



COMMONWEALTH OF AUSTRALIA

SENATE

Official Committee Hansard

FINANCE AND PUBLIC ADMINISTRATION LEGISLA-
TION COMMITTEE

Consideration of Estimates

FRIDAY, 14 NOVEMBER 1997

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SENATE**Friday, 14 November 1997****FINANCE AND PUBLIC ADMINISTRATION LEGISLATION COMMITTEE****Portfolios:** Parliament; Prime Minister and Cabinet; Finance and Administration**Members:** Senator Gibson (*Chair*), Senator Murray (*Deputy Chair*), Senators Heffernan, Lundy, Ray and Watson

The committee met at 9.06 a.m.

DEPARTMENT OF FINANCE AND ADMINISTRATION

Proposed additional expenditure, \$157,853,000 (Document A).

Proposed additional expenditure, \$27,220,000 (Document B).

In Attendance

Senator Minchin, Special Minister of State

Department of Finance and Administration—

Mr Len Early, Deputy Secretary

Mr John Mackay, Deputy Secretary, APS Services

Program 1

Mr Paul Goodwin, Branch Manager, Budget Policy and Coordination

Program 2

Mr Dean Wallace, Branch Manager, Government Accounts

Program 3

Mr Stephen Bartos, General Manager, Resource Management Framework

Mr Grant Hehir, General Manager, Accrual Budgeting Project

Ms Dianne Rimington, Senior Officer, GBEO

Mr Tony Robinson, A/g Business Manager, AusInfo

Mr Lembit Suur, Branch Manager, CTC

Mr Sam Skrzypek, Secretary of Purchasing Review

Mr Roger Brown, A/g Business Manager, AusInfo

Program 4

Mr Daryl Wight, Branch Manager, Human Resources

Mr Martin Bowen, Branch Manager, Accounting Services

Mr Helmut Simon, Acting Branch Manager, Information Services

Mr Mark Molloy, Branch Manager, Support Services

Ms Julia Burns, Branch Manager, Support Services

Mr Rod Gibson, Branch Manager, Support Services

Mr Simon Ash, Branch Manager, Finance

Program 5

Mr Graham Millar, Branch Manager, Commonwealth Superannuation Group
Ms Sandra Wilson, Branch Manager, Commonwealth Superannuation Group

Program 6

Mr John Mackay, Deputy Secretary, APS Services
Ms Julie McKinnon, First Assistant Secretary, Domestic Property
Mr Arthur Gallery, Branch Manager, Domestic Property
Mr Vic Adams, Branch Manager, Domestic Property
Mr Trevor Barrell, First Assistant Secretary, Overseas Property
Mr Paul Migus, First Assistant Secretary, Contract Management
Mr Ian Woonton, Branch Manager, Business Closures
Mr Arthur Hardy, Branch Manager, Business Closures
Mr Ken Sweeney, Branch Manager, Removals Australia

Program 7

Mr Bill Peel, Acting General Manager, Ministerial and Parliamentary Services
Mr John Gavin, Assistant General Manager, Entitlements and Reporting
Mr Neil Smail, Assistant General Manager, Security and Support
Mr Phil Gouldson, Assistant General Manager, VIP Transport
Mr David Medley, Manager, Finance
Ms Sue Whisker, Senior Officer, Entitlements and Reporting
Mr Paul Ferrari, Senior Officer, Entitlements and Reporting

ComSuper—

Ms Christine Goode, Commissioner
Mr John McCullagh, Assistant Commissioner, Business Management Branch

OGIT—

Ms Dianna Banks, Assistant Secretary, Telecommunications and Government Systems
Ms Anne Steward, Assistant Secretary, Strategic Planning and Policy
Mr Steve Fielding, Project Director, Year 2000 Project Office

OAS & IT Outsourcing—

Mr Ross Smith, Executive Co-Ordinator
Mr Mike Herron, Assistant Secretary
Ms Gillian Marks, Executive Director
Ms Trixie Makay, Acting Assistant Secretary
Mr Tim Stafford, Director, Administration

Australian Electoral Commission—

Mr Bill Gray, Electoral Commissioner
Mr Andy Becker, Deputy Electoral Commissioner
Mr Phil Skinner, Assistant Commissioner, Corporate Services

Mr Paul Dacey, Assistant Commissioner, Development and Research

Ms Barbara Davis, Acting Assistant Commissioner, Industrial Elections and Funding and Disclosures

Mr Tim Pickering, Assistant Commissioner, Information Technology

Australian National Audit Office—

Mr Ian McPhee, Acting Auditor-General

Mr W Nelson, National Business Manager, Financial Audit Business Unit

Mr John Meert, Group Director, Performance Audit Business Unit

Ms Gwyn Thompson, Executive Director, Corporate Manager

Mr Gordon Mackney, Chief Finance Officer, Resource Management & Analysis

Department of Finance—

Mr Gordon Lister

Ms Sonia Rainbow

Ms Kelly Ralston

Mr Wayne Turner

CHAIR—I declare open this public hearing of the Finance and Public Administration Legislation Committee. Today we are continuing our consideration of the additional estimates in respect of the Finance and Administration portfolio.

The committee has set 6 February 1998 as the final day for the submission of written answers to questions taken on notice. The office of the Minister for Finance requested that program 8, the Commonwealth Grants Commission, and program 11, Office of Asset Sales and IT outsourcing be exempted from the program today as officers from those programs were not available.

We agreed to this provided officers be available for a hearing next week if required and that officers dealing with IT outsourcing be available today. Senators may still place questions on notice for these programs. I remind senators that this committee is continuing its inquiry into the format and content of the estimates documentation.

Please place on the *Hansard* record any comments you may have concerning the additional estimates documentation before you. I propose to proceed by calling on the programs or subprograms as listed in the detailed programs. I welcome the Minister, Senator Minchin, and officers from the Department of Finance and Administration. Minister, do you have an opening statement you would like to make?

Senator Minchin—No.

CHAIR—Any questions?

Senator FAULKNER—I have one or two. Minister, correct me if I am wrong but I think this might be your maiden performance at an estimates committee. Is that correct?

Senator Minchin—I have appeared on the other side many times, Senator.

Senator FAULKNER—I meant as a minister at the table. Indeed, you are quite legendary as a committee member on this side of the table. I thought it might be useful as a starting point to ask you about your general approach. Given that estimates committees can be adversarial at times but that the process is one important aspect of parliamentary accountability, and given that the information gleaned function of parliament can at times be performed outside the

estimates process, do you feel it is useful to try to limit estimates questions to some of those areas where there might be a more political focus? If so, should the questioning in relation to more general and non-controversial aspects of government administration be done through a process of more informal briefings at the departmental level?

I think you would appreciate that this occurred when the previous administration was in office—and has done so at times when your own government has been in office—to try to allow the processes to move through reasonably quickly. As a maiden performer here as a minister at the table, what is your own approach in relation to that?

Senator Minchin—I do not want to sound unduly suspicious, Senator Faulkner. I just wonder what lies behind the question? Is it that you have asked for briefings in the past which have not been provided? Is there a problem? Are you alluding to the fact that you have sought information in a less formal environment and not been provided with it?

Senator FAULKNER—I am pleased that we have a minister at the table who would not be suspicious about questions that I am asking. No, I am just interested in understanding what your own approach is going to be.

Given that Senator Kemp represents the Minister for Finance in the Senate and you have responsibilities clearly in the new department of DoFA, there is a possibility that both you and Senator Kemp will be ministers at the table. That is something that I am not entirely clear on. No doubt this will evolve over time. I am interested in your own approach and how you intend to be handling those areas for which you have ministerial responsibility.

Senator Minchin—As you know, I am substituting for Senator Kemp.

Senator FAULKNER—If you are suspicious at such a pleasant and simple question commencing proceedings, I do not know how we are going to go later in the term of your government when things might be just a tiny bit more adversarial.

Senator Minchin—I am always wary of being lulled into a false sense of security. I am substituting for Senator Kemp this morning as I am the junior minister under Mr Fahey. I have particular responsibility for ministerial and parliamentary services and the Australian Electoral Commission, as you know. I will, of course, want to cooperate fully with this committee and with the whole Senate and the whole parliament, treat issues on their merits and consider requests for information or briefings on their merits.

Senator FAULKNER—What is your approach to a general briefing about non-partisan, non-controversial issues that go really to general administration, in a situation such as we have now, with effectively the amalgamation of two new departments and a whole new program structure and an obvious need for the government to clearly communicate to those interested what the new program structure is and what it might mean. It certainly has some significance in terms of the conduct of a committee like this.

Senator Minchin—As you know, we have an in principle approach that is based on open government and a willingness to cooperate based on specific requests. That was a very general proposition. My understanding is that Minister Fahey is, in principle, willing to cooperate and consider requests for briefings and information as they are put and consider them on their merits with a general disposition to be cooperative. Put the specific request and it will be dealt with on its merits, but with a spirit of cooperation and openness.

Senator FAULKNER—Your understanding is wrong, Minister, I am afraid.

Senator ROBERT RAY—But you never left your crease. That was a good move.

Senator Minchin—Thank you, Robert. That is why I was asking. My first response to you was, ‘Has there been a problem?’ It would now appear to be emerging that there has been a problem there.

Senator FAULKNER—I am just indicating to you, Minister, that your understanding is wrong. My office in these circumstances asked for an informal administrative level briefing on the changes to the program structure in DAS from Minister Fahey’s office, which rather rudely and brusquely suggested that we go to the additional portfolio budget statements, which I might say were not available at the time. Mr Fahey did have the courtesy to send around the document when it was printed and suggested we have a look at it. Frankly, Minister, it seems to me that that is going to mean that, unfortunately for all of us, this particular estimates process is going to take longer than it needs to.

I am pleased to hear that Mr Fahey’s approach is very different from yours. You are obviously dealing with this in a far more sensible and cooperative way and, I might say, in the sort of spirit in which on most occasions, as far as I am aware, other ministers in the Howard government and also ministers in the previous Labor administration have approached these sorts of matters. The obvious exception is Mr Fahey, who apparently is so small-minded that he was not willing to provide me and my office with that level of briefing. But I am pleased you have cut yourself loose from him on that particular issue, and that you will be adopting a different approach.

Senator Minchin—Obviously, I have no knowledge of the circumstances of that particular occurrence, which obviously was the basis for the first statement you made. Maybe there was a misunderstanding as to what you were seeking.

Senator FAULKNER—No, there was no misunderstanding, Minister. My office made telephonic communication with Mr Fahey’s and basically we were told to go and jump in the lake. What we asked for was a briefing that would mean that we could shorten very considerably the amount of time it would take to conduct this estimates hearing. We do not normally ask for briefings. I might say, also, that the former Department of Administrative Services, as a result of what I assume to be Mr Jull’s initiative—and Mr Mackay next to you could confirm this—certainly offered similar briefings, something which was appreciated.

On that occasion, I did not take up the offer, apart from a short briefing at the department, which was really to introduce myself as a new shadow minister with responsibility for, in part, the functions that were covered by the then Department of Administrative Services. I did not need to take that kind offer up. But, at the time of the amalgamation of the departments, with a completely new program structure, I did think it would be useful and would save a lot of time and a lot of public money. But, as I say, Mr Fahey, the responsible minister for DoFA, was so small-minded and so apparently paranoid about these sorts of processes that he was not willing to cooperate. I thought that very disappointing, but I am very pleased to hear that you have cut yourself loose.

CHAIR—Just before we go any further, Minister, with regard to administrative arrangements for today, would one o’clock suit you for a lunch break for an hour? And perhaps at about 11, we will have a 10- or 15-minute break for tea and coffee.

Senator Minchin—Yes.

CHAIR—Are there any general questions on the Department of Finance and Administration before we get onto programs?

Senator ROBERT RAY—One of the things referred to estimates committee is the reconciliation of the advance to the Minister for Finance. I do not recall that being tabled yet: is that correct?

Mr Goodwin—Mr Chairman, the advance to the Minister for Finance section 36 statements have not yet been tabled. In fact, I signed off the minute this morning for them to go to the minister's office.

Senator ROBERT RAY—Could you explain why, by 14 November, they have not been tabled in the parliament?

Mr Goodwin—I understand that the timing is quite normal at the moment. They are normally tabled after the whole of government reports are prepared.

Senator ROBERT RAY—Yes, but have they not always in the past been tabled before the estimates committee commences its hearings, so that they can be referred? Is it not traditional to refer the reconciliation to estimates committee?

Mr Goodwin—Not to my knowledge; I could be corrected on that.

Senator ROBERT RAY—Has anyone else got knowledge about that?

Mr Goodwin—I will take it on notice.

Senator ROBERT RAY—Thank you. That is all on that subject. Minister, could you tell us who set up the DAS-DoF integration team?

Mr Early—The integration team was set up by the Secretary to the Department of Finance and Administration, Dr Peter Boxall.

Senator ROBERT RAY—I see. Who was on the integration team?

Mr Early—The integration team comprises me, as chairman; John Mackay, the deputy secretary in charge of APS services; and Stephen Bartos, the general manager in charge of the resource management framework.

Senator ROBERT RAY—So we had three people. And it was set up by the secretary?

Mr Early—Yes.

Senator ROBERT RAY—Was it approved by the minister?

Mr Early—I do not think it was referred to the minister, but I could take that on notice if you want me to check. But I do not think so.

Senator ROBERT RAY—Did the minister give you any guidance as to how he expected the—I think 'amalgamation' is the wrong word; I think 'absorption' is probably a better word—absorption of most of DAS into the Department of Finance to go?

Mr Early—That is a very broad question, Senator. But I think the answer is no. Certainly, in respect of the integration team, the answer is no.

Senator ROBERT RAY—Were no issues from the integration team referred to you, Minister Minchin?

Senator Minchin—They were not, Senator Ray.

Senator ROBERT RAY—Did at any stage the Department of Finance provide a paper to the Prime Minister, indicating that absorption of DAS by DoF would generate savings in the order of \$32 million per annum?

Mr Early—If there were any such paper, Senator, it would be in the nature of policy advice to government, and I really could not help you with it.

Senator ROBERT RAY—We are asking whether a paper was provided. We are not asking you, at the moment at least, what was in it.

Mr Early—Senator, as you would be well aware, the Department of Finance prepares many papers each year, and it is not usual to—

Senator ROBERT RAY—I see. So what you are saying to me, Mr Early, is that Mr Blick can answer questions on this at PM&C estimates and can indicate, ‘Yes, a paper was provided. Yes, it did have \$32 million savings, but it wasn’t taken any further.’ Mr Blick from PM&C, the premier department in the government, can answer these questions but you cannot.

Mr Early—I did not see Mr Blick’s answer as being in quite the light that you suggest, Senator. But I do not believe that I can answer the questions.

Senator ROBERT RAY—I see. So you cannot even tell us the timing of when this paper was generated?

Mr Early—Senator, I am not even telling you whether such a paper exists, or existed.

Senator ROBERT RAY—Really?

Mr Early—I am sorry: if there were such a paper, it would be policy advice to government.

Senator ROBERT RAY—Thank you. Minister, does such a paper exist?

Senator Minchin—I have no knowledge of such a paper.

Senator ROBERT RAY—You are saying that you have no knowledge of it. Do you expect any savings to accrue out of the absorption of one department by another?

Senator Minchin—The department can answer that question.

Senator ROBERT RAY—No, they cannot. They will not tell us.

Senator Minchin—I do not have knowledge to hand. We can take the question on notice as to what, if any, savings are expected.

Senator ROBERT RAY—Are you seriously saying the government abolishes one department—as Senator Hill said in answering Senator Cook in the parliament, for no other reason than government efficiencies; although we might get to some of the other reasons later—but that no check was done on the financial consequences of such a move?

Senator Minchin—I am not sure what government statements have been made about what savings might be accrued as a result of that.

Senator ROBERT RAY—I am sorry. Let me take you back to square one. Senator Cook asked Senator Hill, representing the Prime Minister, for the rationale for the dismantling of DAS. The weasel words used were, ‘Oh well, it’s part of government rationalisation of administration and accruing savings.’ I am asking you this: was any work done on what the savings would be?

Senator Minchin—If you want to know what the savings might be, the department can address that question.

Senator ROBERT RAY—But what we want to know is whether they did a calculation of these savings before this occurred, or whether it was a post-rationalisation, having made the decision to abolish DAS, to then tell us what the savings are to be.

Senator Minchin—We still want to know whether you want to know, legitimately, what savings might be expected from this, or some sort of process—

Senator ROBERT RAY—I will ask that question first, but then I want to know when they were calculated.

Mr Early—In respect of DoFA itself, we do not expect there to be substantial savings from the amalgamation of the two departments. The reason for that is that both elements of the new Department of Finance and Administration were undergoing extensive review and rationalisation before the merger. Those processes of review and rationalisation are continuing.

The areas where you would normally expect to get significant savings from amalgamation of departments tend to be areas like corporate and IT. In both the Department of Administrative Services and the Department of Finance, those processes were to be outsourced so that the economies of scale that you get from rationalisation one would have expected to have been achieved whether the departments were rationalised or not.

Senator ROBERT RAY—Have you got a figure on what you anticipate the savings to be—ballpark only?

Mr Early—Not really at this stage because so much of the department at the moment has reviews under way which have not yet been completed. We are aiming to complete as many of those reviews as we can by Christmas. We would obviously be able to produce numbers of the kind you are seeking, but at this stage it is really too early to know what the outcome is going to be.

Senator ROBERT RAY—Well, Minister, I take it that that answer—that it is too early to know—means that there was not a paper developed on the savings option because we have just heard they do not even know if there will be any savings. So there was not a paper developed on this.

Senator Minchin—You will have to continue speculating about that matter.

Senator ROBERT RAY—It is a cause for speculation in terms of the veracity of Senator Hill's answer because, if the two departments were merged, absorbed or amalgamated—whichever term you like—and the savings option basically was not taken into account, we are led to speculate as to why DAS was dismantled.

Senator Minchin—Which, of course, you are free to do.

Senator ROBERT RAY—Do you know why DAS was dismantled?

Senator Minchin—Obviously, I was not involved in those decisions at all. As you know, I was the Parliamentary Secretary to the Prime Minister with responsibility for native title and the Constitutional Convention so I had no involvement whatsoever in any of those decisions.

Senator ROBERT RAY—I cannot go to the nature of the briefing that you have had since you have become a minister, but it appears that you have not been briefed on these matters.

Senator Minchin—I have been briefed fully on the operation of those parts of the department for which I have some responsibility.

Senator ROBERT RAY—But not on the rationale for the destruction or the dismantling of DAS?

Senator Minchin—That is a matter for the Prime Minister and Minister Fahey.

Senator ROBERT RAY—Could I ask what was the level of transfer of funds from the old DAS across to the Department of Finance?

Mr Early—If you would bear with us for a second.

Senator ROBERT RAY—Yes, certainly.

Mr Ash—Based on some information that I have from my counterpart in the previous Department of Administrative Services, they had a running cost budget appropriation of \$144.9 million, which has been transferred. The other appropriations that would have been transferred relate to special appropriations for the Minister of State salaries, parliamentary entitlements, ministers' allowances and members' allowances, totalling \$56.6 million, and ministerial and parliamentary services of \$115.3 million.

Senator ROBERT RAY—The running costs are just the amount of money to pay the totality of DAS in terms of salary costs and administration et cetera. Was that entirely transferred to DoF?

Mr Early—I do not quite understand the question. Do you mean: were all of DAS's running costs transferred to DoF?

Senator ROBERT RAY—Yes.

Mr Early—What would have happened, as a normal matter of course, was that the running costs that DAS had would have been apportioned between the portfolios that acquired parts of DAS.

Senator ROBERT RAY—We have got a death in the family; I am going to the will now to make sure that it was fairly apportioned. What criteria were used to apportion running costs to DoF, to PM&C, to Treasury and to Science? I think one other may have got a bit of the empire but I am not sure. How was that done?

Mr Early—I cannot answer the particular question of precisely how it was done on this occasion, but the way that it is always done in these cases is to have the running costs follow function. Departments obviously have running costs associated with particular parts of their organisation and those running costs would go with those parts of the organisation.

Senator ROBERT RAY—Could you answer me this, Mr Early? What did you do with corporate services which came to you, essentially? Did you absorb the whole of corporate services or did you give a payout to all the others in proportion?

Mr Mackay—The fact is that most of the bits of DAS that went to other agencies were operating on trust accounts and were fully self-funding. There was no issue of running costs at all so far as they were concerned.

Senator ROBERT RAY—Was Awards and National Symbols in a trust?

Mr Mackay—That is the one exception where there were some discussions on what running costs needed to go across. I am not sure of the fine detail of that but basically the running costs associated with that would have included some allowances for administrative overheads such as accommodation and things like that.

Senator ROBERT RAY—Can you find out the figure for Awards and National Symbols?

Mr Mackay—Yes.

Senator ROBERT RAY—You are saying no other element of corporate services would have gone across to any of the others at all?

Mr Mackay—No. In fact, I think they would continue to buy their corporate services from the ex-DAS corporate services as they did in the past.

Senator ROBERT RAY—You never provided it to them, they had to—

Mr Mackay—They had to buy it.

Senator ROBERT RAY—They had to purchase it from you?

Mr Mackay—Yes, that is right.

Senator ROBERT RAY—You are saying they will still do so?

Mr Mackay—That is my expectation. That may change, I am not sure. But certainly as we speak now the Australian Valuation Office, AUSLIG and AGAL are continuing to purchase their corporate support from the former DAS corporate services, as are many other agencies.

Senator ROBERT RAY—Not from their home departments?

Mr Mackay—Not at this time.

Senator ROBERT RAY—Will you get back to us, Mr Ash, with the actual figures that were transferred right across the board from DAS to your department and to other departments so we can have a look at them on notice?

Mr Ash—Yes.

Senator ROBERT RAY—Thank you.

Senator FAULKNER—Can I come back, Mr Chairman, to Mr Early's earlier evidence this morning in response to Senator Ray's question about the then Department of Finance paper on savings in the order of \$32 million per annum from the absorption of DAS? On Wednesday of this week this was referred to in the Department of the Prime Minister and Cabinet estimates. Having been asked a similar question by Senator Ray about whether there was such a paper, Mr Blick informed this estimates committee, and I quote him directly from the *Hansard*:

I recollect being shown a piece of paper by one of my colleagues, not in the area that I am responsible for, which speculated about a savings option involving changes to DAS functions along the lines that you may be talking about.

I interpolate here: 'you' being Senator Ray.

He goes on to say:

I do not recall the particular figures you are talking about being in that paper.

I am interested in revisiting this. I do not know if you have the *Hansard* in front of you, Mr Early.

Mr Early—Yes, I do.

Senator FAULKNER—That is on page 219 of the *Hansard*. Does that jog your memory at all in relation to the development of such a piece of paper, brief or document within the then DoF in relation to indicative savings?

Mr Early—It is not my memory that fails me on this occasion, it is simply my ability to be able to discuss that issue with you.

Senator ROBERT RAY—Minister, can you confirm that, if this paper exists, it was not generated prior to 1 October?

Senator Minchin—I have absolutely no knowledge of the paper about which you speculate.

Senator FAULKNER—Let me ask a more general question, Mr Early, that no doubt you will be able to answer. Were officers of the Department of Finance involved in work on possible savings that might have been generated from the abolition of the Department of Administrative Services? If so, at what time were officers undertaking that work?

Mr Early—Again, I am afraid my answer has to be same. I mean, if any such work was done, it would have been in the nature of policy advice to government and it is something that I am not able to discuss.

Senator FAULKNER—I think you fail to understand that this is a process question. It does not go to the substance of advice to government: it goes only to bureaucratic processes within your own department. Any suggestion that you cannot answer such a question because it involves policy advice to government is totally unsatisfactory. I think you completely misunderstand. I cannot be absolutely certain that I would not put you in an embarrassing position—I am sure that Senator Minchin would quickly draw that to my attention if I did—by asking you about policy advice to government but I do intend to ask you about what officers of the Department of Finance are doing with their time. As I said, I do not intend to ask you, necessarily, about policy advice to government but, if I do, feel free to ‘take the fifth.’ Let me know.

With respect to questions dealing with the involvement of your officers in the process, it is totally unacceptable for you to say, ‘I cannot let you know whether we did any work in these sorts of areas.’ It is not the nature of the work. I am very keen now to establish that the evidence that we have had before us during this committee’s hearings in relation to the Department of Prime Minister and Cabinet is accurate, and I think we are entitled to that confirmation.

Senator Minchin—I think your question does go to the nature of the advice and, by your own criteria, is therefore inappropriate.

Senator ROBERT RAY—Minister, we have a situation—and let us put it on the table—where you cannot answer any questions because you were not around. We cannot ask Mr Jull because he is no longer around. We cannot ask Mr Mellors because he is no longer around. We cannot ask Mr Godfrey because he is no longer around. We cannot ask half the other officers around here because they have been moved. It appears to me that it is not satisfactory for government to say, ‘Sorry, we cannot answer any of these questions because we have either purged everyone or they have been moved.’ I mean, that is our difficulty. We are trying to establish, to put it out so that there are no tricks—

Senator Minchin—What are we trying to establish?

Senator ROBERT RAY—We are trying to get the motive for why DAS has been abolished. When I put a proposition to Mr Early or someone else at this committee a few months ago that maybe Finance should go under seeing as how they were outsourcing everything there was shock, horror. They said, ‘Oh, no. We must continue as a department.’ I put the same question to Administrative Services that maybe they should think about their future and then we got the rationale of why Admin Services must continue into the future, and they did, right up until the point of the ministerial problems and then suddenly they got axed.

We are trying to establish whether it was a long-term policy of government to rationalise DAS? Were there savings papers generated months beforehand to give this mature consideration or, critically, was the savings paper commissioned only after the political decision to abolish DAS? Put it on the table. That is what we are seeking.

Senator Minchin—I do not know what discussions your government may have had about the long-term future of DAS or what occurred in the first three months of ours.

Senator ROBERT RAY—I did not raise that.

Senator Minchin—As you well know, your government presided over a massive reduction in the size of DAS and the scale of its operations and it did a lot more to reduce it than we did. What occurred really is the logical extension of a process that you had put in place yourself.

Senator ROBERT RAY—Let me stop you there just for a moment, Minister. You had a chance to abolish DAS when you came into government but you did not. Fair enough, I would not. You then went on a large downsizing program which may have raised the question of the future viability of DAS.

Senator Minchin—We simply continued—

Senator ROBERT RAY—Can we use the word ‘continued’ downsizing. I asked Senator Hill, in this room on 4 June, ‘Are you considering abolishing DAS?’ and his answer was, ‘No consideration at this stage.’ On 4 June 1997 there was no consideration being given to abolishing DAS.

Suddenly, DAS got abolished immediately after the ministerial problems. We want to know whether this was part of long-term thinking and rationalisation or was it a spur of the moment revenge move by the Prime Minister? That is what we want to know.

Senator Minchin—Obviously, the government categorically denies the assertion that you abolish a department because of revenge. We have said the government’s position is that this merger, or whatever you want to call it, is a logical extension of what started under your government in relation to the operations of the Department of Administrative Services, which was an amalgamation of a range of functions. It makes administrative sense to take the remaining functions within the Department of Finance.

Senator ROBERT RAY—So you have not been informed at all of the meeting in the Prime Minister’s office on the Wednesday before Mr Jull and Mr Sharp resigned, and the threats made to senior officers of DAS? You have not been told about that?

Senator Minchin—I am not aware of any such meeting.

Senator ROBERT RAY—Therefore, your answer is truthful so far, thank you.

Senator FAULKNER—Before the decision was taken to absorb most of the functions of DAS into the Department of Finance, were Mr Baxter’s recommendations in relation to the future of DAS given consideration?

Senator Minchin—You would have to ask the Prime Minister that, I cannot answer that question. That is beyond our knowledge.

Senator FAULKNER—Did the Department of Finance officers have access to the Baxter report?

Mr Early—I am sorry, I do not know the answer to that.

Senator FAULKNER—Can anyone inform me who commissioned Mr Baxter?

Mr Mackay—It was Mr Mellors who commissioned Mr Baxter. Mr Baxter made a report upon which DAS restructured its executive and had some longer term plans.

Senator FAULKNER—I do not want to put words into your mouth, Mr Mackay, but would it be fair to say Mr Baxter certainly did, as part of his report, recommend to government that the Department of Administrative Services continue to function as a separate government department?

Mr Mackay—He drew that conclusion, but there were plenty of other conclusions drawn. DAS was created from nine different departments back in 1987, as you know. At that time it consisted of 15,000 people, or of that order, and was clearly heading, as a result of previous downsizing, business sales and so on down to 1,500.

The issue that arose here last time as to whether DAS should continue or have its functions redistributed was considered frequently by the executive. I think all of us as bureaucrats are

aware that the decision on administrative arrangements is made by the Prime Minister, and the Prime Minister alone. The judgments that he makes in those situations would rarely become known to us, nor would decisions that he was going to take.

Senator FAULKNER—Did the Prime Minister, or the Department of the Prime Minister and Cabinet, have the benefit of having a copy of the KPMG report forwarded to them?

Mr Mackay—I am aware that Mr Baxter had discussions with a whole range of people and they would have included officers of the Department of the Prime Minister and Cabinet. Whether they saw the final report, I am not sure.

Senator ROBERT RAY—How would we be able to check that, Mr Mackay?

Mr Mackay—I would have to take it on notice and ask.

Senator ROBERT RAY—We would really like to know whether prior to the Prime Minister's making a decision, he or his delegated people—I do not expect him to do everything—would have actually taken the time to read a report that covered the gamut of the way DAS was operating.

Senator Minchin—Didn't you ask that question of PM&C? Is that relevant here? You are asking again about what PM&C had or had not, and what they considered—

Senator ROBERT RAY—No, it would be quite relevant to helping us in our inquiry, Senator Minchin, if we could be told one way or other whether the Baxter report went across to PM&C. They could have used that as part of their basis. If it were not, we can eliminate that.

Senator Minchin—We will take that on notice, but that is a question you could put to PM&C.

Senator ROBERT RAY—In the order of these committees, they cannot occur one after the other entirely. You understand that. Several times on Wednesday we were told that we would have to raise these questions with DoFA—or AG's in the case of another question. We will. But we will not get the opportunity to go back to PM&C based on information from here for some months. What was the total cost of the Baxter report?

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

Senator ROBERT RAY—Could you give us a ballpark figure?

Mr Mackay—It was of the order of \$30,000 from memory. It may be more than that, but it is of that ballpark—

Senator ROBERT RAY—That is all we wanted.

Mr Mackay—But could I just add that, right from the start of this calendar year, the DAS executive wondered about the ongoing viability of the department. I know Mr Mellors raised that in writing with the minister, and back-copied his thinking to Prime Minister and Cabinet. So as early as that time, the department itself was wondering about viability.

Senator FAULKNER—Why did you lie to me then, Mr Mackay, when I met with you and other executives of DAS, and when you personally told me that you believed that DAS had a future?

Senator Minchin—Mr Chairman, no-one should use that sort of language with officials of the government.

CHAIR—Senator, you should withdraw. You should not—

Senator FAULKNER—Mr Chairman, let us be clear on this. I was told by Mr Mackay in a face-to-face meeting when Mr Mellors was present, and I believe Mr Godfrey may have been present as well. Mr Mackay, you and other senior officers—I have got a note of the meeting—assured me that you believed DAS had a future as a separate department. You told me that, Mr Mackay. I am stunned by what you have just said to me.

Senator Minchin—He can have that view and not be accused of lying, Senator. He has reported to you that there were discussions internally about its future.

Senator FAULKNER—I am happy to withdraw the word.

Senator ROBERT RAY—Isn't it inadvertently misleading?

Senator FAULKNER—Why did you tell me then?

Mr Mackay—I do not recall the precise terms in which I told you.

Senator FAULKNER—You recall the meeting though, Mr Mackay?

Mr Mackay—I recall the meeting very well.

Senator FAULKNER—Yes.

Senator Minchin—The two propositions are entirely consistent. The department has a future, but we raised the question of whether it should continue as a fully-fledged department. The two propositions are entirely consistent and you should not be accusing the officials of lying to you.

Senator FAULKNER—Mr Chairman, what I am asking is why Mr Mackay told me that.

Mr Mackay—At no point have I had the view that DAS should be abolished. I am simply saying that we raised the issue because, as anyone could see, the department had shrunk by ninety per cent, effectively. We had the business sales coming out and there was a paper put together that said that there were some good reasons for retaining DAS and there were some other reasons for separating it into a number of other agencies.

Senator ROBERT RAY—When I asked the question, didn't Mr Mellors tell us that you would still be the eleventh biggest department in government?

Mr Mackay—Yes, he did.

Senator ROBERT RAY—And wasn't half the contemplation simply that you might no longer continue to exist, that it might be more relevant to absorb some other areas of parliament to get the economy of scale?

Mr Mackay—Frankly, Senator, to a large extent I do not think that it matters what we think because at the end of the day, it is the Prime Minister who makes those decisions.

Senator Minchin—To your line of questioning about what was going on internally prior to this, Mr Mackay has reported to you that the question was alive.

Senator ROBERT RAY—Prior to the resignations of Mr Sharp, Mr Jull, and eventually, Mr McGauran, the Department of the Prime Minister and Cabinet never raised with the Department of Administrative Services the subject of your abolition, did they? Not once.

Mr Mackay—All I can say is that they did not raise it with me.

Senator ROBERT RAY—But you are in the senior executive that would have discussed these matters?

Mr Mackay—That is correct.

Senator ROBERT RAY—You would think it was inconceivable if the future of DAS had been raised in terms of termination, that Mr Mellors, or one of the other senior officers, would not have raised it.

Mr Mackay—All I can say is it was not raised with me, Senator. That is the fact of the matter.

Senator ROBERT RAY—Of course, we cannot ask other witnesses. They are no longer here, are they, Minister?

Senator Minchin—Mr Mackay has told you that the matter—and that this is his competence—was an alive issue within the department itself. He is competent to tell you that and—

Senator ROBERT RAY—No, what he has told us—

Senator Minchin—that is what he has told you. And that is what you were asking about; that was your line of questioning.

Senator ROBERT RAY—What he has told us, Minister, is that not once, to his knowledge—he has qualified by saying ‘to his knowledge’—did Prime Minister and Cabinet ever raise the viability of DAS with them beforehand. Do you know when it was first raised?

Mr Mackay—As I am trying to say, it would be quite unusual for Prime Minister and Cabinet to raise such issues.

Senator ROBERT RAY—Sure. We accept that.

Mr Mackay—I do not recall them raising in 1987 with us what we thought.

Senator ROBERT RAY—That followed an election; this was not a mid-term sudden change of course. That was after an election, wasn't it? Can I ask you, as the most senior surviving DAS officer here, when you were first informed that DAS would be abolished?

Mr Mackay—I think I was generally aware about the middle of the week before the long weekend.

Senator ROBERT RAY—Correct me if I am wrong, that is about 1 or 2 October.

Mr Mackay—That would be right.

Senator ROBERT RAY—When you talk about long weekend—you all do—just remember that everyone here is from interstate and we did not get it.

Mr Mackay—Yes; I would think I became aware about 1 October, or thereabouts.

Senator FAULKNER—In relation to Mr Baxter's report, I hear what you say, Mr Mackay, about Mr Baxter having discussions with the Department of the Prime Minister and Cabinet and with the Prime Minister himself. What I would be interested in knowing, if you can advise me—and I suspect this is perhaps better directed to Mr Early—is whether Mr Baxter had discussions with the Department of Finance prior to his writing his report. He makes clear in his report that he had consultations. Could I ask whether he had consultations with the Department of Finance before concluding his report?

Mr Early—I do not know the answer to that question, Senator. He certainly had no discussions with me.

Senator FAULKNER—Would there be any officer who would be able to assist us in that regard?

Mr Early—Frankly, I think we would have to take it on notice because we would have to ask a lot of people whether there were discussions with them. I am not aware of any such discussions, but it does not mean they did not take place. I am happy to take it on notice—

Senator FAULKNER—I hear what you say—you do not know whether the discussions took place.

Mr Early—I am not aware of any discussions. I can say that there were no discussions with me.

Senator FAULKNER—Mr Mackay, would you be able to assist us there, given your previous responsibilities and the tasking of Mr Baxter from the former DAS?

Mr Mackay—I would have to take it on notice, too. I have not got a copy of the Baxter report with me but I have just asked for one to be brought across. My recollection is that it has an appendix in it that says who he spoke to, but I will need to check that when I see it.

Senator FAULKNER—Has the Baxter report been made public?

Mr Mackay—To all intents and purposes, I believe yes.

Senator FAULKNER—What does that mean?

Mr Mackay—It was widely circulated to staff.

Senator ROBERT RAY—You mean it has gone to at least two public servants, so it is a public document? Don't answer that.

Senator FAULKNER—I was actually provided with a copy of the Baxter report but I was asked by then Minister Jull to respect its confidence, which I have done. That is why I ask the questions in the way I do. When I have been asked by a minister to have a look at a document and retain confidentiality of that document, it is a little difficult for me to do anything other than ask a range of questions of you.

You say to me that it has an appendix, but the trouble is the document has been provided—at least to the opposition—on the basis of confidentiality. I am sure the minister would understand that places us in a difficult situation. You would accept that, Minister, wouldn't you?

Senator Minchin—I understand that. We have taken on notice the question as to the discussions, if any, that took place.

Senator FAULKNER—The general thrust of the Baxter report that has been made public was that Mr Baxter could not find any compelling reasons for disbanding DAS and transferring its functions to elsewhere in the public service. That is why I was interested in understanding the extent of consultation, if any, with the Department of Finance before Mr Baxter actually came to that conclusion. Mr Mackay, could you tell us what Mr Baxter suggested in relation to the awards and national symbols branch of the former DAS?

Mr Mackay—I cannot recall the specific recommendation on that. As I say, I have asked for a copy of the report to be brought over and I would have to examine it. If you have a copy available to you, I could short circuit that.

Senator FAULKNER—We might deal with it a bit later because, as I say, we are in a difficult situation here having been provided with the report on a confidential basis. Here we are respecting the confidentiality of the report and Uncle Tom Cobleigh and all apparently have a copy. Really it is not a confidential document at all.

Mr Mackay—It was regarded as confidential for some time, Senator. That is all I can assume. I cannot recall anything in the Baxter report that we would now regard as confidential.

Senator ROBERT RAY—So, Minister, would you not mind us asking a couple of specific questions on it?

Senator Minchin—The former minister for administrative services supplied it to Senator Faulkner on the basis of confidentiality. I would have to take on notice the question, which is really being put, as to whether you wish to be relieved of that burden of confidentiality.

Senator ROBERT RAY—I have not seen the Baxter report, so let me ask.

Senator Minchin—Fine.

Senator ROBERT RAY—What did Mr Baxter recommend in terms of Awards and National Symbols? Have we got anyone here who used to work in Awards and National Symbols who might be able to assist us?

Mr Mackay—The answer is we do not have anybody here who could assist. I do not recall it making dramatic recommendations. I think they were more based on structural issues, as in where it should reside within the portfolio, rather than questions of detail of whether it should exist or be bigger or smaller.

Senator ROBERT RAY—Mr Peel, didn't you have something to do with this in your line of management at some stage?

Mr Peel—Yes.

Senator ROBERT RAY—I did not want you to be referred to as no-one, that is all.

Mr Peel—My recollection is a bit hazy, but I believe that in his report Mr Baxter canvassed the possibility of a number of areas of DAS going to other parts of the Public Service. My recollection is that he may have suggested that Awards and National Symbols could go to the Department of the Prime Minister and Cabinet. I do not recall any specific recommendation as to where that might be located.

Senator ROBERT RAY—There is another person in the room, isn't there, who also had some connection with it? I do not want that person to come to the table, but there is even a second person, isn't there, Mr Mackay?

Mr Mackay—There may be.

Senator ROBERT RAY—In program 3.

Senator FAULKNER—Mr Mackay, following the meeting that I was speaking about earlier, I received a letter from Mr Barrell, the general manager of corporate resources, that said:

Dear Senator Faulkner,

As promised in your discussion with DAS executive on 12 June, I have enclosed a copy of KPMG's recent report on review of departmental structure for your information.

He did not ask me to keep it confidential, I might say. That was the meeting I was referring to when I held discussions with senior executives of DAS, who briefed me in a very straightforward way and proper way on views about where the KPMG report was up to. That was the meeting with the DAS executive on 12 June 1997, that I referred to before, where I was informed by you and other senior officers of DAS of not only your confidence in the continuation of the strength of the case for a continuing separate department, but also your belief that that would be the outcome.

Mr Mackay—I do not resile from any of that, Senator. That is what I thought and believed at the time. But I also was well aware, as I assumed you were, that, in practical terms, I would have little, if any, impact—most likely none—on that decision, because it is a decision that the Prime Minister takes, and he alone.

Senator FAULKNER—I appreciate the Prime Minister's responsibilities in this regard, but I know that he relies heavily at times on the advice of Mr Baxter. I think you could confirm that, couldn't you, Senator Minchin?

Senator Minchin—I would not want to confirm or deny that. I am sure the Prime Minister takes advice from a whole range of people.

Senator FAULKNER—But Mr Baxter—

Senator ROBERT RAY—It is getting a bit narrower, but anyway.

Senator FAULKNER—Mr Baxter certainly has done a good deal of work for the current government in a range of areas—I think that is fair to say, isn't it, Senator Minchin?

Senator Minchin—I am not aware, off the top of my head, of the range of work he has done. He has done a range of work for various state governments. He has obviously got a reputation in this area.

Senator FAULKNER—Yes, but I was not asking about various state governments. I am just saying that he has been generously consulted. I am not being critical of that, but he has been generously consulted by the current Commonwealth government on a range of matters. I think that is a fair comment. I would be surprised if you were not able to confirm it, and I would be surprised if you would not confirm to me that the Prime Minister and the government put significant store on his advice.

Senator Minchin—Off the top of my head, I cannot tell you how many reports or inquiries he may have done for the government in the 20 months we have been in office.

Senator ROBERT RAY—We will know how much KPMG has within about three weeks, when the final departments come in.

CHAIR—Any more general questions before we go on to program 2?

Senator FAULKNER—Yes. There are a range of different general questions. Could you confirm, Mr Early, whether a minute went from Dr Boxall to the Secretary to the Department of the Prime Minister and Cabinet, in relation to the abolition of the Department of Administrative Services, prior to the announcement by the Prime Minister that the department had been abolished?

Mr Early—There was no such minute, as far as I am aware, Senator.

Senator FAULKNER—Could you confirm whether a minute went from Dr Boxall to the Prime Minister, on the issue of the abolition of the Department of Administrative Services, prior to the announcement that the Department of Administrative Services was to be absorbed into the Department of Finance?

Mr Early—Again, Senator, I have some difficulty with dealing with questions of advice to government of that kind, but a minute of that kind would obviously be very unusual.

Senator ROBERT RAY—What term do you prefer, Minister—'amalgamation', 'absorption'—so we can get it consistent throughout—in the DAS, Admin Services, whatever?

Senator Minchin—Do you have a description there, Mr Early?

Mr Early—I prefer 'formation', Senator.

Senator ROBERT RAY—'Formation' implies a bit of order, Mr Early. But 'formation'—okay.

Senator Minchin—What has been formed is the new Department of Finance and Administration.

Senator ROBERT RAY—Formation—have you got an acronym for that yet?

Mr Early—We are working on it, Senator.

Senator FAULKNER—So are others, I understand.

Senator ROBERT RAY—We will not be so unkind to say. We want to have a look at those, once the integration team is under way—for example, how this was brought about, especially in terms of staffing. Can we ask, first of all, what was the process for staff selection during formation?

Mr Early—The only issue of staff selection during formation was in respect of senior executive service staff.

Senator ROBERT RAY—That is in terms of the integration team, is it?

Mr Early—No. I am sorry: I misunderstood the question. The integration team, to the best of my knowledge, has not played a role in selection of SES staff. That is a role that the secretary plays.

Senator ROBERT RAY—Forget the integration team. We will move on. What was the process for staff selection in the formation process?

Mr Early—In essence, we looked at the structure that was appropriate for the newly formed department and then looked at the SES staff that were within the parts that have been put together. The secretary made a judgment as to what the best fit of staff to positions was.

Senator ROBERT RAY—All right. Let us come back to the SES in a moment. Are you saying that, because it was only SES, other staff members will continue in their jobs into the future—other than for what may have been the pre-existing rationalisation processes flowing through?

Mr Early—I think the short answer is yes, but let me make sure I am not misleading you. At formation, sub-SES staff were left in place and put into the new organisation as they were. As you are aware, there were processes in train in DAS of moving people to the staff redeployment unit, and they continued, obviously, after the formation of the new department. As I have mentioned earlier and, again, as you would be well aware, there are reviews of a large number of areas of the new Department of Finance and Administration, areas which are continuing and which have the potential to impact on staff when decisions are made on them. But, at the point of formation, the non-SES staff followed function.

Senator ROBERT RAY—Followed function.

Mr Early—Yes.

Senator ROBERT RAY—Precisely. How many SES officers will be redundant when the formation process is complete?

Mr Early—Can you bear with me a second, Senator? When we put the new SES structure together, there were five officers who were in the process of seeking redeployment or retirement, and those five officers were redeployed or retired.

Senator ROBERT RAY—I am now having trouble hearing you.

Mr Early—I am sorry. It is my cold.

Senator ROBERT RAY—If you have got the list, give it to Mr Bartos: he can yell them out.

Mr Early—I will try again. When we put the SES structure together, there were five officers who were effectively already in the process of taking packages or being redeployed and, for

those five officers, we facilitated that happening. There were 23 of the 29 remaining DAS SES officers who were found positions in the new department, and that left six.

Of those six, to date, one has taken a package. We are seeking, and we believe we can succeed with, the redeployment of a couple of the others; and so there are two or three others. One person is ill. I hasten to add that that has nothing to do with the amalgamation. There are two who are still thinking about their future—that is, whether they would like a package or would like to seek redeployment. I am reminded that there was another one who took a package. There have in fact been two who have taken packages. I had forgotten one; I am sorry about that.

Senator ROBERT RAY—How many Department of Finance SES officers were lost in this process?

Mr Early—There were none that were lost in this process of formation.

Senator ROBERT RAY—I do not like the word ‘formation’ anymore: I think ‘takeover’ is a better word, Minister. If this was a formation process, was there some measurement taken of the relative merits of the DAS SES as compared with DoF’s? Was anyone in DoF considered likely to go, by way of comparative abilities?

Mr Early—There was an analysis of the relative merits of all SES officers. As I said before, we looked first at the structure that we felt was appropriate for the newly formed department and then at the relative merits of the people that we had.

Senator ROBERT RAY—That is a pretty big compliment to Finance, that five or six DAS people had to go but not one from DoF.

Mr Early—Part of the reason for that was that the rationalisation that was made of structure was more in the part of the organisation that came out of DAS. You might remember that, at the last estimates committee hearing, we discussed a review which we had done in Finance of structure. At that point, that had not been consummated, but it obviously was between the last committee hearing and the formation of the new department.

Senator ROBERT RAY—In relation to those six, was any one of those six advised they had a position but that that was subsequently not the case?

Mr Mackay—There was one.

Senator ROBERT RAY—What happened there?

Mr Mackay—In that particular case, the process had not been finalised, but I felt sufficiently confident that that would be the outcome and I advised that person accordingly and, in retrospect, I had acted prematurely.

Senator ROBERT RAY—Did you apologise to that person?

Mr Mackay—Yes, I did.

Senator ROBERT RAY—Minister, usually when these offers are made, whether you like it or not, they are kept. Have you got a view on that?

Senator Minchin—I would not want to expand my personal views on that matter. Obviously, that is desirable, but Mr Mackay has explained to you the circumstances and his apology for what occurred in relation to that one officer.

Mr Mackay—I did not make an offer to the person at all. I just said that I thought they had a job.

Senator ROBERT RAY—I understand that.

Mr Mackay—The next day, I corrected that.

Senator ROBERT RAY—Minister, who determined who would be the extra deputy secretary in the department?

Mr Early—Decisions on SES staffing were taken by the secretary.

Senator ROBERT RAY—Was it ever at any stage indicated that, in fact, there would not be an additional deputy secretary of the department? Isn't that a fact?

Mr Early—I am sorry; you will have to phrase the question differently, Senator. I do not understand it.

Senator ROBERT RAY—At one stage in this formation process, was an indication given that there would not be an additional deputy secretary position?

Mr Early—The indication that has been given on many occasions is that what we have in the Department of Finance and Administration is an executive, which comprises the secretary, Peter Boxall; and the deputy secretary, me; and that is the traditional alter ego deputy secretary role.

Senator ROBERT RAY—I understand that.

Mr Early—We also have Mr Mackay, who in essence looks after what he had looked after in DAS, as an on-line deputy secretary. So whether we have got one or two deputy secretaries depends on how you count. It is possible that it was being said that we were going to have one in terms of having one off-line deputy within the executive.

Senator ROBERT RAY—I am trying to get to this period around 9 October or a bit before, when it was announced that DAS was going to be abolished. In fact, it was a bit earlier: you or others said it was the long weekend. It was at that point that, at some stage, it was indicated that there was not going to be an additional deputy secretary. I am just trying to find out why that changed.

Mr Early—Without some further information, it is a bit hard for me to know what you are referring to.

Senator ROBERT RAY—You might send that on to the secretary for a response, if he deems that he wants to respond, as to whether he ever indicated there would not be an additional deputy secretary's position.

Mr Early—I am happy to ask him, Senator.

Senator ROBERT RAY—Thank you.

Senator FAULKNER—I would be interested in understanding in this process, Mr Early, how you ensured that there was a merit process.

Mr Early—Essentially, in a couple of ways. Firstly, in terms of the people from the old Department of Finance, Dr Boxall and I had direct knowledge of many of the DAS SES people. I had run the Department of Finance's division which had DAS within its portfolio of responsibilities and I had sat on things like the Commonwealth Property Committee for about 12 months at that point.

Secondly, we talked to senior DAS people and asked for their assessment of the people concerned. We also had other information on what people had done.

Senator FAULKNER—Which senior DAS people did you talk to?

Mr Early—I am not sure that it is appropriate to list them all but the people that you would obviously go to for referee's reports on the people that were—

Senator FAULKNER—You just talked to the former secretary, for example?

Mr Early—We talked to John Mellors.

Senator FAULKNER—You would have talked to the two deputy secretaries of DAS, for example?

Mr Early—We talked to John Mackay.

Senator FAULKNER—You did not talk to Mr Godfrey?

Mr Early—Not to ask for reports on SES people.

Senator FAULKNER—Why was that?

Mr Early—It was a judgment that we took at the time, in the circumstances.

Senator FAULKNER—What do you mean by ‘other information’? What does that mean?

Mr Early—Just factual information on what people had done.

Senator FAULKNER—So you can say to me that you are quite confident that this was an adequate merit process?

Mr Early—I certainly can, and as we have learnt more about the people and the organisation concerned, we are more confident of that. I should hasten to add, because the names of the six people are publicly known, that there should not be any implication taken that those six people are not competent, or the six least competent, in the merged department. Essentially, it is a matter of fitting people into the jobs. There were circumstances where you would have two people with specific skills but only one job that needed those skills. It was certainly based on merit in terms of getting us the best SES we could get. That applied even to the organisation structure that we felt was appropriate for the newly formed department.

Senator FAULKNER—I gather from what you are saying this was a function that you effectively coordinated. Would that be fair to say?

Mr Early—No, it is not entirely correct. Decisions on SES are unequivocally decisions that are taken by the secretary. The secretary obviously consulted with other senior people in that regard and I was one of them. I played the role that a deputy would normally play in such circumstances.

Senator FAULKNER—I understand that, but you did use the personal pronoun on a couple of occasions in your previous answer and I just thought you might have been quite integral to the processes.

Mr Early—At the end of the day the decision was the Secretary’s decision, and it has to be.

Senator FAULKNER—I appreciate that.

Mr Early—I was certainly involved in assisting him make decisions.

Senator FAULKNER—Is there a way of using performance data in these sorts of assessments?

Mr Early—Obviously, the DAS people that we talked to are aware of the performance of the people concerned.

Senator FAULKNER—Let us say you did not talk to ex-deputy secretary Godfrey. Given his responsibilities in the former Department of Administrative Services, would that not leave a bit of a hole?

Mr Early—No. As I understand it, the DAS executive moderated—I do not know whether that is the term; it is the term we used in the old Finance—the ratings of all SES so we were—

Senator FAULKNER—It is really hard to hear you, Mr Early. I wonder if perhaps *Hansard* might be able to turn the mike up a bit. It might be helpful for you as well as us for us, I suspect.

Mr Early—Thank you. Is that working or not?

Senator FAULKNER—It is not too bad. If they can give you a bit of volume it will help all of us. I am sorry; I actually missed what you said.

Mr Early—I am sorry; I will repeat. My understanding is that the DAS executive, like the DoF executive, was involved in the moderation of all SES ratings and therefore we had access to information on how all people had performed. Certainly, in the old DoF the ratings of SES officers were discussed between the secretary and deputy, or deputies, each year in the past.

Senator FAULKNER—Can you confirm that, Mr Mackay, as the only former member of the DAS executive here?

Mr Mackay—Absolutely. I had access to at least the last couple of years of performance ratings for all SES.

Senator FAULKNER—Were there any discussions with ministers in relation to those officers who might be retained?

Mr Early—As you would be well aware, there is a long-standing protocol that secretaries pay ministers the courtesy of informing them of significant SES movements and that protocol was followed on this occasion.

Senator ROBERT RAY—But the minister's office did not start making calls saying, Y, X and Y?

Mr Early—No.

Senator FAULKNER—As for those unsuccessful SES officers who were not retained, did you provide them with an explanation of why this was the case?

Mr Early—We talked to each of them, yes.

Senator FAULKNER—Who actually talked to them? Who undertook that function?

Mr Early—Dr Boxall and I talked to Mr Godfrey. The general managers, in the first instance, talked to all of their SES to tell them whether they had a job or not and then I talked to each of the other SES subsequently.

Senator ROBERT RAY—In terms of redeployment, do you get a bit proactive? I wonder if you beat the bushes around other departments and say, 'These people have polished up all right. We just don't have room for them.'

Mr Early—We do not do that unless the officer wants us to. If they do, yes, we do so.

Senator FAULKNER—Are you satisfied that these officers had an opportunity to put a case to you if they felt so minded?

Mr Early—Yes, I am.

Senator FAULKNER—Did you have any contact at all with the Public Service Commissioner in relation to these processes, either advisory or informal?

Mr Early—The short answer is yes. I am not sure I can recall exactly the contact, but I certainly talked to Mr Kennedy to seek advice as to how we should deal with people as fairly and reasonably as we could in the circumstances.

Senator ROBERT RAY—That advice did not go to any of Mr Kennedy's inquiries though?

Mr Early—No.

Senator ROBERT RAY—I did not think it would.

Senator FAULKNER—Would it be reasonable to say they were, if you like, relatively informal communications between yourself and Mr Kennedy?

Mr Early—Yes. Essentially I was seeking guidance as to what was the proper way of dealing with people in the circumstances. I got that advice and I followed it.

Senator FAULKNER—Are you absolutely satisfied that the provisions of the Public Service Act were complied with in every respect in terms of these processes?

Mr Early—I am sure you have seen the current Public Service Act the same as I have.

Senator FAULKNER—Yes, unfortunately so.

Mr Early—I cannot assert that there is not an arcane provision on page 2003 that I am not aware of but, to the best of my knowledge, we have absolutely complied.

Senator FAULKNER—I think I can confirm that it does not quite get up to page 2003.

Mr Early—I was exaggerating a trifle but, unfortunately, not much.

Senator FAULKNER—The import of my question is that you are satisfied it was within the spirit and, to the extent that you are able to confirm, within the letter of the Public Service Act.

Mr Early—Absolutely.

Senator FAULKNER—I see.

Senator ROBERT RAY—Just to recap, in this process is the decision of determining who goes on and who does not essentially made by the secretary to the department?

Mr Early—Correct.

Senator ROBERT RAY—The secretary to the department would consult with the minister or ministers out of proper courtesy, or interest by ministers as to what is happening?

Mr Early—I actually chose my words before fairly carefully. The protocol, again as you would be well aware, is really one where the secretary informs the minister in advance what the secretary proposes to do.

Senator ROBERT RAY—Yes.

Mr Early—Rather than 'consults'—it connotes a different meaning which is, in my view, not accurate.

Senator ROBERT RAY—Yes, I see. What you have said is what I was trying to imply, just in a different language. Do you think you are in a position to assure us there was no ministerial interference outside that process?

Mr Early—You would understand this process: you try lots of hypotheses, juggle people and try and get best fits, and I could not say to you that we did not move things around because we did. To the best of my belief—

Senator ROBERT RAY—Sorry, I will make myself clear.

Mr Early—Let me finish the sentence; it might actually help you or help us and I am trying to be helpful. To the best of my belief, there was nothing that the minister said or did that influenced who would be where in the structure. The decision was taken by the secretary and I do not believe the minister led to changes to what would have otherwise happened.

Senator ROBERT RAY—Do not take it wrongly from me, Mr Early. I believe ministers have a right, in that period in which the secretary raises these things, to have their say and have an influence on these appointments. I do not think they should be made independent of a minister.

Mr Early—I am not suggesting that they were made independently.

Senator ROBERT RAY—No, I am making my position clear so that is understood. What I think would be wrong—and you say it did not happen in this case—is for a minister to pre-emptively ring up and say, ‘I want X and Y and I don’t want Z.’

Mr Early—That did not happen.

Senator ROBERT RAY—Yes. I do not want to go to an individual’s name, but some doubt was raised at some stage about the citizenship of one of the SES officers. Has that been resolved?

Mr Early—I have no knowledge of that.

Senator ROBERT RAY—Mr Mackay?

Mr Mackay—I cannot recall it being raised. We do have one person working with us from Canada on interchange. That has been something that has happened throughout many years. We send people to Canada; they send people here for experience. But that person has not been appointed to a position.

Senator ROBERT RAY—I see. So that person is in an SES position?

Mr Mackay—They are here on secondment from Canada, effectively.

Senator ROBERT RAY—SES equivalent?

Mr Mackay—That is right.

Senator FAULKNER—Can I just ask if Mr Moore-Wilton, Secretary to the Department of the Prime Minister and Cabinet, provided any views as to the suitability or otherwise of any of the staff—SES officers—whom you were giving consideration to?

Mr Early—He certainly provided none to me. Given some questioning earlier in the week, I asked Dr Boxall whether he provided any to him and his answer was no. Whether there is any other, I obviously do not know.

Senator ROBERT RAY—I accept that answer. Did any senior- to middle-senior person from DAS go over to brief Mr Max Moore-Wilton about personnel changes?

Mr Early—Not to my knowledge, Senator.

Senator ROBERT RAY—You are not aware of someone who worked under you, Mr Mackay, that went over on 9 or 10 October?

Mr Mackay—If you are talking about the situation in relation to Awards and National Symbols, there was a person who went over with my full knowledge to talk to PM&C, but that was clearly in terms of the fact that his function had been transferred to PM&C. It was my suggestion that he actually go and talk to them about the usual things you would at that time, that is, where is the accommodation, what resources need to be brought across, how do

you want to structure the thing et cetera. That happened to a number of other agencies in similar circumstances.

Senator FAULKNER—Are you aware with whom that officer met, Mr Mackay?

Mr Mackay—My clear understanding is that he was meeting with Mr Blick who would be responsible for that new function.

Senator FAULKNER—Mr Blick did indicate that he spoke to an officer of that branch. Did the officer speak with any other officers?

Mr Mackay—I have read the answer that Mr Blick gave and I have got nothing to add to that. I sent him there to talk to Mr Blick. As I read the *Hansard*—by chance almost—Mr Moore-Wilton got involved in that discussion and, of course, I was not there so—

Senator ROBERT RAY—But it was not reported back to you, Mr Mackay, that the discussion went beyond Awards and National Symbols and into the merits of some of your colleagues?

Mr Mackay—Not that I can recall.

Senator ROBERT RAY—No, not that you can recall. You would surely recall that if it was fed back to you.

Mr Mackay—No.

Senator ROBERT RAY—I mean it was not the most friendly—in fact it was almost a poisonous atmosphere around at that stage, wasn't it?

Mr Mackay—I think it was a—

Senator ROBERT RAY—I am not saying you were responsible for that but it was a tough time, wasn't it?

Mr Mackay—Yes, it was a fairly difficult time.

Senator ROBERT RAY—Not a pleasant time. And so I am just trying to establish whether—we will leave that go if you have no further knowledge of it.

Senator FAULKNER—Perhaps I could ask you, Minister, so we are clear on how you fit into this picture: did you have any involvement in these issues prior to your ministerial appointment?

Senator Minchin—None whatsoever.

Senator FAULKNER—If there was involvement then obviously it might not be unreasonable, given that you are parliamentary secretary to the Prime Minister and there was, as we have had pointed out to us and I think understand, clearly a decision here for the Prime Minister to make in relation to arrangements for the absorption of DAS into DoFA. I would have thought it was possible that, as parliamentary secretary to the Prime Minister, you may have engaged in these issues. But quite clearly you did not.

Senator Minchin—I can honestly say, without any reservation or qualification, that I had no involvement whatsoever in any discussions that led up to the Prime Minister's decision—or any knowledge of what was being discussed.

Senator FAULKNER—Would you be able to give a similar assurance in relation to your then staff?

Senator Minchin—My then staff?

Senator FAULKNER—Yes.

Senator Minchin—Absolutely.

Senator FAULKNER—So when would you have had your first contact with DoFA? Would it be fair to say that it was almost immediately after your appointment?

Senator Minchin—It would not have been until after the swearing in, I would think. It was around the time of the swearing in that I received my first briefing on the position.

Senator FAULKNER—Prior to that first briefing you did not have any contact with DAS, DoF or DoFA officials about these sorts of issues?

Senator Minchin—The Prime Minister rang me on that weekend when it was announced, of course. Prior to that I had had no involvement.

Senator ROBERT RAY—You were close to the phone at the time, were you?

Senator Minchin—I was wanting to go to the football actually.

Senator FAULKNER—You wanted the phone call more than you wanted to go to the football.

Senator Minchin—I am not sure about that.

Senator ROBERT RAY—Are you a Norwood or Port supporter?

Senator Minchin—Norwood, so it was a good day. I think someone rang me during that week leading up to the swearing in but I had no other contact.

Senator ROBERT RAY—With regard to the abolished department, there was a fair bit of leftover business—inquiries to be precise. We will not necessarily be going into a lot of the substance of it but when was the AFP called to the Department of Administrative Services?

Mr Peel—I do not have that date here but—

Senator ROBERT RAY—Ball park?

Mr Peel—They were called in by Mr Mellors prior to the events.

Senator ROBERT RAY—What prompted Mr Mellors to call them in?

Mr Peel—Mr Mellors was concerned that documents may have been leaked from the department and wanted to establish whether that was the case. Mr Mackay reminds me that it was probably on the Thursday after the article in the *Bulletin* by Mr Oakes.

Senator ROBERT RAY—So 25 September?

Mr Peel—It could be around that date.

Senator ROBERT RAY—What were the terms of reference give to the AFP?

Mr Peel—I do not think there were any specific terms of reference. It was simply a request by the secretary that the AFP examine the situation to see whether there may have been any contact between department officers and other people passing on information that it was inappropriate be passed on.

Senator ROBERT RAY—Was this restricted to essentially one section and then a line of command?

Mr Peel—I do not believe so. I think it was broadened to the whole department.

Senator ROBERT RAY—Broadened to the whole department?

Mr Peel—I believe so.

Senator ROBERT RAY—I see. I don't want to go to the substance of it but have you received a report from the Federal Police in this matter yet?

Mr Peel—Not as yet.

Senator ROBERT RAY—Have you been given, at any stage, a progress report?

Mr Peel—I have not. The police have interviewed a number of people within the department but I have not been given any information as to where they have reached in their inquiries.

Senator ROBERT RAY—Do you know if the police have gone to the phone records of the department?

Mr Peel—I do not know that but it may well be something that they would normally do.

Senator FAULKNER—Do you know that, Mr Mackay?

Mr Mackay—No, I do not.

Senator ROBERT RAY—There is not much point in asking when you expect the report in because they never tell you until they are ready, do they?

Mr Peel—They do not have a date to report on those police matters.

Senator ROBERT RAY—Who do they report to now, though? Clearly they are not going to report to poor old Mr Mellors. Who are they going to report to?

Mr Peel—They would report to Dr Peter Boxall.

Senator ROBERT RAY—Would they?

Mr Peel—I have just found some information that you were asking for earlier. The secretary of DAS, Mr Mellors, asked the Federal Police to investigate the matter on 25 September.

Senator ROBERT RAY—Fine. Do you want to add something, Mr Mackay?

Mr Mackay—Just that he did broaden the terms of reference for the Federal Police after the allegations that information had been downloaded on the Internet. So there was an original investigation commissioned, and that investigation was extended when there was talk about the download of information on the Internet.

Senator ROBERT RAY—That was a waste of time. That did not occur to your knowledge, did it?

Mr Mackay—No.

Senator ROBERT RAY—No. Okay. Let us move to the Kennedy report? You would be aware that we had some discussion with Mr Kennedy during PM&C and that there Mr Kennedy said that a legality of his inquiry was quite adequately dealt with by DoFA—that you took the necessary steps to make sure, having abolished one department, that he had proper legal authority. You can confirm that, Mr Early?

Mr Early—Yes.

Senator ROBERT RAY—That was good work. I cannot quite remember the date but I think it was 31 October that report was received?

Mr Early—That is correct.

Senator ROBERT RAY—Minister, is that report going to be made public?

Senator Minchin—It is an internal departmental matter. It has not come to me.

Mr Early—The very clear practice is not to make publicly available the reports of disciplinary hearings. They obviously go to very sensitive issues of privacy and the rights of the people concerned. That has been longstanding practice.

Senator ROBERT RAY—Yes. Has the report been shown to Mr Mellors?

Mr Early—There are only two copies of the final report in existence. One of those is held by Mr Kennedy.

Senator ROBERT RAY—And one by you?

Mr Early—One of those was provided to Dr Boxall and has been seen by only five people in DoFA.

Senator ROBERT RAY—Who are those five who have been shown it?

Mr Early—Dr Boxall, me, Dr Boxall's personal assistant, and Mr Peel and Mr Hamburger in the division.

Senator ROBERT RAY—Was a draft copy of the Kennedy report shown to any other SES officer before it became a final report?

Mr Early—That is a question you would have to direct to Mr Kennedy. I really have no direct knowledge of that. It certainly was not shown to me or to Dr Boxall in draft.

Senator ROBERT RAY—No I did not think it would be.

Mr Early—I know that Mr Kennedy made sure that people understood what they were being looked at for, and I understand that he gave relevant people some relevant parts of the draft report. My only knowledge is that sort of general knowledge.

Mr Peel—Senator, perhaps I could be of some assistance. I was present when Mr Kennedy met with a number of officers and indicated to them the general direction of his findings in relation to those particular officers. He did show a copy of the draft report minus the conclusions, just the factual data in the report, to an officer of the division so that she could check that information for its accuracy. But that in no way covered the conclusions that it made or observations on individuals.

Senator ROBERT RAY—The relevant part of the question, Minister, is that if there is going to be an adverse finding against a public servant, they have to at least be given a chance to comment on it before it goes into the final form. If it has not been shown to any officer, I suppose we can then deduce that there is no adverse finding against individual officers. There may be some systemic things.

Mr Early—We have put out a staff notice on the outcome of the Kennedy report which I am very happy to table.

Senator ROBERT RAY—Happy to share with us?

Mr Early—Yes. I will just find the relevant words so that I get it accurately—this is from Dr Boxall's staff notice:

I have now received Mr Kennedy's report and have accepted his conclusion that none of the officers concerned failed to fulfil their duties and I have advised them accordingly.

Senator ROBERT RAY—Really. Could we have a copy of that?

Mr Early—Yes, sure.

Senator ROBERT RAY—Minister, given the fact that we have heard that that is the conclusion, I am just wondering about Senator Hill's statement to the estimates committee when he was asked, on the abolition of DAS—a provocative question by me, I might add—

Senator Minchin—That is unusual, Senator Ray!

Senator ROBERT RAY—whether in fact the Prime Minister blamed DAS for his problems. Senator Hill replied:

The Prime Minister blames his colleagues for ministerial problems—

true—

but there certainly has been a view that some of these matters could have been administered more effectively than they have been.

We will come back to that in another context.

We are in the difficulty that we cannot see the Kennedy report. I accept that, Mr Early. But the previous secretary really wanted to know whether there had been a bad failure, not only on behalf of ministers, but on behalf of the department, so it is very hard for us to get an evaluation of the degree of either guilt or innocence of the department in these matters without seeing the Kennedy report—and therein lies our difficulty. I am still basically agreeing with Mr Early—these things are not publishable. I am just wondering what the way around that is.

Senator Minchin—Mr Early would like to respond to that.

Mr Early—When we get the staff notice back, Senator, you will see that it reports some comments that Mr Kennedy has made about how things could be done better and the fact that we are taking action to do that. There is also, as you would be aware, an Auditor-General's report.

Senator ROBERT RAY—We are coming to that.

Mr Early—We are not forever frozen at the state of knowledge that we now have.

Senator ROBERT RAY—We are going to have to come back, but not in general questions, to a very specific examination of how things could have been done better and the history of that. Again, Minister, it is process, not substance, you understand.

Senator FAULKNER—Mr Early, I may have not quite heard you correctly but I think you said to me that there were five staff members or officers within the department of finance—Dr Boxall, his personal assistance, yourself, Mr Peel and Mr Hamburger—who had sighted a copy of Mr Kennedy's final report.

Mr Early—That is correct.

Senator FAULKNER—I just wanted to be doubly sure of whether you are aware of any others outside the Department of Finance and Administration who may have sighted that report.

Mr Early—I expressed myself badly. There are only five people that have seen Dr Boxall's copy of the report. They are those five people; nobody else has seen it.

Senator ROBERT RAY—Are you calling the Federal Police in on this issue?

Mr Early—On the issue of?

Senator ROBERT RAY—How the substance of the Kennedy report got into the *Canberra Times* of 1 November 1997.

Mr Early—We have asked our internal fraud people to look at that issue, Senator.

Senator ROBERT RAY—It is possible, is it not, Mr Early, that this article is based on an earlier draft, not the final report?

Mr Early—It could have been based on anything. I have no knowledge of what it was based on. It could have been based on speculation.

Senator ROBERT RAY—It would be unfair to say that one of the five or six was responsible?

Mr Early—I think it would be grossly unfair, Senator.

Senator ROBERT RAY—Yes, I agree. You mentioned, Mr Early, the Auditor-General's report. Have you got any idea when that will be in?

Mr Early—Mr Peel may have better information but my understanding is late November, early December.

Mr Peel—That is correct, Senator; that is when we anticipate the report would be tabled.

Senator ROBERT RAY—For tabling? It will come to the parliament for tabling?

Mr Peel—My understanding is that Auditor-General's reports are tabled in the parliament.

Senator FAULKNER—That was ours until Senator Hill's comment a couple of days ago in estimates.

Senator ROBERT RAY—Was it really anticipated, Minister, that this report would be tabled?

Senator Minchin—I am operating on the general understanding that Auditor-General's reports are tabled.

Senator ROBERT RAY—But he will only be tabling his financial audit; the other terms of reference he was given he has rejected.

Mr Peel—That is something you will have to ask the Auditor-General in terms of what he might be tabling.

Senator ROBERT RAY—We will get that opportunity on Thursday.

Senator FAULKNER—There is no level of flexibility to not table an Auditor-General's report, is there?

Senator Minchin—I am not an expert on the rules governing the Auditor-General, I would have to say.

Mr Early—No. I think it is a question that would be better directed at the Auditor-General. I simply do not know the answer.

Senator FAULKNER—I just thought, Senator Minchin, that, as now the Special Minister of State, you would be very expert on these matters.

Senator Minchin—I suffer from a lot of inexperience, Senator Faulkner, in a lot of areas.

Senator ROBERT RAY—The problem here, Minister Minchin, is that the Auditor-General was given the task of doing a job that was multifaceted. One was an exercise not to do with the audit function, which he has rejected. For the second one he has relied strictly on his audit powers. I was wondering whether the overall issue was referred to him because he was seen as a person of independence and it was not necessarily the government's intention for him to just narrowly use his audit powers which would then trigger the public tabling of his report.

Senator Minchin—I am not quite sure of the drift of the question.

Senator ROBERT RAY—I was trying to be helpful to the government but I will leave it at that. At his press conference, on 26 September, the Prime Minister stated that the DAS report on Mr McGauran would be on his desk on the Monday morning of 29 September. Was it?

Senator Minchin—That report has been received and is under consideration.

Senator ROBERT RAY—But I am asking whether it met the time line?

Senator Minchin—I cannot remember when it came in. I do not think it met that time line but certainly it has been received and it is being considered.

Senator ROBERT RAY—Was an interim report given to the Prime Minister on 28 September by the secretary and deputy secretary? It was not Mr Mackay, the other deputy secretary.

Mr Peel—No, I am not aware of that.

Senator ROBERT RAY—You are not aware of a meeting at the Lodge on Sunday night of 29 September where a part report was given to the Prime Minister?

Mr Peel—I am aware that there were some meetings with the Prime Minister but I was not there at the time and I do not have any knowledge of what was discussed.

Senator ROBERT RAY—In any event, with this particular report, there was no commitment to make it public, was there, Minister?

Senator Minchin—Not that I recall.

Senator ROBERT RAY—Do any officers recall anything on this?

Mr Peel—There was no commitment that I am aware of—although, I think the Prime Minister was asked that question at the press conference you referred to. He replied to the effect that he would need to see the report first.

Senator ROBERT RAY—You would be pleased to know, Minister, when we were checking on the expansion in the ministry, we saw Mr McGauran argue vehemently against it because of the increasing costs of travel allowance that were put on the taxpayer. We will not explore that.

Senator Minchin—No.

Senator FAULKNER—I would like to ask a number of questions about the decisions that were made in relation to a range of the former program areas of the then Department of Administrative Services and perhaps understand the rationale that went to the decisions that were made by government for their placement in the Department of Finance and Administration.

The first area is ministerial and parliamentary services. Mr Early, could you explain how this process worked in the first instance? I suppose the areas of particular concern, as well as ministerial and parliamentary services, are OGIA, Commonwealth Grants Commission and honours and awards to PM&C. You may not have had the benefit, as I have had, of reading one or two reviews that have been undertaken, and I appreciate that. I understand, in the first instance, the involvement at a departmental level in providing advice on those decisions.

Mr Early—In terms of where functions in DAS went, that was a decision taken by the Prime Minister and I have no knowledge on precisely how he made those decisions.

Senator FAULKNER—I see. Was there no consideration, at the level of the Department of Finance, of the appropriateness or otherwise of the placement of these particular program areas? I am a little surprised to hear that. I would have thought these issues were of such significance that it would exercise the minds of the executive of the Department of Finance—as we know it was exercising the minds of the executive of the Department of Administrative Services.

Mr Early—I can assure you that it has exercised the minds of the executive since the formation was announced. But, as for any role before that, that really falls into the same category as an earlier question. That is to say, if the department played any role, it was in the nature of policy advice to government, and I cannot talk about that.

Senator FAULKNER—But were there discussions between the Department of Finance at a departmental level and the Department of the Prime Minister and Cabinet on these matters? Again, I would be very surprised if that were not the case.

Mr Early—I do not know the answer to that question.

Senator FAULKNER—Surely, Mr Early, if they had taken place, you would be aware of them, wouldn't you?

Mr Early—I certainly had no such discussions, and I really cannot help you on others.

Senator FAULKNER—Can you assist us with this at all, Minister?

Senator Minchin—I am afraid not, Senator.

Senator FAULKNER—Are you aware of whether there had been any consideration at all of whether Ministerial and Parliamentary Services might be better as a separate small statutory authority, given the nature of the issues in relation to parliamentary entitlements and the debate around that matter in recent times? I certainly accept that this would be a different approach from the one that has been undertaken historically, but was any consideration that you are aware of given to that at all?

Senator Minchin—Certainly not on my part. It is the first I have ever heard of such suggestion.

Senator FAULKNER—What do you think of it?

Senator Minchin—I do not know if the department can respond; but no. As I say, following my appointment, I was briefed on the new administrative arrangements, which quite clearly had Ministerial and Parliamentary Services within the new department. At no stage was it ever suggested to me that any alternative arrangement had even been considered.

Senator FAULKNER—What do you think of it as a suggestion?

Senator Minchin—Entirely sensible.

Senator FAULKNER—Entirely sensible?

Senator Minchin—The current arrangements? Yes.

Senator FAULKNER—No; I asked—

Senator Minchin—This suggestion you have put forward?

Senator FAULKNER—I am just asking what you—

Senator Minchin—I am talking about the current ones. I just said to you that I was briefed on the current arrangements, which I regard as entirely sensible.

Senator FAULKNER—Do you think there might be a case for perhaps a separate, small statutory authority covering those responsibilities that Ministerial and Parliamentary Services have, or do you think that is something that is outlandish and out of the question?

Senator Minchin—I am very confident that within the Department of Finance the functions performed by Ministerial and Parliamentary Services will be performed to the highest standard and with great efficiency and effectiveness. As I say, it is the first I have ever heard of a proposition that it be set off in some statutory authority in some separate arrangement. I think the new arrangements will work well and I have great confidence in them.

Senator FAULKNER—But you are not aware, Mr Early, of the then Department of Finance expressing any views at a departmental level as to the appropriateness or otherwise of

Ministerial and Parliamentary Services being integrated into the operations of the Department of Finance?

Mr Early—I am sorry: I lost the thread of the question. Are you asking me have I heard of it being a statutory authority?

Senator FAULKNER—No. I think I asked you, Mr Early, whether you were aware of any involvement at a departmental level in the Department of Finance—as opposed to advice to ministers—about considering the appropriateness or otherwise of Ministerial and Parliamentary Services being placed within the Department of Finance and Administration?

Mr Early—I am not aware of any such departmental discussions.

Senator FAULKNER—Okay. Did that go to any of the other functions that I have mentioned? For example, was it considered whether it might be more appropriate that OGIA go to the Department of the Prime Minister and Cabinet? Was any consideration given to that issue at all?

Senator Minchin—I am not aware of any such consideration, no.

Mr Early—No. Again, I am not aware of any departmental discussions on that matter.

Senator FAULKNER—Minister, do you believe there might be a case to be mounted such that perhaps OGIA could find a home in the Department of the Prime Minister and Cabinet?

Senator Minchin—Again, I have never heard that suggestion until you just put it. And, again, I can only say that I have every confidence that the placing of that unit within the Department of Finance will work extremely well.

Senator FAULKNER—There certainly has been some public speculation about the Grants Commission, and I think you would be aware of that speculation. I have read a number of newspaper articles on concerns that have been expressed by the Grants Commission about its future. I would be surprised, Mr Early, if that was not something that had exercised the minds of the executive of the Department of Finance. It has certainly exercised the minds of a number of journalists. Can you give me any background in relation to those particular processes or decisions? You would be aware of the newspaper articles.

Mr Early—Yes, I am aware of the newspaper articles. I am not aware of any departmental discussions on that matter in advance of the newspaper articles. Obviously, after the newspaper articles, there was a conversation between Dr Boxall and Mr Searle—I might have his name wrong—but certainly not before then.

Senator FAULKNER—Okay. How did that discussion go?

Mr Early—I was not party to the discussion, but I would imagine that it would have been somewhat terse.

Senator FAULKNER—That is why I asked.

CHAIR—Senator, we will suspend the hearing until 11.15 a.m. approximately.

Sitting suspended from 11.02 a.m. to 11.19 a.m.

CHAIR—The committee will resume.

Senator Minchin—Mr Chairman, Mr Early would like to add something in relation to his previous evidence.

CHAIR—Thank you, Minister. Mr Early.

Mr Early—Thank you, Mr Chairman. I have now got a copy of the Baxter report and I find that the list of people that they talked to, outside DAS, included one Len Early, Deputy Secretary, Commonwealth Department of Finance.

Senator ROBERT RAY—It wasn't high on your priority list!

Mr Early—I must say, having seen the name there, I can vaguely remember a conversation. I cannot remember whether it was with Mr Baxter or somebody else, and I have got almost no memory of what the hell I said to them.

Senator FAULKNER—I knew that, Mr Early, but because, as I said, I had the report—I have even got it in front of me—I did not want to finger you in any way because—

Mr Early—I assure you it was a genuine mistake, Senator.

Senator FAULKNER—I appreciate that but you also understand that that is why I made the comments I did about the confidentiality of it.

Having established that, there is probably an issue there I would just like to revisit at a later stage—not in relation to your correcting the evidence but in relation to the substantive issues that we were dealing with. I hope you appreciate that is, in a sense, why I qualified the comments.

Mr Early—Thank you, Senator, I do.

Senator ROBERT RAY—I was detained on important business downstairs. I think my colleague was raising the question of OGIA just before we broke.

Senator Minchin—The placement of that unit in the departmental structure, yes.

Senator ROBERT RAY—Minister, is it valid now for the ministerial council that oversees this and assists this process to meet with only two permanent representatives?

Senator Minchin—There is a ministerial committee, not a council. It, I gather, continues the practice that your government had of having such a committee. As you have quite properly noted, the membership of that committee has, by definition, altered as a result of past changes. The question of the composition of that committee and replacing the two absent members is under active consideration, and replacements will be made in due course.

Senator ROBERT RAY—I am just wondering about whether the council will meet in the meantime, given it has only got two permanent members, which is you and Mr Georgiou?

Senator Minchin—There have been no significant issues that have arisen in this one month or few weeks so, to the extent that decisions are required or things have been noted, that has occurred between me and Mr Georgiou. As I say, we are moving to fill those two vacancies as soon as we can but, that has not yet happened.

Senator ROBERT RAY—Has Senator Heffernan been considered for one of these positions?

Senator Minchin—I am not going to speculate about who might fill the two positions—whether the two are both filled, and if so by whom.

Senator ROBERT RAY—It does not worry you that occupancy of these positions could be seen as a death seat, given two colleagues have fallen away?

Senator Minchin—It is coincidental and somewhat ironic that half the membership has gone.

Senator ROBERT RAY—Thank you.

Senator FAULKNER—Before we move on, could we perhaps revisit the substantive issue that we were speaking about in relation to Mr Baxter's report. I am not sure of the nature of the contact you obviously had with Mr Baxter, Mr Early, but it obviously did not leave a lasting impression with you—I think we can say that. Mr Baxter indicated that, after the discussions with a range of stakeholders both inside and outside the then Department of Administrative Services, he came to the conclusions that I am sure you, Minister, would be aware of—certainly, anyway, Mr Mackay is most expert in this—and did indicate that no compelling reasons had been put to him for dismantling DAS and transferring its functions elsewhere in the Public Service.

This is where I was wondering, Mr Early, whether that was the thrust of the advice that you were providing to Mr Baxter; hence my earlier questions. There are two explanations: I suppose you could say you put a different case but it was not compelling, but I would not be as cruel as to suggest that. I wondered if you could perhaps indicate to the committee whether the view that you had indicated to Mr Baxter was that it was a continuation of a separate Department of Administrative services and whether that in fact reflected a view more broadly held in Finance.

Mr Early—Obviously I cannot recall the conversation with crystal clarity, as I said. I cannot recall even whether it was with Mr Baxter or somebody else. I simply cannot recall whether I would have canvassed the issue of DAS's continued separate existence or not. If there were any finance paper which was in the nature of advice to government, I certainly would not have handed that across.

Senator FAULKNER—I appreciate that. Do you recall a discussion with Mr Baxter or one of his offiders? I suppose I find it a little surprising you cannot remember whether it was Mr Baxter or one of his offiders. That is stretching it a little, but I take your word for it.

Mr Early—That is the fallibility of my memory, I am sorry, Senator. If I cannot remember, I cannot remember. Obviously, if it is of interest to you, I can take it on notice and check my diary, but I simply do not know at this stage.

Senator FAULKNER—Do you normally take a diary note or file note of these sorts of discussions? I am not suggesting you ought to but—

Mr Early—No, not of discussions.

Senator FAULKNER—Some officers do and some do not.

Mr Early—No, not a discussion of that nature. To the extent I can recollect the discussion, it really was a speculative discussion on what the SES structure might look like, and it is not something that I would diarise.

Senator FAULKNER—So we definitely would not find an aide-memoire deeply embedded in a file somewhere?

Mr Early—No.

Senator FAULKNER—That was an in-joke, I think—a weak one but—

Senator Minchin—We get it.

Senator FAULKNER—I see, so there would be no point in me asking you, given your limited recollection of the discussions, whether it went to the appropriateness or otherwise of certain areas either staying with or transferring to DAS, because that was going to be the tenor of my questions previously?

Mr Early—No, it certainly did not go to those issues. Obviously my recollection on this is fallible, as we have already established, but this is my recollection of it: certainly the only views that I would have had would be very general views on things like the number and disposition of SES and whether that was appropriate or not. I would have had no expertise to offer on the location of particular parts of DAS.

Senator FAULKNER—And I was not entirely clear when you said you could not recall whether it was Mr Baxter you had met with or someone else—or whether it was not Mr Baxter and you could not recall who it was.

Mr Early—No, I cannot recall whether it was Mr Baxter or not, and if it was not Mr Baxter I cannot recall who it was.

Senator FAULKNER—It has obviously left an indelible impression on you—the whole process. Maybe the appendix is wrong. Have you thought of that?

Mr Early—No, I certainly have a recollection of a discussion on this issue, so I am quite sure the appendix is correct. As you say, it was not a substantive conversation. I do not know when it was. It may well have been in the budget process, sort of sandwiched between lots of other things.

Senator FAULKNER—Can anyone at the table inform me as to whether Mr Baxter's recommendation was that the current ministerial and parliamentary services provided by DAS continue and actually be strengthened? What Mr Baxter recommended was that you would transfer to DAS the ex- Governors-General support services—obviously currently performed by PM&C—and that those particular services, along with awards, national symbols and VIP transport, effectively should be grouped in one division together. You would recall that, Mr Mackay, as one of Mr Baxter's recommendations?

Mr Mackay—Yes.

Senator FAULKNER—This is significant in the sense that Awards and National Symbols very much believe that Mr Baxter after his exhaustive consultancy recommended that Awards and National Symbols actually be placed in the same division as those other program elements I have mentioned. I just wondered if this was given any consideration in this murky process that appeared to lead to Awards and National Symbols ending up over there in PM&C.

Mr Peel—Senator, perhaps I could help with that. As you point out, Mr Baxter did recommend that the awards and national symbols branch go to the ministerial and parliamentary services division. That recommendation was not accepted in the department, however.

Senator ROBERT RAY—When did the department decide not to accept that recommendation?

Mr Peel—I do not recall the date, but Mr Mellors made an announcement of the new DAS structure following his consideration of the Baxter report.

Senator ROBERT RAY—Do you know when he made that announcement?

Mr Peel—No, I have not that information with me, Senator, but we could check it and let you know.

Senator FAULKNER—That would have been approved by the then minister, Mr Jull, one assumes.

Mr Peel—I do not know whether Mr Jull approved it. I assume Mr Mellors would have discussed what he had in mind with the minister, and informed him of what he intended to do.

Senator FAULKNER—Before the break, Mr Chairman, of course, we were talking about the Commonwealth Grants Commission and I mentioned a newspaper article which I now have a copy of. It was an article on Friday, 10 October in the *Canberra Times* that talked about tensions between the Treasury and the Department of Finance becoming apparent after the abolition of DAS. I wanted you to assure me that that would not be the case—that there would be no tensions between the Department of Finance and Treasury.

Mr Early—I am sure there would not be in general, and there are certainly none whatsoever that I am aware of in relation to this specific event.

Senator FAULKNER—I see. I am very relieved to hear that. Could you just explain to me what occurred in terms of any departmental process within DoFA when DoFA became aware of this minute that was sent off to staff of the Commonwealth Grants Commission. That is the minute that was signed by the secretary of the Grants Commission, Mr Searle.

Mr Early—My understanding, Senator, is that Dr Boxall talked to Mr Searle and that Mr Searle subsequently issued an apology. I do not have a copy of that document here but that is the advice I have got over the break.

Senator FAULKNER—I see. Was that a public apology? It is now, anyway, is it not?

Mr Early—It was certainly at least a staff notice. Whether it was a press release, I do not know.

Senator FAULKNER—I see. I think that is one you can chalk up to Dr Boxall, you reckon.

Senator ROBERT RAY—We were talking in response to Senator Faulkner's questions about the sort of merit criteria used in the selection of SES officers and the processes, and you have given us a reasonably comprehensive report on the methodology. Was this methodology applied to who would be the additional deputy secretary in the department?

Mr Early—For obvious reasons I cannot give you as much information on the process with deputies as for others but it is my understanding that that is the case.

Senator ROBERT RAY—I see. Dr Boxall would have interviewed the two—I assume there were only two—prospective candidates. No-one else from Finance put up their hand for the second deputy sec position?

Mr Early—It was not a situation where we called for applications. It was a situation where we had a new structure and a list of people to deploy into that structure.

Senator ROBERT RAY—So would Dr Boxall have interviewed the two available candidates from former DAS?

Mr Early—As a generalisation, the process did not entail interviews.

Senator ROBERT RAY—Would he have discussed it with the two of them?

Mr Early—There were discussions with both people.

Senator ROBERT RAY—If it is not invading your personal area, Mr Mackay, could you tell us how long your discussion with Dr Boxall went?

Mr Mackay—I had a number of discussions with Dr Boxall.

Senator ROBERT RAY—Several. I do not want to invade your personal details, but were these over 15 to 20 minutes or an hour?

Mr Mackay—I think the first of them was a fairly brief phone conversation.

Senator ROBERT RAY—Then the others?

Mr Mackay—There was a further discussion where we might have been together for half an hour, although I am not sure that all of that discussion was confined to—

Senator ROBERT RAY—To your personal—

Mr Mackay—I am sure there was a very short part of it confined to myself and my future.

Senator ROBERT RAY—Yes.

Mr Mackay—We discussed a range of other matters during that period, mostly associated with integration issues.

Senator ROBERT RAY—It is probably true to say, Mr Mackay, that when we were talking about downsizing at a previous estimates committee, it became fairly clear that the future DAS would only have one deputy secretary in any event.

Mr Mackay—That is correct.

Senator ROBERT RAY—I think I wished you both luck, didn't I?

Mr Mackay—You did. It was a recommendation of the Baxter report that we reduce to one deputy.

Senator ROBERT RAY—Did Mr Boxall's interview with Mr Godfrey last 2½ minutes or four minutes?

Mr Early—I was present at the discussion to which you presumably refer. There was an initial discussion with Mr Godfrey, which was brief. I did not have the clock on it. There was certainly no time limit on that discussion. The discussions with SES went for as long as the participants wanted those discussions to continue and they varied in length very considerably. If I can just elaborate a little—

Senator ROBERT RAY—I am not yet interested in the second discussion that occurred a week ago.

Mr Early—There have been a number of further discussions between Mr Godfrey and Dr Boxall over the ensuing period of time.

Senator ROBERT RAY—In that first discussion, Dr Boxall informed Mr Godfrey that he had no future in DoFA, didn't he?

Mr Early—To be honest, I am quite uncomfortable talking about a particular individual's circumstances.

Senator ROBERT RAY—Let me stop you there if you regard it as all adversarial. Minister, can or will you confirm that at that first meeting Mr Godfrey was simply told he had no future in DoFA and probably very little in the Public Service?

Senator Minchin—I cannot confirm that. I am not the Minister for Finance.

Senator ROBERT RAY—Do you want take an advice on that and then confirm it.

Senator Minchin—I am happy to take that on notice and see what we can do.

Senator ROBERT RAY—Do you want to take advice or private advice from the official and then answer the question?

Mr Early—Senator, I am comfortable to talk about the approach that was taken to people generally.

Senator ROBERT RAY—I am asking a specific question. I accept what was being said about SES generally, but the integration team itself did not make a decision on the deputy secretary.

Mr Early—No.

Senator ROBERT RAY—Dr Boxall did.

Mr Early—Yes.

Senator ROBERT RAY—I am simply wanting to know, because the evidence has been given that people were treated as well as possible, whether Mr Godfrey was treated properly in that initial meeting.

Mr Early—I think the answer to that question is very clearly yes. The discussions that were held with all SES were held at a length that the person concerned and the person they were talking to deemed appropriate. There was no limit on the time. There was certainly no schedule that required the discussion to be other than as long as required. In all of the discussions with SES, it was made clear that the issue was not their individual competence or suitability for level, but the judgment that was made about who would be best deployed in the new Department of Finance and Administration.

Senator ROBERT RAY—I am not going to the question of who was best.

Mr Early—I understand what you are saying.

Senator ROBERT RAY—I am not in the position to judge that. I am asking whether in that first meeting of 2½ to four minutes—it was not a general discussion—Dr Boxall informed Mr Godfrey that he had no future in DoFA and very little in the rest of government.

Mr Early—As I say, I am very uncomfortable on this issue. It seems to me, frankly, that there were only three people in that discussion and perhaps the source of your comments is one of them. If you can confirm that, I am happy to give you my view of the discussion but I am not happy to talk about Mr Godfrey or anybody else without their authority to say something. You will appreciate I am in a very difficult position because you are asking me questions about a meeting that I was in—

Senator ROBERT RAY—I appreciate that.

Mr Early—giving a very different view of that discussion than the view I have. Yet I am not in a position to be able to defend either Dr Boxall or myself unless you tell me that you are reporting comments from one of the participants in that discussion in which case I would feel that I could.

Senator ROBERT RAY—The problem with participants at discussions is that any one of the three—at least two of the others, not yourself—could have discussed it with others and then it comes to us, you see.

Mr Early—Yes, I can understand that but I really do feel uncomfortable about discussing some individual's circumstances without the go-ahead of that individual. It really does start to trespass on privacy.

Senator ROBERT RAY—Yes.

Mr Early—But I can say that my view of that discussion is a very different one to the one that you have got at, whatever it is, fourth or fifth hand perhaps.

Senator ROBERT RAY—Sure. Only inferentially from following that discussion from evidence given at PM&C estimates. We take it Mr Godfrey went and saw Dr Shergold—which was, I think, confirmed at PM&C estimates—and negotiated a package. So he had a clear view

that he did not have a future. But the real point—and I have to ask these direct questions although I think the answer is no—

Senator FAULKNER—Mr Early, can I just ask you a question on a matter previously raised by Senator Ray?

Mr Early—Yes.

Senator FAULKNER—Can you guarantee to the committee that you have not discussed the nature of that three-person conversation with any other individual who was outside the room?

Mr Early—The only person I had discussed that conversation with is Dr Boxall and, of course, Dr Boxall was in the room.

Senator ROBERT RAY—As I was saying, we take it inferentially from evidence given at PM&C that Mr Godfrey then left there and went and negotiated with the Public Service Commissioner a payout, the details of which are totally private—I understand that. My understanding is that some agreement was reached. However, within a day, as I understand it, Mr Godfrey was told, ‘No, that redundancy package will be on hold. You will be put on 30 days full pay without duty.’ Is that your understanding at all, Mr Early?

Mr Early—Obviously, I do not know the sequence of events.

Senator ROBERT RAY—The very last part.

Mr Early—But I am aware that there was a conversation between Dr Shergold and Dr Boxall in the course of which Dr Shergold suggested that in circumstances where there was a disciplinary inquiry under way—without making any presumption about the outcome for the individual as, indeed, we know the outcome for the individual—he thought it was prudent for the individual to retire once the outcome was known rather than before it was known.

Senator ROBERT RAY—Do you know who initiated that phone call?

Mr Early—No, I do not know but it must have been Dr Shergold, I think, because the original process of sorting out the benefits that Mr Godfrey might get did not involve either Dr Boxall or me.

Senator ROBERT RAY—If that was the reason for the discussion which you give—which I accept—all logic implies that Dr Shergold made the phone call to Dr Boxall, doesn’t it?

Mr Early—Yes, I agree entirely. My understanding is that the issue arose because if Mr Godfrey was on some form of leave it would have to be as an officer of the Department of Finance and Administration.

Senator ROBERT RAY—I take it, seeing as Mr Godfrey has had a settlement as I understand, there was nothing adverse on him in the Kennedy report, but we cannot see that so we will move on.

Mr Early—The staff notice I have given you makes it clear that—

Senator ROBERT RAY—Yes, of course it does; sorry about that. It may not be within your knowledge and you may have to take this on notice: when Dr Shergold rang Dr Boxall—as we are pretty certain—to ask him to make these appropriate arrangements, did Dr Shergold indicate that he had been rung by an officer of PM&C requesting that there be some delay in Mr Godfrey’s payout?

Mr Early—I simply do not know the answer to that question.

Senator ROBERT RAY—Take it on notice and talk to Dr Boxall.

Mr Early—I am happy to take it on notice.

Senator ROBERT RAY—I doubt he was told that—that the most senior official at PM&C made that call.

Senator FAULKNER—I think perhaps if you could take on notice, Mr Early, the question to Dr Boxall to ask him if he has spoken to anyone apart from the participants about the meeting that I asked you about.

Mr Early—Yes, I will take that on notice.

Senator FAULKNER—Just so I can understand this in relation to Mr Godfrey, Mr Godfrey was appointed secretary to the United Nations Permanent Committee on Geographical Information Systems Infrastructure for Asia and the Pacific, wasn't he?

Mr Early—I have no knowledge of that.

Senator FAULKNER—Someone must. Can someone help us there?

Mr Peel—I am aware that Mr Godfrey was certainly appointed—I am not sure if that is the exact title of the position—to that sort of body because one of his responsibilities in the former DAS was the Australian Surveying and Land Information Group and they had international contacts of that sort. I know that Mr Godfrey was a member of certain international bodies connected with AUSLIG. Whether that is one of them, I could not say without checking.

Senator FAULKNER—Is it true that there has been significant international concern expressed over the fact that Mr Godfrey's resignation from the department is going to affect this very important international appointment?

Mr Peel—I am not aware of that. That part of the former DAS is now with the Department of Industry, Science and Tourism so any advice of that sort would presumably go to that department.

Senator FAULKNER—I see.

Senator ROBERT RAY—Can I ask just a small question here which I think comes into the general area. Even though a specific area might deal with it, it is more to do with the philosophy of the response to freedom of information requests. I am just going to the charging regime of that. When a request is put in, Minister, I think it has to be accompanied by a \$30 deposit. When it is determined by the FOI officer that matters do fall within the ambit of the FOI Act, you are sent a second letter outlining the costs, which happened to me recently from DAS but that department is now absorbed in DoFA so I will ask about it here. As for the actual costs—which in this case related to, I think, just four pages at an actual cost of \$380—is there a careful check on how they are calculated?

Mr Peel—I am not an expert on the FOI Act but my understanding is that the costs or the charges are specified in the legislation or in regulations associated with the legislation itself. It is a matter of departmental officers making a judgment about the amount of time that would be required to deal with a request, the number of documents that might be involved and then making an estimate of the costs. There are also provisions under the act for people to seek revocation of the costs for public interest reasons.

Senator ROBERT RAY—I will come to that in a moment. This was a relatively simple request in which the department determined 20 staff hours at \$15 an hour was required to get this very simple information. Therein lies the rub—that is what I am saying. I agree that the charges are set in that and that they are remittable, especially to a member of parliament, if

it involves similar information you could get on questions without notice. I am wondering, just on this charging regime, why four pieces of paper which should normally be held by the department require 20 staff hours to dig out.

Senator Minchin—You are seeking a fuller explanation of why in this case that happened?

Senator ROBERT RAY—And whether this is a sort of a pattern or not.

Mr Early—In respect of the particular issue you raised, I do not know whether anyone else has any knowledge of it. I certainly do not. In respect of the more general issue of charging, the department, I believe, follows the general protocol. I have dealt with only one freedom of information request that I can recall in my current job, certainly since the formation of the new department. That request was from an individual. It was for in excess of 200 pages of documentation and the fee was waived.

Senator ROBERT RAY—I recently put in for a waiver myself. I am not putting in a plea for that, other than wondering why it came to \$380. They have to specify the number of pages. It amounts to \$380 for four pages. Let me explain this to you, Minister. You might ask why a member of parliament is putting in an FOI when that material is available under questions on notice. It may have been that I wanted to satisfy myself about this—it was about a colleague of yours—without it necessarily appearing in the *Hansard* for everyone to see. I may have then wanted to make an issue of it or I may have wanted to put it aside.

Senator Minchin—I am happy to get for you a more detailed explanation of why, in that instance, the cost was so great and I am happy to make sure that is done.

Senator ROBERT RAY—Thank you.

Mr Early—We would be very happy to take that on notice.

Senator FAULKNER—Could I ask please, Mr Early, about the new departmental logo? I wonder how we are going there.

Mr Early—The short answer, of course, is we do not yet have a new logo. When the new department was formed, we used an interim logo. There was some work done to put proposals for a new logo together. There was a range of logos put to the management board. The board chose three of those for further consideration. Those three have been put out for consultation with staff. Following that, we will pick one.

Senator FAULKNER—Yes, but I am more interested in the process that led up to all that. As I understand it, you went to three companies on a selective tender basis and asked for a range of designs to be submitted. Is that right?

Mr Bartos—Yes, my understanding is that we went out on a selective basis to obtain from companies potential logos and those were put up to the management board for consideration.

Senator FAULKNER—How much has this selective tender process cost the department?

Mr Bartos—I am not sure of the exact figure. We can find out and get back to you quickly on that.

Senator ROBERT RAY—It helps in these instances to give us a ballpark figure, because if we think it is totally reasonable, we disappear.

Mr Bartos—I think it is of the order of \$5,000.

Senator ROBERT RAY—It is not quite disappearing.

Mr Wight—The tender specifications said in the order of \$5,000.

Senator FAULKNER—That process has concluded, because I think it was Mr Early who told me that there is wide consultation on the three options. That is right, is it not?

Mr Early—That is correct.

Senator FAULKNER—So that process is concluded.

Mr Wight—I do not have the final figure.

Senator FAULKNER—Is it going to be in the order of \$5,000, all up?

Mr Wight—That is my understanding.

Senator FAULKNER—When you do have the final figure, you might take that on notice and let me know.

Mr Wight—Yes.

Senator FAULKNER—Just so I am clear, did you actually take logo designs from each of these selected tenderers?

Mr Bartos—That is my understanding, yes, and we selected from a range that was put to us, as Mr Early has indicated. The management board came up with a short list that has been circulated to staff within the Department of Finance and Administration for them to consider and provide feedback on.

Senator FAULKNER—Is there an interim logo?

Mr Bartos—There is, yes.

Senator FAULKNER—How did you design that?

Mr Bartos—The logo that we are using at the moment was constructed very simply by taking what had been the former Department of Finance logo and altering it slightly to include ‘and Administration’.

Senator FAULKNER—That is most appropriate, Mr Bartos! What are the flow-on costs of the change to the logo? What are you going to need to change when you finally go through the consultative process? I think it is a good idea to ask people what they think. After all, if you have spent around \$5,000 getting a short list of three designs, you may as well consult with the staff.

I suspect, at least on the logo issue, would you not agree, Mr Early, that probably there is not an enormous amount of expertise in logo design selection on the management board. You would not be overwhelmed by those sorts of skills, would you?

Mr Molloy—I doubt that we would be able to make—

Senator FAULKNER—I am sure you have got more people with those skills than there are amongst the senators; I have got to say that.

Mr Molloy—I doubt that we would be able to make a commercial career in that field, Senator.

Senator FAULKNER—I understand the problem. I would like to know what is going to have to be changed. What does this mean in terms of resources? What are the costs? What are the volumes involved? I assume it is signs and stationery, business cards, letterhead and the Internet home page. There must be quite a very significant range of these things. I assume it will also involve Minister Fahey, and Minister Minchin too and his operation there. What are we talking about?

Mr Bartos—There are a number of things that have to be changed as a result of the creation of the new department, irrespective of the logo. As for the Internet home page, creation of a new department means that a new home page is appropriate so that the public who access that home page via the Internet can see what the new department is and does and can navigate their way through it.

Those are expenses that have to be undertaken regardless of whether or not we have a new logo. I suppose the major implication of the new logo is in relation to letters that are sent out. The expense there is relatively minimal. It involves changing the template in the computer system from which we generate letters. There are not vast stocks of letterhead to be changed. We generate letters from the computer with the letterhead incorporated in it as they print out. In the past when departments had vast stocks of letterhead and cards, there would—

Senator FAULKNER—But there would be business cards that you would not be shooting out of a computer. Are these things going to change?

Mr Bartos—Let me indicate what my practice is and I think it will be the sensible practice that will be adopted more widely by other people in the department. I am using my current business cards, and I will use those until the stock is exhausted. When I need to get new business cards printed I will incorporate the new logo in them.

Senator FAULKNER—Anyway, you can take on notice my question about the costs of this exercise and whether you are planning to junk existing stationery and other material.

Mr Bartos—As I have just indicated, there is relatively little existing stationery. The old style of—

Senator FAULKNER—What about envelopes, for example?

Mr Bartos—keeping huge stocks of letterhead is not—

Senator FAULKNER—What about envelopes?

Mr Bartos—There may be some.

Senator FAULKNER—What are you going to do with them? Are you going to junk them?

Mr Bartos—I would sincerely doubt it. We would keep using them until we have exhausted the stocks.

Senator FAULKNER—Anyway, it is those sorts of details that I would like to know.

Mr Bartos—There certainly is no plan to destroy existing usable materials. That would be silly. The intention is that those would continue to be used until stocks were exhausted.

Senator ROBERT RAY—We do not know much about this but, whatever you do, capitalise the O in DoFA. Just remember DOPI's existence for quite a few years before you rush into this.

Senator FAULKNER—So you will let me know, Mr Bartos?

Mr Bartos—We can let you know.

Senator FAULKNER—Thank you very much.

Senator ROBERT RAY—What is the position in relation to the Purchasing Australia review?

Mr Bartos—There is a review under way of purchasing arrangements that was announced by the former Minister for Administrative Services, David Jull, in a media release of 13 May. That review has been under way and still is under way.

Senator ROBERT RAY—Mr Early, the Department of Finance has had some fairly firm and concrete views in terms of rationalisation and user pays in the past. Are you going to sort of merge the two philosophies? There was a bit of creative tension between the two on this issue, wasn't there?

Mr Early—I do not think I would really see it that way, Senator. If you look at the changes which had been under way in DAS for a very long period of time, it was moving to a more commercial approach to the provision of administrative services. There have been quite significant changes in DAS in recent years. I do not see that there is an underlying conflict of the kind that you are pointing to.

Senator ROBERT RAY—That is good. Who is heading the review?

Mr Bartos—The review is being conducted by Mr Sam Skrzypek, who works in the resource management framework program.

Senator ROBERT RAY—Will the report be made public?

Mr Bartos—There is not a report as yet, and the decision on whether it should be made public or not has to be made after there is a report.

Senator ROBERT RAY—Will commissions be abolished?

Mr Bartos—Again, the review is not finalised. That is one of the issues that is being considered as part of the terms of reference for that review.

Senator ROBERT RAY—But commissions have already been abolished in relation to IT, haven't they?

Mr Bartos—They have been, yes.

Senator ROBERT RAY—So you are waiting on the review before you make a decision on whether that will be extended into other areas?

Mr Bartos—That is right, Senator.

Senator ROBERT RAY—What is happening to the decision to sell support services and outsource human relations and financial services?

Mr Early—Let me answer in the broad—

Senator ROBERT RAY—Don't get up unless you are called!

Mr Early—Essentially, both the former departments were in the process of outsourcing their corporate areas. When the new department was formed, we effectively paused those processes to look at how we might logically carry them forward within the one organisation. That is essentially where it is at the moment. I do not know whether my colleague has more to say.

Mr Gibson—I have nothing to add.

Senator ROBERT RAY—I think my colleague wants to go back to a previous part of my question.

Senator FAULKNER—I just wanted to follow through on a couple of questions Senator Ray asked about purchasing policy review. I wanted to be clear on the issue of what your expectation was in terms of the time lines for that, which is not clear to me.

Mr Bartos—The time lines for the review of purchasing—is that what you are referring to, Senator?

Senator FAULKNER—Yes.

Mr Bartos—My hope—expectation, I suppose, is the correct word as well—is that we will be in a position to have come to firm conclusions before Christmas.

Senator FAULKNER—Could you explain to me who is the full review team please?

Mr Bartos—The review team is being led by Mr Sam Skrzypek; it also has Ms Fay Styman, and there are other staff. I will ask Mr Skrzypek to let me know who they are. The other members of that review team are Ms Felicity McNeill, Ms Sharyn Smith and, an officer on loan from the Department of Defence, Mr Tony Fisher.

Senator FAULKNER—Have there been any changes in that review team?

Mr Skrzypek—As Mr Bartos said, there are five people on the review team. The only change that has taken place since the review team was established was a change of graduate administrative assistant that we had working in the team. The GAA is currently Ms Felicity McNeill, but previously it was Mr Jean-Bernard Carrasco.

Senator FAULKNER—I see. Why did that—

Mr Skrzypek—Why did it happen, Senator?

Senator FAULKNER—Yes. Why did that change take place?

Mr Skrzypek—Graduate administrative assistants come into the department for a one-year training program and undertake a number of placements in their first year; so we have had two GAAs come through the review team.

Senator FAULKNER—Yes, fair enough. Mr Bartos has indicated to us that he is expecting the review to be completed by Christmas. Has a draft review been completed?

Mr Bartos—Senator, there are a lot of draft working papers; a great deal of work has been done. As yet, there is no report. There is no draft report being circulated in a complete sense, but there are a very large number—I have seen several drafts—of versions of what could be turned into a report. Yes, there are draft papers around.

Senator FAULKNER—Thank you for that, but it is not quite an answer to the question I asked, which I think you probably appreciate. Would it be fair to say—I hear what you say—that we have a draft report up to the stage of a draft report?

Mr Bartos—I think the answer is no to that. In the sense that you or I would understand a draft report, there is not.

Senator FAULKNER—Has the review team been issued with any instructions in relation to staffing levels for Purchasing Australia?

Mr Bartos—No.

Senator FAULKNER—I see. Do the terms of reference for the review include desired staffing establishment for a restructured Purchasing Australia?

Mr Bartos—In developing future directions for Purchasing Australia, as it then was, the minister, in the terms of reference, indicated that the review would critically examine the whole of government benefits associated with its current activities, options for contracting out any of its current activities, options for devolving appropriate functions to agencies, options for greater application of user charging for its services, and risks to the Commonwealth associated with any proposed changes. Obviously those have potential staffing implications.

Senator FAULKNER—Yes, I appreciate they do have potential staffing implications. Staffing implications would be something, I assume, the review team is giving a significant amount of attention to; would that be right?

Mr Bartos—The staffing implications are really for management to determine in the light of what the review team decides are the appropriate functions and what the options are. The review team will not be taking any decisions as to appropriate levels of staffing; it will be making recommendations as to appropriate function and, if those recommendations are adopted, then decisions on what staffing flows from the function will have to be taken.

Senator FAULKNER—All I want to be sure of is that there is no hidden agenda of any description to reduce the staffing levels in Purchasing Australia to some predetermined size or extent. So, you can give me that assurance—

Mr Bartos—I can give you that assurance very clearly. There is no target. There is no predetermined agenda as to what the appropriate size of the purchasing function should be.

Senator FAULKNER—Are these papers that you spoke to me about widely available to those in Purchasing Australia?

Mr Bartos—No. The papers that have been circulated to date have gone, obviously, to the review team and an interdepartmental steering committee for the review. That is as far as they have been circulated.

Senator FAULKNER—I am sorry, I do not know any of the officers concerned, but what is the interface of those officers with Purchasing Australia?

Mr Skrzypek—From the outset, the review team has made a practice of talking to every part of the old Purchasing Australia organisation. Ms Styman and I, in fact, made a point of talking to just about every staff member in both the Canberra and the regional offices in the early stages, and we have been talking with a number of people in the organisation since then, too, about particular issues. So, we have had contact with just about all people in the organisation to obtain their views about the terms of reference.

Senator FAULKNER—I see. Have there been any changes in relation to the review with the amalgamation of DAS and DoFA?

Mr Skrzypek—No. The terms of reference are still valid and the review team is working to those terms of reference.

Senator FAULKNER—Who is your immediate superior?

Mr Skrzypek—Mr Bartos is my general manager in the resource framework management area. There is also an acting general manager of the CTC group within Mr Bartos's area that I report to.

Senator FAULKNER—I am just trying to understand where the review team fits in. How long have you had this responsibility, Mr Bartos, in your area?

Mr Bartos—The responsibility for the review has been with me since the creation of the Department of Finance and Administration.

Senator FAULKNER—I see. How long has the review been operating prior to the amalgamation?

Mr Skrzypek—The team started operations in July.

Senator FAULKNER—At the time of the amalgamation, just explain to me what happened in terms of your responsibility for the review, Mr Bartos. It is still not clear to me.

Mr Bartos—It is a responsibility that fits with the resource management framework group of which I am the general manager. That group had previously contained some responsibilities for competitive tendering and contracting. It now contains the responsibilities that were previously in the procurement and contracting division of the former Department of

Administrative Services, and the review of purchasing. Those activities concerned with what you might call the underlying framework of purchasing, contracting, et cetera, have been collocated in the one group, the resource management framework group.

Senator FAULKNER—So who was fulfilling the responsibilities that you are currently undertaking in relation to your management and oversight of the review for the review prior to the absorption of DAS into DoFA?

Mr Skrzypek—I was reporting to Mr Godfrey, one of the deputy secretaries in the former DAS.

Senator FAULKNER—I see. Mr Bartos or Mr Skrzypek, are you thinking that there will be any change in the nature or direction of the review as a result of the absorption of DAS into DoFA?

Mr Bartos—As Mr Skrzypek has said, the terms of reference remain. Those have not been changed and I see no reason that they should change, so the review is continuing to finalise its thinking about how best to meet those terms of reference.

Senator FAULKNER—Are you quite comfortable, Mr Skrzypek, that there has been very little change with the amalgamation in terms of the processes of the review?

Mr Skrzypek—Yes, we are simply responding to the terms of reference.

Senator FAULKNER—Thank you.

Senator ROBERT RAY—Mr Early, have there been any instances in the formation process that have come to your attention where there were reviews, departmental committees, and things associated with DAS that Finance had a representative on, as often happened in these sorts of committees? What happens in such a situation where you are all from one department?

Mr Early—There is one committee which I am aware of, the Commonwealth Property Committee, on which prior to the formation of the Department of Finance and Administration, John Mellors was the chair and I was a member as a Finance officer.

Senator ROBERT RAY—That was a good idea, wasn't it?

Mr Early—Mr Mackay has taken over the chair and we have both continued on to produce a report that the committee was due to produce about this time of year. After that report is produced, we will then consider what the appropriate action is.

Senator ROBERT RAY—Finance was put there for a specific perspective and because of its role in government, dare we say, as the guardian angel overseeing expenditure and other matters. That is the kindest way I can put it. Is it possible to have some Chinese walls and continue on so that you are getting input into this committee from two sources, even though they are from one department?

Mr Early—Obviously, that is one of our options. We just have to think of the best way of integrating the process. Whether both John and I should continue is not something we have really taken a decision on.

Senator ROBERT RAY—We have raised the question philosophically of OGIT being within the ambit of your department whilst having a relationship with the minister that I thought created awkward situations when it was to do with Finance's outsourcing as opposed to another department's. I would not like to see the same thing happen with the property group.

Mr Early—I cannot comment on the point you make about OGIT, but obviously we will take into account those sorts of considerations when we decide how to proceed with the committee.

Senator FAULKNER—Mr Bartos, on the same issue, I assume you would have seen the article in the *Australian* on Wednesday, 22 October. It is headed, 'Fahey chided on purchasing study'.

Mr Bartos—I am aware of it.

Senator FAULKNER—In talking about what is happening with this review after the change of administrative arrangements, the article says that Mr Philip Holt from the Australian Business Chamber has written to Mr Fahey to complain that the review:

. . . is being brought to a hasty conclusion without proper consideration having been given to industry input.

That is the reason why I raise the issue. Minister, can you put Mr Holt's mind at rest about this?

Senator Minchin—I have not been briefed on the extent to which, if any, those consultations have taken place.

Mr Bartos—In terms of the timing, it is desirable that if we can come to a conclusion on this review quickly that we do so. It is important for the staff concerned that they have a clear idea of where they stand, particularly as you have already identified that there are, potentially, staffing implications as a result of the review. We do see it as highly desirable to bring this review to a conclusion as quickly as we can.

Industry was given an opportunity to provide input to that and has done so via submissions. Submissions were invited by the former minister for administrative services on, I believe, 13 September, with a deadline of 10 October. So the deadline for industry comment is well and truly past, and a large number of submissions have indeed been received from industry.

Senator FAULKNER—But the first thing to establish is: has the pace of the review quickened? In other words, have the time lines that we have spoken of been reduced since the absorption of DAS? That is what I am wanting to be assured about.

Mr Bartos—The answer is, yes, if we can do it quicker we would like to.

Senator FAULKNER—So there has been a significant change in that regard. Mr Holt is right.

Mr Bartos—In relation to timing? I would take issue with any suggestion that this is being brought to a hasty conclusion. It is important that the review, as indicated by the former minister, consider carefully those terms of reference that it has. I am anxious that the review team has a very thorough review, but I am also anxious that if it can conclude quickly, it do so. It is important for the staff concerned. Also, if there are significant gains to be made for the Commonwealth government and for the suppliers to the Commonwealth in business, if those gains can be made quicker it seems to me logical that they should be.

Senator FAULKNER—Mr Skrzypek, as the leader of the review team, have there been any views expressed to the review team about these time lines?

Mr Skrzypek—Only the views that you quoted, Senator. The process of consultation with industry associations, with suppliers, with Purchasing Australia staff, with other levels of government, was in fact set in train quite a while before the creation of the Department of Finance and Administration. That process of consultation has been completed pretty much on schedule. So the review team is now in the process of sifting through the various views obtained and, as Mr Bartos as indicated, trying to come to conclusions.

Senator FAULKNER—What Mr Bartos has said to us is that from when he got the job, after the amalgamation, he has put his foot on the accelerator. That is what I think he said. What I am interested in understanding is what that has meant for the review team. What did Mr Bartos say to you? ‘Get on your bike and start peddling a bit quicker,’ or what?

Mr Bartos—I did not indicate to them anything different from what I have just indicated to you, that it is desirable if the review can be finalised quickly that it should be. I am also advised that it was always the expectation that the review would be finalised by, hopefully, the end of this year.

Senator FAULKNER—What I do not understand, Mr Bartos, is how you came to that conclusion, that it would be desirable for this to be finished as quickly as possible. Did you immediately make this known to the review team when you took responsibility for this area?

Mr Bartos—Not immediately. I talked with the staff from the former Department of Administrative Services who were affected. Let me tell you, Senator, there were concerns expressed about this review and what it meant for people’s futures. I took account of that in then talking with the review team.

Senator FAULKNER—How did you seek that advice from former staff members in DAS?

Mr Bartos—I spoke with a large number of them.

Senator FAULKNER—Over what period of time?

Mr Bartos—The initial week or so I was responsible for the function.

Senator FAULKNER—After about a week, when you were given responsibility for that function, you informed Mr Skrzypek that you thought the thing should be moved along a bit. Would that be fair?

Mr Bartos—It would be fair to say I discussed with Mr Skrzypek the desirability of it. Those discussions went to the question also of whether or not it would be possible to come to conclusions quickly. The review team, through Mr Skrzypek, assured me it would be. So, taking account of that advice, we agreed this course.

Senator FAULKNER—But you can assure me that this has not involved, apart from the graduate assistant that you have mentioned, a change of personnel?

Mr Skrzypek—In the review team itself?

Senator FAULKNER—Associated with, or servicing, the review team.

Mr Skrzypek—The review team was always very small, Senator.

Senator FAULKNER—You have not had a revolution on your hands as a result of quickening the process?

Mr Skrzypek—No. As I think Mr Bartos may have indicated, we were always conscious of the need to finalise the review at the earliest possible date to allow staff to plan their futures.

Senator FAULKNER—You are always conscious of that and you are always working to that end.

Mr Skrzypek—Yes.

Senator FAULKNER—And Mr Bartos has got you going more quickly, so I am worried that corners might be cut.

Mr Bartos—We are conscious of that too, and we are concerned that corners not be cut.

Senator FAULKNER—How are you ensuring that?

Mr Bartos—The review team has undertaken its work thoroughly. We have an interdepartmental steering committee that oversees the work of that review team.

Senator FAULKNER—Who is on that, please?

Mr Bartos—That interdepartmental steering committee consists of representatives of, obviously, the Department of Finance and Administration, chairing it; the Department of Defence; the Department of Workplace Relations and Small Business—

Mr Skrzypek—And the Department of Industry, Science and Tourism; and Centrelink.

Senator FAULKNER—Thanks.

Senator ROBERT RAY—Can I ask if the timetable for Transigo is on track? Have I pronounced it the right way? I mean the electronic commerce.

Mr Bartos—As I understand it, yes.

Senator ROBERT RAY—Will agencies be obliged to use this system?

Mr Bartos—I might get Mr Robinson to join me on that.

Mr Robinson—Could I have the question again? I did not catch the whole import of it.

Senator ROBERT RAY—Yes. The first one—which Mr Bartos has answered but which you might like to confirm—is whether the timetable for Transigo is on track.

Mr Robinson—Broadly, yes.

Senator ROBERT RAY—‘Broadly,’ you say: any problems?

Mr Robinson—Not at the moment, no. There have been, but at the moment it is going quite well.

Senator ROBERT RAY—Will agencies be obliged to use this system?

Mr Robinson—As of 1 July just gone, agencies have been obliged to notify bidding opportunities and all contracts entered into over \$2,000—a continuation of the previous requirement with the printed gazette.

Senator ROBERT RAY—What has the compliance of agencies been like on this, since it started on 1 July?

Mr Robinson—I cannot give an absolute number, but it is fairly high, from the reports we are getting. There have been a number of unintentional omissions, but that used to happen with the printed gazette as well.

Senator ROBERT RAY—Who have the recidivists been, departmental-wise or agency-wise?

Mr Robinson—I do not think I would want to enter into that, Senator. I do not have the data as to which agencies have committed the most sins.

Senator ROBERT RAY—Not having the data and not wanting to enter into it are two separate questions. If you do not have the data, that is fine.

Mr Robinson—I do not have the data with me.

Senator ROBERT RAY—Okay. Could I ask, on a different subject, what the future of the National Procurement Board is going to be?

Mr Bartos—The National Procurement Board has, as I understand it, been advised that it had been extended to December this year; and that is the current position, which means that it winds up in December this year.

Senator ROBERT RAY—I see. How many people are there in this particular area?

Mr Bartos—There is a secretariat of about five people for the National Procurement Board.

Senator ROBERT RAY—At what sort of level?

Mr Bartos—It is headed up by someone at Senior Officer Grade A level and it has, I believe, another couple of senior officers, and a few other staff at the more junior ASO level.

Senator ROBERT RAY—Has any planning been put in place at this stage as to where those five people might seek the next segment of their career in the Public Service? Has that been planned for?

Mr Bartos—Yes. I have had discussions with the secretary of the National Procurement Board, and I think the discussions that have been had with individuals about their future career planning are appropriately left with those individuals, but there have been discussions. I can answer that in the broad sense.

Senator ROBERT RAY—That is good. I will jump out of order for the moment, because of the time and the fact that part of the corporate knowledge of your department, Minister, has now disappeared, I think it is true to say. I want to follow up on questions that I asked the Department of the Prime Minister and Cabinet and the Attorney-General's Department, and they relate to certain documents sought by the government in the files of the previous government. Mr Peel, you may be the best person to answer this. I understand that you may not have been directly associated with it at the time, but you may have got some notice of our interest, anyway, from Wednesday.

Mr Peel—I was watching with interest.

Senator ROBERT RAY—I stress that this is not an adversarial line of questioning, because I think that DAS, all the way through, behaved appropriately. I make that clear so that you do not have to get too nervous about this. Am I right in saying that Mr Jull requested access to certain documents on 8 April 1997?

Mr Peel—Yes. Mr Jull wrote to Mr Semmens and not to the Secretary.

Senator ROBERT RAY—On 8 April?

Mr Peel—On 8 April.

Senator ROBERT RAY—Received the same day?

Mr Peel—Yes, Senator.

Senator ROBERT RAY—Would it be possible to have a copy of that letter, Minister? It is a fairly administrative one.

Senator Minchin—I have not seen the letter.

Senator ROBERT RAY—Certainly, see it first.

Senator Minchin—I would like to see it first.

Senator ROBERT RAY—The relevance is whether Mr Jull was probably aware of the convention or not. It is all in terms of that.

Senator Minchin—About the availability of such a convention?

Senator ROBERT RAY—Yes. What the convention was was covered in a page of the cabinet handbook in appendix E or something, so it is not easy to follow. There was no attempt to access these files prior to that date, was there?

Mr Peel—Not to my knowledge, Senator.

Senator ROBERT RAY—Would anyone who remains have that knowledge?

Mr Peel—I do not think so.

Senator ROBERT RAY—So we have a proper request from the minister—it did not go to the secretary, as it should have, but we will leave that aside—which went to Mr Semmens. The response was that a Ms April Purry—we have this name from the A-G's file—rang, from DAS, the Office of General Counsel for advice on this. That is correct, is it not?

Mr Peel—I am not aware of that actual event, but the minister was provided with some advice as to the appropriateness of providing those documents.

Senator ROBERT RAY—And that advice was that it was not appropriate?

Mr Peel—The advice was that it would be against the standing conventions in relation to releasing deliberative documents of previous governments.

Senator ROBERT RAY—Yes. And from there the matter rests. Who rang DAS to give the all clear that Mr Beazley had said this was okay?

Mr Peel—The minister advised Mr Semmens that the Leader of the Opposition had indicated to the Prime Minister that the documents could be provided.

Senator ROBERT RAY—Sorry; who did that?

Mr Peel—The minister.

Senator FAULKNER—You said he rang Mr Semmens.

Mr Peel—The note that I have got simply says 'Minister to Mr Semmens'. There are some words which I presume were taken out of a document, but I am not sure whether it was a phone call or a document.

Senator FAULKNER—Could you check that for us please, Mr Peel? If it is a formal—

Mr Peel—I am fairly sure it was a document.

Senator FAULKNER—If it is a formal written communication, perhaps, Senator Minchin, you could also cast your eye over that.

Senator Minchin—I note your request.

Senator FAULKNER—I am sure you would have no problem in providing that to the committee.

Senator Minchin—I will.

Senator ROBERT RAY—Is there any suggestion in any of the material you see, Mr Peel, that Mr Beazley's letter of authority for this was ever passed on to DAS?

Mr Peel—I have not seen it on the file. Whether it was passed on, I do not know.

Senator ROBERT RAY—So we have no evidence as to whether the conditionality of Mr Beazley's agreement to access was ever passed on to DAS?

Mr Peel—I have not seen that personally, Senator. I was not there at the time, as you said in your opening remarks.

Senator ROBERT RAY—Have we got anyone from ministerial and parliamentary services that survives here today?

Mr Peel—The matter was essentially dealt with by Mr Semmens and he is not here today.

Senator ROBERT RAY—In any event, I meant survived within MAPS. Once you transfer someone, we cannot ask them about their past role, I would have thought, as a principle of estimates. So we do not know. I suppose we can presume if it was not transmitted to A-G's department for a similar purpose, it was not to DAS. Who did the search of the files going back to 1983?

Mr Peel—That is not clear on the documents that I have seen. The documents that I have seen simply record the minister's request and Mr Semmens's response, so I assume that he would have got a staff member to find the file.

Senator ROBERT RAY—When was the file discovered? You do not know that either?

Mr Peel—The request was made on 8 April and the matter was dealt with within the—

Senator ROBERT RAY—No, let us go back a yard here. The request was made on 8 April; Mr Beazley gives his conditional approval on 9 April. Did a search start prior to that? Not that that would be a problem.

Mr Peel—Not to my knowledge. The file that I have seen indicates that a request was made, the file was got from the system and then provided to the minister within a period of a couple of days.

Senator ROBERT RAY—We know the file was not got to the minister on 8 April because permission was not given until the 9 April. I think that is right. Indeed, Mr Jull would not have rung Mr Semmens until 9 April to give him correct weight—all clear, you can go for the material. That material is then sent to Mr Jull's office?

Mr Peel—Yes, Senator.

Senator ROBERT RAY—Was the same procedure adopted by DAS as in A-G's where the file was taken to the minister with a copy? He then sees the original file and signs to the effect that he has sighted the original file?

Mr Peel—The information I have indicates that the original of the file was provided to the minister.

Senator ROBERT RAY—So the department does not have the original on the file any more, only copies?

Mr Peel—I would have to check, but I think we did receive the original back from the minister's office.

Senator FAULKNER—Did you keep a copy, Mr Peel, when the original file went to the minister?

Mr Peel—I was not there at the time, but there are some copies of the file currently in the department and I assume they were taken at that time.

Senator ROBERT RAY—Minister, could you take this question on notice. We know the material went to Mr Jull's office and, in this case, we know for sure it went to the Prime Minister's office because it went to Mr Beazley. Could we ask, on notice, who from Mr Jull's office delivered it to the Prime Minister's office and to whom did they deliver it?

Senator Minchin—I will take it on notice.

Senator ROBERT RAY—Thank you. Can I ask with regard to the files of this era, former Minister Newman asked to refresh his memory too, didn't he?

Mr Peel—I believe I read that in the press at the time.

Senator ROBERT RAY—I see. Take on notice with you whether he did or not. Could I ask you to take on notice whether any other former officers of DAS sought access to the files of this period to refresh their memories?

Mr Peel—I will take that on notice.

Senator ROBERT RAY—If so, how that would fit with the provisions of the Archives Act?

Mr Peel—I will take that on notice.

Senator ROBERT RAY—And when, of course, for both. Some time in October, did another request come from PM&C for a copy of the files?

Mr Peel—I am not aware of that, Senator.

Senator ROBERT RAY—This one, I am afraid, I cannot let go through your lack of awareness; I do need an answer on this one from someone, as to whether this request came over in the first two weeks of October, because it is not that long ago. This is not a corporate memory one. Who would know?

Mr Peel—The first two weeks of October this year.

Senator ROBERT RAY—October this year.

Mr Peel—Certainly no request was made to me for the file, Senator.

Senator ROBERT RAY—It certainly did not come to you, Mr Peel; let me make that clear.

Mr Peel—I doubt you would expect that it would.

Senator ROBERT RAY—No. But could you just make some inquiries over lunch and get back to us when we resume? I do not want you to spend your whole lunch hour on it. Could you check around the corporate memory whether a request was made to DAS for further copies of this file? It is all innocent; you do not have to worry, Minister. It is just establishing a modus operandi—when PM&C got the request from Senator Evans. We are just trying to build up that they were exhaustive—it looks like they are—in their inquiries. They have gone back to A-G's; we want to know whether they have gone back to DAS at that stage. There are no traps in the question—not in these ones anyway.

Senator Minchin—You will let us know where the traps are.

Senator ROBERT RAY—No, no. You will have to work them out. Have there been any other requests to go back into the files of the previous government?

Mr Peel—Not of me, Senator, no.

Senator ROBERT RAY—No, not of you. All right, I will direct it through you, Minister. The whole of that segment of DAS that came across, in particular ministerial and parliamentary services—were there any requests to go back into the files prior to 11 March 1996? Take it on notice by all means.

Senator Minchin—I do not know. I will find out.

Senator ROBERT RAY—I think you understand the sensitivity of that, especially in that particular unit of DAS. We just need to be told that there was not a general trolling through, or specific incursions into, those files, but by all means take it on notice. I think the only thing we need to come back to after lunch, I hope, is whether DAS was approached—I think the

critical date is probably 8 October, if it is consistent with A-G's—to bring up those files again, for the first time, I might add, to PM&C rather than the Prime Minister's office. Do you understand the distinction?

Mr Peel—Yes, I do, Senator. But I was in the job on 8 October, where the files are located, and no-one has made a request of me to provide the files.

Senator ROBERT RAY—I said on or about the 8th. It could have been before; it could have been afterwards. I am not sure.

Mr Peel—I will have it checked.

Senator ROBERT RAY—It may have gone only to secretarial level or deputy secretarial level; I do not know.

Senator Minchin—Are you able to specify that you understand that this may have occurred after the administrative changes, or you are not—

Senator ROBERT RAY—No, I cannot. I do know—I think it is clearly in the evidence now; we have the minute and all the rest of it—that, in A-G's, the request came from PM&C to A-G's to provide the material. But there is some view about that it may have also gone back to DAS for completeness. That is the only point of the question, to try to round out the picture, because—

Senator Minchin—It is only that Mr Peel was not, before the administrative changes—

Senator ROBERT RAY—What we do know, Minister, is: the material provided by DAS to Mr Jull, to Mr Howard, was provided to Mr Beazley. None of the documents got disappeared. That is all on that.

Mr Bartos—Mr Chairman, could I take the opportunity to add to an answer I gave earlier in relation to the logo? I have been advised by the office of the Minister for Finance and Administration that, like the department, they use an electronic template for letters and the like. All existing stocks of envelopes, business cards and comp slips that they currently have will be used. That is important to add to the answer on the logo.

ACTING CHAIR (Senator Heffernan)—Thank you very much.

Senator FAULKNER—Mr Early or, perhaps, Mr Mackay, in terms of the administrative processes, has either of you, as a deputy secretary, had any concerns at the possibility of documents being misplaced, or files being lost, or the like, with the amalgamation of the two departments? Or are you absolutely satisfied that as far as the operations of the department are concerned, the transition has been handled in a way that means that we can have absolute confidence at the departmental level that the administrative procedures work well and without any hiccups?

Mr Early—In the staff notice that we have tabled in response to Mr Kennedy's inquiry, the secretary says:

In light of Mr Kennedy's report and my own observations, I have also decided to—

and this is the first of three points:

set in train a review of record keeping in the Department as a whole to secure improvements in this area and ensure that performance is regularly monitored in the future.

We have initiated that, but initiating it is really about as far as we have got at this stage.

Senator ROBERT RAY—But you are going to do a lot of departmental accommodation moving, too, aren't you, as various elements of DAS get moved into this part of the building or that?

Mr Early—There is some movement of staff between the two buildings. I would not have said a lot of it, but yes.

Senator ROBERT RAY—What about documents?

Mr Early—The documents would normally move with the staff.

Senator ROBERT RAY—So, some thought has been given to making sure all the documents are properly kept and transferred?

Mr Early—Yes, of course.

Senator FAULKNER—Could I take you to the PM&C estimates, which I know you have got a copy of there, of Wednesday of this week, page 214. It is actually questioning from Senator Ray to Mr Blick going to the issue of file notes in relation to, if you like, events surrounding the resignations of Mr Sharp and Mr Jull. I would like to stress—as Senator Ray did at that time—that we are dealing here, Minister, with process issues. As you would appreciate, we have limited our questioning to process issues in relation to those particular matters. You see there that Senator Ray questioned Mr Blick in this form when he asked:

Did you ask DAS whether they had any file notes from the Prime Minister's department on this matter? and Mr Blick's answer is clear. Senator Ray asked:

I take it that you did a search for file notes, email records and other communication on the subject?

Mr Blick—Yes.

Senator Ray asked again just to clarify that:

DAS has never told you that they had file notes from PM&C or, more particularly, from the Prime Minister's office on this?

Mr Blick—They have never told us that.

I do not know. It appears to have occurred. Given that at least the ratings in one or two areas of the Public Service for the Wednesday hearings of this committee seem to be reasonable enough, I assume, Mr Early, or Mr Mackay, or Senator Minchin, that that exchange may have been noted. In relation to these matters, can you let the committee know whether any file notes have been received from PM&C or the Prime Minister's office?

Mr Peel—I have had a look at the records in the possession of the Ministerial and Parliamentary Services Division and I have not seen any file notes from the Department of the Prime Minister and Cabinet on those records. We did receive copies of the document relating to Ms Bisshop's resignation—that is, her actual resignation and a note that she wrote about it. But they are the only documents, and I understand those documents were tabled. That is how we came about them.

Senator FAULKNER—I hear what you say, Mr Peel. Thank you for that evidence. You did mention only the Department of the Prime Minister and Cabinet. Does the same information apply to a possible file note from the Prime Minister's office?

Mr Peel—I have not seen a file note from the Prime Minister's office.

Senator FAULKNER—Could you perhaps explain to the committee, if such a communication had been received, what would have been the processes within the then Department of Administrative Services in terms of their likely placement on files? You have indicated that they are not within files within MAPS. Would that be the likely place for such a note to be filed?

Mr Peel—If the discussion is about matters that MAPS has responsibilities for, yes would be the answer to the question.

Senator ROBERT RAY—The problem with what you have said, Mr Peel, is that you have said there is nothing from PM&C.

Mr Peel—I thought that was the question, Senator.

Senator ROBERT RAY—Yes; you were asked both—PM&C and the Prime Minister's office. Then you say there is nothing about PM&C. But when you are asked about the Prime Minister's office, you say that you have not seen anything. But our real question—it is irrelevant whether you have seen it or not—is: was there a file note put on the DAS files, as they then were, from a staff member of the Prime Minister's office, and is it still there?

Mr Peel—All I can say in response to that is that I have had a look at the files in the possession of the Ministerial and Parliamentary Services Division, in response to Senator Faulkner's notice of motion for relevant documents, and I have not seen on those files those documents. I cannot say any more than that. I have looked at the files. I have not seen them there. I assume they are not there.

Senator ROBERT RAY—You have looked at all the files?

Mr Peel—All the files that I can think of that are relevant.

Senator ROBERT RAY—Have you looked at files from between 15 and 30 May 1997?

Mr Peel—I cannot recall exactly the files. There is a collection of files that I have been through. I just have not seen anything. I do not think I can say any more than that. I have looked on the files which I believe would be relevant and I have not seen any such documentation.

Senator FAULKNER—You could assure the committee that you have looked at all files held by Ministerial and Parliamentary Services where such a communication would be likely to have been filed?

Mr Peel—I believe so, yes. I have not looked at every single file and I cannot guarantee there is not something floating around somewhere. But I have looked at the files that I believe would be relevant and I have not seen any such documents.

Senator ROBERT RAY—Just to assist us, over the lunch break you might like to check with whoever is left in MAPS—I understand there are still some left there—whether any of those people have any knowledge of this and may be able to assist you and us in seeing if there is a file note.

The file note relates to the appropriateness or otherwise of highlighting repayments of travel allowance. And it would be, I think, somewhere between 15 May and 30 May 1997. Would you do that? You were not intimately involved in this at that time, even though you now have responsibility. Others were and they might be able to assist you by pointing you in that direction.

Mr Peel—Yes, Senator.

Senator ROBERT RAY—Are you happy to do that?

Senator Minchin—Mr Peel is entitled to a lunch break. He will do what he can, but he cannot guarantee that he can meet your request at this time.

Senator ROBERT RAY—No. It is a guarantee that he will try, rather than succeed.

Mr Peel—I will try, Senator. As I say, I am sure that I have sure looked at the relevant documents and there is nothing there, but I will get someone to check.

Senator ROBERT RAY—If you are late back from lunch, we will move on to other areas, and then come back to you.

Senator Minchin—Thank you for your generosity.

Senator ROBERT RAY—We have only got five minutes until that lunch break, so I will raise a small issue now, because we have got a couple of larger ones. If you want an indication, after lunch we will go through the annual report of DAS. Whilst it is not in printed form, I have been given a copy of the thing. In particular, we want to go through some of the disposed businesses, Minister, because they do not actually fall within the program any more. I just give you notice that we want to do that.

Senator Minchin—Thank you.

Senator ROBERT RAY—And we might also look at general business disposal after lunch. Could I ask, when is a question put on notice—and it covers all departments? Is it the practice of the Department of Finance to ring PM&C to get guidance on coordinated answers or approach to answers?

Mr Early—I think the answer is that it all hinges on the nature of the question.

Senator ROBERT RAY—Yes, but sometimes it occurs.

Mr Early—Well, I have got no direct knowledge, but I would imagine that sometimes it would have, yes.

Senator ROBERT RAY—Well, I put a question on notice about public opinion polling. It may not have been a greatly well-crafted question. I notice that I am getting the same answer back from every department saying that they will not answer it because of the resources involved in answering it, which is not a proposition I totally reject, because I do understand that some questions do absorb too many resources of a department to be reasonably answered. So I am not off side from that point of view. But I am wondering whether your department on this occasion approached PM&C on that to say, ‘Well, is there a general approach?’ because I do not think I got an answer from your department, but three have already given me identical answers.

Mr Early—I would have to take it on notice, Senator. I do not know the answer to the question.

Senator Minchin—The suggestion being that you do not think that is coincidental that—

Senator ROBERT RAY—Look, I do not even mind whether they seek advice and I do not mind if there is a coordinated approach and I do not mind that I am refused because it is going to cost too much money. The rub is: is it really going to cost too much money? If I cut my question—this is on public opinion polls—to deal with the period from 11 March 1996 right through to the present, if I actually only ask for the last three months, am I still going to be refused and, if so, why, because I have probably cut the cost by 80 per cent? I am just trying to work out where the line is drawn. I do not object to PM&C being the guiding light on this and I do not object to being refused if it is going to cost too much money. But I also want to make sure that I am not getting duded on that just for political reasons. I am not saying that the department would be in any way involved in that.

Senator Minchin—Fair enough. Mr Chairman, just while that discussion is going on, and in reference to what Senators Ray and Faulkner said about the program after lunch, I wonder if we could have a bit more clarification so we know which public servants we would like to remain here after lunch. Are you able to give us any further guidance? You have said that your focus will be on disposal of businesses.

Senator FAULKNER—We might be able to try and assist you. Let us try and be analytical about how far we might get, is that what you are pointing to?

Senator Minchin—Well, in terms of how many public servants we need to keep.

ACTING CHAIR—Minister, I take it that we are really asking who can go home?

Senator Minchin—Well, who can go back to work.

Senator ROBERT RAY—That is a good suggestion. Certainly, everyone after program 8 can go for sure. We will not require them until next week—that is, 8, 9, 10, 11, 12 and 13. I do not think we will require any of them to assist you in general questions either. Is that right, Senator?

Senator FAULKNER—That is right.

Senator ROBERT RAY—Thank you. We have got an hour and three-quarters.

Senator FAULKNER—So I do not think we will get to MAPS.

Senator ROBERT RAY—We are not going to get to MAPS, either.

Senator FAULKNER—So I think we will do, maybe, programs 1 to 6, but I do not think we will get to MAPS .

Senator Minchin—Yes.

Senator ROBERT RAY—So MAPS can go home, too.

Senator Minchin—Thank you, Senator.

ACTING CHAIR—The committee stands adjourned until 2 p.m.

Sitting suspended from 1 p.m. to 2 p.m.

CHAIR—Welcome back. We are still on general questions, senators.

Senator ROBERT RAY—I want to go to a topic I raised before. Mr Early, what is the position in the newly formed department in regard to enterprise wage bargaining and determining a wage structure for the employees over the next 18 months?

Mr Early—We have been going through a process of negotiating a certified agreement since the new department was formed, and prior to that there had been some negotiations within the Finance half. There was a document put to both the union and non-union people yesterday morning asking for a response, and we have said to staff that we would put the offer on the table on Monday with a vote to be held on 4 and 5 December.

Senator ROBERT RAY—Are there any problems in this process inasmuch as you already had Finance's negotiations going and you had DAS negotiations. Were there divergences that you had to reconcile?

Mr Early—No. My understanding is that Finance was more advanced than DAS in the process before the formation of the new department. What all parties agreed to was that it was in everybody's interests to try to conclude a certified agreement before Christmas. We have had an accelerated process of explanation of the document and a fairly intense process of consultation with our non-union and union people over the period, which I think has gone pretty well.

Senator ROBERT RAY—Whatever the percentage outcome, how is that funded? Are you supplemented out of the budget?

Mr Early—There was supplementation, as you are probably aware, of 1.5 per cent, and there is an efficiency dividend of one per cent. The rest of any pay rise we offer has to be found from internal efficiencies.

Senator ROBERT RAY—Are you still finding it hard as a department that primarily is one of scrutiny and advice to generate the savings to return to your employees, compared with what we would call a line department that has a whole range of employees and services, et cetera? Is it harder for your department to generate these savings?

Mr Early—I really do not know the answer to that, to be honest. Certainly, we have seen the old Finance half as pretty lean, historically. But the efficiency gains that we have been talking about in this process substantially come from improvement in personnel practices. It is a simplification of leave provisions and overtime and higher duties and the like.

Senator ROBERT RAY—And you are confident that those sorts of trade-offs will meet the required end line? You will not have to dip into any other part of your financial base to fund these pay rises?

Mr Early—We had done our sums prior to the formation of the new department, and we are having those sums done again today. Before we put an offer on the table we will make sure that our numbers add up.

Senator ROBERT RAY—That concludes that part of the questioning. I prefer to ask these questions in the general section simply because there is this overlap between—and Mr Mackay in particular would be interested in this—some businesses that have been disposed of and the few that remain. I will begin with the more generic questions.

Has the department done a reconciliation involving what revenue has come in from the sale of the former DAS business units and calculated the cost of how much money up front this whole process has cost? Let me go through that in a little detail. I am talking about redundancy payments. I am talking about cost of redeployment, the cost of getting the business ready, the cost of consultants, the cost of legal advice, et cetera. Is there anything in a document with that sort of calculation that would show me how we have come out of this process?

Mr Mackay—Yes, those calculations were done at the time advice was given to government.

Senator ROBERT RAY—Sorry, can I interrupt you there. Obviously, they would have been, but they are the calculations to help in the decision making process. I am now looking at whether they have been reconciled at the end. You would not have known what price you were going to get for these things. You might have had an idea, but you could not be sure.

Mr Mackay—That's right.

Senator ROBERT RAY—There must be a calculation on how much you got for the sale of the businesses. There must be something showing what the cost was, a document taking in all the costs of getting those businesses ready for sale and everything settled down.

Mr Mackay—The answer is yes, those calculations were done before advice was given to ministers. Mostly those calculations were performed by the Office of Asset Sales. I can comment on the eight businesses that I was most closely associated with. In the case of Dasfleet there was a calculation done which clearly showed that the sale outcome was superior to the alternative refinancing. In the case of the other businesses, the revenue gained was a better result for the Commonwealth than would have been a closure result, which was the alternative option in most cases.

Senator ROBERT RAY—We may pick a specific case later on but let us take an example and call it business unit A, just for the sake for it. Given the revenue figure of, say, \$50 million for a theoretical business that reflects the sorts of things you sold, what was the percentage cost of preparing it for sale, paying off redundancies and all those other things that you could have included? I am not necessarily comparing it with whether you close or not because that is a later calculation we would have to take into account if we thought that ratio was too high, because it could have been a much higher cost, I understand that.

Mr Mackay—As I say, there were calculations done at the start which said that in the case of seven of the businesses, we could do better by selling them than closing them because a lot of those costs are common to both closure and sale. Redundancy costs, for example, in a closure would have been quite a bit higher.

Senator ROBERT RAY—I understand all that.

Mr Mackay—All I can say is that yes, there were some calculations done at the time. The final decision was to be made by ministers as to whether to proceed with the sale or not.

Senator ROBERT RAY—You have told us that, in some cases, the revenue that came in exceeded your estimate. In any of these cases did the calculated costs of selling the business exceed your expectations?

Mr Mackay—I was only directly associated with some of the costs, that is, the redundancy costs. The other costs of sale, such as the cost of consultants, legal advice and those kinds of things, were borne by the Office of Asset Sales. In fact, they took the revenue in as well from the sales.

Senator ROBERT RAY—Minister, we might just give notice to the Office of Asset Sales, which today is occupied on other crucial government business and is not here. They might be in a position next Thursday to let us know—exempting the redundancies, which we will come to in a moment—what is the cost ratio to revenue.

Senator Minchin—For what? Each business—

Senator ROBERT RAY—For each business that they sold off on behalf of DAS.

Senator Minchin—and as a whole. Yes.

Senator ROBERT RAY—On redundancies, I know you say there was no other choice but sell or close. Nevertheless, can you indicate what the quantum was of redundancies and the business units that you supervised?

Mr Mackay—It might be helpful, given the line of questioning, if I tabled a document that gives some information on the redundancies and related matters.

Senator ROBERT RAY—That would be appreciated. I am not sure if Mr Mackay is the most relevant person to answer this question: in the sale process of these business units, were any changes made after the tender closures?

Mr Mackay—Sorry, Senator, I am not quite clear on the question you are asking.

Senator ROBERT RAY—You went through the normal process of putting these things out to tender, both you and the Department of Finance. Were there any changes to the tender documents, or the conditions of tendering, after the tender close date?

Mr Mackay—I cannot recall any. I would have to take that on notice. But I cannot recall any substantive and unusual changes, put it that way.

Senator ROBERT RAY—If you take that on notice I would appreciate it. Were any options considered or contemplated for staff buy-out, and were these given any preference at all?

Mr Mackay—Yes. In fact, you will notice from the table that I have given you that a number of the businesses were sold to the staff. Interiors Australia was sold to the staff. DASCEM was sold to the staff. DAS Distribution was sold as a joint venture between Ausdoc and the staff.

Senator ROBERT RAY—Were they given preference in this?

Mr Mackay—No, they were not. The only assistance they were given was some funding to obtain expert financial and legal advice. The government announced in the budget that it had allocated a figure that I think was \$500,000 across all of the businesses. Those businesses, where there was a staff bid, had to put in a case to obtain that money. From there on, there were various arrangements put in place to make sure that they in fact had no particular advantage, or particular disadvantage, over other bidders.

Senator ROBERT RAY—In terms of those where there was an employee buy-out, were redundancies paid to those employees?

Mr Mackay—Yes. There are basically two approaches when staff leave the Public Service—a sort of transfer approach or what we call a clean break approach. It was decided that everybody would go by a clean break, that is, they would get a standard redundancy package but they would not have any particular assistance or rights to transfer to the new owner.

Senator ROBERT RAY—So, you can assume that in the case of the new owner, or where there is an employee buyout, not all staff may have been involved in it.

Mr Mackay—That is correct.

Senator ROBERT RAY—The reason for the clean break approach is that even though they may get a job with the new employer, they have no guaranteed employment?

Mr Mackay—That is correct. There are probably half a dozen other good reasons that a clean break, in my opinion at least, is superior. But another reason is that you do not translate Public Service bureaucratic terms and conditions into the private sector.

Senator ROBERT RAY—No, you do not make that a condition of the sellout, of course.

Mr Mackay—That is right.

Senator ROBERT RAY—Could you tell us on what basis it was decided to tie agencies to Dasfleet?

Mr Mackay—It was a very valuable business and I think the value was maximised by having some certainty about the future nature of the business.

Senator ROBERT RAY—Why didn't you, therefore, tie other forms of works to other agencies before you disposed of them?

Mr Mackay—Certainly, Dasfleet was clearly a much more valuable business than the others.

Senator ROBERT RAY—It is just a matter of maximising return. I thought this would be a principal position.

Mr Mackay—There was a judgment made that for the smaller businesses that was not as important. The other agencies were tied to the extent that all existing contracts and agreements were required to be honoured. Many of these businesses had contracts and agreements with other agencies and those contracts and agreements were locked into a commercial form and sold as part of the business. So, to that extent, there was some tying across all of the businesses.

Senator ROBERT RAY—Why not just leave it up to the agencies to determine whether they want to deal in future with a privately owned Dasfleet or make other arrangements? Why tie them?

Mr Mackay—It would have left too much uncertainty. They were tied to Dasfleet before and so the business was sold on the basis that they continued to be tied, just as in the case of other businesses where people who had contracts continued to honour those contracts.

Senator ROBERT RAY—We can be certain, can't we, Mr Early, that Finance put in a co-ord comment arguing against tying?

Mr Early—We can be moderately confident that Finance put in a co-ord comment. As to its contents, obviously, I will not speculate.

Senator ROBERT RAY—Yes. I would like to be as certain of winning the Lotto as I am that my statement was right. Mr Mackay, you talked about tying in of services achieving a much better sale price. I think that we would agree with that. Why weren't those various people using AGPS tied in?

Mr Mackay—AGPS?

Senator ROBERT RAY—Yes.

Mr Mackay—None of the other commercial businesses, bar Dasfleet, were tied in, apart from to the extent of existing contractual obligations.

Senator ROBERT RAY—Surely we could have got a much better price for AGPS if we had had agencies tied in to using them?

Mr Mackay—That may well be the case.

Senator ROBERT RAY—But you do not know why differentiation was made in this case?

Mr Mackay—No, I am sorry, I cannot comment.

Senator Minchin—There would be a difference in the sense that agencies were already tied into Dasfleet. These other agencies were not tied in to AGPS. In other words, there is a big difference between continuing in an existing arrangement, and creating a whole new arrangement.

Senator Minchin—I was simply responding to your seeking to make some distinction between the situation of Dasfleet and AGPS.

Senator ROBERT RAY—Yes. But seeing that you have come to life on a policy issue, I thought I might actually try you out!

Senator Minchin—I did not realise that I appeared so dead. There was an existing arrangement, as Mr Mackay has advised you, and those agencies were tied. Obviously, while I had no involvement in the decision making at the time, it makes sense—

Senator ROBERT RAY—For a reform government to appeal to the conservatism that 'it has always been done this way and we must always do it' surprises me.

Senator Minchin—No. It is just that I can see why those involved in the decision making made the decision they did, and I would have thought that you would, too.

Senator ROBERT RAY—So what happens by tying people in: we establish that we get a better price?

Mr Mackay—We did not tie them in; they were already tied.

Senator ROBERT RAY—How many different groups have you released from DAS businesses over the past five years? An immense amount: you would concede that?

Mr Mackay—Yes.

Senator ROBERT RAY—And, by not releasing them, they have added to the sale price—which presumably means that you basically set up an internal taxation form on departments. Agencies—including one I ran, which was the biggest agency in government, I suspect—used Dasfleet because Dasfleet offered the best price. We were freed of it; we were not tied, but we decided to use them because they offered the best deal. But, if in fact agencies have to use them because by government policy they are tied, you are basically increasing your revenue from the sale and internally taxing departments or agencies that might like to use someone else. I cannot see the sense in that.

Anyway, going back to the AGPS, I have a couple of questions. Has Mr McMillan paid costs awarded against him in his failed bid to overturn the process?

Mr Bartos—We do not have the answer to that. We would have to take that on notice.

Senator ROBERT RAY—Would I be right in saying that Mr McMillan had to pay not only his own costs but the department's?

Mr Bartos—As I say, we do not know.

Senator ROBERT RAY—Could I ask on notice what exactly was the nature of the decision in terms of costs—I do not think the costs of the court case would be in any way commercial-in-confidence or otherwise confidential—and whether the Commonwealth share has been paid, if that was the decision made against Mr McMillan?

Mr Bartos—Okay.

Senator ROBERT RAY—You mentioned before, Mr Mackay, that you had an anticipated revenue for the various business units that are going to be sold. Does that include the AGPS?

Mr Mackay—I was not directly associated with the AGPS.

Senator ROBERT RAY—Could we have someone at the table who was?

Mr Mackay—We have the current manager of AGPS at the other end.

Mr Brown—I was not involved in the sale process.

Senator ROBERT RAY—This is sounding like the Nuremberg trials: I cannot find anyone who was responsible! What I am trying to establish, Mr Brown, is that we have heard evidence from Mr Mackay that targets were set—and no-one expects each target to be reached exactly—and we have heard that there has been some overachievement, which is good news, on some of these business units. But I have been told that probably, in this case, the decision to re-tender dropped the overall bids and so we lost a further \$9 million from the original bids.

Mr Brown—I do not have that information.

Senator ROBERT RAY—Is there no-one here who was involved in that? Let us shorten this. Who actually sold it off: the Assets task force?

Mr Mackay—No; that was sold off internally by DAS.

Senator ROBERT RAY—That is what I thought. So there is no corporate knowledge of this?

Mr Mackay—We most certainly would have corporate knowledge; we just do not happen to have it with us, that is all.

Senator ROBERT RAY—Who was supervising this in the most direct sense? In the first tender process it got tipped over, and then we had a second tender process or—maybe more to the point—we had a tender process and then someone was let back into the tender process.

Mr Mackay—That is correct. It was intended to be sold off in five separate parcels, and you are correct: there was a court challenge on one of those parcels.

Senator ROBERT RAY—I think we went into that at the last estimates. We do not need to go through all that again. So to encapsulate the question you can put on notice: was this business unit one of the rare ones in which the expected revenue was less than expected, and did the re-tendering process worsen the situation? Is that clear as a question on notice?

Mr Mackay—Yes, Senator.

Senator ROBERT RAY—Does the government intend to honour all its contracts that it has with AGPS?

Mr Brown—Senator, in the sale of the Government Printing Office, which was part of package 3, part of the agreement was that the core work that was being undertaken on behalf of parliament would continue to be undertaken by the buyer until 30 June next year.

Senator FAULKNER—Can you just remind me what comprised package 5, please?

Mr Brown—Package 5 was a concept that related to a strategic alliance with industry to look at information solutions. Package 5 was not proceeded with.

Senator FAULKNER—So it was conceptual only?

Mr Brown—Conceptual only.

Senator FAULKNER—The concept was, of course, for a number of benefits to flow to the government and to the community as a result of package 5. Is that right?

Mr Brown—From a whole of government point of view, yes.

Senator FAULKNER—Yes, from a whole of government perspective. With the demise of the concept of package 5, those benefits will now be lost, I assume. Is that right?

Mr Bartos—Package 5 was discontinued because a judgment was taken that those benefits were unlikely to be realised. Therefore, it is unlikely that there will be any loss of benefits.

Senator FAULKNER—Where is the mail handling contract? Which package is that part of?

Mr Brown—There is a separate common use arrangement which is still in existence. There are 13 suppliers on a common use arrangement that is providing services, and that does include mail distribution and delivery.

Senator FAULKNER—I am sorry that I do not know this, but what is its association with the AGPS?

Mr Brown—It is not a printing or publishing arrangement; it provides for delivery and the management of documentation that is provided through the AGPS organisation. As I said, there are 13 suppliers on this common use arrangement.

Senator FAULKNER—So who is contracting with whom? Thirteen suppliers are contracting with whom? Can you explain it to me?

Mr Brown—There are 13 contractors that are providing services under a contract that was put in place by the former Purchasing Australia organisation, and AGPS with a consortium is one of those suppliers.

Senator FAULKNER—I see. So the status of those contractual arrangements, as far as AGPS is concerned, is unchanged?

Mr Brown—It is still in existence, yes, but AGPS has given notification to the members of the consortium that it worked with that it wants to withdraw from that arrangement.

Senator FAULKNER—What is meant by not having a print procurer in house?

Mr Brown—What it means is that departments would make their own arrangements.

Senator FAULKNER—To what extent has the department or former department undertaken any analysis of these sorts of impacts?

Mr Brown—None to my knowledge, Senator—none that I have seen myself.

Senator FAULKNER—But you would know, wouldn't you? I assume you would know.

Mr Brown—I am unaware of any such analysis.

Senator FAULKNER—I just thought that would have been fairly fundamental work to have been undertaken at a departmental level.

Mr Bartos—Senator, undoubtedly there was work undertaken at the time the decision was taken to sell the AGPS business. Any number of functions that previously had been performed in house are now no longer performed in house, and decisions have been taken in relation to each of those, in the light of judgments about whether or not it is appropriate. In this case a judgment was taken that it was appropriate to proceed with that sale.

Senator FAULKNER—What about DSS Centrelink and their purchasing of print capacity? Are you aware of what happened in that case, and how that might have differed from other examples?

Mr Brown—My only knowledge of that is that they make their own arrangements. I do not know the details of the arrangements.

Senator FAULKNER—I appreciate that that is probably better directed to them, but I just wondered if you could assist us with that. Can you just tell me the number of staff that Asset Services had based on Cocos Island?

Mr Woonton—Asset Services had about 30 staff on Cocos Island prior to the sale.

Senator FAULKNER—Mr Woonton, how many of those are locally engaged?

Mr Woonton—Just over 20—about 22 or 23 of the 30.

Senator FAULKNER—You might recall that on a previous occasion we briefly addressed the rumours that P&O would be slashing staff to save costs. I think we received some denials about that. I hear again that there is a suggestion that P&O basically are planning to sack locally engaged staff; they think it might be cheaper to fly staff in. This is particularly in relation to contractual obligations for the provision of water, sewerage and power services on Cocos. I understand that Asset Services has been disposed of. That is correct, isn't it? It is gone?

Mr Woonton—Yes.

Senator FAULKNER—So it may be that you do not know a huge amount about this—I am not aware of that; you might let me know. In fact, I am not entirely sure what capacity we have under the new amalgamations of departments to ask some questions about this former DAS business. But, the issue that I am interested in here, Minister—so you might understand this—is really what the government's response would be to the fact that you have former DAS staff being taken on for a very short time—just a matter of weeks, in reality—and then being

dumped by the new owners of this particular business. If a senator such as myself were to raise such an issue, how could you respond to me?

Mr Mackay—The table that I tabled a short time ago indicates that 72 per cent of the people who wanted jobs with new owners—including about 70 per cent in Asset Services—were actually taken on by the new owners. I certainly have not picked up subsequent evidence that people were taken on and then sacked after a short space of time.

Senator FAULKNER—What I am asking is that, if that were the case, they would appear in the column ‘approximate number employed by the new owner’ but you would be tabling a document that might actually be a bit misleading in reality—not deliberately misleading—if something like that were to occur. But you would not be aware of it. Is that right? You are not aware of it?

Mr Mackay—I am not aware of it and I have had some ongoing contact, obviously, with people who have moved across to the new owners and the occasional contact with the new owners. I had quite a lot of contact with the owners at the time they took the people on, and that is not an impression I have gained at any time.

Senator FAULKNER—In terms of approximate numbers employed by the new owner, you have got the handover date in the last column of the tabulation that you have provided the committee with. Would all of these particular statistics have been developed prior to the handover date?

Mr Mackay—I think it is a bit of a mixture. We had a pretty clear understanding through our own staff how many people were being offered jobs, and in many cases the owners were very open about it and told us. I am not saying those numbers are 100 per cent accurate but I would think they were 95 per cent accurate.

Senator ROBERT RAY—Just on that subject, I realise the department will not want to go to any substantial cost but, Minister, would there be any contemplation of doing a survey around 1 July next year to see what the retention rate was just for future government policy and interest?

We have here some excellent figures put together by Mr Mackay, part of which was based on that independent staff survey and advice from the preferred buyer. It would be interesting to see down the track in a year’s time—I think most of these were disposed of prior to 1 July—what the retention rate was because I would have thought that it would influence all sorts of government policy.

Senator Minchin—That is an interesting idea. I do not know if the department has got something like that in mind or not. Mr Mackay?

Mr Mackay—There are, in fact, studies. I am not sure I am aware of all of them. Certainly, I think it was the University of New South Wales which came to us and asked if it could do a study in relation to a number of the business units. We agreed to cooperate with that, and I know that there was another study being done in connection with Dasfleet.

Senator FAULKNER—I understand the difficulty you have in terms of businesses being disposed of at a particular date. It makes it very difficult for you after that date, and I do not think there can be an expectation on the part of the estimates committee to be asking you a range of detailed questions about what might occur after the disposal date. Some of the issues might be ongoing. For example, I think at the last estimates committee you were asked a range of questions in relation to Commonwealth liabilities and ambit claims relating to Works Australia. That appeared at the time to be—is it fair to say?—a bit of a grey area. It was not

ever entirely clear to me where this issue ended up. Can you tell us now how and by whom those liabilities are being administered and dealt with?

Mr Mackay—They are being dealt with by a business closures group, headed by Mr Woonton, who has a small team of people. They are doing a whole range of things. They include finalising the financial statements, reconciling assets, disposing of surplus property that came out of the sales, annual reporting requirements and, finally, the thing I suppose you are talking about, which is various claims that come in. That is, one of the businesses was involved in something prior to sale which has either gone wrong or there is some sort of a claim in against it. So it is making sure that we have the data necessary to respond to those claims because the one thing you really cannot sell with a business is liability for things that happened while you had it. In the worst possible case—say, with something like Works Australia—if it built a bridge two years ago, you could not possibly expect to sell the business including the liability for the safety of that bridge.

Senator FAULKNER—How have administrative arrangements relating to the business closures group changed since Finance enveloped the old DAS? Have they changed?

Mr Mackay—They have not changed at all.

Senator FAULKNER—Just on a similar sort of issue, where is DASCEM at the moment?

Mr Mackay—DASCEM was sold. If you look at the second bottom line: 10 October was sold as an employee buy-out.

Senator ROBERT RAY—It had 15 staff and it is going to 20, is it? Or have I misread that? Or did you take a share in it?

Mr Mackay—I would have if I could. There seems to be something not quite right there and I will have that checked.

Senator ROBERT RAY—As for the business sales, it has not all been sold—there have been some assets and other aspects left behind, haven't there?

Mr Mackay—There certainly are some minor assets—well, not so minor. There was a number of situations where we had a lot of property—a couple of hundred properties associated with these businesses. In some cases the buyers did not want those properties; in some cases we did not want the buyers to have the properties; and in some cases we entered into short-term arrangements. So, particularly with some of the private sector leases which the new buyer did not want to take, the business closures group is in the process of disposing of those.

Senator ROBERT RAY—Just to interrupt you for a moment: where it involved leases that they did not want to take up, will that be part of your costs of sale when you do those figures?

Mr Mackay—Yes.

Senator ROBERT RAY—Sorry to interrupt you.

Mr Mackay—There was some equipment that buyers did not want to take and there was some technology that some buyers did not want to take so we are in the process of disposing of that and making sure that it is properly written off in accordance with government policy.

Senator ROBERT RAY—Will the disposal of those remaining assets, as we might refer to them, be done by tender?

Mr Mackay—Generally, yes.

Senator ROBERT RAY—What would be the exceptions, if it is 'generally, yes?'

Mr Woonton—I think those assets that are left behind that are saleable are disposed of through Aussales, through the normal tender process, through the media, calling for expressions of interest, prices and disposals.

Senator ROBERT RAY—Just to assuage any anxiety we have, could you indicate what the exceptions would be and why those exceptions would occur.

Mr Woonton—I do not know of any exceptions.

Senator ROBERT RAY—You do not know. So we assume there are none. Is that a fair assumption?

Mr Woonton—We are still reconciling the actual detail of all of the assets. But, on the face of it, there is no reason why they would not all be disposed of through Aussales.

Senator ROBERT RAY—Is it an appropriate role for the Auditor-General to come in at some stage and audit this entire process of business sales?

Mr Mackay—He has actually already signified that intention.

Senator ROBERT RAY—Not there yet, but coming?

Mr Mackay—They may well have done some preliminary work. I have certainly had some discussions with them in a general sense. I think they were going to look in some detail at three of the businesses.

Senator ROBERT RAY—Are we allowed to know which three?

Mr Mackay—I think they are Works Australia, Dasfleet and Interiors.

Senator ROBERT RAY—So, in due course, we will have a report put down in the parliament in any event, and we can have a look at how it has gone in the time?

Mr Mackay—Yes.

Senator FAULKNER—I have a question about whether, for hospitality and bar expenses, these sorts of things, there are the same provisions for the SES in the former DAS as there were in the former Department of Finance? Could someone help me with that?

Mr Early—The short answer is that we would need to talk and find out what the provisions were. But the arrangements in the former DoF were by the book, and I presume DAS was the same.

Senator FAULKNER—There is no suggestion—

Mr Mackay—I think ours were covered by a secretary's accounting instruction.

Senator FAULKNER—Can you give me an idea of what the secretary's accounting instruction in the former DAS said, Mr Mackay?

Mr Mackay—I can clearly remember that it allowed deputy secretaries to maintain a bar fridge for small-scale entertainment. I think the arrangement was that, whenever I wanted to top that up, I made a submission to the secretary.

Senator FAULKNER—What do you mean by 'top that up'?

Mr Mackay—When it got empty, to refill it.

Senator FAULKNER—How often did that happen!

Mr Mackay—That is an unfair question. Hardly ever.

Senator Minchin—Only after estimates!

Senator FAULKNER—The odd celebratory drink, do you reckon, Senator Minchin?

Senator ROBERT RAY—Can we just go to the annual report. We have covered a couple of the areas already in those questions. I was just interested, first of all, that page 22 of the annual report, under ‘Financial performance’, in talking about DAS Interiors notes that the bottom line loss of \$1.657 million resulted from a drastic fall in sales, principally in the traditional Commonwealth government sector. It goes on to say that income levels reduced to a point where they were insufficient to cover elements of fixed cost inherent in a government business. Can you expand at all on why the bottom line was so bad?

Mr Mackay—Basically, there were a lot of decisions taken by government in the last budget which restricted the spending ability of many of Interiors’ key customers.

Senator ROBERT RAY—It talks about, in part, the rationalisation of Commonwealth government offices probably restricting the activities of this area. It also says the market was subject to intense bidding at low margins. That was another reason, was it?

Mr Mackay—I think that is correct and that is certainly why several other similar businesses showed very poor results over that period as well. It was not restricted to Interiors; it was a market-wide issue.

Senator ROBERT RAY—Moving on to page 39, and it may be a similar reason—

Senator Minchin—Just before we go on, Mr Peel has some information in response to your request, Senator Ray.

Mr Peel—Thanks, Mr Chairman. Senator Ray asked before the lunch break if I could check whether we had received a request in October for the file relating to Senator Colston to be made available to the Department of Prime Minister and Cabinet. I have checked, over lunch, with all the officers that would have been involved in such a request and none of them remembers such a request. We have also telephoned the Department of Prime Minister and Cabinet to establish whether they believe they actually asked for it and we have been told that they did not ask for the file.

The other matter was whether we had a file note from the Department of Prime Minister and Cabinet or the Prime Minister’s office. We have looked through the files over lunch. We can find no evidence of any such file note. We have also telephoned Mr Semmens. It is possible he might have seen such a note if it existed. He has no recollection of such a note either.

Senator ROBERT RAY—Thank you. We might be pursuing this again under the MAPS program, but that is several programs away—the second half and not the first half. On page 39, it goes through the AGPS and it says:

Financial performance was weaker than anticipated, with a business outcome of \$2.715 million against a target of \$4.204 million.

The reasons given here are a general downturn in Commonwealth printing and publishing. I think I understand that reason. But what does ‘the impact of market testing on the marketplace’ mean? What is that referring to?

Mr Mackay—I presume it is associated with the fact that when you say something is up for sale people do focus on that and think, ‘I wonder whether this place is going to be around for a while’ and look at other alternatives. Just the very fact that a business is on the market could have an impact on its sales.

Senator ROBERT RAY—Was it anticipated, not only in this case but in disposal across the board, that you might be depressing the price the moment you announce it is for sale?

Mr Mackay—I think it was something that we became aware of fairly early in the piece and in many cases we acted to avoid that.

Senator ROBERT RAY—But it did not succeed in this case?

Mr Mackay—That is correct.

Senator ROBERT RAY—I go to page 50 of the annual report. It makes reference to DAS distribution and the operating loss before abnormal items of \$4.327 million. It gives three reasons. I think we understand the continuing unprofitability of domestic freight activity. The other two are delays in reducing staff numbers and writing down of assets. Would you like to let us know what the problem was there?

Mr Mackay—Sorry, Senator, did you say page 50?

Senator ROBERT RAY—Yes. Maybe it is not DAS Distribution. Let me just check. Yes, it is.

Mr Mackay—I just cannot find the three reasons that you are referring to.

Senator ROBERT RAY—Sorry. It is the first sentence. It says:

The majority of that loss is attributable to the continuing unprofitability of the domestic freight activity, delays in reducing staff numbers and the write-down of assets.

Mr Mackay—You want me to comment on the second two of those?

Senator ROBERT RAY—Yes.

Mr Mackay—I cannot recall why we were slow in reducing staff numbers, but there were some industrial sensitivities there which took quite a while to deal with, particularly, I think, with the truck drivers. On the write-down of assets, that is really that you have got something on the books for a certain value, and when you sell it it becomes clear that that was overvalued and then you need to write it down. Often you do not know that until the time you go to sell it.

Senator ROBERT RAY—That is all I have on DAS Distribution. Can you explain the reference on page 59 of the annual report to the reduction of activities for Removals Australia. It says that any drop-off in activity was due to a reduction in state government work. Is that because state governments are doing less work or are they directing it elsewhere?

Mr Mackay—As I recall, we did have quite a large contract with the Queensland government which we lost during the period.

Senator ROBERT RAY—That is basically it?

Mr Mackay—Yes.

Senator ROBERT RAY—When we go to page 62 of the report—and we are talking now about Support Services—it says sales for the year were down nine per cent on the plan. But, again, it talks about the impact of the 1996 budget decision to sell down DAS commercial units.

Mr Mackay—The biggest customer of DAS Support Services was DAS itself. As we downsized, clearly their base was going to reduce. I would think that would be by far and away the largest impact.

Senator ROBERT RAY—Are you still one of their larger customers in the new formation?

Mr Mackay—Yes.

Senator ROBERT RAY—You might have sold it at the right time.

Mr Mackay—No, we have not sold it, unfortunately.

Senator ROBERT RAY—I do not want to talk down the price; I will not follow that any further. I do not think this is one for Mr Mackay: page 97 of the annual report, at the very bottom under ‘Provision of services to the Minister and the Minister’s office’. I do not know if this is written in code but I am struggling to understand what this is about, so someone might explain to me what it is about.

Mr Mackay—It just simply means that our internal audit people did a review, an efficiency and effectiveness review, of the services that were provided—that is, in terms of the timeliness of briefing, the timeliness of dealing with correspondence and those sorts of services that were provided to the minister’s office.

Senator ROBERT RAY—Who started this? Is this just a standard review or did someone ask for it to be done?

Mr Mackay—I would take that on notice, Senator. I just cannot remember.

Senator ROBERT RAY—Was there a concern expressed by the minister’s office that the quality of policy advice, as opposed to administration, was a problem; or, more to the point, were certain segments of DAS tied down in the extra mundane tasks that came up at one stage there and not able to work on policy advice?

Mr Mackay—I do not recall it being that as the reason—there may have been a concern expressed by the minister—or whether it was just something we decided to do. I will just have to take that on notice. I just cannot recall.

Senator FAULKNER—Could I just go back to purchasing review, which I was discussing with Mr Bartos before the luncheon adjournment? I asked you about the review process, and you and Mr Skrzypek provided a range of helpful material for me. I want to be clear—you did indicate to me that the review is not up to the stage of a draft report. You indicated that there are policy papers and the like. I just wanted to be doubly sure that that is the case, Mr Bartos.

Mr Bartos—There is certainly nothing, Senator, that I would want, in its current form, to give to ministers to make a decision on. There have been several early drafts of what will be the report that will be put up to ministers—it has gone through many iterations; it is in at least its third now—and material has been circulated to the steering committee with an indication that there will be further work done on it. There is material around, as I indicated to you before. It is not in a state that, as I think I indicated before, I would be prepared to sign my name to as saying ‘This is the draft report of the review’. But there is some developed material that is still being worked on that is in circulation.

Senator FAULKNER—How broadly has the most recent draft, if you like, been distributed within the department? Has it gone more broadly than the review team itself?

Mr Bartos—It has.

Senator FAULKNER—I gather that is the case, from what you have been saying.

Mr Bartos—Yes. It has gone to the steering committee for the review. You will recall that I mentioned that a number of departments are involved in that. That is as wide as it has gone to date. It has gone internally within the Department of Finance and Administration, to both me and officers in the competitive tendering and contracting group, and it has gone to the other departments represented on the steering committee.

Senator FAULKNER—What is going to Purchasing Australia’s regional managers then?

Mr Bartos—There was a presentation given to the regional managers of the competitive tendering and contracting group—I believe last Wednesday—at which Mr Skrzypek gave an outline, including a set of overhead slides, of where he thought the review’s conclusions were heading. That presentation was given so that the regional managers would have an indication as to the future directions of the review.

Senator FAULKNER—But they would not have seen an iteration, or any iteration, of a draft report?

Mr Bartos—I do not believe so. I will check with Mr Skrzypek. I do not think anything was circulated other than the overheads that he used as part of his presentation.

Mr Skrzypek—Mr Bartos is correct. I did give a presentation at which I used some overhead slides on a projector. No draft report—or any papers at all—was circulated to the staff.

Senator FAULKNER—I appreciate the evidence you gave to the estimates committee a little earlier, suggesting that it was important for the matter to be finalised as quickly as possible, for a range of reasons. I certainly asked about staffing implications and I think you acknowledged that that was important and one of the primary considerations. Would you be able to give me any indication of what the staffing implications might be?

Mr Bartos—Not at this stage, Senator, no. As we indicated before, there is no target in mind.

Senator FAULKNER—I appreciate that you said that there was no target in mind, but I thought you might be able to generally let me have an understanding of what the implications and the considerations are that are subject to this process.

Mr Bartos—Not really, Senator. It depends on what we come up with finally as recommendations to government and then how government reacts to them in the course of this review. It really is fruitless to speculate on what that would mean. But as I indicated before, if we are looking at terms of reference that deal with options for contracting out current activities or devolving functions to agencies, there is a possibility, if options are taken up in relation to those, of some staffing implications for the area concerned.

Senator FAULKNER—Can you be any more definitive for me now for the development of a final draft? I assume a final draft is different from a final report, is it?

Mr Bartos—It is, yes. I can tell you exactly where it stands at the moment. We have circulated some papers to the steering committee. We have indicated that there is still further work to be done to refine that material and there are some areas where the review team is putting in that further work. We have given what we had at the time to the steering committee, so they can provide comments and input to it. Not all members of the steering committee have done so as yet and they have indicated that they are likely to do so by some time next week.

Senator FAULKNER—Thank you.

CHAIR—As that is the end of general questions, we will move on to program 1.

[3.12 p.m.]

Program 1—Budget

Senator FAULKNER—I have one general question. You may have this already, Mr Early—I suspect you do—an up-to-date departmental structure diagram. Has that been developed or finalised yet?

Mr Early—We have a current structure diagram. As we have indicated previously, with the reviews under way, it is unlikely to be the final structure diagram. I do not have a copy of the current one with me that I could table. We could certainly take your question on notice and provide that.

Senator FAULKNER—Well, not so much take it on notice, but if that could be provided, that would be helpful.

Mr Early—Yes.

Senator FAULKNER—Thanks.

Senator ROBERT RAY—Through you, Minister—and maybe Mr Goodwin could elucidate on this particular factor—did you read, Mr Goodwin, an article in the *Canberra Times* on 6 November on page 2, that said, 'Finance pushes through changes to budget system'?

Mr Goodwin—Yes, Senator.

Senator ROBERT RAY—This is the only reference I have seen of this. Is this based on material or ideas that you can talk about at this stage?

Mr Goodwin—This was the article referring to the accrual budget system and devolution of estimates construction?

Senator ROBERT RAY—Yes.

Mr Goodwin—Yes.

Senator ROBERT RAY—You can talk about those things?

Mr Goodwin—Yes.

Senator ROBERT RAY—Would you like to give us a quick summary of what the approach is? I take it that the approach is that a lot of these costings can be done within departments themselves and it will not be replicated in Finance: is that right?

Mr Goodwin—The government has taken a decision to adopt an accrual budgeting framework.

Senator ROBERT RAY—Yes.

Mr Goodwin—As you know, they have been progressing for some time with accrual reporting. The next step is to adopt accrual budgeting. That involves the introduction of a new information management system, which will be an accrual based system. There will be a need with that system to capture a great deal more data than is presently captured in the cash based system. In a sense, most of that data will be held by departments and agencies. Under the new framework and with the new system, that data will be input by agencies and uploaded by Finance into a central system for budgeting purposes.

Senator ROBERT RAY—I see. So to some extent this will reduce the role of the department of finance in this to some extent.

Mr Goodwin—To an extent it will reduce the role of inputting data. The department of finance will still maintain a role in quality assurance of the data and will be responsible for assuring cabinet of the accuracy of that data.

Senator ROBERT RAY—So in actual fact, as has been one of your great dreams of many years, you will get much more transparency into the financing of a whole variety of departments, won't you?

Mr Goodwin—Yes, we will.

Senator ROBERT RAY—Will any staff reductions come out of this particular process?

Mr Goodwin—That is not known at this stage. We are yet to finally specify the new system, and we are yet to complete reviews of our business processes and how we will operate that new system.

Senator ROBERT RAY—Mention was made of double handling and I would have thought that if that was one of the rationales for doing this, and you had single handling, in fact some resources would be saved.

Mr Goodwin—There is certainly potential for more efficient handling of data. The question of whether that will flow on to staff reductions or not is yet to be resolved.

Senator ROBERT RAY—Then we must have a funny idea of efficiency here. What is the definition of efficiency if it does not mean improvement to reduce the amount of resources devoted to it?

Mr Goodwin—There will be a greater amount of data to be handled under an accrual framework and we will be changing our business practices and how we approach the analysis and reporting of that data.

Senator ROBERT RAY—You are absolutely right that if quality enhances for the same amount of resources, that is an equally good definition of efficiency. You are quite right. Will there be increased costs on the other departments to do this?

Mr Hehir—Your question relates, I assume, to whether there is increased costs for agencies in inputting the estimates directly into the Finance system. The approach that we are trying to adopt is one of providing some form of integration between the agency FMISs into our central financial management information system. In that way we would hope to minimise any additional costs on agencies. If there are any, they are likely to be very small.

Senator ROBERT RAY—Yes.

Mr Hehir—They have to maintain the data in the same form in any event.

Senator ROBERT RAY—Of course, in the spirit of these things, if you made savings and they had increased costs, you would transfer resources over to them to make it up, wouldn't you? I just thought the Department of Finance may have changed in the nine years since I was a minister!

Senator FAULKNER—What is the timetable for this year's midyear review? Can you assist me with that?

Mr Goodwin—The national accounts for the September quarter are due out early in December this year. The midyear review will be finalised on the basis of that release and will be available to government towards the end of the year.

Senator FAULKNER—Towards the end of this calendar year? Are you saying before Christmas, effectively?

Mr Goodwin—The exact release date will be a matter for government.

Senator FAULKNER—We will come back to that in a moment.

Senator ROBERT RAY—I notice we have got a public servant spending her last day here today in the audience. If I may, I will put a question on notice so that then she can go home now. The question on notice, when we get to program 3, is: what has happened to the review of OGIA, and will the report be made public? That was really the only question we were going to ask, so you might like to go. Thanks for all your help.

Senator FAULKNER—I hear what you say; I understand the point you make. The national accounts are due early in December, I think you said, and you said that this will be finalised towards the end of the year. I asked you whether, effectively, that meant before Christmas or just towards the end of the year.

Mr Goodwin—We would expect to have the report finished towards the end of the year and hopefully before Christmas.

Senator FAULKNER—Thanks for that. Can you supply now a list of post-budget decisions, including their effect on outlays for current and forward years?

Mr Goodwin—It is a matter for government to release the post-budget decisions. Some have already been announced by press release; others we would normally publish in the midyear review.

Senator ROBERT RAY—But you would keep a tally as the government put them on the tick, wouldn't you?

Mr Goodwin—We certainly do.

Senator FAULKNER—I thought there was a capacity for this to be published, actually, before the midyear review.

Mr Goodwin—As I said, Senator, the government does announce decisions, as it sees fit during the year, by press release. We would not normally publish them as a block other than in a midyear review or in a formal publication of that type.

Senator FAULKNER—You would normally publish them—

Mr Goodwin—We would not normally publish them as a block, other than in a midyear review or a publication of that type.

Senator FAULKNER—So that has not occurred before? I thought it had. I might be wrong about that.

Mr Goodwin—To my knowledge, Senator, it has only occurred where the government has made an economic statement between budgets or at a midyear review time.

Senator FAULKNER—Anyway, you might take that on notice and ask the minister if that could be provided before the midyear review. You never know your luck.

Mr Goodwin—I would be happy to do that.

Senator FAULKNER—Thanks—unless Senator Minchin can offer it up now.

Senator Minchin—I am sorry, I cannot. I will make sure minister Fahey is asked, however.

Senator FAULKNER—Thanks. In relation to role and mission of the department, the first principal matter under DoFA's mission is budget policy advice and process. I think there are now actually more SES officers in non-budget areas than in direct budget related jobs. Would that be right?

Mr Early—That would be correct, and that is not really new.

Senator FAULKNER—That is not new?

Mr Early—No. The number of direct budget officers that we have in the department has always been less than 50 per cent of the department. When I say 'always' I mean at least in my memory.

Senator FAULKNER—Is it true that there was a paper distributed around the department—probably the former Department of Finance, as opposed to the new DoFA—on some of the

issues that related to the charter of budget honesty? I was told that a number of staff had raised some issues or doubts, because of staff cuts, about being able to meet the deadline set by the charter for costings of election promises. Was that accurate?

Mr Goodwin—Are you referring to the release of the pre-election report in the draft legislation—the timing of that?

Senator FAULKNER—I am not entirely sure what it referred to. I assumed that that is the case, yes. I was asking you. I gather that some quite significant concerns being raised by staff in your own department were matters that probably you would have been aware of and perhaps would have exercised your mind.

Mr Goodwin—I think there are two issues that relate to timing and that relate also to the charter of budget honesty draft legislation. The first is the requirement to release a pre-election report within 10 days of the election being called. The second is the requirement for public release of any costings of policies during the election campaign.

The 10-day requirement to release the pre-election report we think we can meet. How quickly we can respond to requests for costing of election policies is yet to be resolved. It is a difficult one. As you would be aware, depending on the complexity of the policy and the assumptions underlying that policy, the time to check the costings is quite variable.

Senator FAULKNER—Mr Goodwin, what I had heard—you might be able to confirm this for me—is that the members of the department's executive basically responded to some of those concerns or doubts, if you like, by suggesting that the department might have to contract out some of the costing work to the private sector. I suppose it is that issue that I would like you to respond to me on.

Mr Early—That has not been canvassed by the executive, Senator.

Senator FAULKNER—Have any members of the departmental management canvassed that issue with staff? It may not have been a formal matter before the departmental executive, so let me ask the question in that different way to see if it engenders the same response.

Mr Goodwin—The options for delivering costings of policies are being explored and we are looking at developing guidelines for that. You might recall that the legislation requires that those guidelines be released once the legislation is passed. No options have been decided on yet in respect of those guidelines.

Senator FAULKNER—Thank you for that information, Mr Goodwin. I suppose it is helpful—a partial answer, I suppose, to my question. I tried to ask my question or frame my question in a way that allowed me to understand precisely what was happening there, as opposed, perhaps, to some specific issue that may have been dealt with at the departmental executive level. As I understand it, you have departmental management responding to officers in your department by saying, 'Look, some of the issues that have been raised can be best responded to by contracting out some of this work to the private sector.' You are saying to me that you are developing options. I am not quite clear what that means. I just wondered if you could just explain that to me a little more.

Mr Early—Could I perhaps just talk a little bit about what we are doing? It might help focus the discussion.

Senator FAULKNER—Thanks, that would be really helpful.

Mr Early—The department obviously recognises that the workload it will face in an election campaign, in future, will be different from the workload it has faced in the past. The executive has identified a need to analyse that and work out how we will deploy our resources in order

to be able to deliver what the legislation requires of us. At this stage, we have not got to a point where we have seriously analysed the option, let alone formed any judgments as to what the best way to go is. Whether an individual manager has canvassed options with people, I obviously cannot tell you but we have not proceeded to that point yet.

Senator FAULKNER—No. I appreciate the difference in the comment that you make about analysing options, compared with what Mr Goodwin said which related to the development of options.

Mr Goodwin—My poor choice of language.

Senator FAULKNER—Not at all.

Mr Goodwin—I am not talking about developing; I am talking about analysing.

Senator FAULKNER—Perhaps you could let me know what departmental resources are involved in the development of these options.

Mr Goodwin—I would have one person working part-time in drafting, in assisting a draft of the paper.

Senator FAULKNER—I see. So we have not reached the point of having a draft paper. It is in its development phase; is that right?

Mr Goodwin—We are in the process of preparing a draft and then circulating it for comment within the department.

Senator FAULKNER—Have you a draft prepared? If you are circulating it, obviously you have something to circulate.

Mr Goodwin—Yes.

Senator FAULKNER—So a draft has been prepared on these options?

Mr Goodwin—Yes, there are draft guidelines prepared.

Senator FAULKNER—When would that be circulated?

Mr Goodwin—The guidelines are primarily about what we do and not how we will do the costing. As I say, they have been drafted and circulated at officer level for comment. They have not yet gone to the executive.

Senator FAULKNER—So would you anticipate that, after what you do, there will be future work on how you do it? Would that fit?

Mr Goodwin—Certainly.

Senator FAULKNER—But this particular paper does not canvass issues of how you might do this?

Mr Goodwin—Not to my recollection.

Senator FAULKNER—Would you be able to make a copy of that draft paper available to the committee?

Mr Goodwin—It is a matter for government and I would not recommend that it be made available at this time because it is in the very early stages of preparation.

Senator FAULKNER—Perhaps we should ask you when it is a little better developed.

Mr Goodwin—Certainly.

Senator FAULKNER—There is a suggestion that yet another review of DoFA's budget functions is being contemplated, for want of a better description. Is that right?

Mr Early—The department's functions are reviewed continually. Obviously, with the introduction of accrual budgeting in a couple of years, we clearly need to review what we are doing to make sure that we can deliver satisfactorily.

Senator FAULKNER—How many reviews have there been of DoF's budget functions over the last few years?

Mr Early—We always review our performance in the budget after each budget. That can range from something quite small to something quite extensive. But the department would always look at its performance in the budget and consider how that could be improved.

Senator FAULKNER—There were new arrangements that commenced at the beginning of July—I think on 1 July—this year, where you had your three budget divisions collapsed into the budget group. Can you just explain precisely what happened there?

Mr Early—I am not sure the term 'collapsed' appeals to me.

Senator FAULKNER—I might have it wrong. Tell me if I have got it wrong.

Mr Early—We reviewed our structure and set up an arrangement which had three groups, essentially, in the department, one of which was the program and policy analysis area. In the review of the organisation we did on 5 and 6 June, which was obviously after this year's budget, we changed that arrangement to the present one which is to have a budget group. Essentially, the philosophy that underpins that is to have our organisational structures aligned with our business outputs and our program structures in order to get the best quality management we can.

Senator FAULKNER—You have got this new arrangement. Did that start on 1 July this year, effectively, in terms of its administrative operations?

Mr Early—Yes.

Senator FAULKNER—I heard you say that was an outcome of the most recent post-budget review. Is that right?

Mr Early—We had what I think at the last estimates hearing we described as an internal mini ERC after this year's budget. It was wider than simply looking at the budget function within the organisation. It was a review of the activities of the then Finance across the board.

Senator FAULKNER—I see. Is there a review either commenced or contemplated after these new arrangements have come into place on 1 July this year? I suppose that is the nub of what I would like to understand.

Mr Early—It is difficult to talk about reviewing something that has been in place since July—

Senator FAULKNER—That is why I am asking the question.

Mr Early—Yes, but we are reviewing our operations and looking at benchmarking our budget activity against others to see if we can find better ways of doing things. We are also looking at how our budget function needs to change in the lead-up to accrual budgeting as well.

Senator FAULKNER—I suppose, given these sorts of time lines and this circumstance, the obvious question to ask is: why is another review required?

Mr Early—There are two answers to the question really. One is that we believe in continually improving the way we do things. That has been a philosophy in the then Department of Finance for some time and it will be a philosophy in the Department of Finance

and Administration. The other is that we have to make sure that we can deliver the introduction of accrual budgeting in two years time.

Senator FAULKNER—I am not quite sure of its status, but this most recent review—has it actually got a name? I would just like to be able to refer to it accurately. What should I call it, Mr Goodwin? Help me out.

Mr Early—The short answer is it has not started yet. It does not have a formal name.

Senator FAULKNER—Will it have a name?

Mr Early—Given the penchant of public servants for acronyms, it probably will have one, one day.

Senator FAULKNER—But it hasn't got one yet?

Mr Early—Not that I am aware of.

Senator FAULKNER—Has it got terms of reference yet?

Mr Goodwin—We have recently released to a limited number of companies the terms of reference for a business process re-engineering consultancy and we are seeking responses on 19 November. The aim of this exercise is principally to prepare us for the transition from managing cash based systems to managing the accrual based systems that we will be using in the future. It is very closely linked to the introduction of the accrual framework.

Senator FAULKNER—Thanks, that is helpful. Is that the same process that Mr Early has been speaking of, or are they separate processes?

Mr Goodwin—With that process we are currently conducting internally a benchmarking exercise through our contacts with the OECD and other countries around the world to assess the comparability of our performance against their performance.

Senator FAULKNER—That is helpful. Thank you for that, Mr Goodwin. In relation to the terms of reference that have been provided to a limited number of companies, would it be possible to provide the committee with a copy of those terms of reference?

Mr Goodwin—We will take it on notice, Senator.

Senator FAULKNER—Thank you. Does the benchmarking exercise have parameters or terms of reference?

Mr Goodwin—The benchmarking exercise—

Senator FAULKNER—I appreciate that it is internal, as you have said.

Mr Goodwin—That exercise is essentially a questionnaire that we have sent to a number of countries.

Senator FAULKNER—Would it be possible to get a copy of the questionnaire given that it appears to—

Mr Goodwin—I do not see why not.

Senator FAULKNER—You said it had been sent to other countries?

Mr Goodwin—Yes.

Senator FAULKNER—If it can go to other countries, I suspect it can probably come to the estimates committee, so I appreciate that. Thanks very much. What sort of cost are you anticipating for the first consultancy that we have spoken about?

Mr Goodwin—We have sought bids from various companies for the conduct of its work.

Senator FAULKNER—That is only after that—

Mr Goodwin—To release any estimate of cost would influence that process.

Senator FAULKNER—I understand that. Is contracting out certain budget related functions one of the key parameters of these exercises?

Mr Goodwin—Not to my knowledge, Senator.

Senator FAULKNER—So there are no plans for the department at this stage to contract out any budget related functions currently conducted by the department itself?

Mr Early—There are no plans to contract out the performance of the department's budget function at present. We are looking at contracting out the development of a budget system, that is, a systems development activity which, of course, is not a core budget activity.

Senator FAULKNER—That is a related function to that which would be currently conducted in-house, one assumes?

Mr Early—The last time we built a budget system, we built in-house. But that is a systems development function, not a budget function.

Senator FAULKNER—Yes, but when did that occur? I assume that this is a task that you have to turn your minds to not irregularly.

Mr Early—A couple of years ago, Senator.

Senator FAULKNER—A couple of years ago. You might get that precise. Could I ask you for the precise date on notice?

Mr Early—We can give you a precise date on notice, certainly.

Senator FAULKNER—I do have some questions but we are just about out of time. I would like to ask you about contracting out—really core versus non-core functions. I have not got them in a form that is other than a couple of notes at the moment, but I might try to get them scrubbed up into shape if I could, Minister and Mr Chairman. Then instead of coming back to perhaps program 1 it means that the officials from program 1 perhaps do not have to front up again when we resume. Would that be of assistance?

Mr Bartos—Thank you for your cooperation.

CHAIR—Senator, Senator Ray indicated that program 3 is finished. Do you have questions on program 2 and program 4?

Senator FAULKNER—Yes. But—

CHAIR—I just want to foreshadow for the minister and officers that we will obviously have to come back—the current indications are it will be Thursday p.m.

Senator FAULKNER—Probably I can frame these questions on contracting out in such a way that we could look after program 2 too. That might be helpful, Minister, would it?

Senator Minchin—Yes, it would. Thank you.

CHAIR—So if we resume on Thursday afternoon—

Senator FAULKNER—We resume on program—

CHAIR—Start with program 4. Have you got anything on program 4?

Senator FAULKNER—Yes, well let us work to that, if that helps. I am happy to oblige.

CHAIR—Thanks, senators. Thanks, Minister, and thank you, officers. We will notify everyone of the time and place.

Committee adjourned at 3.46 p.m.