it be fairly wide ranging.

Senator ABETZ—Thanks, Chair.

CHAIR—In deference to the particular interests of the opposition.

Senator ABETZ—Thanks for that.

CHAIR—But it seems to be pushing it a bit far to ask three or four questions on something that is not relevant to the bill when we do have more questions to ask.

Senator PRATT—Yes, and that is just so much speculation.

Senator ABETZ—Chair, with great respect can I simply ask the question? I do not know why there is sensitivity.

CHAIR—There is no sensitivity here.

Senator ABETZ—All right. I withdraw that.

CHAIR—But we are wasting time.

Senator ABETZ—Can Mr Grech simply answer my question: has he seen a document that might be described as a communication between the Prime Minister's office and Treasury in relation to John Grant? He either has, or he has not. Mr Grech, your answer, please.

CHAIR—That is simply another way of asking the same question.

Senator ABETZ—No, it is not.

CHAIR—The department already has stated it has not.

Senator ABETZ—Chair, it is possible that good, honest people undertook a search and found no document. I accept that. But it may also be that a document once did exist, and that is what I am asking Mr Grech. It is a very simple answer. He has either seen such a document, or he has not seen a document—yes, or no. I do not understand the concern.

Senator CAMERON—It is pure speculation. He should not be forced to answer speculation.

Senator ABETZ—Of course it is speculation and we can have it answered here today.

CHAIR—Senator Cameron!

Senator CAMERON—It is a fishing expedition because they have hit the wall. They cannot go on because it is a fishing expedition. That is all it is.

CHAIR—Senator Cameron, we are trying to move on. I would ask people to come back to the bill that we are discussing, if at all possible, rather than continuing on with a question that has already been answered.

Senator ABETZ—Madam Chair, I think anybody listening in, any objective observer with great respect, would accept there is a difference between finding a document and actually previously having sighted a document.

CHAIR—Well, Senator—

Senator ABETZ—Which can now no longer be found.

CHAIR—Mr Martine—

Senator PRATT—Let us move on.

Senator ABETZ—Senator, if I may, I have not asked whether you have seen such a document. I am asking whether Mr Grech has seen such a document, and it must be within Mr Grech's personal knowledge whether he has or he has not.

Mr Martine—Senator, as part of our search, we have searched all of our available records to determine whether such a document exists, or in fact ever existed, and we have not been able to locate any such document.

Senator ABETZ—And I can understand that and accept that at face value, Mr Martine. There is a different question here.

CHAIR—Well—

Senator ABETZ—Has Mr Grech ever sighted such a document that might fit in that description, and the answer is yes or no.

CHAIR—We have now had that question several times, and we have now had the answer several times.

Senator ABETZ—No, we have not, Chair.

Senator PRATT—This is not helping—

CHAIR—Senator Abetz, if you have no further questions—

Senator ABETZ—I do have a question.

CHAIR—Further questions.

Senator ABETZ—And the sensitivity in relation to this is gob smacking, quite frankly.

CHAIR—No, Senator Abetz, we are just a bit bored. That is the problem. We are just a bit bored.

Senator PRATT—Point of order.

Senator ABETZ—Chair, may I suggest that we relieve your boredom allowing Mr Martine or Mr Grech to answer the question, yes or no.

Senator FIFIELD—Chair, there is a point of order.

CHAIR—I could go to other senators too.

Senator CAMERON—Do not get to the bullying stage. We know your boss is a bully. Do not start that here. I am not copping it. Right?

CHAIR—Senator Cameron, do you have questions? If Senator Abetz has no further questions, we will move on.

Senator ABETZ—No, I am sorry, Chair.

Senator CAMERON—I have questions.

Senator FIFIELD—We have been moving on before the chair for some time.

Senator ABETZ—All right, Chair. Allow me to move on.

Senator CAMERON—Do not be familiar.

Senator ABETZ—A person, a journalist in fact, has suggested to me—

Senator CAMERON—Do not stare at me.

Senator ABETZ—That there may be—

CHAIR—Senator Cameron!

Senator CAMERON—Do not try to stare at me, or bully me, either. Okay?

Senator ABETZ—That there may be—

CHAIR—Senator Cameron!

Senator CAMERON—It does not work.

CHAIR—Senator Abetz is asking a question.

Senator ABETZ—That there may have been a communication from the Prime Minister's office.

Senator FIFIELD—Extraordinary.

CHAIR—I think this might be—

Senator ABETZ—Allow me. It was along these lines and I want to know whether it is familiar to Mr Grech: 'The Prime Minister has asked if the car dealer financing vehicle is available to assist a Queensland dealership, John Grant Motors, who seems to have trouble getting finance. If you could follow up on this as soon as possible, that would be very useful.' This is what has been suggested to me by somebody, and there is of course the suggestion in today's media that such a document exists.

Senator CAMERON—A suggestion! A suggestion!

Senator ABETZ—Mr Grech, do those words sound familiar to you? Were they part of a document that emanated from the Prime Minister's office?

CHAIR—Mr Martine, would you like to respond?

Mr Martine—Senator, as I—

Senator ABETZ—Why ask Mr Martine when it is not within his personal knowledge?

CHAIR—Because he has answered this many times before, and he probably has it off pat by now.

Senator ABETZ—It is in the personal knowledge of Mr Grech.

Mr Martine—Senator, as I indicated, we, including Mr Grech, have searched all of our available records to see whether any such correspondence, whether it is an email or a physical document, exists that has been sent

from the Prime Minister's office to the Treasury with respect to John Grant, and we have not been able to locate any such document.

Senator ABETZ—That is fine, but that is not answering my question, Mr Martine, and you know it. I am asking—and I accept that at face value, no question: has Mr Grech sighted a document as I have just read out? The answer is quick, yes or no, and we can move on, Chair. We can move on.

CHAIR—Yes.

Senator ABETZ—Just allow Mr Grech to answer.

CHAIR—No.

Senator ABETZ—Mr Grech?

CHAIR—Senator Abetz, I indicated to you previously that the committee did want to move on.

Senator CAMERON—They have got nothing.

Senator ABETZ—I have other questions, in that case.

CHAIR—Well, would you please ask them because we have been stuck for about five minutes on the same question and we have had the same answer.

Senator ABETZ—All right. Representations were made to you by Ms Hull, a Ms Kay Hull. That is correct?

Mr Grech—That is right.

Senator ABETZ—And by a Mr Billson, a Mr Bruce Billson?

Mr Grech—Yes.

Senator ABETZ—And what about a Mr Charlton, Andrew Charlton?

Mr Martine—Senator, as I—

Senator ABETZ—Oh, intervention!

Mr Martine—Senator, as I have just indicated, and Mr Grech indicated this as well, there were no phone calls from the Prime Minister's office. As I have indicated, we have had no correspondence. We have been able to locate no correspondence whatsoever in relation to—

Senator ABETZ—Why can I not ask Mr Grech that question, which resides personally in Mr Grech's knowledge?

Senator CAMERON—Because you are making it up. You are making it up. That is what you are doing.

CHAIR—Senator Cameron!

Senator CAMERON—You have got no evidence and you are making it up. That is what you are doing.

CHAIR—Senator Cameron! Senator Abetz, I have said that I will move on to another senator, and I am. Senator Cameron?

Senator ABETZ—No, Chair. At least hear me out.

Senator CAMERON—Sure.

Senator ABETZ—Chair, point of order.

CHAIR—No, Senator Abetz.

Senator EGGLESTON—He has taken a point of order.

Senator ABETZ—Chair, this is a crucial issue. It has been raised—

CHAIR—No, that is not a point of order, Senator Abetz.

Senator ABETZ—I cannot even state a point of order. The Labor senators will not allow it.

Senator FIFIELD—Point of order. Chair, you cannot rule on a point of order before you have permitted a senator to state what their point of order is. You cannot anticipate what a senator is going to say before they say it.

CHAIR—Well—

Senator PRATT—She was told that it was about that issue.

Senator FIFIELD—Chair, you are required to listen to a senator's point of order before ruling on it.

CHAIR—Senator Fifield, if you will let me finish, I will allow Senator Abetz one more time to ask his question.

Senator ABETZ—Thank you.

CHAIR—And then can we have an undertaking to move on?

Senator ABETZ—Yes. Chair, I would be delighted. And, Mr Martine, could I have your undertaking that Mr Grech will be allowed to answer this?

CHAIR—No. Please, Senator Abetz, just ask your question.

Senator ABETZ—Will I be given—

CHAIR—Senator Abetz, will you ask your question?

Senator ABETZ—Yes, and my question is: will Mr Martine allow Mr Grech to answer this question?

Mr Martine—Senator, it will depend, obviously, on what your question is as to who the most appropriate official at the table would be to answer the question.

Senator ABETZ—All right. The most appropriate official to answer this question: Mr Grech, to your personal knowledge, have you personally sighted any correspondence—email, note, memorandum or any type of documentation emanating from the Prime Minister's office to Treasury—concerning Mr John Grant and the OzCar facility?

Mr Grech—You referred to some journalist before, so I do not like the connotation, what that means—press articles and so on—because frankly I was very distressed this morning when I woke up and read that article. With your indulgence, if I may—and I know time is flitting away from us; I will answer your question; I will get to it—but I am a public servant, and I am basically in a situation in which no public servant should find him or her self in. I have worked very hard over a long time to build up trust within the department and within my relationships—

CHAIR—Sorry, Mr Grech—

Mr Grech—No, I want to continue. My bottom line is that when articles like the one from Mr Lewis appear in the morning papers and when the circle for a lot of these things is relatively small, I do not know who has talked to whom. I do not know who Ford Credit had talked to. I do not know who Capital Finance or whatever other third party has spoken to. I know that when I go to a meeting and I sit down with three or four or five strangers and try to have a professional discussion, I work on the assumption that what I put on the table is not going to end up on the front pages of the tabloids the next day.

But my point is that, you know, it was very hard this morning going into work and looking my colleagues in the eye when I know that their instinctive response would have been to point the finger at someone like me, given that frankly there are not that many people working on this stuff within government. That is just a general point. In terms of your specific question, believe me, I appreciate the sensitivity of it and its import, and it was certainly my belief—and noting that it was only me in Treasury with all this OzCar turbulence and who had been putting together the cabinet papers, dealing with the banks and the other financiers—it all came down on my shoulders.

But it was my understanding that the initial contact I had with respect to John Grant was from the Prime Minister's office. As David has said, we have, and our IT people have, undertaken in the last 24 hours as diligent a search as possible to trace, locate through our backups and emails, which may or may not have existed, and we just cannot find it. But, and I do not hide from this, it was certainly my understanding that the original representation with respect to Mr Grant came from the Prime Minister's office. But what did I do with that representation? I did nothing with it because the Treasurer's office got onto me, and you have seen the email exchanges that emanated from that intervention. That is all I can say.

Senator ABETZ—So did you see a document? To the best of your recollection, have you seen a document that reflects what you have just told us?

Mr Grech—I am—

Mr Martine—Senator, as I have said—

Senator ABETZ—The only person who knows whether he has seen it or not, Mr Martine, would be Mr Grech. Mr Grech?

Mr Martine—Senator, as Mr Grech has outlined, and as I indicated in my earlier answer, we have searched for any documents. As I have said, nothing exists.

Senator ABETZ—That is fine. I accept that. But has Mr Grech seen a document of the nature that I previously described—yes, or no?

Mr Grech—My recollection may well be totally false or faulty, but my recollection—and it is a big qualification—but my recollection is that there was a short email from the PMO to me which very simply alerted me to the case of John Grant, but I do not have the email.

Senator ABETZ—Yes. Was it similar to the terms that I have suggested?

Mr Martine—Senator—

Senator ABETZ—Mr Grech is the only one who may have seen this document, and I am asking him about the similarity of it, Mr Martine.

Mr Martine—Senator, can I just add that, as Mr Grech indicated, he cannot be certain.

Senator ABETZ—I accept that. That is why I said ‘similar to’.

Mr Martine—We have searched. We have made inquiries with a range of parties. I am personally satisfied that no document exists.

CHAIR—I think—

Senator ABETZ—And I agree with that, but the question is ‘similar to’ the document that Mr Grech believes he may have seen. Was it similar to the wording that I read out previously?

CHAIR—I think what we are now—

Senator ABETZ—The answer is yes or no. It is very easy.

CHAIR—Senator, what we are now getting into is a hypothetical.

Senator ABETZ—No, it is not. It is a definite—

CHAIR—No, Senator Abetz—

Senator ABETZ—Chair, on a point of order. The witness has indicated clearly he has a recollection of seeing a document, so that is not hypothetical. I am now asking him his recollection of the content of that document. That is not hypothetical either. Therefore I should be allowed to ask the witness whether that which I read out bears a similarity to that document which he has a recollection of previously seeing.

CHAIR—I am sorry, Senator Abetz, but Mr Grech said quite clearly that his memory may be faulty.

Senator ABETZ—That is right.

CHAIR—Let me finish. When clearly he has said that he is very stressed by this whole episode, to drill down on that and ask him for a better recollection of a faulty recollection is, to me, hypothetical.

Senator ABETZ—It is not. But, look, Chair, fair enough. I will move on.

Senator PRATT—I have a point of order, Chair.

CHAIR—You have a very short time, Senator Abetz, because there are others.

Senator ABETZ—Do you have a recollection that that document emanated from one Andrew Charlton?

Mr Martine—Senator, as Mr Grech indicated, he—

Senator ABETZ—Mr Martine, it is not in your knowledge. It must be in Mr Grech’s knowledge.

CHAIR—Senator Abetz—

Senator PRATT—Point of order, Chair.

Mr Martine—It is a fine point.

CHAIR—Senator Pratt has a point of order.

Senator PRATT—Standing order 194 talks about the relevance of the debate to the bill before us. I fail to see how the nature of Mr Grech’s recollection can possibly fall within relevance to the inquiry.

Senator ABETZ—On the point of order, Chair: we are finding out how the OzCar—

CHAIR—I do not really need any help.

Senator ABETZ—Thank you.

CHAIR—I have complained before about the relevance, but I have said that we will continue. But I should say that Mr Martine has every right to make some statement before, or if, he passes on to another officer. Mr Martine?

Mr Martine—Thank you, Madam Chair. The point I was trying to make, Senator, was that Mr Grech has indicated that he is unsure—

Senator ABETZ—Of?

Mr Martine—He is unsure about any correspondence from the Prime Minister's office. As I have indicated a number of times we, including Mr Grech himself, have conducted thorough searches and we have not located any correspondence or emails.

Senator ABETZ—Yes, we know all that, but it may be—

CHAIR—Senator Abetz, you can go on, but I am just pointing that you have now had another half an hour and there are other Senators with questions, so a couple more.

Senator ABETZ—I appreciate that, but usually these facilities are for the opposition to ask questions. However, I will continue.

CHAIR—Well, they are for members of the economics committee to ask questions.

Senator ABETZ—Of which I am a full voting member for this one, thank you, Chair. Can I ask Mr Grech whether the name Andrew Charlton rings a bell in relation to the documents you believe you may have seen?

Senator CAMERON—It rings a bell everywhere because we know what your boss did to him.

Senator FIFIELD—Chair, please direct Senator Cameron—

Senator CAMERON—We know exactly how Malcolm Turnbull turned on an officer of the PMO.

Senator FIFIELD—Chair!

Senator CAMERON—We know what he is like. He is a bully. The bully from Bellevue Hill, that is what he is.

CHAIR—Senator Cameron!

Senator FIFIELD—Chair, will you please take control of the committee.

CHAIR—Well, I am—

Senator ABETZ—Can I just ask about the name Andrew Charlton. And Mr Martine, I love the interference you are running, but at the end of the day this is not within your personal knowledge. It is within Mr Grech's, and I would invite Mr Grech to respond on whether—his memory may be a bit hazy, but there might be elements of that communication that are clear—it may have emanated from a Mr Andrew Charlton.

Mr Martine—Senator, the only point I wish to make is that we all are aware that Mr Charlton is a member of the Prime Minister's office. That is the first point, and secondly—

Senator ABETZ—He has made some allegations today.

Mr Martine—Secondly, as Mr Grech indicated, he is unsure of any correspondence. Once again, I will come back to my earlier answer, which is we have searched for documents and we cannot locate any.

Senator ABETZ—We know that, but can I ask Mr Grech now—and thank you for that introduction—as to the specifics—

CHAIR—This is your last question, Senator Abetz.

Senator ABETZ—As to the specifics, Mr Grech, can you tell us whether it was from Andrew Charlton, to the best of your knowledge, information, belief, recollection?

Mr Martine—Senator, and as I have just answered—

Senator ABETZ—Oh!

Mr Martine—As I have just answered—

Senator ABETZ—Can Mr Grech answer one question—

CHAIR—Senator Abetz!

Senator ABETZ—Without your interference?

Mr Martine—I am just trying to add a point of clarification.

CHAIR—Mr Grech has answered a lot of questions. We are about to move on. Mr Martine, have you finished your answer?

Mr Martine—Yes, I have.

CHAIR—Senator Cameron?

Senator ABETZ—Mr Grech—

Senator FIFIELD—Point of order.

Senator ABETZ—No, Mr Grech

Senator CAMERON—You have had more than a fair go.

Senator FIFIELD—Chair!

Senator ABETZ—Point of order, Chair. Mr Martine cannot intervene and then allow you to throw the call when Mr Grech has not been given the opportunity to answer the specifics of the question.

CHAIR—No. The Department of Treasury are here at the table and were given the opportunity to answer the question.

Senator ABETZ—No. Chair—

Senator FIFIELD—On that point of order, Chair.

Senator ABETZ—This is outrageous.

Senator FIFIELD—Part of the purpose of these committees and these hearings is for the parliament to receive information in the public interest, for the parliament to uncover evidence, to uncover the truth in the public interest. Chair, you are not permitting that to happen.

CHAIR—Well, I reject that proposition.

Senator FIFIELD—You are denying witnesses—

CHAIR—I reject that completely.

Senator FIFIELD—You are denying senators the opportunity to ask legitimate questions.

CHAIR—Senator Fifield, you have made your point of order. We have had two hours—

Senator ABETZ—And interference.

CHAIR—We have had two hours here of questions. There has been no interference. Senator Abetz, you have had an hour.

Senator ABETZ—On behalf of the Coalition, that is right, out of the two-hour hearing. And now we are at the crunch point as to whether or not there have been representations from the Prime Minister's office, namely one Andrew Charlton to Godwin Grech. We are being closed down. Mr Martine is running interference; others are as well. Clearly it is within Mr Grech's personal knowledge whether or not there was such a communication. I would invite the committee and Mr Martine to allow Mr Grech to answer unimpeded. Mr Grech, what is your answer?

CHAIR—I would ask the Department of Treasury if they wish to answer that question, which has now been asked a number of times.

Senator FIFIELD—Point of order, Chair.

CHAIR—Department of Treasury?

Senator ABETZ—Point of order, Chair.

CHAIR—Department of Treasury?

Senator ABETZ—No, point of order, Chair.

CHAIR—So you do not want an answer?

Senator ABETZ—There is a fundamental proposition here. It is not whether the department wishes to answer the question. They are here on oath, and any answers which in fact may be provided—

CHAIR—Senator Abetz, I was merely referring to the fact that Senator Cameron already had started a question.

Senator ABETZ—No, it is not a wish; they have to.

CHAIR—But I am saying.

Senator ABETZ—They are required. It is not whether they wish to.

Senator EGGLESTON—Address the question that is before the Chair.

CHAIR—No. Senator Abetz, will you just let me finish. I had already gone to Senator Cameron.

Senator ABETZ—No, you had not.

CHAIR—It was Senator Cameron who was questioning.

Senator ABETZ—You interrupted.

Senator EGGLESTON—Yes, you did.

CHAIR—Senator Eggleston, now—

Senator EGGLESTON—No, you will not let them answer.

Senator CAMERON—I am prepared to go ahead.

Senator EGGLESTON—Address the question that is before the Chair.

CHAIR—I am trying to let them answer, Senator Eggleston. I am trying. We have four minutes to go.

Senator EGGLESTON—Senator Cameron is not the person asking the question. It is Senator Abetz, and Senator Abetz's question has not been answered.

Senator ABETZ—That is right, and it needs to be answered. Mr Grech, tell us—yes, or no?

CHAIR—No.

Senator CAMERON—You are not chairing this.

CHAIR—Senator Abetz!

Senator FIFIELD—Neither are you, Senator Cameron.

CHAIR—Can I have order in this committee, please?

Senator ABETZ—Andrew Charlton: yes, or no?

CHAIR—Senator Abetz! Now, I had already invited the department to make an answer. I do not appreciate being talked over by members of this committee. Now, Department of Treasury?

Mr Martine—Senator, the only thing I would wish to add, as I have already mentioned, is that, as Mr Grech has indicated, he is unsure about any correspondence. We have searched. We have not located any email correspondence or physical correspondence from the Prime Minister's office to the Treasury with respect to John Grant.

Senator ABETZ—We accept that, but has Mr Grech seen such a document, potentially, and, if so—

Senator PRATT—This is a major indiscretion.

Senator ABETZ—Did it emanate from one Andrew Charlton? And that must be within the personal knowledge of Mr Grech, and nobody else's. Mr Grech?

Mr Martine—Senator, I think we have answered this question.

Senator ABETZ—No, you have not because it is not in your knowledge, Mr Martine.

Senator PRATT—You know the answer to this.

Senator ABETZ—It is solely in the knowledge of Mr Grech—not yours, Mr Grech's. Mr Grech, what is the answer, please?

Mr Martine—Senator, as Mr Grech has indicated, he is unsure and he has outlined in his answer he is very unsure.

Senator ABETZ—Can Mr Grech speak for himself?

Senator PRATT—He has spoken for himself.

Senator ABETZ—He is at the table. He is a very competent witness. He has controlled OzCar from day one; he has been intimately involved. Surely Mr Grech has the capacity to answer this question, whether or not the name Andrew Charlton rings a bell in relation to a possible communication from the Prime Minister's office.

Mr Martine—Senator, I think we have answered this question.

Senator ABETZ—No. Mr Grech has not, and Mr Grech, as *Hansard* will show, has been capable for two hours of speaking for himself. Mr Grech?

Mr Martine—Senator—

Senator ABETZ—No, I do not think your name is Mr Grech, sorry. Mr Grech, what is your answer?

Mr Martine—Senator, as I have indicated, Mr Grech has outlined in his evidence that he is unsure as to whether—

Senator ABETZ—But Mr Grech can make—

Senator FIFIELD—We are telling you that you are not Mr Grech. Mr Grech can speak for himself.

Mr Martine—I am certainly not Mr Grech.

Senator FIFIELD—You do not know because you were not there.

Senator ABETZ—Or are you Mr Grech's ventriloquist doll?

Senator PRATT—He has answered the question already.

Senator ABETZ—No, you are not Mr Grech's ventriloquist doll so possibly Mr Grech can answer.

CHAIR—No, no. Senator Abetz, now you are being impolite.

Senator ABETZ—I think you are right, and I withdraw that.

CHAIR—Mr Martine has every right, as the senior officer of the Department of Treasury at this table, to take questions.

Senator FIFIELD—As does Mr Grech have a right to take questions.

Senator ABETZ—As has Mr Grech.

CHAIR—And if he wishes to defer it to a junior officer, he may do that.

Senator ABETZ—All right. Can I ask Mr Martine this question: are you, with your seniority to Mr Grech, directing Mr Grech not to answer my question? And if you are not, will you allow him to answer it?

Mr Martine—Senator, I am the senior representative at the table from the Treasury.

Senator ABETZ—We all know that.

Mr Martine—As Mr Grech has indicated, and Mr Grech works for me, he has been heavily involved in the OzCar initiative.

Senator ABETZ—We know that.

Mr Martine—As we all know. As I have indicated and as Mr Grech has indicated, he is unsure about any correspondence from the Prime Minister's office and, as I have indicated, we have undertaken searches. I am satisfied that there is no correspondence.

Senator ABETZ—We all recall that.

Mr Martine—I am not quite sure what else I can answer.

Senator ABETZ—Mr Martine, my question to you was: will you allow Mr Grech to answer?

Senator PRATT—You are bullying. The witness at the table has given an indication.

Senator CAMERON—That is right.

Senator ABETZ—Or will you override him using your seniority, although it is clear Mr Grech is the only one with the personal knowledge to answer this question.

Senator CAMERON—Believe it or not, I support that proposition. Mr Grech should answer.

CHAIR—Well, it is not a matter of your opinion, Senator Cameron.

Senator CAMERON—No. I did ask—

CHAIR—I will ask the Department of Treasury if they want to answer that question. [4.00 pm]

Mr Martine—Senator, I will just go back to my earlier answer. Mr Grech has indicated that he is unsure about any correspondence. I am not sure what else I can say to answer the question.

Senator ABETZ—Yes, but I am asking whether the name Andrew Charlton rings a bell for him in relation to—

Senator CAMERON—It rings a bell, but not for the Prime Minister.

Senator ABETZ—Can I finish?

Senator CAMERON—It rings a bell for the Leader of the Opposition.

CHAIR—Senator Abetz?

Senator ABETZ—I am asking you whether it rings any bell in relation to representations made from the Prime Minister's office to Mr Grech or OzCar in Treasury?

Mr Martine—Senator—

Senator ABETZ—And, Mr Martine, thank you, but the question is to Mr Grech, unless you are telling this committee you are using your seniority, your authority, not to allow this witness to give evidence which can only—and I stress 'only'—be in his personal knowledge and not yours.

Mr Martine—Senator, as I have outlined, Mr Grech has indicated to the committee that he is unsure about any correspondence. Being unsure about any correspondence—

Senator ABETZ—Is Mr Grech unsure about the name? I have moved on to the name.

Mr Martine—Senator, by definition, if one is unsure about correspondence, one is unsure about the source of the correspondence. As Mr Grech has indicated, he is unsure about any correspondence, emails or otherwise from the Prime Minister's office to the Treasury.

CHAIR—Now Senator Abetz, I think you have to agree that we have gone as far as we can with line of questions.

Senator ABETZ—Unfortunately, and can the record please show—and I want Mr Martine to put this on the record—that he is using his seniority to not allow Mr Grech to answer that specific question.

CHAIR—Well, I do not think we need that on the record at all.

Senator PRATT—It is self-evident.

Senator EGGLESTON—It is not on the record.

Senator ABETZ—Then if we do not, then Mr Grech should be invited to answer without interference from Mr Martine. It is either Mr Martine's seniority which comes into play to shut down Mr Grech—

Senator PRATT—It is already there.

Senator ABETZ—Or he is not using that and Mr Grech should be allowed to answer, but he cannot have it both ways.

CHAIR—Senator Abetz, Mr Martine is acting appropriately. I will give Mr Grech one opportunity, before we go to Senator Cameron, to answer that question.

Mr Grech—Thank you, Madam Chair. I have to defer to the seniority of Mr Martine on that issue.

CHAIR—Thank you. Senator Cameron?

Senator CAMERON—Mr Grech, I want to explore another avenue of questions here. How many times did you speak to Steven Lewis yesterday?

Mr Grech—Yesterday?

Senator CAMERON—Yes.

Mr Grech—At least four occasions.

Senator CAMERON—You spoke to Steven Lewis on four occasions.

Mr Grech—Yes.

Senator CAMERON—Was there any veiled threats made to you in terms of if you did not answer questions that it would have some problems for you and your career?

Mr Grech—Look, I am not going to go into any of that.

Senator CAMERON—Yes?

Senator ABETZ—Oh, talk about bullying!

CHAIR—I am sorry. Mr Grech, do you want to answer that question?

Mr Grech—I said I am not going to go into any of that. I do not want to—

Mr Martine—Senator, I was just going to make a comment on that.

CHAIR—Well, I do not need commentary, and neither does Mr Martine, so please go ahead.

Senator FIFIELD—Well, I am not so sure, Chair. I am not so sure about that at all.

Senator CAMERON—I withdraw that. Let me come at it another way.

Senator EGGLESTON—It is totally unethical.

Senator CAMERON—Mr Grech, so you had four conversations with Steven Lewis yesterday. How many times have you spoken to Steven Lewis in the previous 12 months?

Mr Grech—I do not know the guy.

Senator CAMERON—You do not know the guy.

Mr Grech—Yes.

Senator CAMERON—So yesterday you had four. Did you initiate any of the phone calls?

Mr Grech—No.

Senator CAMERON—Or were they four phone calls from Mr Lewis?

Mr Grech—He approached me. I did follow up on one occasion just to clarify a point that he was making, but he approached me.

Senator CAMERON—You indicated earlier in your evidence that you were surprised to see the reporting in relation to Mr Lewis's report. Is that because you had denied the existence of any correspondence between the Prime Minister's department and Mr Lewis to Mr Lewis? Is that the position that you put to Mr Lewis?

Mr Grech—That is correct. [4.05 pm]

Senator CAMERON—That is correct. So you denied the existence of any correspondence to Mr Lewis.

Mr Grech—That is correct.

CHAIR—Senator Cameron, you can have a couple of more questions. Other Senators have indicated to me that they have other engagements and will need to travel, so we have only got time for a couple more.

Senator CAMERON—So in relation to the media reporting today, what was it that upset you so much in the media reporting?

Mr Grech—Well, clearly, Senator, when news reports of that nature appear and when they are reporting on issues that are close to home, as it were, in terms of the work that you have been undertaking, it is very uncomfortable because people obviously will assume that a lot of these serious issues have been given currency or have been given fuel, if you like, by me when, frankly, the original representations as they relate to Mr Grant were part of my normal work. They came in, I dealt with it as best as I could in the circumstances, and what was supposed to be, from my perspective a relatively routine event, has turned obviously into a significant matter.

Senator CAMERON—You said your belief was that the original correspondence came from the Prime Minister's office but you told Steven Lewis a different thing yesterday. Is that correct?

Senator ABETZ—Well, how long is this going for, Chair?

CHAIR—I said one more question.

Senator ABETZ—Right.

Mr Martine—Senator, I think that in a sense comes back to the point I have been trying to make: that Mr Grech indicated earlier that he is unsure. As you have indicated, and my understanding in discussions with Mr Grech this morning is, he did indicate to the journalist yesterday that he is not aware of any correspondence coming from the Prime Minister's office.

Senator CAMERON—You were asked more than once by Steven Lewis to confirm that correspondence and communication had taken place between the PMO, the Treasury, on the issue of Mr Grant. You denied that, and he persisted, and you again denied that that had taken place. Is that correct?

Mr Grech—Yes.

Senator CAMERON—Yes?

Senator ABETZ—He made that statement yesterday.

CHAIR—Okay. Thank you, Mr Martine and Mr Grech, for coming in this afternoon and spending so much time with the committee. The committee will now adjourn. Thank you.

Committee adjourned at 4.08 pm