



COMMONWEALTH OF AUSTRALIA

SENATE

Official Committee Hansard

COMMUNITY AFFAIRS LEGISLATION COMMITTEE

Consideration of Estimates

THURSDAY, 4 JUNE 1998

CANBERRA

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SENATE
COMMUNITY AFFAIRS LEGISLATION COMMITTEE
Thursday, 4 June 1998

Members: Senator Knowles (*Chair*), Senator Bartlett (*Deputy Chair*), Senators Denman, Eggleston, Forshaw and Lightfoot

Senators in attendance: Senators Allison, Calvert, Denman, Eggleston, Faulkner, Forshaw, Gibbs, Knowles, Lightfoot and West

Committee met at 9.01 a.m.

DEPARTMENT OF HEALTH AND FAMILY SERVICES

Proposed expenditure, \$3,141,041,000 (Document A).

Proposed provision, \$1,409,930,000 (Document B).

Consideration resumed from 3 June 1998.

In Attendance

Senator Herron, Minister for Aboriginal and Torres Strait Islander Affairs

Executive—

Mr Andrew Podger, Secretary

Ms Mary Murnane, Deputy Secretary

Program 1—Public Health

Public Health Division

Ms Liz Furler, First Assistant Secretary

Dr Margaret Dean, Medical Adviser

Dr Cathy Mead, Head, National Centre for Disease Control

Ms Sue Kerr, Assistant Secretary, Drug Strategy and Public Social Marketing Branch

Ms Jan Bennett, Assistant Secretary, National Public Health Planning Branch

Mr David Marcus, Assistant Secretary, Population Health Branch

Ms Fidelma Rogers, Director, Primary Prevention Section, Population Health Branch

Ms Margaret Dorsch, Director, National Diabetes and Injury Unit, Population Health Branch

Ms Laurie Van Veen, Director, Public Health Social Marketing Unit, Drug Strategy and Public Health Social Marketing Branch

Mr Tom Carroll, Senior Adviser, Research and Marketing, Drug Strategy and Public Health Social Marketing Branch

Mr Roger Hughes, Manager, National Drug Strategy Unit, Drug Strategy and Public Health Social Marketing Branch

Mr Jamie Fox, Director, Tobacco and Alcohol Strategies Section, Drug Strategy and Public Health Social Marketing Branch

Ms Lesley Paton, Director, Cancer Unit, Health Promotion Branch

Australia New Zealand Food Authority

Dr Gordon Burch, Chief Scientist

Office of the National Health and Medical Research Council

Mr Robert Wells, First Assistant Secretary

Dr Cindy Wong, Assistant Secretary, Health Advisory Branch

Ms Ann Donovan, Acting Assistant Secretary, Health Research Branch

Mr Peter Fisher, Assistant Secretary, Health Advisory and Workforce Branch

Dr Terry Stokes, Assistant Secretary, GrantNet Branch

Therapeutic Goods Administration

Mr Terry Slater, National Manager

Dr Alex Proudfoot, Principal Medical Adviser

Dr Susan Alder, Director, Drug Safety and Evaluation Branch

Ms Ngaire Bryan, Director, Business and Services Branch

Dr John Cable, Director, Australian Radiation Laboratory

Ms Laurayne Bowler, Director, Chemicals and Non Prescription Drug Branch

Dr Brian Priestley, Scientific Director, Chemicals and Non Prescription Drug Branch

Dr Leonie Hunt, Director, Conformity and Assessment Branch

Dr Elaine Walker, Director, TGA Laboratories Branch

Dr Don Macnab, Director, Nuclear Safety

Program 2—Health Care and Access

Health Benefits Division

Dr Louise Morauta, First Assistant Secretary

Ms Gail Batman, Assistant Secretary, Medicare Benefits Branch

Dr David Graham, Assistant Secretary, Pharmaceutical Benefits Branch

Dr John Primrose, Medical Officer, Pharmaceutical Benefits Branch

Ms Penny Rogers, Assistant Secretary, Diagnostics and Technology Branch

Mr Peter Broadhead, Assistant Secretary, Financing and Analysis Branch

Mr Alan Keith, Assistant Secretary, General Practice Branch

Professional Services Review

Mr Peter Dunnett, Executive Officer

Dr John Holmes, Director

Health Services Development Division

Dr John Loy, First Assistant Secretary

Dr Harvey Whiteford, Assistant Secretary, Mental Health Branch

Ms Christine Woodgate, Assistant Secretary, Health Insurance Development Group

Mr Charles Maskell-Knight, Assistant Secretary, Healthcare Agreements

Health Insurance Commission

Dr Jeff Harmer, Managing Director

Mr Graham Mynott, Acting General Manager, Program Management

Mr David Num, General Manager, Finance and Planning

Mr Ralph Watzlaff, General Manager, Professional Review
Mr Graham Grayson, Manager, Health Programs
Mr Morris Trevethan, Senior Pharmaceutical Adviser
Mr Michael Robbins, Manager, Budget Initiatives
Mr Lou Andreatta, Manager, Business Development
Mr Michael Parsons, General Manager, Consultancies Division
Mr George Mein, Manager, Human Resource Services

Medicare Private

Mr Michael Whelan

Program 3—Aboriginal and Torres Strait Islander Health

Office of Aboriginal and Torres Strait Islander Health Services

Ms Helen Evans, First Assistant Secretary
Ms Marion Dunlop, Assistant Secretary, Planning and Evaluation Branch
Dr Ian Anderson, Medical Adviser

Program 4—Family and Children's Services

Ms Denise Swift, Acting First Assistant Secretary
Ms Christine Goonrey, Acting Assistant Secretary, Family Services Branch
Mr Ian McRae, Assistant Secretary, Subsidies and Financial Management
Mr Richard Lansdowne, Assistant Secretary, Administration and Development Branch
Ms Judy Raymond, Assistant Secretary, Policy Analysis and Planning
Mr Dennis Mahony, Director, Families and Children Customer Segment Team, Centrelink

Program 5—Aged and Community Care

Ms Jane Halton, First Assistant Secretary
Mr David Learmonth, Assistant Secretary, Policy and Evaluation Branch
Mr Andrew Stuart, Assistant Secretary, Residential Program Management Branch
Ms Pieta Laut, Acting Assistant Secretary, Accountability and Quality Assurance Branch
Mr Warwick Bruen, Assistant Secretary, Community Care
Ms Margaret Kilpatrick, National Manager, Retirement Customer Segment, Centrelink

Program 6—Disability Programs

Mr Barry Wight, First Assistant Secretary
Ms Ruth Goren, Assistant Secretary, Office of Disability
Ms Judy Blazow, Assistant Secretary, Strategic Management Branch
Mr Roger Barson, Assistant Secretary, Policy and Planning Branch
Mr Paul McGlew, Director, Community Service Obligations Section, Office of Hearing Services

Program 7—Leadership and Management

Corporate Services Division

Mr Neville Tomkins, First Assistant Secretary

Mr Mark Johnson, Assistant Secretary, Financial Management
Mr Stephen Dellar, Assistant Secretary, Staff Support and Development
Ms Tricia Searson, Assistant Secretary, Public Affairs, Parliamentary and Access
Dr Robin Bell, Assistant Secretary, Legal Services
Mr Anthony Field, Director, Legal Services Branch
Mr Andrew Wood, Assistant Secretary, Audit and Fraud Control
Ms Wynne Hannon, Attorney-General's Department, General Counsel, Legal Services
Portfolio Strategies Group
Dr Robert Wooding, Assistant Secretary, Budget and Performance Strategies
Mr Gerry Linehan, Director, Budget Strategy
Information Technology Group
Dr Ian Heath, First Assistant Secretary
Australian Institute of Health and Welfare
Dr Richard Madden, Director

CHAIR—The committee is considering the 1998-99 budget estimates for the Health and Family Services portfolio. The committee is dealing with subprogram 1.1 and was discussing the national drug strategy when it adjourned last night. I welcome everyone back to the show. I invite Senator Gibbs to continue her line of questioning.

[9.01 a.m.]

Program 1—Public health

Subprogram 1—Public health development and programs

Senator GIBBS—With regard to the Australian National Council on Drugs, I thank you for the copies of the lists. I have a press release from the Prime Minister. He names all the people who are on this council. At the bottom, it also lists other members. The council will also have one nominee from the intergovernmental committee on drugs, an officials group supporting the ministerial council on drug strategy and two nominees from the national expert advisory committees to the Ministerial Council on Drug Strategy. Who will those people be?

Ms Kerr—We have given to the secretariat overnight a list of members of the council which sets out in detail the names of all members. Those people were all appointed by the Minister for Health and Family Services, Dr Wooldridge. The chairman of the intergovernmental committee on drugs is Mr Graham Strathearn, who is the head of the Drug and Alcohol Services Council in South Australia; Dr Robert Ali is the chair of the Expert Committee on Illicit Drugs. He has been added to the committee. Ms Karyn Hart is the chair of the Expert Group on Education that has been appointed by the minister for education. She is a member of the council as well.

Senator GIBBS—They are professional people; they are not departmental people?

Ms Kerr—They are not departmental people. Both Dr Ali and Mr Strathearn work for the Drug and Alcohol Services Council in South Australia. Ms Hart is a principal of a high school in Queensland.

Senator GIBBS—At Rochedale School? In the ad, where we have non-government organisation treatment grants proposals, you state with the criteria:

. provide evidence that the proposed service is consumer focused and takes account of what research or independent expert opinion shows is best practice in the delivery of treatment services for the specific target group. In addition, services provided must be age, gender and culturally appropriate.

What does 'age, gender and culturally appropriate' mean? Surely, whoever is running these organisations for the treatment of drugs would not worry about age, gender or culture.

Ms Kerr—It is a question of the proposal that the non-government organisation may be wishing to work up. If they want to work up something for young people in, for example, an inner city, they need to ensure that the sort of proposal they put forward is going to work for young people. It may be the case that a different sort of treatment modality is more appropriate for an older group of clients, for instance. That is merely saying that you should take account of the age of the client group that you want to service.

You should also take account of gender, because women particularly have been highlighted by us as a group where not as much funding has been provided in the past as we would like. We also make the point about being culturally appropriate. In this regard, we have identified Aboriginal communities, which have not received the same amount of funding for treatment services in the past as we would like. This whole package is about filling gaps in the treatment that is offered. It is really so that account can be taken of those particular target groups in putting forward proposals.

Senator GIBBS—But are we not talking about rehabilitation organisations where, if you are a drug dependent person, you go there for help? Isn't that what we are talking about here?

Ms Kerr—It could be a rehabilitation centre. It could be a day service, or it could be a long-term treatment service. It could be for a short-term intervention or it could be a longer term intervention. We have deliberately left it open as to the sort of intervention that the non-government sector may wish to propose so that we ensure that we get a full range of proposals.

Senator GIBBS—I know of a couple of organisations which use naltraxone as one way of helping people. It is not the only thing they use. Different treatments are for different people, depending on how long you have been on the drugs and how much money you have, because these things are not cheap. Other areas use different methods. I am not in favour of any rehabilitation centre that recommends abstinence, because it is ludicrous if you are an addict. This is in the treatment of users. These are people who suddenly say, 'I need help'. Usually when they do that, they are in a really sorry state. They either say, 'I need help or I die.' It is as simple as that. Unfortunately, too many die.

Unfortunately, people do not know about those who die. Those who can help do not know about it. I know in Brisbane and Queensland that a lot of users sometimes know where to go but that they do not particularly like the service provided. They do not know where to go for the particular service that they need. When it comes to choosing these organisations around Australia which put up their proposals for different treatments, I take it that the Australian National Council on Drugs is the overriding body. Am I correct?

Ms Kerr—Not quite. The Australian National Council on Drugs will play a part in providing advice to the minister.

Senator GIBBS—Who will choose which organisations will get money?

Ms Kerr—We have set up state based reference groups that will be chaired by our state manager in the Department of Health and Family Services. Others on that reference group will be a senior representative from the department of health in that state, a representative of the Australian National Council on Drugs and a representative of the—

Senator GIBBS—Who will be the representative from the Australian National Council on Drugs?

Ms Kerr—That person has been chosen by the council itself at its last meeting last week. They talked about which council member would attend which particular reference group. They took account of other people's work commitments and availability for meetings and so on. In the main, it would be the member from that state unless there was a problem in that person not being able to be there. There would then be a member from the non-government sector generally, other than someone who is a member of the Council on Drugs, and a representative of the Aboriginal community in that state.

That group, chaired by our state manager, will look at all the applications against the selection criteria, come up with proposals that meet the selection criteria and put those proposals forward to central office. We will then have a look at all the proposals that come forward from each of the state reference groups. Advice will go to the minister. At that point, the council as a whole will have an opportunity to look at all the proposals and provide further advice to the minister, particularly in relation to whether the proposals may still have left some gaps in the treatment that is being offered. We are particularly trying to target gaps for groups such as women and women with children, youth and Aboriginals and particular geographical gaps.

Senator GIBBS—I understand that. It is admirable. When it comes to drugs, their use is a great leveller—whether you are a man, woman or child. The people who run the organisations are rather humane. They do not particularly care whether the users are male or female or black or white. A person who needs help is a person who needs help. That is rather admirable. What I am trying to get at is this: if this body that will advise the minister is not going to be the body that will choose these organisations, what advice will they be able to give the minister? I would think the minister was pretty *au fait* with a lot of things, from what I have read.

Ms Kerr—I will just explain the way that we will allocate the funding. We have decided to allocate on a per capita basis but adjusted for certain target groups, such as people with disabilities, rural and remote youth and so on. We have used the Grants Commission formula to adjust the funding that we have. We are going to allocate 80 per cent of that to the state reference groups so that when they are putting forward their proposals they will know in general terms what amount of money they will have against which to match the proposals they receive.

The additional 20 per cent will be held back at the central office of the department so that when we examine all the proposals and suggestions that are coming forward from the state reference groups we will have some flexibility to see whether, say, a particular group has been missed out altogether. We may find that most people put in proposals around youth and Aboriginals but that nobody comes up with a proposal around women or there are not very many around women. We want some flexibility to ensure that we cover all those gaps that we have identified with this package. The council will then have a role in advising the minister. On having seen each of the reference group recommendations, they will be able to assist us in identifying what those gaps are so that the minister then has the value of advice not only from the reference groups but from the council as a whole when he looks at the whole package.

Senator GIBBS—The composition of this council is quite good. There are decent people on it. They know what they are doing. They are educated and some of them have been harmed

personally by this. It is quite a good selection. I am worried about the chairman. Is he going to be able to veto suggestions that the council will come up with? Bear in mind that he has totally different views from just about everybody on that committee and his views have been well publicised.

Ms Kerr—It is not a question of the chairman vetoing the council's views. He is there as the spokesperson for the council. The council certainly had discussions about this issue. I am not sure whether that, following the last meeting of the council last week, it issued a press release that put forward its views on a number of key issues that it discussed on the day. It is a very collegiate view that represents the views of all council members.

Senator GIBBS—I do not think I have it.

Ms Kerr—I am happy to table it.

Senator GIBBS—If you would. I have quite a few things, but I do not think I have that one. With the Prime Minister's attitude on zero tolerance and the minister's view on harm minimisation, when the minister decides to do things which will obviously be to the benefit of these people, bearing in mind that they obviously have different views, will the Prime Minister override the health minister on these things, as he has in the past?

Senator Herron—That is not properly a question for a person from the department. There is unanimity in the government on our attitude towards the drug issue. It is not a matter of the Prime Minister overriding the minister. I have been present at both launches of the program. It is a combined program. It is not zero tolerance. It is harm minimisation. On the one hand, it is an attack on the supply mode and, on the other hand, it is about assisting the treatment of those who have been affected.

Senator GIBBS—The minister will have the final decision?

Senator Herron—The minister and the Prime Minister will carry an agreement on the methodology.

Senator GIBBS—Good.

Senator Herron—They are in agreement. It is fortunate that the Prime Minister has taken a lead role in it to emphasise the significance of the program. He launched the program on both occasions—in Sydney and in Brisbane.

Senator FORSHAW—This is an extremely important issue. To a very large extent, many would argue, it is not one that should be in the realm of political point scoring or whatever. I do not put it in that context. We do know that there was a major difference of opinion between, for instance, the minister's attitude to the proposed heroin trials and the Prime Minister's. Indeed, the minister had said that if a majority of the states were supportive of the trials, that is what would happen. He was taking the considered views of the expert bodies and the health ministers. We know that it got to a point where a clear majority of the states and territories at least supported stage one. It was vetoed by the Prime Minister.

Given that history, you can forgive people for being a little sceptical about situations arising where there may be recommendations coming out of this national council supported by the professionals and by the minister but nevertheless being subject to either prime ministerial or cabinet veto at some stage. I am putting that not in the sense of political point scoring but in the sense that it is a real problem. As you know, often the task is to get people to agree upon a strategic approach. It takes a lot of effort. To see it fall over at the last hurdle can be very distressing for those involved, be they the clients or the people delivering the service. What assurances do we have that this strategy will be allowed to run, based upon decisions having

regard to appropriate professional advice and independent of any sort of political decisions based upon the views of Alan Jones or whoever else wants to get on the airwaves and knock it off before it even has a chance to get under way?

Senator Herron—I welcome your comment that it is an issue that should have bipartisan support. Everybody in the community overwhelmingly supports the attack on the drug scourge. The issue of a heroin trial was part of, but separate from, this program. There was considerable debate not only within political circles but also within the experts as to the efficacy of a trial in Canberra. Without going over all that, I remember particularly the numbers that were involved and the fact that it was not isolated. I have personally taken a keen interest in this over many years. I have looked at the Amsterdam program. Speaking now as an individual, I did not support the Canberra trial because I did not believe the outcome of it would prove anything one way or the other because of the numbers involved in particular. I followed the debate in the medical literature about all the things associated with it. While the minister came out and supported that trial, there was certainly a lot of evidence against it.

Having said that, the program that we are discussing now is an overall strategy to, in an Australian context, attack the problem. Nobody in the world has an answer to it. The legalisation of drugs, for example, as I saw in Amsterdam, is not the solution either. There is no perfect answer. But at least the government is putting additional funding into it and has taken a strategy that, we believe, is the best available, or the best based on the knowledge that is available to us at present. Only time will tell whether it is effective or not.

Senator FORSHAW—I hear all that. I am not sure what my attitude was or is to the concept of heroin trials. I followed that debate. I found myself agreeing and disagreeing as the debate went on just as, for instance, the Premier of New South Wales had particular views about it. It did range across political boundaries. My concern is that, in many respects, what determined the outcome was not, it seemed to me, a rational, professional process of decision making but a knee-jerk reaction fed by talk-back radio disc jockeys in Sydney and by *Daily Telegraph* headlines. The unfortunate thing is that the whole ability to properly assess the proposals was lost after that.

Senator Herron—I disagree with your analysis. There was a lot more to it than just the superficialities of newspaper headlines.

Senator FORSHAW—Do not underestimate the ability of these people to change the government's mind.

Senator DENMAN—I do not agree with any of you on the heroin trial. Can we be assured that any other treatment that may want to be trialled which is controversial will not get the same treatment as the heroin trial?

Senator Herron—I cannot give that assurance. I know that an enormous amount of debate occurred within scientific circles about the heroin trial in Canberra. It was not run by the newspapers, much as the newspapers might like to think so. I cannot give an assurance about future trials. Who knows what they might be. The debate about whether naltraxone is efficacious has been lost. The methadone program, which has been going for 10 or 15 years, is still unproven. All we can do is use whatever scientific evidence is available to us and put into effect what we—meaning the government, gathering together as much information and advice as we can—believe to be the most likely to succeed. As I mentioned at the beginning to Senator Gibbs, it involves deterrence and sentencing for the drug peddlers and the dealers and, on the other hand, a treatment program for people affected by drugs.

Senator DENMAN—I am still not quite satisfied.

Senator Herron—The government does not have a perfect answer any more than anybody else in the world has. We believe that what we are doing is the best available to us. That would be supported by the majority on all sides of politics. People may have different viewpoints, but that is the basis of it.

Senator GIBBS—That is true. We all know that there is no solution. There are different treatments that affect people differently. Some treatments are just not good. Some people on methadone will vomit it up. There are different treatments for different things. It would be good if we could have an assurance that any treatment that comes forward will be trialled in the correct manner by the government and the department of health.

The Minister for Health in Queensland is even doing trials on naltraxone. He was against the heroin trials, but he has obviously listened to the people, plus the fact that he is quite a compassionate person. He is doing trials on this. New South Wales is also doing different trials. If you talk about harm minimisation, we have to treat people who are sick with this. It is a health problem. The law enforcement agencies can do what they like. As far as I am concerned, those people deserve everything they get, if they catch them. There are a lot of users out there and there are a lot of people who die. Whatever trials are put forward, they really should be looked into on the basis that we do not have the perfect solution yet. But if you do not do it, you will not find the solution. It is like anything; if you do not seek it out, you will not find an answer.

Senator Herron—I agree. The states are doing a number of different trials. Funding is coming from the tough on drugs program as well. The Commonwealth will evaluate those trials to see whether they can be supported on a national scale. There are trials going on all over the world. We have to fit them in an Australian context. On the one hand, we are evaluating the state trials that are occurring. We are funding some. We are evaluating whatever trials are occurring in the rest of the world.

Senator GIBBS—I take it that these non-government organisation treatment grants are not simply going to go to church organisations but will go to other bodies besides church organisations?

Ms Kerr—I expect that a number of non-government organisations, including church organisations, will apply. It really is a question of who applies. We have advertised very widely. We expect the full gamut of different types of organisations to apply.

Senator GIBBS—There are not a lot of these places around; that is the problem. Probably everybody in these organisations in Australia will apply. There are not that many.

Ms Kerr—These are for new services. Although we expect a lot of existing non-government treatment agencies to apply, there may be some agencies that have never received government funding before, for instance, who may come forward.

Senator GIBBS—I suggest that most of them don't. There are a lot of treatment centres that do not receive money

Ms Kerr—That is true. Some NGOs are funded by state governments and some are not.

Senator GIBBS—So this is not for the centres that exist already and are taking people in?

Ms Kerr—Certainly we expect that they will apply as well. We have opened it up to all non-government agencies that can apply for this money. In the main, the applications will come from existing agencies. But if a group of individuals wish to consider forming an agency, and if they can meet the requirements and definition of a non-government organisation, we would consider them as well.

We have done a lot of consultation with the non-government sector. Some people have said to us that they have been offered, for example, access to facilities by an organisation. For example, an organisation has said that they have a spare room that could be used to hold a small number of beds, for instance. With a small amount of money and with this new funding, that room and those facilities could be equipped so that they could offer, for example, four or five beds for women with children. That might be quite a new group that might want to work with an existing community group or organisation. We do not want to limit the funding unnecessarily. In the main, most of the proposals will come from existing non-government sector organisations.

Senator Herron—The emphasis was to allow greater access for people who are at the grassroots level dealing with drug addicts and people affected by drugs to the program who would otherwise be denied and to stop limiting it to research institutes, which operate on a more theoretical basis.

Senator GIBBS—That is what is needed.

Senator Herron—I wanted to clarify that for you. That was the purpose behind part of this program. That is why people like the Salvation Army drug program people now have access to this funding to feed into the system. That is why the Sydney launch, for example, was at Ted Noff's centre.

Senator GIBBS—My concern is that it simply will not go to the church organisations.

Senator Herron—No. It is not restricted to them. It was the symbolism to let smaller organisations that are dealing with drug addicts know that they could have access if they fitted the criteria, as Ms Kerr pointed out.

Senator GIBBS—The methadone program will still continue? Will it be increased, or is it staying the same?

Ms Kerr—This funding is over and above existing national drug strategy funding and existing arrangements that the states and the Commonwealth have for funding in this area. This will not affect the methadone program.

Senator GIBBS—Needle exchange?

Ms Kerr—Again, this is over and above any arrangements that are already in place in the treatment area.

Senator WEST—The needle exchange is funded federally?

Ms Furler—Your question was about needle exchange programs being funded federally. Dr Mead can assist us with that.

Dr Mead—The needle and syringe exchange programs were funded under the AIDS matched funding program in most states. The funding for that is picked up under the public health outcome funding agreements because they were an initiative of the AIDS program. They are funded by the states. The source of money in part is the public health outcome funding agreements, not the drug strategy specifically.

Senator WEST—Was there not some funding for condoms as well?

Dr Mead—A lot of needle and syringe exchange programs also distribute condoms, yes.

Senator WEST—Has the needle and syringe exchange programs money reduced, or have there been changes to the guidelines as to what that money can purchase?

Dr Mead—No. It is a decision for the states what proportion of their money they spend on needle and syringe exchange programs, but there has not been any reduction on our part or on the part of the states on the current allocation to needle and syringe exchange programs.

Senator WEST—No change to the guidelines?

Dr Mead—No.

Senator WEST—I was advised last weekend by someone who is on a management committee of a community run drug and alcohol service that has funding from three federal sources that the money for condoms had dried up but that they were still getting money for the needle and syringe exchanges. It was costing them a couple of thousand dollars per year for supply of condoms.

Dr Mead—There are not guidelines in either the previous AIDS match funding program or the public health outcome funding agreements on any proportion to be spent on particular things. The states are obviously contributing substantial amounts of their own money to those programs, so the provision or non-provision of condoms is a decision by the state. It is not federally funded directly.

Senator WEST—There are no services that are directly funded federally only?

Dr Mead—Not needle and syringe exchange programs or condom funding, no.

Senator WEST—Not drug and alcohol services?

Ms Kerr—Not that I am aware.

Senator GIBBS—Do we know how many people died last year from drug related deaths?

Senator DENMAN—And the age groups?

Senator Herron—I think we do.

Ms Kerr—We have that information. The latest figures I have, put together by the Institute of Health and Welfare, show mortality due to illicit drug use in 1996—598 males and 141 females, totalling 739.

Senator GIBBS—Do you have a breakdown of that by state?

Ms Kerr—I do not have that with me. I would have to check whether we can get that information by state.

Senator Herron—I think it is available.

Senator WEST—Are there not more male drug users than female drug users?

Ms Kerr—That is a very complex issue. I would be happy to have a further look at it. I think it is very hard to answer those sorts of questions.

Senator WEST—There is a significant difference between males and females. I was not aware of any evidence to indicate that there were more male drug users than female drug users. I presume that we are talking about illicit and narcotic type drugs and not alcohol?

Ms Kerr—That is right. They are illicit drugs, not alcohol.

Senator WEST—Males want to knock themselves off more.

Ms Kerr—We would have to look at our household survey, which gives details on people who are using drugs or who have admitted in the survey to having tried drugs. That would give us some indication of the male-female proportion. The whole issue of why more males are dying from drug overuse is probably influenced by a range of factors that are very complex.

Senator DENMAN—Is that the sort of issue that a small percentage of the drug money could be used on? Is it possible to look at the statistics of male-female use to see what the reasons for that difference are?

Senator Herron—There have been analyses. As Ms Kerr said, there are a lot of subsections. One is the availability of drugs in gaol and the predominance of males in gaol. There is peer group pressure. It is a while since I have read it up. We could get some literature on it for you. There are many subgroups.

Senator GIBBS—I know that this is probably not the department or the area, but last night Ms Kerr said the federal people would be talking to the state people to coordinate this whole drug strategy. There is a real problem in gaols—I know that gaols are not your area—with needle exchange. However, I received a distressing letter from a young girl written on behalf of herself and her mother telling me about her brother, who had been in gaol for quite a while. It was the usual case: he went in for a minor crime and came out a hardened criminal. Drugs are quite freely available in gaol and they cannot get clean needles. Because of this, there is the risk of hepatitis, AIDS and the whole gamut of infections. They are saying that they have to pay money into a TAB account so that the criminals can provide him with fresh needles. Is there any way that the federal people can talk to the state people to try to incorporate this into the drug strategy?

Ms Furler—The issue of health interventions in prison populations is largely a matter for the states. These issues are discussed in some of the cross-jurisdictional forums that are in place. We are aware that in New South Wales the health department has appointed Dr Michael Levy as head of population health services in prisons in that state. It is a very new initiative. From the public health angle, we will be monitoring that very closely. It is the first time that it has happened in Australia. We will be very interested to see how it goes. Other states will be interested to see whether it is a worthwhile initiative as well.

Senator GIBBS—We all will be. In the last couple of years, how many people have been on the methadone program?

Ms Kerr—In 1997, there were 23,274 people.

Senator GIBBS—Is that an increase on previous years or a decrease?

Ms Kerr—That is an increase over 19,573 in 1996.

Senator GIBBS—Have you found that to be the trend over years? Is it on the increase?

Ms Kerr—There has been an increasing trend.

Senator FORSHAW—Will the applications for funding and approval for both the community partnership initiatives and the non-government organisation treatment programs be ultimately subject to approval by the national council or by some subcommittee of that?

Ms Kerr—The approval of the funding to those organisations is to be made by the federal Minister for Health and Family Services.

Senator FORSHAW—But it is on the recommendation of the national council?

Ms Kerr—The minister will take advice from the reference groups, the council and the department.

Senator FORSHAW—You mentioned that this funding is in addition to all the other funding that is provided in programs that exist in the states. Have the states committed to ensuring that the funds will continue for those existing programs—in other words, that there will not be any diminution in one area?

Ms Kerr—This is to be new funding. It is to supplement the funding that the states already put into this area. You are particularly referring to the treatment area. Senator Gibbs late last night touched on the amount of funding that the states are already putting into this area.

Senator FORSHAW—The states are involved in partnership with the Commonwealth in HIV-AIDS strategies and other drug strategies. Being part of this strategy, they also have to presumably commit that those other strategies will continue or that the funding levels will not decline.

Ms Furler—We have these public health outcome funding agreements in place with several states and territories. They have included money that was previously separately appropriated for the national drug strategy. The funds for the national drug strategies that were going to the states are now pooled with other funding for public health. Those agreements, as you know, have established some outcome measures and some statements of principle with respect to drug related activity in states and territories. Yes, the states are committed to continuing their efforts under the national drug strategy through these agreements.

Senator FORSHAW—One would assume that they should have to be anyway on the basis that they have signed the agreements. Is there any particular reason why this strategy was structured and announced as separate and over and above existing programs rather than simply an expansion of current programs and activities?

Ms Furler—You will probably recall that the Prime Minister announced the task force that was a precursor to his announcement on the tough on drugs initiative in the weeks that followed the decision taken on the heroin trial because he was obviously concerned about the issue of national leadership with respect to the drug effort in Australia. In subsequent announcements and in public statements, the Prime Minister and the minister have been very clear about the way in which this tough on drugs initiative aimed at illicit drugs in Australia is part and parcel of the overall national drug strategy in Australia. Indeed, a discussion document on the strategic directions for the national drug strategy over the next few years has just been released for thoroughgoing consultation in Australia. It refers to the way in which the tough on drugs initiative sits within that overall coordinated effort.

Senator FORSHAW—What prompted my question is that it appeared at the time that it catered to views that suggested that nothing was being done. If you come out with a big announcement and say, 'We have a tough on drugs strategy and it will involve \$210 million,' to some extent it gives the impression that nothing else was being done when, notwithstanding whatever you do, you can probably do 10 times more and not do enough. There is a whole layer of strategies and agreements between the Commonwealth and the states to tackle the issue. I am not saying that this is necessarily a bad thing. I am saying that there were alternatives, such as essentially putting this extra funding into the same arrangements that already exist.

Senator Herron—The first initiative was really a response to those organisations that felt there was not enough opportunity for NGOs which were dealing with drug addicts to access funding to help them in their endeavours. That was the first phase. The second phase, following further discussion, was in relation to penalties and restrictions and further funding of the Federal Police et cetera. It was a two-pronged attack on the problem. It was in no way, as I understand it, a knee-jerk reaction. It was a considered attempt to address the problem in a constructive fashion with those two arms: first, to set in place the access to funding for harm minimisation; and, second, deterrence.

Senator FORSHAW—But it could have been done administratively by broadbanding it into existing partnership agreements.

Senator Herron—No. It was felt that the broadbanding was insufficient. That was already being done at the state level by the various instruments. It needed something extra. That was the basis of this program.

Senator FORSHAW—Finally, what arrangements have been made for reviewing the agreements?

Senator Herron—There is an evaluation aspect of it.

Ms Furler—Do you mean the public health agreements?

Senator FORSHAW—When these new arrangements are under way, what arrangements do you have for assessment and review to see that the money is being spent properly, that it is being appropriately targeted and that you are getting results?

Ms Kerr—We certainly have plans in that area. Under the national drug strategic framework that Ms Furler mentioned that is currently out in the public arena for consultation—and this is about the framework for the national drug strategy for the next five years; a document has been released for consultation purposes—there is certainly an emphasis on the need to develop performance indicators for the whole of the national drug strategy. Included in that we will be wanting to pick up indicators and appropriate outcome measures for the illicit drug strategy, which, as we said, is part of the national drug strategy.

While we are waiting for that process to take place, we will also be ensuring that we have appropriate data collection built into the individual components of the national illicit drug strategy that we have been discussing. For instance, in the treatment area, for each successful application we get, the person will be required to keep information so that there can be an evaluation process of the outcomes of the funding in that area. But we want that to sit within the framework of a broader evaluation in the whole drug strategy area.

Senator GIBBS—Will that include if a person is drug free after 12 months, 24 months or 36 months? Is that what you are looking at—being drug free for a certain time?

Ms Kerr—That might be one of the indicators. It is a bit hard to say that off the top of my head. It will depend on what the particular initiative is that is being funded and what it is trying to achieve. We will then have to look at whether the people submitting for funding have put in place the appropriate performance indicators to meet what it was they set out to do. There could be a range of indicators that would be appropriate, depending on the proposals put forward.

Senator GIBBS—Does the federal government at the moment fund any rehabilitation organisations?

Ms Kerr—We have not done that directly. The approach until the last financial year, when we started funding through the public health outcome funding agreements, was that the national drug strategy provided funding to the states. It was matched on pretty much a dollar by dollar basis. It was then the responsibility of the state governments to fund treatment services.

Senator GIBBS—I return to the mortality rate of 739. Is that an increase on the year before of known drug related deaths?

Ms Kerr—That is a decrease. The 1995 figures overall were 778 compared with 739 in 1996.

Senator GIBBS—People die from drug related deaths but it is not reported as such?

Senator Herron—I do not think those figures would be statistically significant anyway.

Senator GIBBS—They give a guide. There would be a lot more, would there not? The methadone recipients are on the increase. Do your figures show that there are more drug users than in previous years? Are they on the increase or the decrease?

Ms Kerr—It is always very difficult to assess the number of drug users.

Senator GIBBS—I realise that there are a lot of people out there that you do not know of.

Ms Kerr—All we can do is look at the people who have told us that they have used drugs in a certain time. We have found that there is a slight increase in cannabis use. But in most of the other areas there has not been a major change. You really have to look at it by age group and so on.

Senator GIBBS—Have there been any studies on how the education programs will take effect? Have there been any preliminary discussions on how these programs should come about or should be introduced and who they are targeted at? Will it be young children or teenagers?

Ms Kerr—Do you mean the community grants initiative?

Senator GIBBS—No, the education program.

Ms Kerr—The school based one?

Senator GIBBS—Yes.

Ms Kerr—What the expert committee that is advising DEETYA is doing in that area—I can only speak very generally because it is not our direct area of responsibility—is a scoping exercise to look at what sort of drug education programs are presently being delivered around the country in schools. There is a whole range of programs. Some are delivered by education people, some by health people and some by law enforcement. There is quite a range across Australia. They have done that exercise with a view to deciding where they should move and what would be the most appropriate policy and programs to put in place with the new money that they have been allocated under the illicit drugs strategy.

Senator GIBBS—The younger you can teach children, the better. I was wondering whether it is going to be based on high schools or in primary schools. Education on smoking has not helped. If you go outside schools, you see them puffing away in their school uniforms. They are mainly girls.

Senator Herron—The biggest increase is in young females.

Senator GIBBS—It is a worry.

Ms Kerr—I understand that the committee has to look at whether they target primary schools as well as secondary schools.

Senator DENMAN—Under the education programs, can some of the money be made available to community groups for support and education groups for parents? I am thinking specifically of a parent who came to see me a couple of weeks ago and who had placed her daughter in detox on three separate occasions, and the daughter just took off. The mother obviously needed support and some education. The daughter has been charged—she is only 17—with selling heroin. She is in court in a few weeks. The mother too was really struggling.

Ms Kerr—Under the community partnership initiative, we would be very much encouraging parent groups to come forward to apply for funding. In our broad consultations with a lot of people over the past few weeks, it has certainly become very clear to us that parents, friends, partners and a lot of people associated with people having trouble with drugs or who have lost people through drugs need support. It is very important that we provide that support. We have

really encouraged those groups to come forward and request funding under the community partnerships initiative.

Senator DENMAN—They need to get themselves together and form an active group?

Ms Kerr—There are many parent groups around Australia. Some are more organised than others.

Senator DENMAN—You will find that there are not in rural and remote areas because people do not want to identify themselves. In a city, it is much easier to be lost.

Ms Kerr—That is being overcome to some extent by some of the city groups now having free call lines. I know that some of the groups in Sydney, for instance, are taking calls from all around Australia. That helps with that sensitive issue that you have raised.

Senator GIBBS—In this strategy, is there going to be a component where people are not made to feel ashamed? Senator Denman mentioned the rural community. People will not identify. They will not come out. I know that attitudes are changing, but very slowly. Like with anything, it takes a while. They feel ashamed. People think they are a leper and that sort of thing. I hope the program stresses that it is nothing to be ashamed of, that it is a tragic health problem that is on the increase and that it is affecting just about every member of the community. That has to be taken out of it. A lot of people fear that something is going to happen to them, such as their ending up in gaol or something like that. Will that component be in this strategy?

Ms Kerr—It is certainly our approach. We will be doing everything we can to ensure that none of these initiatives has any element of judgment in it. This is a health program. It is being treated as a health program. Our objective is to assist people to either get off drugs or stay drug free or to assist them with any other measures that are needed for them to deal with their problem.

Senator GIBBS—A lot of parents do not know too much about drugs until it happens to them. Then they find out everything. Usually it is too late or, in some cases, it is not too late because they can save their children.

Senator WEST—It is not just parents. It can be husbands and wives.

Senator GIBBS—Anybody can be affected. You do not know until it happens to you. I hope that in the education process there is some information to give to them. You think it is out there and thank God your kids do not take drugs. You then find out otherwise and think you have to do something. Or it can happen to any other member of your family. You do not know. They do not know what to do. There is that sense of helplessness—‘I think my son is on drugs’ or ‘I think my brother is on drugs, but what do I do about it?’ You wonder what you can do about it. In this education process, will there be some component to give advice to people in general?

Ms Kerr—We will be building on some of the initiatives that we have already developed under the national drug strategy. A parent booklet was produced fairly recently to help parents understand how to deal with talking to their children about drug issues. That has been very widely demanded. We have had a lot of requests for that from all around Australia. One aspect of the illicit drug strategy is the information clearing house that we touched on last night—the one-stop shop. That will also provide an additional way for people to tap into a web site and get educational information. Picking up your point about parents needing information and the issue about sensitivities and privacy, once that has been set up there will be another avenue for parents and others to be able to get information about these issues.

Senator WEST—Whereabouts is women's health in the broadbanding? How much funding has gone to that in comparison with last year?

Ms Furler—We have public health outcome funding agreements in place with South Australia, the Northern Territory, Tasmania and Queensland, and interim arrangements in place and the signing of agreements about to occur in the ACT, New South Wales and Victoria. We are pursuing Western Australia. The women's health funding is bound up in that. Funds are flowing for women's health under the broadbanded arrangements or the interim arrangements that are in place.

Senator WEST—But you have no idea how much money is going to women's health across Australia?

Ms Furler—We are not monitoring the inputs, as we have explained in previous hearings.

Senator WEST—You are monitoring the outputs. You are monitoring the level of service?

Ms Furler—Yes, we are monitoring outputs and outcomes as they have been variously agreed between the Commonwealth and the states.

Senator WEST—What are the outcomes going to be?

Ms Furler—I will ask Ms Bennett to answer that question. We have been supplying you with, through the committee secretariat, copies of the outcome funding agreements as they have been signed which detail the outcome measures.

Ms Bennett—The outcome will vary according to the agreement with each jurisdiction.

Senator WEST—What does that mean?

Ms Bennett—It means that a range of performance measures have been agreed with each of the states and territories and they have individual state targets that they have agreed.

Senator WEST—What are these targets?

Ms Bennett—They are very long. We have provided copies of the agreements. I can provide them again.

Senator WEST—How many women's health centres are going to be funded? What are the targets across the country for that?

Ms Furler—We do not know how many women's health centres are being funded in Australia. Whether those funds are used to establish or maintain women's health centres is a matter for the states and territories.

Senator WEST—Does family planning funding come under this program as well?

Ms Furler—Only in South Australia. The ACT has indicated that it would like to sign an agreement with funding for family planning included.

Senator WEST—Where does family planning funding come from or go to across the rest of Australia?

Ms Furler—We administer it from the Commonwealth here. We handle it outside those broadbanded agreements. We make payments directly to family planning organisations, for example, in New South Wales, Victoria and Queensland.

Senator WEST—What were the funding levels that went to family planning last year? What is going this year and what is in the forward estimates?

Ms Furler—In 1997-98, we made available funding to all family planning organisations. Do you want me to table it, or read the figures?

Senator WEST—A table would be fine. Can you quickly give me some idea so that I can follow on with questions about it.

Ms Furler—Family planning in New South Wales was \$4.4 million; family planning in Victoria, \$1.6 million; family planning in Queensland, \$2.5 million; family planning in Western Australia, \$1.4 million; family planning in Tasmania, \$0.47 million; family planning in the Northern Territory, \$0.33 million; family planning in the ACT, \$0.59 million; and family planning in South Australia, \$1.3 million.

Senator WEST—What is the funding for this year? What is it for 1998-99?

Ms Furler—The funding for family planning comes to us, except where it has been broadbanded, as in South Australia, as part of Appropriation Bill (No. 1), which is a one-line appropriation. It is not separately identified.

Senator WEST—So you cannot tell me and family planning in New South Wales, Victoria, Queensland, Western Australia, the Northern Territory and Tasmania what, on 1 July, they can expect for funding to keep them afloat for the 1998-99 financial year? Is that what you are telling me?

Ms Furler—We will be going directly to the minister to discuss with him the allocations that should be made for 1998-99. On the basis of those decisions, we will be advising them quickly.

Senator WEST—When is that going to happen?

Ms Furler—We are preparing our advice at the moment for the minister. We hope to talk to him very soon.

Senator WEST—Do family planning have any idea what their funding is going to be in four weeks time?

Ms Furler—No, they have no formal advice from us, but that has not differed from previous years either.

Senator WEST—How much funding did they get in the 1996-97 financial year?

Ms Furler—I do not have figures with me for 1996-97. It would have been slightly more than 1997-98 because, as you will recall, family planning, like other specific purpose payment funded organisations in the public health program area, had a dividend of 10 per cent applied over two years to them. In the first year, rather than the full five per cent, they took just over three per cent, as it was only eight months for the year that that efficiency dividend was applied. It would have been within the vicinity, but probably a bit more.

Senator WEST—Is there any efficiency dividend for this coming financial year for them?

Ms Furler—No. That 10 per cent dividend, two lots of five per cent, was paid in 1996-97 and 1997-98. There are no further dividends.

Senator WEST—Given the overall funding in Appropriation Bill (No. 1) for public health and development and whatever else, is that an increase or a decrease this year on next year?

Ms Furler—There is an increase in funding for bill No. 1 as a result of this year's budget.

Senator WEST—What commitments have been made to increase other programs that might impact upon it? You have no idea what bill No. 1 is going to be spent on?

Ms Furler—Obviously, we do. There are in place a range of commitments that the minister will be reviewing alongside other priorities that he may have. That information, as I said, is being pulled together now so that we can discuss it with him.

Senator WEST—What are the priorities for bill No. 1?

Ms Furler—Bill No. 1 maintains the government's commitments to pre-existing priorities such as HIV-AIDS and the national drug strategy. There are a whole raft of pre-existing areas of commitment. Bill No. 1 also contains funding for new priorities in this year's budget that include cancer control, men's health, injury, environmental health and more funding available for improving the national public health information and evidence base.

Senator WEST—Given those new programs and priorities, do we know how much has been promised to be spent on them?

Ms Furler—Would you like me to run through the budget measures that contain the figures for those new areas?

Senator WEST—I would be happy to have you table them. What is the total funding for bill No. 1? What was last year's funding? What are new initiatives and new priorities and the increases that are going to be spent on that so I can then subtract that from last year's funding plus the CPI amount and see whether there will be a reduction to some of the existing programs. I am trying to see whether there looks as though there will be some reductions.

Ms Furler—The base for bill No. 1 from last year, which was \$87.7 million, with the \$10 million bring-forward, has been maintained in this budget. Additional new measures were announced in this budget, bringing it to the sum of \$118.292 million for bill No. 1. Those new initiatives, as I said, are in the areas of illicit drugs, strategic investment in public health, strengthening the evidence base in public health, the measles campaign, which Dr Mead spoke about last night, and some additional money for CJD.

Mr Podger—On page 54 you can see from the figures that there was a 35 per cent increase in that line. What we are saying is that we cannot give you item by item within that. Given that growth, any suggestion that there is some threat over existing things will be extremely limited, because we are concentrating our energies on introducing some new priorities as a result of this budget. It is not expecting any great reductions in any other areas. It is a matter of finalising the details with the minister. We would expect there to be increases rather than threats to existing funding.

Senator WEST—How much of this additional \$30 million is set aside for the new initiatives?

Ms Furler—In bill No. 1, we have \$2.3 million set aside for CJD; \$12.2 million set aside for the second instalment of illicit drugs; and \$2.2 million set aside for strategic investment in public health. They are the new initiatives that I mentioned in the areas of health, cancer control, environment and injury. There is \$1.2 million available for strengthening the evidence base in public health. There is \$10.9 million from the first instalment of the illicit drugs strategy and \$22.8 million for measles. I think that was offset by—

Senator WEST—There had better be some offsets.

Ms Furler—It was offset by reductions or changes in the forward estimates to the tune of \$21 million. That probably accounts for the \$30 million.

Senator WEST—That is pretty close, by my maths. You have no idea by what date we will have any idea that these will have been sorted out?

Ms Furler—Obviously the department is well advanced in preparing its material for the minister to consider. We hope to get to him soon so that we can advise organisations such as family planning of the funding situation.

Senator WEST—Thank you, Mr Podger, for drawing those figures to my attention. You added \$10 million in additional appropriations and you have expended all that. Where did that \$10 million come from? Can you refresh my memory?

Ms Furler—Are you referring to the jump from \$79.9 million to \$87 million?

Senator WEST—Yes.

Ms Furler—That was a bring-forward of \$10 million in the additional estimates process early this year. The minister wanted to increase his activity in some priority areas, which we ran through at that stage with the committee. They had to do with enhanced activity and pace of activity in some pre-existing priority areas.

Senator WEST—Men's health: I recall that Dr Lawrence, when she was the minister, started to do some work on men's health; there was a conference and papers. With the change of government, that ended up in the circular files—not putting it too impolitely. I asked questions about that at an estimates committee and was told that there was no need for it. What has happened in the last 18 months that has brought this realisation that perhaps something needs to be done to look at men's health?

Ms Furler—The department, with the minister's agreement obviously, did make a contribution to a men's health conference held in September last year in Perth. It brought together quite a wide cross-section of interested people in Australia. Quite a few recommendations came out of that conference that we, along with other departments and agencies in Australia, have considered. This budget has seen a new measure introduced, which is the national centre for excellence in the area of men's health.

Senator WEST—Why was the work from the department scrapped two years ago on men's health? Why was I told that it was of no value and not a priority?

Ms Furler—I am not aware that you were told that. Certainly there was a period when our minister wanted to think about what his involvement and investment in men's health would be. We certainly engaged in an information gathering exercise within the department to put before us all the current investment in the area of men's health so that this would assist in decision making.

Senator WEST—Presumably a lot of the material, information and work was there for the previous minister to have made a decision that it was important to put some energy into men's health. What was there about that information and evidence that did not convince, and what was the new evidence that has convinced you?

Ms Furler—As I said, in the discussions we had in the department and with the minister, the work that had taken place over a number of years on men's health was drawn together, with a very broad brush picture of investments being made from other parts of the portfolio as well. In that sense, the cumulative lessons learned from all of that were obviously brought to bear.

Mr Podger—It is fair to say that there were some understandable suspicions that a thing simply called 'men's health' was being a bit politically correct rather than focusing on particular elements and concerns. This measure now is a very focused one about a centre for excellence in male sexual and reproductive health. It particularly focuses on certain problems. There were some suspicions two years ago that the focus on a thing called men's health was not well targeted, that it was a broad-brush thing which may not achieve results. It was a result of those suspicions that things were deferred. We now have a proposal for something far more specific.

Senator WEST—Again, we are calling it men’s health. Are we being politically correct again?

Senator Herron—Another thing that has occurred in that time is the use of prostate specific antigen testing and the realisation that prostate cancer appears to be increasing in the population and that there is a lack of awareness of its seriousness. The program became more focused than it had been previously.

Senator WEST—What has been the increase in prostatic cancer?

Senator Herron—We cannot know because there is considerable debate as to whether rising PSA levels are indicative of increased mortality, or whether it is too sensitive a test to indicate that a rising level of necessity means there will be an increased mortality rate.

Senator WEST—That information and those figures have only come to light in the last two years?

Senator Herron—No, the debate is still ongoing. It is only in recent times that it has achieved the level of suggestions that there should be mass screening, for example.

Senator WEST—Minister, I seem to recall people approaching me and letters across my desk for the last four or five years pushing for mass screenings on this issue.

Senator Herron—Perhaps I should rephrase it: an evaluation of mass screening has reached the stage of—

Senator WEST—But work has been going on on this issue, as you and I well know, within the medical profession for a considerable number of years now.

Senator Herron—Yes. But I am saying that none of these things occur overnight. I agree with you, but—

Senator WEST—I am wondering whether it was politically correct, and that was why it was dropped in 1996. Suddenly, now it is not politically correct. I object to the use of the phrase ‘political correctness’. I think in this particular initiative that the minister was probably on the right track but, because people thought it was politically correct, it got dumped. Now it is having to be resuscitated—

Senator Herron—I did not use the phrase ‘politically correct’.

Senator WEST—No, I know that you did not—but it is having to be resuscitated. I am wondering what momentum was lost in that 18 months to two years from Dr Lawrence’s initial efforts.

Senator Herron—I cannot answer you.

Mr Podger—It is not a question that the department can answer.

Senator WEST—It is a question that I can ponder. It is a question that men in the broader community should be asking. What were the sudden things that drove this complete 180-degree turn in direction?

Senator Herron—I do not think we have an answer for you.

Mr Podger—All I said is that the particular proposal here is a very focused proposal rather than a very generic thing on men’s health. There is a very specific set of proposals here that the government has introduced in this budget.

Senator WEST—Presumably, all the information and work that had been done by the previous minister and all the research that had been gained was continued to be worked on in the department and revised, looked at and taken from broad information that you had

gathered for the conferences, as well as whatever else was held, and refined down. Is that what you are telling me?

Senator Herron—No. There has been a much stronger push from within certain elements of the medical profession for prostate screening in the last couple of years than there has been prior to that.

Mr Podger—There has been further work done on how effective that might be. One of the tasks for the centre will be to examine further what sorts of health interventions are necessary versus unnecessary, or effective versus not effective. They are the sorts of things that will be the focus of this centre.

Senator Herron—I think you would agree, Senator West, that in perhaps the last 20 years there has been a much greater emphasis on earlier intervention by screening than there was prior to that.

Senator WEST—Yes, and I have no problems with that. I think it is good medicine. I think it is the best sort of medicine to be practising. I do not have a problem with that. I just wonder how much time, initiative and effort was lost in the fact that, for 18 months or so, that program did not go ahead.

Senator Herron—I do not think anything has been lost, because it is still unproven whether it will have a positive outcome or not. As mentioned before in relation to smoking, that has been effective, but it has taken a long time of anti-smoking messages to reduce mortality.

Senator WEST—Is that a problem for public health anyway—the lead time before you can prove the effectiveness of a program, such as with a diminution of smoking? It might take 20 years for someone to get a lung cancer, so you have to wait that time. That is a problem for public health anyway, isn't it, the fact that you are dealing with long time spans? How do you overcome that problem when there are budgetary constraints that are only one-, two- or three-year forward estimates at the most?

Senator Herron—We could carry on this debate. Look what happened to immunisation.

Senator WEST—That was instantaneous, almost.

Senator Herron—But the evidence was there. We had the public taking no notice of it, and there is now a renewed emphasis on immunisation in the recent budget. Why was it not done in the previous 13 years? We could debate this sort of issue forever. But the facts were there in the previous 13 years. There has been an immediate effect, from the first figures that I have seen anyway, of the renewed emphasis by the government and by the minister on immunisation.

Senator WEST—There was work being done previously.

Senator DENMAN—Do you have statistics on the increase in hepatitis C in the last 12 months? Has there been an increase?

Dr Mead—The recording of the incidence of hepatitis C is a bit difficult because it does not have an acute clinical illness. We record only positive laboratory tests which may reflect infection that occurred many years ago. Not all states uniformly record the difference between new cases and old cases.

However, up to now in 1998, we have recorded 400 cases of hepatitis C positive results; for the same period in 1997, we recorded 677. So, in the year to date measures this year, there has been a drop in positive recordings. But that might mean that in previous years we were

still picking up testing from previous years. Now the rate of testing may be dropping off, and that does not necessarily reflect a dropping of incidence.

We do have some work going on to try to work out projections of new cases of hepatitis C occurring, based on survey methodology and the incidence of positive tests amongst injecting drug users, for example. A recent recalculation of that sort of modelling has predicted that we probably have approximately 11,000 new infections per year. That is quite a significant increase over the modelling that was done a couple of years ago which came up with 6,000 to 8,000 new infections year. The change in that prediction is probably due to better figures on the numbers of injecting drug users rather than a change.

Senator DENMAN—I have read, but cannot authenticate, that those people suffering from hepatitis C are more likely to be from the lower socioeconomic group. Can you comment on that?

Dr Mead—I cannot confirm that. But the most significant risk factor of current transmission of hepatitis C is injecting drug use. In the past, a substantial proportion of new infections were related to, for example, blood transfusions. So there is a difference between past infections and current infections.

Senator DENMAN—Are hepatitis C and HIV-AIDS funded under the one umbrella?

Dr Mead—Yes. The HIV-AIDS funds are included in the public health outcome funding agreements for state funding, and then there is national level funding. For hepatitis C funding, there was never a program of allocation of funds to the states. There is a national hepatitis C action plan where roles and responsibilities were determined, but there was not an allocation of funds under that plan. But there are funds spent nationally on hepatitis C and individually by the states.

Senator WEST—What changes have there been to the action plan of late?

Dr Mead—The action plan is currently under review. The review of that action plan is expected to give us some indication of directions for future years. There will be a workshop as part of that review in the next month or so. So it is currently under review.

Senator WEST—How is the access to interferon going for hepatitis C sufferers?

Dr Mead—That is not directly my area. But, as I understand it, there was, I think during last year, an extension of the indications and the time frame over which interferon was prescribed from six months to 12 months.

Senator WEST—And to be able to get back onto interferon—have there been changes in that?

Dr Mead—I am not sure of the details of that. It comes under section 100 drugs. The Pharmaceutical Benefits Branch manages that.

Senator WEST—I return to the partnership agreements; you said that four states had signed.

Ms Bennett—Yes, that is right.

Senator FORSHAW—Who were they? I did not hear all that answer, I am sorry.

Ms Bennett—Northern Territory, Tasmania, South Australia and Queensland have signed.

Senator WEST—When did they sign?

Ms Bennett—The Northern Territory signed on 30 July 1997, Queensland signed on 10 December 1997. Tasmania signed on 24 December and South Australia signed on 26 January.

Senator WEST—So in the last five months we have had no signatures. How close are we to getting more to sign up?

Ms Bennett—The ACT advised me yesterday that its agreement goes to cabinet on Tuesday next week with a recommendation that it be approved for signature. So we are very close with the ACT; it is simply that formality.

Senator WEST—They will have one or two other things in the health sphere on their plate, won't they? They will be too busy dealing with those.

Ms Bennett—It is not for me to say. Since we were here last time, at that point New South Wales had not given agreement in principle that they even would move to sign an agreement. They have since given that agreement in principle formally. They therefore, since last time, are now in receipt of interim funding.

Senator WEST—What about Victoria?

Ms Bennett—Victoria gave agreement in principle some months back and has been in receipt of funding; full funding has been flowing to it.

Senator WEST—When does Victoria look like signing?

Ms Bennett—We are working with Victoria and New South Wales almost daily this week in order, hopefully, to get them over the line by the end of this financial year. The money and most of the details have been agreed. We are just simply trying to settle some of the targets around the performance indicators.

Senator WEST—I am missing a state. What about Western Australia?

Ms Bennett—With Western Australia we have been meeting three times over the last several months to work through the detail. It has had a change of senior staff in its area responsible for the agreements, which meant that we had to go over quite a bit of previous ground. I suppose we would say that they are coming a little behind the others in getting nearer to completion.

Senator WEST—The first mob signed on 30 July. You will not have the whole lot signed up within 12 months, given that you have had only three meetings with Western Australia and—

Ms Bennett—We still hope to have them all signed this financial year. As I said, we expect one next week. We have been working very hard with the others over the last two weeks and will be in the coming two weeks.

Senator WEST—You are pushing it, aren't you?

Ms Bennett—Yes, we are.

Senator WEST—In relation to the partnership agreements, you have said that family planning funding would be going to the ACT partnership agreement. What is the attitude of the ACT Family Planning Association to that?

Ms Bennett—Our understanding is that they are supportive of that move.

Senator WEST—It was my understanding that they were not.

Ms Bennett—We have received no advice from them to that effect.

Senator FORSHAW—You previously supplied copies of the agreements that had been signed. I am sure that I have the Northern Territory one and the South Australian one. Could you supply us with copies of the others that you have not already supplied us with that have now since been signed off on?

Ms Furler—Certainly.

Senator FORSHAW—Is there any penalty to be imposed or would funding be reduced if any of the states that have not signed as yet do not actually sign within the required time?

Ms Bennett—We obviously will be raising that with Dr Wooldridge. He will be making some decisions around that over the coming couple of weeks. We will be providing him with a sort of state of play report in the next few days, and he will make his decision around that.

Senator FORSHAW—At the moment, what is happening, according to what you have said, is that money is flowing to the states that have not signed. Presumably, that is on a month by month basis?

Ms Bennett—Yes.

Senator FORSHAW—How are those payments being made? Are they being made in accordance with the proposed terms of the new agreement?

Ms Bennett—Yes. All the states receiving interim funding have before them obviously a draft agreement. On the basis of the offer of funding and the general conditions around that agreement, their ministers have indicated a willingness to proceed to an agreement. Once that was received, that interim funding commenced.

Senator FORSHAW—Are you telling me that, if for some reason or another a state or couple of states or even a territory—and we should probably exclude the ACT, if you say that they are about to sign—decides that they cannot sign the agreement or delays signing it, it is possible that Minister Wooldridge will impose some penalty, such as reducing the current flow of funds?

Ms Bennett—He would have a range of options, and he will make his decision around them.

Senator FORSHAW—That is one of the options. What other options are there besides his doing that? Has that threat been made to any state?

Senator Herron—Senator, I think you are asking an officer to make a hypothetical observation when you question possible options. Surely that is a question we should ask the minister.

Senator FORSHAW—I am not asking for a hypothetical observation. I am asking: has that threat been made to any state—that is, if you do not sign, then the funding level currently flowing to the state will be reduced?

Senator Herron—I accept that question. But in the preamble to the first one, you mentioned other options.

Senator FORSHAW—Just so this is clear, so that I am not being verballed: I did not raise the issue of options; Ms Bennett did, by saying that the minister has a number of options. One of the options is to reduce funds.

Senator Herron—Sure.

Senator FORSHAW—I said that he has other options, such as he does not do that. I then proceeded to ask whether any state has been threatened that, if they do not sign, funding will be reduced. That is the question I am asking.

Mr Podger—The answer to the question is that no state has been directly threatened, but all states are aware that there are options.

Senator FORSHAW—Can you explain that a little more?

Mr Podger—As you have said, one option is that money could be reduced. Nobody has had that as a direct threat. But it is an option open to the Commonwealth if a state decided not to sign.

Senator FORSHAW—I am not saying that; it is being said that the minister has that option. Is there some cut-off date for signing?

Ms Bennett—There is no formal cut-off date. But states have been advised that we are most anxious to get them signed in this financial year.

Senator WEST—Are there any other programs with the states on control or research on hepatitis B?

Dr Mead—Other than the provision of vaccine, there are no significant programs directed solely at hepatitis B. But we have done some small projects on hepatitis B. For example, we funded some information and education materials on hepatitis A and B for the gay community at one stage.

Often material that goes out on hepatitis C also covers some information on hepatitis B to make it clear what the two conditions are. It is not a significant education program around it, but it is often incorporated into other material we do on blood safety or tattooing, or any of those things where it is a risk.

Senator WEST—Are we coming up with any different hepatitis disease identification?

Dr Mead—I have not heard of any more of late. I think the last one was hepatitis G.

Senator WEST—So we have A, B, C, D, E, F and G?

Dr Mead—I am not sure what F is.

Senator WEST—Is there also a little 'e'?

Dr Mead—There is a hepatitis E, yes. It is an oral-faecal sort of transmission, a bit like hepatitis A. Hepatitis D is only associated with hepatitis B as a kind of additional infection. Hepatitis G has been identified as a virus, but it is very rare that any pathology is associated with it. So it is a kind of virus without much of a disease. I cannot actually say what F is, I am sorry.

Senator FORSHAW—I have a couple of other questions on subprogram 1.1. The first relates to the funds to be made available as a result of the government's decision to provide some compensation for people who either contract CJD or are in that risk category. I might say that we welcome the fact that the government did pick up some of the recommendations of that committee's report which, as we all know, was on fairly stressful and distressing situation for those people affected.

When will the structures be in place, such as the independent board which will be charged with authorising the payments and making assessments of claims? Can you give us an update of where you have got to now?

Dr Mead—At the moment, we are working with our legal advisers and with the National Pituitary Hormones Advisory Committee to draw up revised guidelines on access to the trust fund and the method of operating of the board. I would expect within the next couple of months that we will have a board in place. They will then assist us in refining the methods by which people can apply for access to that trust fund and will have revised trust fund guidelines in place.

Senator FORSHAW—Is there litigation still on foot?

Dr Mead—Yes, as I understand it.

Senator FORSHAW—I do not want to get too deeply involved in that, except to ask: with the litigation that is on foot, have those people indicated that the government's proposal is not sufficient for them? Is it more a case of the litigation remaining on foot and that perhaps at some point of time it can be resolved rather than going to trial?

Dr Mead—I cannot answer that; I do not have any information on it. There are several categories. There was the settlement offer resulting from the APQ case. That is still open. Then there is another group of people who have specifically chosen not to be part of that settlement and who, I understand, have ongoing litigation. Then there is potentially a group of people who have not been involved in litigation at all and who will access the revised trust fund arrangements. I do not have any information about the intentions of the group of people currently involved in litigation.

Senator FORSHAW—I would appreciate it—and I am sure you will anyway—if you could keep us advised as to how that issue is developing. It is a matter of great interest to a number of senators. One other issue: I understand that the Department of Health and Family Services has regularly had a page or more of phone numbers of agencies and services in the telephone directory. Is that correct?

Mr Podger—Yes.

Senator FORSHAW—That was a rhetorical question, as I do have a copy here. Has the department decided to discontinue providing that information?

Mr Podger—Yes, it has. It comes under program 7. We did discontinue it because it was felt that it was not a cost effective way of handling that.

Senator FORSHAW—If you want to give me an answer in program 7, that is fine. I have raised it here because the information that is provided, I would have thought, comes quite clearly within the boundaries of public health services. It would be interesting to know the reasons why you think it is not useful.

Mr Podger—As you said, we can answer it under program 7. It related to cost effectiveness, and we have redirected the money into other areas in order to handle our information and access issues. I will get somebody to give you more detail on that.

Senator ALLISON—My questions relate to tobacco and programs that the Commonwealth runs. What are the annual taxes which we collect from smoking related products—and that includes Commonwealth and states?

Mr Fox—In 1997-98, the Commonwealth collected \$1.61 billion in tobacco excise. These are figures that Treasury has given to us.

Senator ALLISON—And the states?

Mr Fox—Approximately \$2.4 billion in 1997-98.

Senator ALLISON—What does the Commonwealth spend on preventative programs for smoking?

Mr Fox—In the last two financial years, we have spent in excess of \$8.5 million on anti-tobacco campaigns.

Senator ALLISON—As I understand it, something like 18,700 people will die this year from smoking related diseases. This is 25 per cent more than will die of a whole host of other very serious diseases such as breast cancer, melanoma, diabetes, suicide, road accidents, leukaemia, cirrhosis of the liver, falls, AIDS, narcotics, drowning, childbirth, et cetera,

combined. How does our preventative program spending compare with programs related to those other diseases?

Mr Fox—I do not have that information, I am sorry.

Senator ALLISON—Could you take that on notice and advise me?

Senator Herron—Are you referring to all those other conditions? Individually?

Senator ALLISON—As I understand it, fewer people die from all those causes combined than smoking related causes.

Senator Herron—I think it would be impossible to find out how much, for example, is spent on preventing road accidents, which is one of the things that you mentioned in relation to mortality. We can do our best to get those figures for you, but I do not think—

Senator ALLISON—You understand the reason for my asking the question.

Senator Herron—Yes, I understand. As you know, I am sympathetic to your cause.

Senator ALLISON—I am interested in how seriously the government regards tobacco smoking as a major health risk, and how much of its revenue is directed to that cause.

Senator Herron—We will do our best to get what figures are available.

Ms Furler—We can draw together information from a variety of sources to try to answer that question for you. Clearly, just to draw on Commonwealth dollars that are administered through program 1.1, it is just a tiny slice of the dollars which are brought to bear on any one of the number of things that you have mentioned. The work involved in pulling that sort of thing together is really quite large. There are some summary documents that I am sure we could refer to to pull it together.

Senator ALLISON—As I understand it, the spending on tobacco related programs for 1983 was something like 30c per capita across all governments; it has dropped since that time—figures are available for 1995; if you have more recent figures, I would be grateful for them—to 25c per capita. In that same period, as I understand it, the fall in smoking has reached a trough and is now levelling out, so we are not achieving greater reductions in smoking levels. I am interested in the connection between the reduction in spending and that levelling out, if you like.

Mr Fox—It is certainly true that, based on data that was recently released in the *Medical Journal of Australia*, which is 1995 data, there does appear to have been a slowing down in the rate of the decrease in smoking. That is something that has been predicted by public health officials for many years—that we would reach a plateau in the decrease in smoking rates.

It is also true that the data that was prepared in 1995 does not take into account the expenditure that this government has put into tobacco in the last two years—that is, the \$8.5 million tobacco campaign that I mentioned, which is the largest single anti-tobacco campaign ever undertaken in Australia. We would be very much hoping that initiatives such as that and the introduction of much stronger health warnings on tobacco packages, which also happened after the release of that data and showed the plateauing, would mean that we will have better results in the future.

Senator ALLISON—What does that \$8.5 million mean in terms of per capita? I cannot do the sums quickly without a calculator.

Mr Fox—We can provide that to you later.

Senator ALLISON—I am interested in what you say about this being expected. As I understand it, in California the state government spends between \$3.50 and \$2.60 a head and

has done for the past 10 years. The adult smoking rate in California in 1996 was 15 per cent. I do not have more recent figures. Doesn't that suggest that, the more you spend, the more effective the programs would be?

Mr Fox—It is certainly an indicator. If we had unlimited resources, I am sure we would be delighted to spend them that way. The other thing about the per capita costs that needs to be taken into account is that the \$8.5 million that I mentioned is purely Commonwealth.

Senator ALLISON—Yes, I understand that.

Mr Fox—So the per capita figures would need to take state expenditure into account as well.

Senator ALLISON—Nevertheless, I think the figure I have for 1996 is 19c. It would be interesting to see whether that 19c has been increased by the \$8.5 million. I am just trying to understand whether we are looking at a substantial increase or not. What is the objective of the Commonwealth's program? The figure of 18,500 people every year is very high. Is there a goal that the government is working toward? Perhaps, Minister, you could answer that question.

Ms Furler—We could just refer to the campaign objectives and targets.

Mr Fox—In the campaign itself, we had a number of target audiences. Our basic aim was to reduce the prevalence of smoking amongst 18 to 40 year olds. We also have national health goals and targets, which aim at having a national smoking prevalence of 20 per cent by the year 2000.

Mr Podger—We have reported recently, through a report prepared by the Australian Institute of Health and Welfare, on how we are going against our targets in our overall priority areas.

Senator ALLISON—Is the target to reduce the smoking level in adults to 20 per cent?

Mr Podger—Yes, and we have targets within that in particular population groups. I have not got that report in front of me, but we reported that in some areas we are doing quite well and in some areas we know we are not doing so well and, hence, that is where we need to put more effort. That report is very specific about what the targets are and what the dates are. We are tracking ourselves against those.

Senator ALLISON—What are the most recent surveys telling you in terms of the percentage of adults who are smoking?

Mr Fox—The most recent data suggests that it is around 24.7 per cent in total.

Senator ALLISON—And the objective is 20 per cent?

Mr Fox—Yes.

Senator ALLISON—By which date?

Mr Fox—By the year 2000.

Senator ALLISON—Which is a year and a half away.

Mr Podger—I think it is fair to say that that report suggests that we are going to find it hard to reach our targets by the date we claimed, though there is generally progress towards those but not as much as we would hope. In some particular demographic groups, we are not achieving anywhere near as well as we would like to. In response to that, there are these measures in the budget and we need to increase our action in some of those areas.

Senator ALLISON—So this new budget has a higher level of spending than in the previous financial year?

Ms Furler—It includes \$6.1 million to be spent over three years, which will be used to continue the national tobacco campaign work.

Senator ALLISON—So we are not talking about an increase?

Mr Podger—It is money that was not in the forward estimates. Instead of assuming that the action we are taking could now drop off, the government has decided to put money in to make sure we continue that action because we are not satisfied we are meeting our targets as well as we should.

Senator ALLISON—So this next financial year, this next budget period, will not include a higher level of spending on tobacco prevention than the previous financial year? Is that correct?

Ms Furler—As I said, we will be talking with the minister soon about his priorities and how he wishes to allocate the funding that he has available to him. I am not in a position to be able to say at the moment whether this upcoming financial year will contain a higher proportion of funds going on tobacco than the previous year.

Senator ALLISON—So it is not a line item in the budget? We cannot look at that and compare it with the previous year.

Ms Furler—No, it is not a line item in the budget.

Mr Podger—But what we have got is that, where the money in the forward estimates was going to drop off, it now will not. Therefore, we are able to look at whether we can take more action in the tobacco area than we would have with the reduced money we did have prior to this budget.

Senator ALLISON—Surely we would not ever expect that spending on this subject would drop off. Isn't there always a need to take this preventative measure? Why would you imagine your program was successful and you could stop doing it?

Mr Podger—All sorts of budget programs have not got guarantees of future money, and governments have to take decisions from time to time on whether to continue or not. The truth of the matter is that, in the public health area, the forward estimates, which we have had to face for some years, were going to drop off in the coming period. What has happened is that the government has decided to not allow it to drop off and it has given us capacity to continue these program activities.

As Ms Furler has just indicated, we will be talking to the minister about the precise details of the allocation within those moneys. But, certainly, the picture of the funding we had prior to this budget would have required us to cut back some of the activity in the tobacco area. What we now have is the capacity to renew that activity and discuss with the minister the detailed priorities.

Senator ALLISON—Minister, when will an announcement be made about how much is to be designated to this area?

Senator Herron—I understand from what Ms Furler indicated that consultations are to occur with the minister shortly to determine his priorities. I would assume that after that—

Senator ALLISON—So when can we expect an announcement?

Senator Herron—If his priorities are to increase funding, then that is when it will be announced. I am not privy to any knowledge, other than what Ms Furler has told us.

Senator ALLISON—Can I draw your attention to a report which was released a few weeks ago which showed a connection between smoking parents—especially mothers—and SIDS.

This was prepared by scientist Carole Browne. I am just wondering whether the department has seen this report, whether it will act on that connection and what difference that would make to the program you would recommend to the minister.

Ms Furler—I will ask Mr Fox to answer that. That certainly falls within the area of work to do with a nationally coordinated approach to passive smoking in Australia, but I will ask Mr Fox to provide you with more detail.

Mr Fox—I am not aware of the specific report that you are referring to, although we have been aware for some time of the apparent links between SIDS and passive smoking. When the National Health and Medical Research Council's report on passive smoking was released in December last year, the minister indicated that he would ask the Commonwealth to work with the states and territories through the Ministerial Tobacco Advisory Group to develop a national response on passive smoking. That issue has now been referred to the Legislation Reform Working Group of the National Public Health Partnership by AHMAC, the Health Ministers Advisory Council. We are working with the states and territories to develop a two-pronged approach to address passive smoking. One of those approaches is to look at a best practice legislative model which will reduce the incidence of exposure to passive smoking in the workplace. The other, which relates very much to the report you mentioned, is that we are looking at an education and information program which will target exposure to environmental tobacco smoke in domestic settings like the car and the home.

Senator ALLISON—This report suggests that there may be a problem with nicotine in mothers' milk. So it may not just be passive smoking, it may be another factor. It is from the Brisbane Royal Women's Hospital, if you want to follow it up.

CHAIR—Hasn't that element of health prevention been incorporated in the SIDS prevention programs in an awareness format, saying that this has a potential to cause SIDS, and not necessarily just targeted to the smoking prevention campaign?

Mr Fox—I am aware that the SIDS organisations have been running some television commercials which highlight that link but that is not an issue that we have been addressing in the smoking program.

CHAIR—But there has certainly been focus placed upon it from the SIDS point of view as opposed to just smoking.

Mr Fox—Yes, that is right.

Senator ALLISON—Turning to tobacco advertising, Minister, you will recall that the Commonwealth has again approved tobacco advertising at the grand prix. That advertising was described as an orgy of tobacco advertisements. What sort of research has been done on the persuasive powers of advertising at the grand prix and similar sporting events?

Mr Fox—Do you mean by the department or more broadly?

Senator ALLISON—Yes.

Mr Fox—We have not done any specific research in that area but we have certainly been looking through the literature and other areas. We have been monitoring particularly closely what has been happening in Europe with the evidence that they have been presenting on that issue.

Senator ALLISON—What does that evidence tell you?

Mr Fox—It is not as perhaps black and white as we might hope but, clearly, there is an association between the exposure to advertising at events like grand prix and an influence on

young people, particularly young men, although it is not categorical. The document that I saw did not suggest that there was an absolute link between advertising at grand prix and the uptake of smoking although, obviously, there is growing literature in that area.

Senator ALLISON—Minister, given that the decision has now been made three years in a row to allow tobacco advertising at the grand prix, would you not regard it as important to know what the impact of that decision making was? Does it not surprise you that there is no study being done by the department or by the Minister for Health and Family Services into the impact of that decision?

Senator Herron—That has already been answered.

Senator ALLISON—The research referred to is overseas; I am asking about Australian research.

Senator Herron—As I understand it, the department is not evaluating the control of it. There have been many evaluations done, as you know, on the impact of advertising and the brand recognition as a result of that. The difficulty is the evaluation of whether that incites people to start smoking in the first place rather than transferring between different brands of tobacco. There have been more controls by the government put on the advertising at grand prix than existed previously. The question obviously was evaluated as to whether it was indicated that advertising through the grand prix should be banned altogether and the decision was made not to ban, as you know.

Senator ALLISON—But it was not based on any research which showed the persuasive powers of that advertising?

Senator Herron—Research has been done on that, but the question is whether people take up cigarette smoking through that advertising.

Senator ALLISON—I agree, that is the question.

Senator Herron—That is what the department has not evaluated, nor is it clear within any research that I have seen.

Senator ALLISON—Can I ask you why that has not been done?

Mr Fox—I cannot answer the question directly but I will offer a comment. The object of our Tobacco Advertising Prohibition Act is to limit exposure to tobacco advertising in Australia. Obviously we have largely been successful in that and there are only a few events which now attract exemptions. The minister has been very conscious of significantly tightening the available advertising at those exempted events over the years. For example, we have significantly tightened up the extent of tobacco advertising that is permitted at the grand prix compared to what it was in 1993 when the very first exemption was given, as an example. We are very conscious of that. I think it would be difficult in—

Senator ALLISON—Excuse me, can I interrupt you there? As I understand it, the tightening up related to the fact that the Grand Prix Corporation ignored the restrictions that were there in the first place. Is that what you are talking about tightening up?

Mr Fox—No, that is not correct.

Senator ALLISON—What was the tightening up then?

Mr Fox—In 1998, for example, as compared to 1997, we limited very much the number of team personnel who were allowed to carry tobacco advertising on their uniforms. We ensured that there were no tobacco advertisements on the simulators that people can go into to simulate driving in a grand prix. We ensured that there were no tobacco advertisements

other than on driver merchandise outlets. We made sure that there was only one external sign on the Marlboro world championship team outlet compared to flags and signs all over that outlet in previous years. We limited the sales of tobacco branded merchandise to people over the age of 18 years, which had not been the case before. We required health warnings at the entry and exit to a formula one exhibition, and we also reduced the period of exemption by three days. That is an example of the tightening up in 1998 compared to 1997.

Senator Herron—It was felt that this at least achieved some sort of control that would not be attained if the event had occurred overseas and was televised into this country.

Senator ALLISON—But you have no way of measuring that. There is no research which shows the effectiveness of the advertising nor the effectiveness of the restrictions that you are applying.

Senator Herron—We accepted that advertising does influence behaviour. That was not up for debate. The question then was: how do you minimise it in this context? We felt that money was probably better spent on minimisation rather than on research to prove something that was evident in every other avenue.

Senator ALLISON—Do you accept, then, that such advertising is going to be influential and that it is going to encourage more people to smoke? If you do not do the research and you suggest—

Senator Herron—We do not know. There have been evaluations done by various organisations as to whether it influences people to take up smoking or whether it just differentiates brands. Our priorities were harm minimisation in this regard.

Senator ALLISON—Didn't your department monitor the coincidental advertising during the event and before and after?

Mr Fox—I am sorry?

Senator ALLISON—The coincidental advertising. I can draw your attention to an enormous photograph on page 1 of the *Age*, I think it was two days in advance of the main race, which had, as I recall, a very large Marlboro logo spread across the front. What sort of monitoring was done of coincidental advertising; that is, advertising outside the track in magazines, in newspapers and on television?

Mr Fox—One of the provisions of the act is in a clause which allows for incidental publication or broadcasting of tobacco advertisements. That means that newspapers or television stations are permitted to cover an event such as a grand prix without having to cover up the tobacco advertisement, if that makes sense.

Senator ALLISON—Yes, I understand that. Did you monitor it? What are the trends and what is the space which is being taken up now with this kind of coincidental advertising?

Mr Fox—We have not done a quantitative analysis of the amount of space in newspapers that is devoted to that. However, I have written letters to a number of newspapers, drawing to their attention the provisions of the act and the fact that they may have been in breach, and I have invited them to comment on that. I have also written to the publishers, or the department, I should say, rather than me, has written to—

Senator ALLISON—Can you just explain which papers were in breach and in what way? Can you expand on that?

Mr Fox—We wrote to a local newspaper in Western Australia which published some material which may have gone beyond the accidental and incidental provisions. We also wrote

to the publishers of some magazines, such as the Qantas in-flight magazine, and asked them to comment on whether there may have been a breach of the act. We are still investigating that issue.

Senator ALLISON—In what way did they breach the act?

Mr Fox—I do not know if they did. We feel they may have by publishing some photographs that went beyond an incidental coverage under the act. This was brought to our attention by some members of the public.

Senator ALLISON—So the logo was prominent and the advertising was prominent. Did you also write to the *Age*?

Mr Fox—No.

Senator ALLISON—I saw the advertisements in the Qantas magazine and I saw those in the *Age*. There seemed to me to be not a lot of difference in terms of the exposure. In fact, the *Age* would have had far the greater exposure.

Ms Kerr—We have done a lot of work in following up complaints that we have received. We take them all very seriously. We write to the magazine or newspaper or television station concerned and raise with those people the fact that there have been complaints raised with us. We seek their legal opinion and then we seek our own legal advice within our own department as to the response we get.

So, to a certain extent, if we get certain information on one advertisement and it looks identical to something we have seen somewhere else, that would be the trigger for us then writing to that other organisation. But, in the main, what we do is respond to people who draw these situations to our attention. The fact is that the act makes it clear what is allowable. If there is any doubt, people bring it to our attention and we take our responsibility very seriously in seeking legal advice as to whether in fact those advertisements may have breached our legislation.

Senator ALLISON—Is it fair to say that the act does not give you the teeth you need to stop this sort of advertising? Would it be reasonable for us to suggest that the legislation ought to be changed to prevent such coincidental advertising?

Mr Fox—There has been a review done of section 18 provisions of the act, which was publicly released in September last year by Alan Rassaby from the law firm Phillips Fox. In response to that, the minister indicated that he was going to tighten up the provisions with exemptions, which has happened since then. It would be very difficult, I think, even if the Australian legislation was to prohibit coincidental advertising. It would still not prevent something like the *Age* publishing a photograph of a grand prix in Argentina with tobacco advertising on it. It would be very difficult for us to control that.

Senator ALLISON—So what is that an argument for—not doing anything? Is that what you are suggesting?

Mr Fox—No, I think we should continue to progressively tighten up and reduce the exposure to the Australian public.

Senator ALLISON—Do you have any evidence that there is money flowing from tobacco companies to the media—to magazines or to newspapers—encouraging such coverage?

Mr Fox—No, I do not have any evidence of that.

Senator ALLISON—Is there evidence elsewhere—in other countries—of this happening?

Mr Fox—Not that I am aware of.

Senator ALLISON—Can I go now to advertising through film.

CHAIR—Just before you do, Senator Allison, would you mind if I clarified the basis of the research that is being done—even elsewhere—into the effect of tobacco advertising at grand prix? It defies my logical brain to understand how the effect of advertising can ever be measured, unless you put everyone over a trip wire on the way in to see whether they are a smoker or a non-smoker and over the same trip wire on the way out to see whether they have taken up smoking on the way out. I just cannot get my mind around what the basis of that research would be.

Mr Fox—I agree that it is very difficult to attribute an uptake of smoking to a single event such as watching a grand prix on television. There are a whole range of societal and behavioural factors that need to be taken into account—such as peer group pressure and parental behaviours. That is why I mentioned earlier that we had looked at some of the research that had been done in Europe, in particular, and at best it was equivocal as to whether advertising at grand prix caused smoking uptake.

Senator ALLISON—Could I suggest that, if it is so difficult to measure the effectiveness of tobacco advertising, we ought to drop the exemption we give to grand prix organisations to do it. If it is so difficult to measure, then I suggest we should take the preventative act of not allowing it, but that is more of a comment than a question. What research has been done to show the effectiveness of the health warnings on both advertising for the grand prix and cigarette packets themselves?

Mr Fox—We have not done any analysis of the effectiveness of the health warnings at the grand prix. There has been no specific study done in that area.

Senator ALLISON—What about on the packets and at point of sale?

Senator Herron—The government has not done a study, but there are studies on that.

Mr Fox—Yes. We did some research in the very early days of the introduction of the new health warnings and that showed that there was a very high awareness of the change in regime. This was in 1996. Research has recently been published by Ron Borland and David Hill, from the Centre for Behavioural Research in Cancer, which shows that there is a very high recognition factor of those warnings and that there seems to be a very strong argument that they are an effective means of delivering a non-smoking message to smokers.

Senator ALLISON—Evidence from the states shows that Philip Morris paid quite large sums of money to have their cigarettes used in film making and that this was, effectively, a form of advertising. Has your department looked at this whole question of the imagery and the persuasiveness of smoking on film? Would you be prepared, for instance, to make recommendations about health warnings in advance of a film being shown or to take any steps to limit the effectiveness of this kind of advertising?

Mr Fox—The Ministerial Tobacco Advisory Group that I mentioned earlier is looking at a whole range of promotions and what we might call coincidental advertising, including the issue of whether films should be considered. As part of our work plan in that group, we plan to commission a study of what advertising is happening now, despite the existence of the act, particularly at points of sale and value added promotions and we are going to attempt to look at the incidence of film as well. It is very difficult to know whether there has been an increase in that, although I did see some research from the US which suggests that there has been an increase in the incidence of the portrayal of smoking in movies. Once we have done that research, we will be looking at a number of policy options with which to address that.

Senator ALLISON—What kinds of things could be done in order to at least reduce this form of advertising? What sort of recommendations are available?

Mr Fox—I cannot predict what those will be at the moment. It is not something that I have an answer to right now, but it is something that the group will be focusing on.

Senator ALLISON—Is it possible to ban money changing hands from tobacco companies to film makers, film stars or producers? Is that an option?

Mr Fox—I am not aware of that. It might be something for the Attorney-General's Department to comment on.

Senator ALLISON—But that will not form part of your recommendations to the minister?

Mr Fox—I do not know what the recommendations will be yet.

Senator ALLISON—You just said that would be something that the Treasurer would need—

Mr Fox—No. I think the legal issues would be for the Attorney-General's Department to consider.

Senator ALLISON—I think those are all my questions on that subject.

CHAIR—Are there further questions on 1.1?

Senator DENMAN—I have some questions on salmonella and those sorts of issues. I will put them on notice.

CHAIR—Are there further questions on 1.1?

Senator FORSHAW—We actually have some questions that probably apply to each of the programs, but we will start with 1.1 and we may have to cover them later. Does the department or any of the various agencies covered under this program have any public relations or promotional campaigns under way or in preparation?

Ms Furler—I am sorry, did you say agency or body?

Senator FORSHAW—I used the word 'agencies' as a loose term to cover the various bodies that you have structured. For instance, some of these are in conjunction with states as well.

Mr Podger—You asked the question in general terms and then across the portfolio of all programs. Yesterday, we answered questions on this, particularly in the child-care and the aged care area, where we talked about some various activities under way.

Senator FORSHAW—It is the same set of questions for all of the things within Health and Family Services.

Mr Podger—Yes, all I am saying is that I think it is easier, in terms of specifics, to look at it within each program. We do have a general communication strategy document for the department which lays out some ways in which we address the communications issues and it identifies means of setting priorities and what the protocols are for what the department ought to be doing in this area. We do, as a matter of course, have an overview of our communications arrangements but, in terms of specifics around each area, it is best we ask them around each program. We can talk about it within the public health area. We have a number of public health campaigns, but perhaps Ms Furler can give you an indication of the key ones in the public health area.

Ms Furler—I will introduce Ms Laurie Van Veen, who is responsible for that area of work in the public health division, to run through with you the work that is currently under way and the work that is currently in planning.

Ms Van Veen—Quite specifically, we have a national cervical cancer screening program which we have been working with the states and territories on for the past 18 months. That launches tomorrow in Melbourne. We have the measles control program which is based on the schools based program which Dr Mead referenced last night. That is currently being developed and will launch, I believe, on 9 July. That date is still being finalised. For the national tobacco campaign, at the moment, we could be at the end of our media spend. I believe that we do not have ads running, but the states and territories are working with us on that and they are airing ads as well because they have put funds to it. Those would be the active campaigns. There is a whole body of work to do on the illicit drug program, which is in the very early stages at this time.

Senator FORSHAW—I think we covered some of that this morning. In respect of each of the three campaigns that you mentioned, I appreciate that we may have covered part of that in some of the discussions already, but can you tell us the timing of the campaigns? For instance, the first one you mentioned was the national cervical cancer screening program, and that is to start tomorrow?

Ms Van Veen—It launches tomorrow and starts running on Sunday night.

Senator FORSHAW—How long is that campaign?

Ms Van Veen—We have the first burst of that advertising, I believe, for a month on television supported by print, and the second burst is in September.

Senator FORSHAW—Is that another month in September?

Ms Van Veen—Yes.

Senator FORSHAW—Is it due to finish at the end of September?

Ms Van Veen—Yes.

Senator FORSHAW—What is the cost of the campaign?

Ms Van Veen—The total cost over two years is \$3.6 million.

Senator FORSHAW—Over two years?

Ms Van Veen—This year's funding and next year's.

Senator FORSHAW—Can you tell us who the consultants are and what fees have been or will be paid to them?

Ms Van Veen—National Public Affairs Group is the public relations company. It is anticipated that the expenditure to them in this year will be \$100,000 to 30 June. So that has not been fully expended as yet. In terms of the budget breakdown for next year, it has not been finalised by the minister but we would expect to have a strong component there as well for public relations.

Sleeman Whitaker Heckendorf & Potter Advertising is part of the Cooe Network. It is contracted to do the advertising and there is a production and development budget there of \$360,000. Stancombe Research & Planning has done the initial concept testing and the cost of that testing was just under \$40,000—\$39,998. They have also been commissioned to do further stages of developmental testing. Two stages of research there were \$53,407. There is also a benchmark component to evaluate that campaign, and Woolcott Research has won that tender. The total cost for the benchmark research will be \$56,100.

Senator FORSHAW—Those are all of the consultants that will be involved?

Ms Van Veen—On the cervical screening?

Senator FORSHAW—Yes, just on that.

Ms Van Veen—Yes.

Senator FORSHAW—What has been the involvement of the minister in respect of the planning and approval of the campaign? Has it ultimately come back to the minister for final approval or is it through stages? How does that system work?

Ms Van Veen—At key points, certainly when a campaign has been developed, once a marketing strategy is prepared and briefs are generated they go to the minister for approval and then to the ministerial committee on government communications for approval.

Senator FORSHAW—The ministerial committee on government communications?

Ms Van Veen—It is chaired by Senator Nick Minchin. There is a representative from the Prime Minister's office, Mr Tony Nutt, and Petro Georgiou is also on that committee.

Senator FORSHAW—Does the campaign have to be approved by OGIA?

Ms Van Veen—OGIA works with us as we develop stages of the campaign, so by the time they go to the minister they have been involved in everything that we do. MCGC would be the governing body over OGIA to approve.

Senator FORSHAW—MCGC being?

Ms Van Veen—The ministerial committee on government communications.

Senator FORSHAW—The one that you just mentioned.

Ms Van Veen—Yes.

Senator FORSHAW—The Minchin committee.

Ms Van Veen—Yes.

Senator FORSHAW—That is what the 'MC' stands for—Minchin, not ministerial. Who has the final say on approval? Is it the MCGC or is it Minister Wooldridge?

Ms Van Veen—If our minister were not prepared to approve the materials they would not be submitted to the ministerial committee.

Senator FORSHAW—I see. So it goes through Minister Wooldridge first and then has to be approved by the MCGC.

Senator Herron—It is a similar structure as existed under the previous government.

Senator FORSHAW—Minister, I am asking about this program under this government.

Senator Herron—I thought you might be interested.

Senator WEST—We have been around long enough to know what we used to do.

Senator FORSHAW—Different people. What was the process for tendering for the consultants and the advertising agencies?

Ms Van Veen—In each instance, for the advertising in the public relations companies, a brief would have been prepared, along with a short list developed in consultation with the Office of Government Information and Advertising. They take the lead role in helping us to identify appropriate agencies to be considered. That short list of companies would be put to our minister and then the ministerial committee for approval. In the instance of the advertising,

market testing was done of the actual concepts of the number of agencies who were competing to determine how well they tested to meet the actual objectives of the campaign.

Senator FORSHAW—Was it an open tender in that it was advertised and tenders or expressions of interest were called for, or were specific companies approached?

Ms Van Veen—It was a select tender.

Senator FORSHAW—Could you provide us with a list of the other consultants and agencies that were approached? Presumably some of those were shortlisted before the final decisions were made.

Ms Van Veen—Yes, but I do not have that with me.

Mr Podger—Can I check whether there are circumstances? As a general rule, we do provide that, Senator, but you know there are circumstances where, because of the nature of the companies who agree to be in it or do not agree to be in it, there can be a commercial-in-confidence issue. I would have to check. I think it is okay, but I would like to check that before we provide that information.

Senator FORSHAW—What was OGIA's role in this again? It was to work with the department, was it?

Ms Van Veen—That is right. What generally happens is a marketing strategy is prepared based on research and everything we can gather to inform that strategy. There will be briefs within that—a public relations brief, a brief for a creative agency and separate research briefs. The Office of Government Information and Advertising takes a lead role in helping to identify which agencies are out there and what their strengths are and to actually formulate a list of companies.

Senator FORSHAW—That was leading to my next question. I take it from what you have just said that OGIA really drives that process, rather than the department.

Mr Podger—I think it is fair to say they contribute to who drives it. We have a fair bit of experience, particularly in the public health area, of the various agencies. So we work with OGIA on those.

Senator FORSHAW—What would happen if OGIA and the department had a major difference of view about whether or not a particular consultant or agency should be approached or a major difference of view as to who should be put forward on a short list?

Mr Podger—If there were a major argument, that would end up being handled by the ministers through the MCGC.

Senator FORSHAW—You have given us the information for the national cervical cancer program. Can you quickly run through the same information for measles control and national tobacco?

Ms Van Veen—With respect to the measles control campaign, Ogilvy and Mather is the advertising agency, which includes Ogilvy and Mather Direct as there is a direct mail component for that campaign. The developmental and concept testing research will be done by Market Communication Research. Royce Communications will be for the public relations. There is an ethnic strategy, which would be undertaken by Cultural Perspectives.

Senator FORSHAW—What are the costs involved?

Ms Van Veen—The overall cost of the campaign is \$8.75 million. The advertising and direct mail activity, which includes the media buy and the cost of production of the television

commercials and the print ads as well as all of the direct mail kits, costs \$6.55 million. The research is \$260,000.

Senator FORSHAW—You said \$8.75 million and \$6.55 million. That is in addition?

Ms Van Veen—No, breaking down from the \$8.75 million. Then it is \$260,000 for the research and \$560,000 for the public relations. There is \$900,000 for resource development. That is not to a particular consultant. That is production of brochures and supporting materials. The ethnic strategy, which I mentioned was Cultural Perspectives, is \$480,000.

Senator FORSHAW—Do the amounts you have given me include the consultant's fee or commission, or is all of that only what is spent upon the campaign and then the agency or the consultant gets a fee over and above that?

Ms Van Veen—It would include their fees.

Senator FORSHAW—I thought that would be the case, but I thought I had better ask. Are there any other figures?

Ms Van Veen—That is it on measles.

Senator WEST—Under what time frame will the measles campaign be run?

Ms Van Veen—It is being launched on 9 July, with ads to start running on the 12th. The actual first immunisation would be on 3 August, and the campaign runs for three weeks of television with supporting press running.

Senator FORSHAW—So it is July-August, is it?

Ms Van Veen—Yes.

Senator FORSHAW—It will be a very busy month for advertising in July and August, by the sound of it.

Ms Van Veen—The primary point of that campaign is the packs that are going home with the children to draw it to the attention of parents. We must ensure that they are aware of that information, so it is a concentrated media buy.

Senator FORSHAW—We were given some evidence last night about that. The other issues you will provide are subject to checking, no doubt—that is, a list of the other companies or agencies that may have been shortlisted or approached during the tendering process. Was it the same involvement with OGIA?

Ms Van Veen—Yes.

Senator FORSHAW—What about this third campaign, the tobacco one?

Ms Van Veen—Brown Melhuish Fishlock is the agency of record, the advertising agency, for that campaign. I will give you the names first, and then I will actually go to the budget figures. Roy Morgan Research did the advertising concept testing and is also doing the evaluation research for the campaign. Quay Connection is doing the public relations activity. Sutherland Smith Ringham is doing continuous tracking research for the campaign. Cultural Perspectives is also doing a non-English strategy supporting the campaign.

In terms of the actual budget, \$5,290,856 has actually gone into the media, and, as you mentioned before, the agencies' fees would be within that. This is across two financial years—1996-97 and 1997-98. In addition to that, \$450,000 would have covered television production, print ads and radio dubs as well produced by the agency. Some \$409,124 has gone to the actual research.

Senator FORSHAW—This is in addition again to the \$5.29 million and the \$450,000?

Ms Van Veen—Yes. Public relations, if I round up, is \$285,000 and the non-English strategy is \$250,000.

Senator FORSHAW—And the timing?

Ms Van Veen—That campaign was launched last June, and the media buys on the fourth and fifth television commercials started in March of this year. A number of the states and territories have done additional media buys, so I cannot tell you precisely when they stop running.

Senator FORSHAW—One of those ads is fairly graphic.

Ms Van Veen—Yes.

Senator FORSHAW—It sort of reminded me of that movie where those people shrunk and went down somebody's veins.

Do you know what I am talking about?

Ms Van Veen—Yes.

Senator FORSHAW—Is there a completion date?

Ms Van Veen—At this stage, the Commonwealth did a top-up media buy in March. The majority of the media buy was done by a number of the states and territories, so we backfilled in areas, and that media buy was within the figures I have given you—\$500,000. I am not sure when those ads stop running, but the funding will be truly expended by 30 June. We do not have a next stage of activity planned at this stage.

Senator FORSHAW—Just out of interest, can you put a round figure on what it costs all up for that ad to go on, say, just once?

Ms Van Veen—Sorry, to run on one occasion?

Senator FORSHAW—These ads are made. It is quite expensive and there are all the costs involved. You have outlined what has been involved in the whole budget for the campaign but, each time an ad goes to air, what sorts of costs overall are we talking about?

Senator Herron—I do not think the officers would know that. As you know, it depends on the time of the day, the channel, et cetera.

Mr Podger—There are two parts to it. Obviously, there are significant costs in the development of the ad before it is shown and the costs of where it is shown and when. But the development costs are very substantial.

Senator Herron—Again, it would depend on the purchasing power of the agency, of course.

Senator FORSHAW—It also depends upon the time the ad is shown and all that. I am just trying to get some feel for it. You can have a lot of money but, ultimately, you may not get to show the ad that many times if the cost is as high as what I think it is. And the same applies for OGIA, does it?

Ms Van Veen—Yes, it does. I should just point out that there are other strategies supporting that campaign as well which I have not costed. There has been a lot of support put into the actual Quit line telephone infrastructure development as well as the production of national Quit booklets. So I have just concentrated on the areas you have outlined.

Senator FORSHAW—I think that covers those. I might say, Mr Podger, that we have similar questions with respect to each program.

Mr Podger—Senator, my officers, of course, will take note of that and make sure we can answer you on the other programs. But, as I said, some of your questions relate to general

policy on the processes and so on. We do have an overall communication strategy and, within that, some general guidance which we apply within the department in these things. So issues such as using OGIA and so on is a standard approach across the organisation.

Senator FORSHAW—You may have these policies and views, but, ultimately, OGIA or the MCGC may completely disagree with you.

Mr Podger—I am talking about general policy guides and processes in developing our guides and processes within the organisation. We cleared that with the minister and it was in line with the OGIA processes and so on. All I am saying is that I would not want you to think that this is ad hoc within each program. We do have a general policy procedure we try to apply.

[11.56 a.m.]

Subprogram 1.2—Health regulation

Senator FORSHAW—I have a couple of questions with regard to the figures in the appropriations. I take you to pages 64 and 65 of the portfolio statements under 'Therapeutic goods'. Firstly, page 64 shows that the estimated outcome for 1997-98 is the budgeted figure of \$9,844,000. For this year it is zero. Presumably there is an explanation for that. I think I might know what it is, but I would like to hear what it is.

Mr Slater—The reason that figure dropped to zero is that the government has moved to 100 per cent cost recovery of activities under the Therapeutic Goods Act.

Senator FORSHAW—Could you just explain to me what you mean by cost recovery.

Mr Slater—Cost recovery means that the activities of the Therapeutic Goods Administration in the area of therapeutic goods will now be recovered under a series of fees and charges and annual charges to recover the full 100 per cent. The government has moved from the existing regime of 50 per cent cost recovery, which was in place three years ago, to a position of 100 per cent recovery of the costs.

Senator FORSHAW—These are the costs that are associated with administration and giving approval and so on to various drugs to be marketed. Is that right?

Mr Slater—Yes. It is to give marketing approval to assess the safety, efficacy and quality of therapeutic goods for marketing in Australia.

Senator FORSHAW—Were you talking about, over a period of 12 months, recovering effectively around \$9.8 million to \$10 million or something like that? Are you anticipating that the level of usage of the administration will remain the same? In other words, was what you were previously paying out or funding on \$9.8 million now be money you will recover?

Mr Slater—At this time last year the Therapeutic Goods Administration was recovering 75 per cent of its costs. This \$9.844 million that is represented on page 64 represents the last 25 per cent.

Senator FORSHAW—I thought it was 50 per cent, but it is 25 per cent.

Mr Slater—Over the last three years it has moved from 50 per cent to 100 per cent. The final tranche of that is on 1 July 1998.

Senator FORSHAW—You are confident that that can be achieved over the course of the next 12 months?

Mr Slater—Yes.

Senator FORSHAW—Simply by saying that they have to pay it. Basically, that is what happens, isn't it?

Mr Slater—No. We have a longstanding mechanism of sitting down in a consultative process with industry to understand the workload that they see coming forward and to set fees and charges to appropriately recover the quantum that has been set by the government.

Senator FORSHAW—The companies really have no alternative though, do they?

Mr Slater—If a company wishes to make an application for a new product to enter the market in Australia and they wish to make claims about that product, which is captured by the Therapeutic Goods Act, then no, they do not have any choice. If they are a sole proprietor, then they are not captured by the Therapeutic Goods Act; they are captured by state law.

Senator FORSHAW—At the top of page 65, the figures show a substantial increase in the appropriation from \$8.4 million to \$17.5 million.

Mr Slater—That is with \$9.844 million being added in as fees and charges to be recovered from industry.

Senator FORSHAW—That is what I thought was probably the case, but I thought I had better clarify it. I do not have any further questions on subprogram 1.2. Senator West did, but she is out of the room for a short time. Perhaps we can move to subprogram 1.3 and then return to subprogram 1.2 when Senator West returns.

[12.03 p.m.]

Subprogram 1.3—Health research and information

Senator FORSHAW—The top of page 72 notes that salary and related expenses were budgeted at \$4.24 million, and the estimated outcome is \$4.911 million. But the budget this year for 1998-99 shows a 33 per cent reduction to \$3.288 million. Can you give me some indication of why those figures have jumped about a lot?

Mr Wells—That figure is subject to further adjustment. There was some reduction in the salary for this program because of a cessation of funding for the national breast cancer initiative, which was from about four budgets ago. That accounts for part of it. But the actual salary for that line has been subject to further adjustment. It should be \$4.2 million.

Mr Podger—As I think I mentioned earlier, because this is a single appropriation we are still working our way through it. We hope the appropriations are generally correct, but we are working through some of them. This is one that is clearly not going to be as low as this.

[12.05 p.m.]

Subprogram 1.2—Health regulation

Senator WEST—On page 64, can you add up the two columns of 1997-98 estimated outcome and the 1998-99 budget? I think your maths is out in both of them. I think one is \$1,000 over and one is \$1,000 under. I am being a pedantic, nasty person.

Mr Podger—Do you mean literally \$1,000?

Senator WEST—I mean that when I got the sum total of the third column it was \$11.044 million, not \$11.043 million.

Mr Podger—It will be a rounding issue.

Senator WEST—And the same goes for the next column.

Mr Johnson—The figures have to round to \$1,000 at the bottom line under the running costs, according to the appropriation bills. So each of the figures are rounded in getting to that.

Senator WEST—It is just that I had got the others to add up, but I could not get those two columns to add up.

Mr Johnson—Sometimes you get lucky on the rounding.

Senator WEST—Sometimes you do not, and you get a senator who has nothing better to do than add up a column of figures.

Mr Podger—Mostly they work out, but there will always be times when they will not.

Senator WEST—I figured that it might have been rounding, but I was not quite sure. When the Therapeutic Goods Administration approves equipment and drugs, does the TGA look at the manufacture of that equipment and drugs? Does it look at how it is being done and where it is being undertaken?

Mr Slater—Yes. All therapeutic goods are assessed for quality. That includes a check of good manufacturing practice principles as to whether manufacturing outlets meet those.

Senator WEST—After somebody has received approval for a good to come into Australia, are there any further checks done to see whether that standard is being maintained, or is it assumed that it is being maintained?

Mr Slater—We have a process of regular checks. The risk is assessed as to whether those checks are annual or more frequent than in some cases where the risk is assessed as low. We have a period of either annual or less frequent checks, depending on the assessment of the risk for good manufacturing practice.

Senator WEST—Do you look at the conditions under which the company or the supplier employs staff? Quite specifically, how many goods coming into Australia are from factories that have child labour?

Mr Slater—We do inspect overseas sites on a regular basis in the same way, but I will ask Dr Cable to give you a more detailed answer to your question.

Dr Cable—Your question was to do with—

Senator WEST—The use of child labour in the production of medical equipment and other medical associated products.

Dr Cable—I do not think I would be able to comment on that. What we do when we go there is look at whether or not they have qualified personnel in charge of quality control, whether the procedures that they employ are consistent with the principles of good manufacturing practice and, as a condition of approval, whether or not they are in compliance. Most of the products that I can think of are fairly highly mechanised in the way they are produced—tableting machines and that sort of thing.

Senator WEST—I am thinking more in terms of equipment.

Dr Cable—Do you mean medical devices and equipment of that nature?

Senator WEST—What about mosquito forceps, artery clamps, scissors—all that sort of medical equipment?

Dr Cable—No. We only require compliance of good manufacturing practice in the medical devices area if the product is supplied sterile or if it is in one of the higher listed categories. So medical equipment, such as forceps, which would be sterilised in conjunction with use, are not audited overseas or in Australia for the purposes of compliance of GMP. We would see sterilisation as the key issue in terms of the safety aspect. Sterile products would be audited but not just equipment. The low risk products, in terms of risk to the patient at our end, are not audited.

Senator WEST—I am aware that the International Confederation of Trade Unions have evidence—I have seen their videos—of the use of child labour in the manufacture of, as you would classify, low risk products that get sterilised here. I have seen their videos and their evidence that indicate that child labour is being used in the production of forceps, clamps and those types of things. Does the TGA think it has any role in ensuring that this sort of equipment that comes in is not made by children?

Mr Slater—That is not an issue for us under the Therapeutic Goods Act. When we look at GMP we look at the quality of the product and the quality of the manufacturing arrangements and principles that have to be met but not at other occupational health and safety aspects of the site.

Senator WEST—So when the TGA is okaying equipment to come in, it does not consider whether it has any role to look at anything other than the piece of equipment that it is bringing into this country?

Mr Slater—When we are talking about overseas sites, the TGA does not set the laws by which manufacturing sites overseas operate. Our role is to assess whether the products that are coming into Australia meet the public health and safety standards that Australia has set for these goods. So we audit manufacturing practice principles to ensure that those products do meet those quality standards.

Senator WEST—So there is no moral or ethical role to worry about the fact that children, as young as five and six, might be spending their time in metal foundry type conditions, grinding back small pieces of equipment because their fingers are small enough and deft enough to be able to handle the smaller pieces of equipment and the smaller parts of instruments? So you see no moral role to exert pressure on companies to ensure that the equipment they purchase is not manufactured under such circumstances?

CHAIR—I think Mr Slater has answered the question inasmuch as they do not have a legal role. What they might think personally and individually is an entirely different thing from what their legal responsibility is and the area of jurisdiction. They do not have an area of jurisdiction in those overseas countries.

Senator WEST—And you are not going to look at the employment conditions in those overseas countries to ascertain that they at least have some safeguards to protect people?

Mr Podger—TGA has a statutory set of responsibilities which surround protecting the safety of the Australian public and ensure the efficacy of therapeutic goods in this country. TGA does not actually import these goods and is not responsible for other policy aspects of that. We may each have our own personal views on those things, but it does not fit into a specific responsibility of the TGA. It is a matter for other jurisdictions whether there are issues to do with rules about what ought to be imported into this country and under what conditions.

Senator WEST—Which other jurisdictions would you suggest?

Mr Podger—You may wish to talk to the trade department or the industrial relations portfolio or something like that, but it is not part of the statutory responsibilities of the TGA.

Senator WEST—If the TGA, when it is doing its inspections overseas, came across evidence that there was child labour being used in the manufacture, what would the TGA do?

Mr Slater—It is a very hypothetical question, Senator. If there was an issue of such moment, I imagine the officer would make a report about that and, as Mr Podger said, that may well be confidentially passed on to the relevant department.

Senator WEST—When you go to do the inspections, I presume you give notice. You do not do unannounced inspections.

Dr Cable—That is correct because the inspection is funded by the Australian sponsor. The obligation is on the sponsor in Australia who wishes to enter the goods on the register and have permission to sell as a consequence. They have an obligation to establish that the manner in which it is manufactured complies with the standard that we would apply to a manufacture here in Australia. That sponsor has an obligation to provide that evidence. That evidence can be provided by a report perhaps of the Food and Drug Administration of the United States, if it has done a recent inspection, or the United Kingdom. Failing being able to provide that sort of information, the sponsor has to cover the costs of our auditor going there and undertaking inspection. So, yes, the arrangement is made that our auditor will attend often in company of the sponsor or the auditors from the country concerned. We would normally make contact with the health department in that country also.

Senator WEST—I will pursue it in trade then. In relation to new drugs coming in—that is, pharmaceuticals, not therapeutic groupings—through TGA. I want to ask about Viagra. I am not particularly interested, but there are a few bits of correspondence floating around—

Senator FORSHAW—A few hundred million people are.

Senator WEST—Forty-eight per cent of the population might be and the other 52 per cent, I suppose, have a bit of an interest but not really directly. I am led to believe that the approval is currently before the TGA?

Dr Alder—We normally do not disclose whether we have an application because of commercial in confidence. However, in this case, due to the publicity, the company involved have stated publicly that they have submitted an application and, yes, we have an application under evaluation.

Senator WEST—There appears to be a number of side effects coming to light from overseas experience. What details do we have on those?

Dr Alder—We certainly have watched the media reporting of this product very closely. Where issues of safety have been identified, we have been in direct contact with the sponsor of the product to seek additional information. We are aware that additional information has been sought by the US Food and Drug Administration. We have asked for that information to be provided to us at the same time.

Senator WEST—Do you have an arrangement with the FDA to liaise about the drug as well as liaising with the sponsor?

Dr Alder—We have an informal arrangement with the FDA at a number of levels whereby we have informal discussions as to various products, evaluations, decisions or otherwise that the FDA make. We have a formal arrangement for us to obtain evaluation reports within the orphan drug program and, on the basis of that, we have had discussions with the relevant unit within the FDA who look at prescription drugs for accessing information that is appropriate from government to government.

Senator WEST—In what other countries is Viagra available?

Dr Alder—My understanding at the present time is that it is only approved in the US.

Senator WEST—So none of the European countries or no other OECD country?

Dr Alder—I do not have the full information right at the present time. But my understanding is that it is not yet approved in any other country.

Senator WEST—There was also media speculation that it would not be required to be prescribed by a urologist or specialist but could be prescribed just by GPs. Does that cause you some concerns? It causes me some concerns.

Dr Alder—I do not think I can comment on that until we have completed our evaluation of the product. There are a number of mechanisms whereby the product, after it is approved, could be limited in terms of who has access to the prescribing of that product. That would depend on our evaluation and conclusions of the product and also on the advice that we would get from the Australian Drug Evaluation Committee at the time that we would be looking at approval.

It would also then as a matter of routine be referred to the National Drugs and Poisons Scheduling Committee who would look at the appropriate scheduling of this product. Our expectation is that it would be on prescription. But there are mechanisms within the NDPSC so that they could look at limiting the prescribing of the product to certain doctor groups or, in some way, limit the distribution. My understanding—again from the media—is that the company have already declared that they are likely to be applying to the PBS for listing. It would also be a possibility that the PBAC could make recommendation on limiting access of the product within a PBS listing.

Senator WEST—I guess my concerns relate to the plethora of men's sex clinics basically. When you scratch the surface, you find that the people providing the service are not as highly qualified as perhaps they should be or you would like them to be. Given the fairly dramatic rise in their prevalence, I was wondering what—it is probably not for you, it is probably more for pharmaceuticals—

Dr Alder—It may also be an issue that comes under medical practice and then be a state issue where there is also the power to limit certain access to products under state legislation.

Senator WEST—Okay, I will leave it at that. I know it is a major problem for some people and that they would prefer to be able to use Viagra rather than injections, but my concern is that we seem now to be hearing about side effects. It is fine to see the world through rose-coloured glasses but I am not sure about seeing it through a blue haze. It is alleged there have been some sudden cardiac arrests and things like that from people who have been taking it.

Dr Alder—Yes. Certainly the media reports suggest there have been six deaths that appear to be directly attributable to the product. That is certainly the information we are gaining more information on.

Mr Podger—As Dr Alder explained, there are a range of steps to go through. In any drug area we would be particularly concerned about the cost effectiveness as well. We need to make sure that the utilisation is not only sensible and healthy but also cost-effective in dealing with particular problems. We are also uneasy about the huge publicity around this and how we actually handle the thing in a sensible, deliberate fashion.

Senator WEST—Because if it is prescribed without tests being done to substantiate that things are not as they should be, then people with a normal function could be placing themselves at greater risk. You do not want people thinking it is bigger and better than what it is supposed to be—I could have phrased that more delicately. I have no further questions on program 1.

[12.26 p.m.]

Subprogram 1.3—Health research and information

Senator FORSHAW—I had one further question on subprogram 1.3 with regard to the National Health and Medical Research Council. I understand a process has been put in place whereby applications for grants, et cetera, could be lodged via the Internet and I have been advised that there were some problems with the system. Firstly, is that correct; secondly, if there were problems, what has been done to fix them; and, thirdly, can you tell me whether or not people were able to reodge their applications if they had not got them in through the Internet service?

Mr Podger—I will ask Mr Wells to answer in detail. Yes, we have had some difficulties in the Grantnet system and we have been addressing them very closely. The Grantnet system provides the potential for a much better way of handling the grants, a much more efficient process. But we have had very substantial teething problems with it this year which we have had to address.

Mr Wells—We introduced the Grantnet electronic lodgment system for the round of grants which were lodged in March 1998 and which is the round currently being assessed. As the secretary said, there were problems with the process. As a result of that, we extended the lodgment due date for grants effectively by a month.

Senator FORSHAW—What sort of problems were there?

Mr Wells—They were primarily technical problems with the computer system itself. There were difficulties in terms of applicants logging onto the system, slow response times and then they were being logged out. There were technical sorts of issues.

Senator FORSHAW—Crashing on them, was it?

Mr Wells—There was some crashing, but it was more than just crashing. A number of applicants experienced extensive delays and difficulties. However, all the grants have been received and lodged. The process of getting those grants out for assessment has occurred. Assessments are now coming back in. We are using the Grantnet system for this phase and it is functioning reasonably well for this phase. The next phase of the grants assessment process are the regional grants interviewing committees which commence in a couple of weeks, and we are on track for those to occur. The subsequent phases of the grants round will not be compromised in any way by the system.

Senator FORSHAW—What is the advantage of having the Grantnet system?

Mr Wells—With electronic lodgment there are advantages for the applicants, because the system designed allows them to effectively open an account on the department's computer system and then progressively complete their application in their own time up until the lodgment date. So they can refine it, adjust it, et cetera, without having to each time do a new print run of what they are doing. So there are advantages for the applicants.

There are also advantages for the department in that the processing can be streamlined. We get close on 2,000 applications a year. When we had a paper based system, we needed to have about 15 copies of each of those applications, and each copy contained 50-odd pages. It was a massive paper sorting exercise. So there are certainly efficiencies there. Then, down the track, the Grantnet system will give us much more flexibility in terms of data about what research we are funding, how we are managing our research grants, et cetera. So there are advantages from go to whoa.

Senator FORSHAW—Are there any security or confidentiality issues? I could think of some once you start putting the applications on the net, with the capacity for other people to plagiarise or whatever.

Mr Wells—The applications are not actually on the net in the sense that they are accessible to the general public. They are only accessible to the researcher and other authorised persons, which would include some other people at their university and some officers within the department. The security of the system is of the same standard as the defence security network—it is the Commonwealth standard. We are confident about those security aspects.

Mr Podger—We have had a lot of interest in the Grantnet process and the benefits it can produce from other organisations handling complex grants programs, including state governments and so on. We have no doubt about the basic potential and that we ought to be carrying on. But we have had some quite significant problems this year. One of the reasons for the resource increase that you referred to within this financial year has been to shore up the problems we have had with Grantnet.

[12.31 p.m.]

Program 2—Health care and access

Senator FORSHAW—I want to ask some questions about the impact of a goods and services tax on health. I appreciate this ranges across all of the aspects of program 2, so I thought I would start off with it rather than do it subprogram by subprogram. Can you provide to us a list of all health and health related goods on which wholesale sales tax is payable at the present time?

Mr Podger—We would have to take that on notice. We have been doing some work in this area of the tax arrangements on health in the health system, but I would have to take that on notice.

Senator Herron—I think we would be happy to.

Senator FORSHAW—Happy to?

Senator Herron—You asked for what wholesale sales tax was paid on health related products.

Senator FORSHAW—Yes, all health and health related goods.

Senator Herron—I do not know whether that is available to us, but we will certainly provide you with what material is available to this department.

Senator FORSHAW—What I have asked for is a list of all health and health related goods on which wholesale sales tax is payable and what I would like would be the specific items and the rates—

Senator Herron—We will be happy to see what we can provide.

Senator FORSHAW—Mr Podger has taken it on notice. I am a bit mystified as to what you are saying, Minister—

Senator Herron—I am saying we are happy to provide you with what information is available to the department.

Senator FORSHAW—Good. You said, Mr Podger, that you have been working on this. What does that mean? What have you been doing?

Mr Podger—We have been doing internal work on what the current tax arrangements are and, in very general terms, the possible implications of changes in tax on the health system.

Senator FORSHAW—Can you tell me what specific possible implications you have been looking at?

Senator Herron—I think I would rule that out. That is—

Senator FORSHAW—Hang on! Hang on a minute. You are not ruling anything either in or not in here, Minister. You are not the chair.

Senator Herron—I can see the direction in which you are going.

CHAIR—It does fall—

Senator FORSHAW—Jeez! You are pretty smart if you can.

Senator Herron—I am here to defend the department.

CHAIR—Senator Forshaw, that does actually fall into the category of asking an officer to give the committee information about advice that it gives to government, which is out of its jurisdiction.

Senator FORSHAW—I am not actually asking for advice, Chair or Minister, about what advice the department ultimately might give to the government. Mr Podger indicated that they were looking at the current situation and the potential implications of, presumably, a range of measures. I was asking what measures you were focusing on.

Mr Podger—I think you are getting too close to the situation. I have been very frank that we have been doing work in this area, that we have been looking at the possible implications of various options and that we have provided advice. But I have no intention of giving any more detail on the advice we may have been providing.

Senator FORSHAW—I am not asking you for the advice. I am asking if you can you tell me what options you have looked at.

Mr Podger—No, I am not willing to go into that.

CHAIR—That falls into—

Senator Herron—I do not think that that is a question that is available to you under the estimates process.

Senator FORSHAW—Why?

CHAIR—It falls into the category—

Senator Herron—It is advice to government and it is not available under the estimates process.

CHAIR—It is advice to government and responding to government—

Mr Podger—Presumably the identifying of the options is part of the advice.

Senator Herron—Yes, it is the same argument that was used when I was on your side of the bench.

Senator WEST—How many options have—

Senator Herron—Senator West, you can skirt around as much as you like—

Senator FORSHAW—It must have been a very good question, Minister, if you asked it. You never know, we might actually get an answer now.

Senator Herron—We tried the same tactics. But the answer to your question is that we are not prepared to provide—

Senator FORSHAW—The answer to my question, Minister, is that you are not prepared to tell me anything, whether it really comes within the—

Senator Herron—No, it is not—

Senator FORSHAW—Can I finish? You are not prepared to tell me anything, whether it is within the ambit of advice to government or not. I am not asking for the advice. It has been volunteered here that work is being done. I think I am entitled to ask the nature of the work that is being done, as distinct from what advice may be given in the future or may have been given to date. We ask those questions of agencies all the time. For instance, if we ask the National Health and Medical Research Council what work they are doing on a particular issue, they tell us.

CHAIR—I am sorry, Senator Forshaw, I will rule the question out of order on the basis that it does fall into the category of policy formulation and advice to government. Officers are never requested to give that advice to any Senate committee and I therefore rule those questions out of order.

Senator WEST—I am asking: how many options has the department been able to—

CHAIR—That falls into the same category, Senator West. I am sorry, you can go on a fishing expedition—

Senator WEST—Okay. How many—

CHAIR—Just a moment. Anyone can go on a fishing expedition of this nature, but I will rule all questions on the advice that is being provided to government on policy formulation out of order. It is standard procedure.

Senator FORSHAW—Chair, I note your ruling and I do not seek to debate that at the moment, but the minister is on the public record as having indicated broad support for health products—and maybe health services, I am not sure, but certainly health products—being zero rated.

Senator Herron—From my memory of it, he has stated that health should be exempt from a GST. I think that was the press report.

Senator FORSHAW—It went further than that. He said that if it is zero rated it would actually bring health costs down.

Senator Herron—Was that in the press report?

Senator FORSHAW—That is a direct quote of the minister's interview.

CHAIR—That is just a statement of fact—

Senator FORSHAW—The question—

CHAIR—Just a moment, Senator. It is a statement of fact in terms of tax policy that anything that is zero rated in fact gets a benefit. I am sorry, but you are getting into an area of policy as opposed to a question in terms of the estimates that we are here discussing. I am sorry, but I will not allow questions on policy.

Senator FORSHAW—But, Chair, given that the Minister has made this statement as to what would happen to health costs if products were zero rated, then what I am asking is, firstly, for the details of the current tax rates and, secondly, for what is being looked at by the department. Clearly, work must be being done for the Minister to come down with a statement that health costs will come down if you are looking at zero rating products.

CHAIR—That is not necessarily so.

Senator Herron—I understand what you are trying to do.

Senator FORSHAW—I am just trying to find out what the basis for the Minister's statement is.

CHAIR—It is just the foundation of the tax structure and the tax policy. Senator, if you do not understand the difference between zero rated and exempt, this is not the committee to go through and give you an explanation of the differences of the impact on any product. That is for another committee and another time. Unfortunately, we do not have the time to do that. We are examining the estimates for the budget, and that falls clearly outside the estimates of this budget.

Senator WEST—OK. Well, can I have a go?

Senator Herron—You can have a go.

Senator FORSHAW—I might say, for the record, that I fully understand the difference between zero rating and exempting and I understand the nature of the whole sales tax system. But it is not a question here about my level of understanding of these; it is a question about what the department is doing.

CHAIR—Well, you have had the answer repeatedly, Senator Forshaw, on that question and we cannot advance any further.

Senator WEST—How many staff has the department involved in looking at the impact of the GST on health?

Senator Herron—Well, I have clearly stated to you that the advice on policy—

Senator WEST—I am not asking for advice on policy, Minister.

Senator Herron—I know what you said, but you are going on a fishing expedition—

Senator WEST—I am not going on a fishing expedition. I want to know for the purposes of administration.

CHAIR—Just let the Minister answer the question, please, Senator.

Senator Herron—The detail as to what resources are devoted to policy advice—that is what you are asking.

Senator WEST—And what is wrong with that?

CHAIR—Excuse me, Senator. Do not bark questions at the Minister.

Senator Herron—What is wrong with that is that it is related to policy advice, which is not in order in an estimates committee.

Senator WEST—The cost of administration of all programs and of every aspect of the department is, I would hasten to add, an issue that is of interest and is within the purview of this committee to ask. How many staff have been involved in a certain project—I do not want to know anything else about the project—at what level were those staff and what resources were used within the department. That relates to the administration of taxpayers' money, Minister, and estimates is the appropriate place to ask questions about the administration of taxpayers' money. I do not want to know what the advice was.

CHAIR—Senator, just calm down please. Minister, I will rule that question in order.

Senator Herron—Well, I will ask Mr Podger to answer that question.

Senator WEST—Thank you.

Mr Podger—The resources on this area have been very small. What work we have done has been coordinated out of our Portfolio Strategies Group, the resources for which are set out in program 7.1, but the work on tax would be a very tiny part of those resources.

Senator WEST—I want to know the number of staff hours that have been spent on this and what resources were used.

Mr Podger—I simply say that, on the basis of practicality, to try and work out the staff hours on this would be extremely difficult.

Senator WEST—Well, Social Security were asked—

Mr Podger—I am saying it is very small.

Senator Herron—We will take it on notice and provide you with an answer.

CHAIR—Social Security—

Mr Podger—I have had no person working full time on this issue. Some people, within the work they were doing, would be addressing tax matters, but to actually calculate the number of hours I think would be very difficult.

CHAIR—Mr Podger, Social Security indicated in evidence on Tuesday that they are able to allocate a percentage—in fact, a bit of a person in one area and a half of a person in another area. I am wondering whether you could give that general summary as opposed to 120 hours or whatever.

Mr Podger—I would guess that it would be in the order of one-quarter of one person, but there would be a number of people who have been involved from time to time, including me.

Senator WEST—But over what period of time?

Mr Podger—Over the last 12 months. Tax issues are always somewhere in the background to the things we do in the health area. I am talking about some advice in the strict area of implications of tax options. We, of course, do work in other areas of tax—for example, the private health insurance incentive scheme, the relationship between what we pay and what comes out of the tax rebate arrangements. Similarly, in child care, there are issues to do with tax arrangements. There are a range of things as a matter of course. That is why I am saying it would be impossible for me to give a firm indication of resources, but on this issue of the possible changes in tax measures in the broad it would be very small—less than one person.

Senator WEST—But if you are one-tenth of the person and a tenth of the person is an ASO4 or whatever the category is, there is a big difference in expenditure of the public money on that, isn't there?

Mr Podger—Yes, I guess if it was a tenth of mine it would get into two digits in the tables we have here. If it was a tenth of somebody else's, it might still only be one digit. We are talking about extremely small amounts of money and small amounts of resources.

Senator FORSHAW—Mr Podger, you seem to be saying that there is not that much work being done at all here. With the level of resources that you are saying have been allocated to this, it sounds pretty infinitesimal.

Mr Podger—I said that I believe it would be significantly less than one ASL equivalent.

Senator FORSHAW—But across the health sector there is a vast range of products, services and issues to be considered.

Senator WEST—The impact on drugs.

Senator FORSHAW—Does that mean this is a pretty quick look?

Senator Herron—This is really a fishing expedition now.

Senator FORSHAW—No. Minister, you jumped in earlier and said that you were very happy to provide information.

Senator Herron—But the information in relation to goods that is available to the department.

Senator FORSHAW—Are you able to tell us what the current impact of the level of indirect taxes on health goods is?

Senator Herron—That is what I said we would try to get for you, but we do not have it available to us.

Senator FORSHAW—And on health providers?

Senator Herron—No, you said goods.

Senator FORSHAW—But I am asking you now on health providers. In a lot of cases the providers—such as GP practices—would have to purchase the goods.

Senator Herron—As I understand it, that would require a lot of work to be done. It is a hypothetical in relation to policy—if that should occur.

Senator FORSHAW—I am only asking about what the current position is. I have not even got on to the other one yet.

Senator Herron—That is what I mean. It is such a hypothetical question I do not think we can give you a definite answer to it. It is not available.

Senator FORSHAW—The minister's comment did not appear to be hypothetical. He said that the health costs would come down.

Mr Podger—Having consulted one of my colleagues, my guess is that the resources over the last year on this general issue would probably be nearer one ASL rather than, as I was indicating, as small as a quarter. But that does not include the work we would have been doing on things like private health insurance arrangements or child care or whatever, all of which contribute in their own way to our understanding of these issues.

Senator WEST—So it is one ASL. What about resources that had to be allocated—extra computer time and things like that?

Mr Podger—I would not be able to calculate that. If I were asked to go away and do it, I would come back with a formula which would work on the basis of one ASL is equivalent to about so much administrative overheads.

Senator WEST—If you have got that formula, that would be on notice, thank you.

CHAIR—Senator West, heavens above! That is a huge demand.

Mr Podger—We spend about \$90,000 per ASL.

Senator WEST—Thank you. There has to be a formula, otherwise how would we have estimates.

CHAIR—Senator, let us be reasonable in terms of the demands that you are placing on the officers.

Senator WEST—No, I have got the answer I needed—about \$90,000. That is what I wanted.

Subprogram 2.1—Medicare benefits and general practice development

Senator FORSHAW—Starting with Medicare salary and GP trainees, the government claims in this year's budget that they will save \$369.1 million over four years by placing GP trainees on salaries. Can you outline how those savings will be made and how you arrive at that figure of \$369.1 million?

Dr Morauta—This saving was calculated on the basis of a formula which has been used over a number of budgets and agreed between the Finance and ourselves for calculating the savings when a doctor moves off the Medicare benefits schedule. We would like to table a paper which explains the way this has been calculated for this measure.

Senator FORSHAW—Are you going to take me through this?

Dr Morauta—Yes, we can do that if you like. We just thought that, because it is rather an arcane subject, it would be good to have a piece of paper on it as well. Basically, the number is 130,000 per doctor, and it is not calculated with respect to a particular measure. It is a generic calculation of the relationship between MBS activity and the activity of a single doctor. Sometimes when it is used it might overestimate, sometimes it might underestimate the real savings from the measure, but it is used across a whole lot of savings measures over several budgets. We can go a little bit more into how we then use that figure to relate to the number of GP registrars, but it is basically a multiplication of that figure by the number of GP registrars who are moving off the MBS and onto a salary.

Senator FORSHAW—It is a model to be used?

Dr Morauta—Yes.

Senator FORSHAW—Plug the figure in and run it out the other end?

Dr Morauta—That is right.

Senator FORSHAW—How certain can you be that that bears any relationship to reality once this system comes in?

Dr Morauta—I think the way to describe it is that the figure, 130,000, has been proved to work in the generality for MBS and doctor activity, but for any particular measure it may not accurately reflect it. Finance and we have agreed that over all the different activities we undertake, some of one nature and some of another, this is a reasonable average figure to apply; so that is what we have been using. It is not perhaps a very scientific way of coming at it, but it is the way that has been agreed upon to approach this particular saving.

Senator FORSHAW—Are you aware that this figure that has been included in the budget as a saving has received a reasonable amount of criticism that it is just unreal?

Dr Morauta—Yes, Senator, but I think the confidence that the department, Finance and we have about the estimate is in the context of a whole series of measures on general practice, not just this particular measure. It seems to us that it is a reasonable way of attacking these issues when we have a very large program like this. So, whatever the measure—there might be very expensive doctors going off or slightly less expensive doctors going off—we use the same formula. So sometimes we lose, sometimes Finance loses, in a sense. It is just a swings and roundabouts kind of thing that has been found to work. The MBS estimates are coming in roughly on target, and we have found that this formula, over the history of changes to the MBS and general practice, has worked.

Senator FORSHAW—What discussions took place with the profession with regard to this proposal?

Dr Morauta—I think the answer comes in two parts. As you know, Senator, there was a review of general practice training which the minister set up, and within its report and in its recommendations it canvassed this possibility. But, as with all budget measures, when you actually come to put a measure on the table, that was not available for discussion with the profession subsequent to the review and its recommendations or prior to its announcement. Obviously in the implementation of the measure, we are fully engaged in discussions with the profession, the registrars and other groups.

Senator WEST—What feedback have you had to date from the GPs?

Mr Keith—The feedback has been quite varied because of the lack of understanding of how the measure would be implemented. This is one of the government responses to the training review and, seen in isolation, a lot of people have been stating opposition to it.

Senator WEST—They have given me an earful.

Mr Keith—The basis of implementing this is in line with a practice that we have been involved in with the profession—discussing implementations with the profession and working through the details and issues that they have raised. We have started meeting with the registrars, the RMCGP and the AMA to discuss their concerns and resolutions through those. One meeting has occurred with each of those groups at this time.

Senator WEST—It has been raised with me, and my understanding is that these registrars—the general practice people in training—will be paid a salary; they will not be bulk-billing and they will not be making any charges on Medicare. Therefore, when the patient fronts at the doctor's surgery, you will have the situation where some patients will be being charged or bulk-billed and others will be saying, 'Thank you very much; bye-bye.' Is that correct?

Ms Batman—As Mr Keith was saying, the details need to be worked through with the profession, but there are a range of options that could happen, depending both on general acceptance, particular practices and how they wish to approach it. Basically, there are about 80 per cent of general practice services that are bulk-billed, and in those cases the plan would be to have something like shadow billing happening where the patient would still present their Medicare card. It would look very similar, but a benefit would not be paid when it turned up at the Health Insurance Commission.

In the other cases where the services are patient billed, there are a couple of options that could work for practices, depending on how they wished to approach it. One is that they may wish to say that that particular doctor in the practice bulk-bills everybody. They could, instead of trying to set up a different arrangement, say, 'Young Dr Smith bulk-bills his patients.'

Senator WEST—Hey; you are talking about towns and communities here that will not touch bulk-billing except for their pensioners. Do you really think that is going to go down?

Ms Batman—Senator, there are actually very few practices that do not bulk-bill anybody. The huge majority bulk-bill at least some patients some of the time. There are very few that have a policy of 'no bulk-billing on these premises'.

Senator WEST—Yes, but there are a lot of areas where they are very careful that they bulk-bill only those who are in receipt of benefits and pensions.

Ms Batman—That is right. If they do not wish to take that option, they could enter into an arrangement whereby they either charge the patient the gap and not the amount that Medicare would pay—

Senator WEST—Is that legal?

Ms Batman—Yes, as long as they are not bulk-billing they could do that. The other option would be to enter into some arrangement, if they wish to charge the whole lot, to pay back the benefit that otherwise would have been paid. And that would be part of their contracting arrangements in terms of having a registrar.

Mr Keith—So in terms of them seeing the patient—the patient-doctor interaction—there would be no change vis-a-vis other doctors in the practice. The administrative arrangements behind that would adjust.

Senator WEST—I think there would be some doctor-patient interaction. If the patient thought they could see so-and-so for less money, they would be lining up to see so-and-so. You would change the billing; you would change the whole demographic working of that practice.

Mr Keith—What I am saying, Senator, is that from the patient's perspective there is no need for any change because they would pay or sign their direct billing form in the same way for the registrar as they would for other members of the practice. So in terms of the patient interaction, the arrangements would be the same. It is the administrative changes behind that which would sort the issue out.

Senator WEST—You are talking about, in some areas, some fairly significant administrative changes that the practices potentially are going to have to make, aren't you? Some of the scenarios you—

Mr Keith—We do not believe so.

Senator WEST—You do not believe so?

Mr Keith—In discussions to date, people have raised concerns, but we do not believe so.

Senator WEST—If they took the option of—

CHAIR—Senator, it is just after 1 o'clock. I would like to break for an hour. Can I just ask a point of clarification before closing for an hour: how long has the formula to calculate doctors' incomes been in use?

Ms Batman—Just from my memory, 1992-93 may have been the first time.

CHAIR—So it has not changed?

Ms Batman—No. Essentially the formula has not changed; it gets updated and indexed each year, and it grows a little but, essentially, the formula has been the same for quite a long time.

Senator WEST—I am not arguing about the formula. I am happy to break now, Senator.

Proceedings suspended from 1.02 p.m. to 2.00 p.m.

CHAIR—We will continue on the same program and Senator Forshaw will begin the questioning.

Senator FORSHAW—Before lunch, we were discussing the impact of the changes on trainee GPs. How do you expect this new system to work in practices which do not bulk-bill? Do you think it will have any impact upon those practices?

Mr Keith—My impression is that it will not. We have spoken to a number of GPs and, remember, we are only talking about the ones who have registrars. There are about 1,200 full-time equivalent registrars going through the system at any one time. Most of the practices have a relationship with the HIC, in that they bulk-bill or direct bill in one form or another. Therefore, we think appropriate administrative mechanisms can be put in place to ensure that there is no change at the point where the patient pays for the medical services, but there will

be a readjustment behind the scenes, as it were, to adjust for the salary base where the registrar would bill.

Dr Morauta—The registrars will all have a provider number in the normal way, so the activity that is attributed to them could be recorded in the HIC if we wanted to do that.

Mr Keith—It needs to be recorded.

Dr Morauta—As Mr Keith said before, we are still discussing with the profession about the exact way to do this.

Senator FORSHAW—There have been claims made that this new measure could reduce the income of some trainee GPs by as much as \$40,000 a year. Have you heard those claims?

Dr Morauta—One comment to be made, firstly, is that it is prospective. No existing registrars go onto this scheme, so no particular person would ever have that kind of impact. If one was to talk about the overall distribution of income for registrars, it is possible that some registrars might in the past have had these higher amounts of money, but it may have been a result of their being overused, for example, in a situation that was not appropriate for training.

Senator FORSHAW—Maybe I am misunderstanding it, but I cannot help thinking that, if you have a practice at the moment and you have a trainee GP in there who is to go on to a salary based system, there would certainly be potential for the earnings of the practice overall to be affected. I am worried about whether or not that will have an impact in the future upon the opportunities for GP trainees to get access.

Mr Keith—I think that is our concern, too. We certainly do not want a situation where we cannot have registrars having access to the best possible training. This measure is about ensuring that the range of training posts available is extended. It is not as a consequence of the ability of the practice to pay for the trainee but what teaching and health and medical experience the trainee can get. Most trainees, particularly first-year trainees, are on a salary anyway which is paid for by the practice.

Senator FORSHAW—But isn't it the case that, even though they may be paid a salary by the practice, they in fact can bring income into the practice on the basis of the normal billing system?

Mr Keith—That is right.

Senator FORSHAW—It is a bit like a legal practice, where you have an employed solicitor who is paid a salary but who brings income in over and above the share they take out.

Mr Keith—But, in terms of first-year trainees where they see between three and four patients an hour, I would put it to you that the practices actually have difficulty in raising the amount, and therefore they receive a subsidy from the RACGP anyway to pay for that registrar to be there.

Senator FORSHAW—How long are they required to stay in the practice? Is it two years?

Ms Batman—No. It varies from state to state, but their placements in practices are generally either three months or six months. So they move from practice to practice. They do not stay and do all their training in one practice for two or three years. The length of training is three years and it includes one year in a hospital.

Senator FORSHAW—That is right. That is what I meant by two years—a year in the hospital and then two years in general practice. So you can assure us then that this measure will not lead to a loss of potential places for trainee GPs?

Mr Keith—It is our intention that it will not. It may open up other opportunities in practices which, because they have not been able to generate the income but may offer unique educational opportunities, may be able now to take a registrar. We will be working closely with the profession to ensure that we maintain the highest possible level of trainee placements.

Senator FORSHAW—Will practices that do take on the trainees get some form of compensation or subsidy separate from the salary that is paid to the GP?

Mr Keith—Practices do at the moment, from funds that are paid to the RACGP for first year trainees.

Senator FORSHAW—You mentioned that a moment ago.

Mr Keith—We will look at that whole arrangement to ensure that practices are compensated for taking trainees, but compensated appropriately. We certainly would not be able to give a guarantee that some wouldn't lose out from what they currently earn. I think the notion is that we are talking about the training of registrars, and compensating people for that training, rather than operating a business.

CHAIR—Are there any more questions on 2.1?

Senator FORSHAW—Yes. I have some questions on the closure of Medicare offices. Can you give us the latest situation on all 43 or 44 offices, whatever it was, it is intended will close down?

Mr Mynott—At the moment, 41 of the 43 branches have been closed. There are two more to close: one in South Australia and one in Western Australia. I can give you the dates for those closures: the final branch closure in South Australia will be on 26 June this year, and the final one in Western Australia will be on 5 June.

Senator FORSHAW—What is the situation with respect to the lease arrangements for all of the offices that have been closed and the two that are about to be?

Mr Mynott—At the moment, there are 11 offices where we are still negotiating those arrangements. The lease provisions for some of those are just about to expire. I think I can get that exact detail for you. I think one or two are fairly close—in the next month or so—and some are a bit longer. They are all still being negotiated. One has been sublet, and we are negotiating to perhaps do that with a couple of others. If we can't get out of leases, we are also considering using them ourselves for mini-processing, or something like that.

Senator FORSHAW—I understand that, in at least two cases, there has been quite a significant dead rent bill for offices that have been closed. Is that correct?

Mr Mynott—There is some dead rent involved in the closures; that is right.

Senator FORSHAW—Can you tell us where they are and how much is involved?

Mr Mynott—They are still negotiating them. Those arrangements have not been finalised yet, so I don't think there is a figure we can give you because it is still subject to negotiation.

Senator FORSHAW—But you have acknowledged that there is some dead rent.

Mr Mynott—There is money being paid and, because we are not occupying them, we are still paying for those premises. But as to the actual payout figure, the negotiations have not been finalised.

Senator FORSHAW—Can you tell me how much has been paid out in dead rent so far?

Mr Mynott—The rents vary from premises to premises. Whatever arrangements were in place at the time the offices were still open, we have been paying that since the offices were

closed. As to the actual rents we pay, that is not something we disclose because they are subject to lease negotiations and they are commercial-in-confidence.

Senator FORSHAW—With respect, what we have here is a decision to close 43 offices progressively across the country. This is intended to be a significant savings measure—or was when it was announced. If there is dead rent being paid because the offices have closed and no other arrangements have yet been made either to sublet or to pay out the lease or whatever, I would put it to you that we are entitled to know how much is involved here. This is public money that is just being paid out as dead rent.

Senator Herron—I think we should take that on notice.

Senator FORSHAW—He has not taken it on notice at all.

Senator Herron—As the officer said, there are individual tenancies where there are variations from tenancy to tenancy. I would not expect that the officer would have this information with us here. We can get it for you ASAP if you like. I have no difficulty with the question.

CHAIR—Not unless there is the issue of commercial-in-confidence, which Mr Mynott referred to.

Senator Herron—Given that proviso, which we have over everything of course.

Senator FORSHAW—Yes, I know you have it over everything.

CHAIR—All governments have that.

Senator FORSHAW—What is commercial-in-confidence now about this? The decision has been made to close the office. Rent is still being paid. It is a pretty tall order to say that it is commercial-in-confidence.

CHAIR—It is while negotiations are going on to relet the premises. That is the problem. Once the premises are relet, the problem diminishes.

Senator Herron—I meant in terms of identification of an individual tenancy.

Mr Mynott—I will take that on notice and we will come back to you with some figures on what rents we have paid out.

Senator FORSHAW—What precisely are you taking on notice, because we have had a couple—

Senator Herron—You wanted an overall figure, as I understand it.

Senator FORSHAW—No. I want to know, in respect of the offices where dead rent is being paid at the moment, how much is involved in each case.

Mr Podger—Can we take on notice, in respect of those offices that have been closed, how much is being paid in rent while they are not occupied by the HIC? If you like we could also indicate what the savings in rental have been so far from the closures.

Senator FORSHAW—If you want to provide me with extra information you are at liberty to do that. But I am specifically asking for how much. That is what dead rent is.

Mr Podger—Yes, but your implication is that, somehow, there is a lot of waste in this. The issue is that the exercise was about making savings, and there were still savings coming through.

Senator FORSHAW—I stated at the outset that I have no doubt that, overall, as was intended, there could be significant savings. Closing 43 offices down at some point or other

is going to produce some pretty significant savings. There may be some costs along the way to getting those savings and one of those costs would be the amount of dead rent.

Mr Mynott—It was a four-year exercise and the closing of the branch offices was to facilitate the roll-out of the 400 kiosks. That was a four-year exercise. It was always expected that, in determining which offices were to close, lease arrangements were part of that consideration. It was always expected that there may well be that element of cost of dead rent. That was part of the original submission and, over four years, we believe that the whole exercise would be a cost neutral exercise.

Senator FORSHAW—Were you going to provide us with the information that has been requested and that you have indicated as well that you would provide? What are the outstanding liabilities and costs that are likely to be incurred in respect of each of the premises? What I mean by that is that there is clearly potential for rent. Are there any other costs or liabilities?

Mr Num—For the 30 offices that have been closed and acquitted, there are no further liabilities. For the offices on which we are still undergoing negotiations with the landlords, there will be a varying amount of liability depending on whether we have make-good clauses in the leases, et cetera. It is all determined by the commercial arrangements which we entered into individually for the leases, and also whether or not we are making use of those premises or mini-processing centres, as Mr Mynott has mentioned.

Senator FORSHAW—In addition to rent, clearly you would be liable for any other costs associated with other requirements of the lease arrangements, which is another way of putting what you said a moment ago, such as make-good. Can you tell me about the Belmont Medicare office in Newcastle? It has closed, hasn't it?

Mr Mynott—Yes, I believe that has closed.

Senator FORSHAW—I am told it was closed about the end of March. Is that correct?

Mr Mynott—My record shows 27 March.

Senator FORSHAW—When does the lease on that office actually expire?

Mr Num—At the moment we are still negotiating termination arrangements with the owner of the premises.

Senator FORSHAW—But when does the lease expire? There is a date when the lease expires. The fact that you are negotiating with them about what happens between now and then is not what I am asking you about at the moment. When does the lease expire?

Mr Num—It is 30 June 2001.

Senator FORSHAW—Three years away. Is there a term in the lease which requires the Health Insurance Commission to operate a Medicare office at those premises until the expiry of that lease? Is that one of the terms of the lease?

Mr Num—I am not familiar with the detail of the lease.

Senator FORSHAW—Is anyone here?

Mr Mynott—I do not have that detail.

Senator WEST—I thought one of the reasons for office closure and why the ones on this list were selected—we have been discussing this for a number of estimates now—was the relationship to the length of time left to run on the lease. I would have thought that a lease with over three years to run from the time of closure would have indicated that it was not—

Mr Mynott—That was certainly one of the considerations, but there were others. They have been discussed here in previous Senate hearings. Certainly the potential to remove ourselves from that lease was a consideration. This one is just taking a little longer to negotiate. It was a long time, perhaps, but the other factors, the other criteria, still supported the decision to close that office.

Senator FORSHAW—You say that this one is taking a little bit longer to negotiate, this one being the Belmont office. Is one of the reasons why it might be taking a bit longer to negotiate the fact that there is a term in the lease which requires the HIC to operate a Medicare office at those premises? Further, has the owner of the property threatened to sue the HIC for the full rental value of the lease, plus outgoings, plus damages for non-compliance with the lease conditions? Is that correct?

Mr Mynott—I do not know, Senator. I am not aware of that term in the lease.

Senator FORSHAW—You do not know?

Mr Mynott—And I am not aware of the action that might be pending on that.

Senator FORSHAW—Does anybody know whether this is true or not?

Mr Num—As a general rule, the Health Insurance Commission does not enter into leases which have ‘must trade’ clauses. I am not aware that this lease had a ‘must trade’ clause in it, and I am also not aware of any pending action. My understanding is that, at the moment, we are close to resolving a figure that will acquit the lease.

Senator FORSHAW—I would ask you to take on notice whether or not the ‘facts’ that I have just reported to you are correct.

Mr Mynott—Certainly.

Senator WEST—What is the annual rent on that particular premises?

Mr Num—I am not aware of that detail.

Senator WEST—What are the outgoings?

Mr Num—Again, on the specifics for that office, I do not have that detail.

Senator WEST—Why is this one taking longer than the rest?

Mr Mynott—The operation of our branch offices is managed by our state management, and all those negotiations would be done at that level. We can certainly get that information for you, but we do not have it.

Senator WEST—You can tell us that it is taking longer than the normal. Have you inquired as to why it is taking longer?

Mr Mynott—As I said, there are 11 that are still under negotiation. So when I say that it is taking longer, it is taking at least as long as those others.

Senator WEST—That is 11 out of 43?

Mr Mynott—That is correct.

Senator WEST—What was the length of time left to run on those leases?

Mr Mynott—On the remaining leases?

Senator WEST—Yes, on the 11.

Mr Num—Two expire this year, five expire next year, three expire the following year and one expires in 2001.

Senator WEST—Given that length of lease was one of the criteria, you might like to tell me what criteria was used to decide upon the closure of the Belmont office and those that are due to close in the year 2000 and in the latter half of 1999.

Mr Mynott—The same criteria was considered for all of them. It was then a matter of weighing up which of all the branch offices best fitted the criteria. Without knowing the exact figures for Belmont, I can only just suggest to you that it fitted the criteria. The leasing one was one that perhaps had it on the margins, but it fell in in terms of the overall criteria. We will take it on notice.

Senator WEST—What is the normal length of a lease for a Medicare office?

Mr Num—They vary from three to five years. Generally, we try to keep them at the shorter end of that. It depends on the commercial realities of each lease which we negotiate.

Senator WEST—So how long was the lease for Belmont?

Mr Num—We know that it lasted—

Senator WEST—We know that it was longer than three years because it still has more than three years to go.

Mr Mynott—It was five years.

Senator WEST—It was a five-year one. This program started more than 18 months ago. Was that not a consideration when you were negotiating that lease? As I recall, Belmont was not one of the ones with a heavy usage rate, was it? I am going from memory on Belmont's usage rate.

Mr Mynott—I am not sure that I have those figures with me—the actual volumes and things.

Senator WEST—I have those figures back in the office. I thought you might have had them on you.

Mr Mynott—This issue has been brought up at previous hearings, and I was not expecting it.

Senator WEST—This issue has been debated before this estimates committee every—

Mr Mynott—I appreciated that it would be raised. I just did not prepare myself for the figures.

Senator WEST—Senator Forshaw said it remains an ongoing issue. How is the easy claim service going?

Mr Mynott—It is going very well. The intention was to roll out 400 easy claim facilities over a four-year period. We started out with a number of rollouts, and I think last time we would have been able to advise you about rollout No. 1. We are now up to about 220 fax machines all up, Australia-wide. By the end of this financial year, of that 400, we will have something like 350 installed. You would be aware there was an announcement of a further 200 in these current estimates and we hope to have those, plus the outstanding ones, in place by the end of August.

Senator WEST—So, in fact, what turned out to be a rollout of 400 over four years is going to be a rollout of 550 over what period of time?

Mr Mynott—It will be 350 over about two years and then the other 250 another couple of months after that, so it is a bit over two years. But when the original proposal was put forward, there was never really a knowledge about how well it would be received and how

effectively we could do it. We started with a rollout of offers of 110. I think 104 were accepted and that rollout went very well. The feedback from the community—both the public and the pharmacists—was very positive, and there was a lot of interest in them. We found that we were able to install them much more quickly and effectively than we anticipated, so it has just basically accelerated along that line. We put forward a proposal and we have continued along that way. We have also gained economies in scale in moving forward a bit more quickly than we expected.

Senator WEST—What problems have there been?

Mr Mynott—There were initial teething problems in the first rollout. You might recall we did a pilot prior to the initial rollout and there were some teething problems in people not quite understanding how it worked. Some of the pharmacists were getting involved a bit more than they anticipated, but we addressed those problems in the first rollout. I think the feedback that is coming back now from the surveys is that it is very well regarded and very well accepted.

Senator WEST—How much time of pharmacy staff is it taking?

Mr Mynott—Not enough for them to lodge any serious complaints about it.

Senator WEST—How many people are using the system?

Mr Mynott—I can tell you the claims—

Senator WEST—You might want to take that on notice.

Mr Mynott—I would appreciate that; I can get you the number of claims that are coming through the various locations, if you like.

Senator WEST—Yes, that would be helpful. What are the average number of claims being processed through each facility each day? I recall in the first rollout they were very small centres, so they might have been doing only 10 or 12 claims per day. It has now been moved into larger centres, to the busier centres where there is more than one pharmacy, and I am thinking of Tumut. What number of claims are they processing per day?

Mr Mynott—I will take that on notice. Would you like that for all the faxes that are installed at the moment?

Senator WEST—Yes, it would be very interesting to know what usage rate it is getting. Are they above or below what you anticipated or estimated?

Mr Mynott—I will get that information back to you.

Senator WEST—On easy claim, are they now being put into outer metropolitan areas or not?

Mr Mynott—That is part of the 200 rollout.

Senator WEST—You had better give me a list of that 200 rollout, please.

Mr Mynott—We are still negotiating that. In fact, the offers have not gone yet. We have set some criteria for that and we have identified a number of areas that fit that criteria, but we have not yet been to the pharmacists, so we would be looking to hold that information until such time as we have approached the pharmacies and got their response.

Senator WEST—How are outer metropolitan areas going to overlap with areas where we have seen Medicare office closures? I am thinking of the places such as Belmont, Merrylands, Mount Druitt, North Rocks—

Mr Mynott—Part of that rollout was to consider areas where branches had closed. Criteria were set to address that particular group of branches. Of the 43 branches that closed, 22

branches met the criteria we established to facilitate the rollout of some faxes. Of the total 200 of the later rollout, some 88 are going to go into areas where branches had closed.

Senator WEST—We have only closed 43 branches at this stage, haven't we?

Mr Mynott—That is correct. Of those 43 sites, 22 fitted the criteria we set.

Senator WEST—What are the other 66 you are talking about? You said 88 were going to—

Mr Mynott—No, 88 fax machines are going to go into the sites.

Senator WEST—Into 23 sites.

Mr Mynott—Into the 23 sites that met our criteria.

Senator WEST—Is it possible to have a copy of the criteria?

Mr Mynott—Yes.

Senator WEST—Who devised the criteria?

Mr Mynott—It was devised by the Health Insurance Commission.

Senator WEST—I will get into trouble for asking about advice you might have given the minister, but who initiated it, you or the minister?

Mr Mynott—The distribution of our network is always something that the commission manages, whether it be branches or any other of our facilities. Certainly, we negotiate, and we keep the minister informed. We put forward the criteria as we did with the closure of the branch offices, and that was noted by the minister.

Senator WEST—Will they be fax machines or the interactive kiosk?

Mr Mynott—They will be fax machines.

Senator WEST—What is happening with the interactive kiosk?

Mr Mynott—That is still on trial. We initially had two faxes in Palmerston and two each in Seymour and Wonthaggi. We are just about to trial them in some of the bigger areas in Victoria with different demographics to see whether there is a greater need for them in those areas. They will be put into those areas, I think, within the next couple of months.

Senator WEST—You are still offering them to all pharmacies in a particular area. You are not just appointing one pharmacy?

Mr Mynott—For the kiosk?

Senator WEST—The kiosk or the easy claims.

Mr Mynott—Yes, in the areas that were nominated, kiosks have been offered to all pharmacies. For the fax machines—I mentioned to you that part of that 200 is directed at sites where branches have closed—we had to set some criteria that limited the number we put into those areas. You might imagine that in areas like Randwick or Marrickville where branches closed there would be quite some number of pharmacists. We had to develop some criteria so it did not go into all pharmacists in that area.

Senator WEST—So some pharmacies are going to get a competitive advantage?

Mr Mynott—Pharmacists who met the criteria in terms of closeness to our sites and distances from other centres were selected.

Senator WEST—Is there a distance criteria as part of it?

Mr Mynott—Yes.

Senator WEST—You better read me out the criteria.

Mr Mynott—The first criteria is a distance from the nearest open branch office or customer service centre.

Senator WEST—What is the distance?

Mr Mynott—Five kilometres.

Senator WEST—So they have to be more than five kilometres away.

Mr Mynott—No, within five kilometres.

Senator WEST—It does not make sense to say that to be eligible they have to be within five kilometres of a Medicare office. It does not make sense to me anyway, but I do not want to make policy for you.

Mr Mynott—It must be more than five kilometres from the nearest open site or customer service centre. That is the first criteria before it is even considered. If it met that criteria, we selected pharmacies that were within one kilometre of the site where the office was closing.

Senator WEST—Have you looked at that in terms of shopping centre distributions and things like that?

Mr Mynott—No. It was only those two criteria that were considered.

Senator WEST—You get large shopping centres in Sydney metropolitan areas, even outer metropolitan areas, that run over a couple of hundred metres. I can envisage a scenario, depending on the location of the pharmacy's position within the shopping centre, where one pharmacy could find itself within one kilometre of the office and the other one could find itself just over one kilometre.

Mr Mynott—I guess that is a possibility.

CHAIR—I do not think too many would fit into that category over 200 metres.

Senator WEST—No. If you have shopping centres or shopping strips where you have a pharmacy at one end and a pharmacy at the other end, how will that impact upon the competitive advantage that one pharmacy might get over another pharmacy? I just raise it for you as something to think about. If those are the two criteria that are being used to select pharmacies, there is a possibility of competitive advantage being given to one pharmacy over another. The competition policy watchdog might think that is not necessarily the most fair way to go about it.

Mr Mynott—If you have heard of particular instances that you think we should be looking at, we are prepared to take those on.

Senator WEST—I cannot think of particular instances because I do not know the areas well enough. I am sure that if you talked to local members and local government authorities they would be able to tell you. It is quite possible, if you think about it. You could have a Medicare office situated somewhere and, if there is a shopping centre straddling that one kilometre, you could have a pharmacy at one end being eligible and the other one not.

Mr Podger—You have raised the possibility as a hypothetical issue. The officers have said that if there are particular instances of it the commission is happy to have a look at them.

Senator WEST—I raise it as something for the department to be aware of. How is the pharmacy intranet going? What is happening with that? You would be aware that the Pharmacy Guild has put out a press release saying that the pharmacies could be banks for the bush, and they were in their submission to the House of Representatives inquiry into alternative means of providing banking services. They drew attention to the pharmacy intranet and its potential.

I am wondering what comment the department might have about the use of the pharmacy intranet for something like banking and what privacy issues there might be.

Mr Podger—I refer that question to Dr Graham.

Dr Graham—The department is involved in the intranet, along with the Pharmacy Guild commercial and the Health Insurance Commission. That is certainly one of the aspects that is being looked at in the pharmacy intranet pilot. Under that pilot we have set up a management committee to look at such issues as privacy, and we have also established a consultative group with stakeholders on it to provide input into it. The commercial opportunities, the business type opportunities, is one component. So that will be referred, as it has been already, to the consultative group to provide advice on. We have not been aware of any concerns about privacy in that area at this point of time.

Senator WEST—So if you put the intranet in and then other services hung off it, would you get a fee for being the provider of the intranet? You should almost be able to copyright the idea because you have been working it up. If people are going to hang off it, is there some intellectual property rights that you have to earn a bit more money?

Mr Graham—From the point of view of the department, we are very keen to ensure that the final product—and this is only a pilot at this stage—is an open system that will be accessible by people who want to participate. At the present time, for instance, Pharmacy has networks to wholesalers and manufacturers for ordering products and it is really not that dissimilar. Certainly there will have to be precautions put around private information being transmitted through the intranet. At this point of time the pilot is operating through the Health Insurance Commission computer.

Senator WEST—Because you would not want access to their bank account numbers and they would not want access to the pharmacy information. There has also been some speculation in recent times about moves by supermarkets to move into the pharmacy area. Is this an appropriate area in which to deal with that issue?

Mr Podger—It is program 2.2.

Senator WEST—Okay, I will hold it till then. Last time around I asked if you had given us anywhere a set of figures as to what was going to be the cost of running Medicare without Medibank Private on the premises. The answer I received was that there was no set of figures published as yet. I want to know if those figures have been completed. Have they been published? Can we have a copy, please?

Mr Podger—That work has not been completed yet. As the separation has been going through, we have had it subjected to an audit process. That audit process will end with a report identifying the elements of the costs of the separation. I hasten to say that the whole separation costs are being absorbed either within the Medibank Private arrangement or within the HIC arrangement. The separation is being done on a strict budget neutrality basis. That means, for the purposes of Medibank Private, that the cost will not have any impact on premiums. For the HIC, the cost will not have any impact on its appropriations. But, within that, what the costs will be is subject to the audit process that is not yet complete.

Senator WEST—Let me use the example of the Belmont office. I know it has closed, but we have some figures on it. Say you had an office like the Belmont office with \$20,000 per annum plus outstandings as the rental. You have that being shared up until the split by Medicare and Medibank Private. After the split—it is a hypothetical office—Medicare stays there and Medibank goes some place else. Are you telling me that, if you do not do anything

to the premises that you are in, Medicare is not going to have to absorb all of the rent that it would have been sharing?

Mr Num—The arrangements are different for different offices and the volumes that were processed were different for different offices, so it is quite varied as to the impact on the differing organisations. What has occurred is that decisions have been taken so that neither side is advantaged out of any of those branch arrangements.

Mr Podger—Certainly the nature of the separation will involve some diseconomies of scale. They are very easy to identify in that there are, in that sense, gross costs to both organisations.

Senator WEST—Yes, that is what I wanted to hear.

Mr Podger—That is absolutely so, and that it is being monitored. There will be an audited report on that. Those costs are sufficiently small that both organisations can absorb them: Medibank Private, without any impact on premiums; HIC, without any impact on its appropriations.

One of the reasons for that is that the separation does have its advantages, but you cannot actually calculate them in a direct way. Each organisation is able to concentrate on its core business. In relation to Medibank Private, it is able to compete more directly with its private health insurer competitors, overcome some of the artificial processes or formulas with the HIC over time and look for a whole range of measures it will take as it moves on a more openly competitive framework. The HIC will also be able to concentrate on its core business a little more. You cannot put numbers to the efficiencies out of that, but you can put numbers to the diseconomies of scale, and those are being monitored carefully.

Senator WEST—What I would like, when you can do it, is a list of the offices, as much as you can give me, with what their rents and other costs are when they are amalgamated. I want a comparison. I want to be able to compare these diseconomies that you talk about. I want to be able to understand that there has been a diseconomy, which is a great euphemism; it is going to cost you more. I want to know how the separation is going to bring about the savings that are going to make up for that diseconomy.

Mr Podger—When we do have an audited report, we can make that report available, but we do not have that completed at this stage. We have an independent auditor providing us with advice on it.

Senator WEST—Who is the auditor?

Mr Num—The auditor is KPMG.

Senator WEST—How did they get the guernsey?

Mr Num—They are the auditor appointed by ANAO to audit the commission. They picked up that function because of their knowledge of the two organisations as part of the separation process.

Senator WEST—It is an issue I have been asking questions about before too, you will recall.

Mr Podger—As I said, it is acknowledged by the government that there are some economies of scale, but they are able to be absorbed in a cost-efficient manner. It is not always true that big amalgamations lead to overall savings or that disaggregating organisations into their different core businesses necessarily cuts overall costs. But you can identify the diseconomies of scale. It is very hard to be able to do a straight calculation on why you think a more focused organisation can operate very efficiently.

Senator WEST—I am after the reasons because I remain a sceptic about whether your diseconomies of scale are going to be balanced by your intangible savings. I would appreciate evidence that you can provide to me that I am being oh ye of little faith, if you do not mind.

I now turn to general practice developments, rural GPs and incentives to get doctors to come to the bush. The first question is about getting medical practitioners to the bush. What are you doing about getting other health professionals to the bush? By golly, there is probably a bigger shortage of social workers, physiotherapists, speech therapists, occupational therapists, dietitians and all of those as there is doctors.

Mr Wells—The other professional categories are generally employees of state health authorities. They are generally employees rather than being employed on a fee for service basis. Their employment is generally not with the Commonwealth. We do not have a lot of influence over their distribution. We do not have measures to assist their distribution to rural areas.

Senator WEST—You do not think that this is a national problem that requires a national focus in that you do not want one state running off doing a number of strategies to try to train up and attract the health professionals so that they are trained up very nicely and then the other states all go along and offer more money and headhunt them? It is a serious problem that I keep reading about in the professional nursing journals. I know from trying to refer people to speech therapists and social workers and such that it is a problem with those professions. You do not think that there is not a national strategy needed?

Mr Wells—The situation in states and territories varies of course. Each state and territory has within it, because it is the employer, the capacity to develop its own strategies to meet the particular needs of the health system of that state or territory.

Senator WEST—Just like you cannot make doctors go to various places, it is very hard to make nurses, speechies and social workers go to the rural and remote areas. We need a national strategy. Doctors are privately employed.

Dr Loy—I will leap in to the rescue of my colleague.

Senator WEST—Thank you, Dr Loy.

Dr Loy—Not necessarily to do better, but I will leap in. Yes, you are right, Senator.

Senator WEST—I know I am right.

Dr Loy—In direct programs, as Mr Wells said, the Commonwealth does not have a lot of direct influence, but I would mention two things. First of all, there is the development of an overall national rural health strategy between the Commonwealth and the states.

Senator WEST—Yes, I want to talk about that at a later time.

Dr Loy—There is an extant national rural health strategy that was approved probably five years ago now. It resides on people's bookshelves, but there is a process going on at the moment to bring forward a new national rural health strategy. We hope that that would be ready to be considered by ministers—and by 'ministers' I mean Commonwealth and state ministers—by the end of this year. That, if you like, gives a framework for both the Commonwealth and the states to address a whole range of problems, but clearly that work force problem beyond the medical work force is one of the issues there.

The other thing I would point to that the Commonwealth does is that the reset program, as part of the overall rural health programs we operate, provides funding for, as it says, rural health, support, education and training. It tries to look at the ability to have training and

support for the whole range of health professions in the rural areas. It is not directly attacking the problem, if you like, by subsidising positions or providing direct incentives, but it is trying to improve the overall framework, support, education and training that people need to operate in rural areas, and it goes beyond the medical work force.

Senator WEST—Have the reset grant criteria and guidelines been changed in recent times? Have there been some changes to those?

Dr Loy—Yes. The reset committee found that, when it sought submissions from people to set up projects for the support, education and training initiatives, what was happening was that people were putting an enormous amount of work into submissions and then only a number of these were able to be funded. Often the submissions missed the mark, but people had put a lot of effort into them. So they said, ‘Look, a better process is virtually to give us a two pager on what you have in mind and then in a dialogue between the committee and the proposers we can build up a proposition that may have a strong chance of being funded.’ But I do not think there has been a fundamental change in the sense of the sorts of things they are interested in.

Senator WEST—How many reset grants in recent years have looked at or addressed the work force problems? You might want to take that on notice.

Dr Loy—I had better do that.

Senator WEST—Because I do not think there has been too many from my recollection. I just wonder as a humble backbencher if there is some way we can get this issue looked at by the ministers’ council because it is becoming a major problem. How are we going with getting more doctors into the bush?

Mr Keith—We are looking for a shift in the way that we manage trying to attract and retain doctors in the bush. In the past, we have had a rather centralised process where we have provided a range of relocation grants, remote area grants and whatever. These, by their central nature, have not always fitted in with the various approaches taken by state governments. So we have worked with the profession, particularly rural general practitioners, to establish rural work force agencies in each state and we are providing funds to each of those so that they can apply these grants in more flexible ways to suit local circumstances. In a sense, it is not us trying to indicate that a doctor should go to X but talking to the profession and the profession working to attract doctors to the bush and meeting the requirements to retain them there.

Senator WEST—Are there any consultancies being done on medical work force in rural areas?

Mr Keith—We have just undertaken three consultancies on looking at rural work force. One was to develop a model for classifying the degree of difficulty of attracting doctors to particular areas, a work force index, if you like. One was to look at developing models of sustainable general practice in rural areas and one was to deal with how divisions of general practice could assist in attracting and providing support to maintain general practitioners in rural areas.

Senator WEST—When were these let, who got them and how long for?

Mr Keith—On the first one, the profile of rural and remote medical work force and training opportunities, the successful contractor was Health Connections Pty Ltd. The start date was 18 August 1997 and the completion date was 28 February 1998. The second one was the best practice models for sustainable general practice services in rural and remote areas. The

successful contractor was a Monash University consortium, which also included people from a number of universities around Australia. That was let on 18 August 1997 and we are negotiating closure of that at present. The third one was roles of divisions of general practice in rural work force issues. The successful contractor was Human Capital Alliance Pty Ltd. That was let on 18 August 1997 and was received in early March.

Senator WEST—Of the two that have completed, maybe even the third one, are there reports arising out of that work?

Mr Keith—Yes, there are reports arising out of the three pieces of work.

Senator WEST—Are they available?

Mr Keith—The role of divisions in rural work force is available.

Senator WEST—Was that the first one?

Mr Keith—The first one on profiles of rural and remote medical work force is currently being independently evaluated to test the methodology employed because, as you can imagine, it has very significant implications on the classifications of locations for their ability to attract and retain general practitioners. The report was presented to the advisory group we have, which is RIPIC, which contains rural general practitioners. They were concerned that the implications of the research were such that they wished it to be evaluated by some independent evaluators. That is where it is at the moment.

Senator WEST—Who is doing the evaluation?

Mr Keith—I will have to take that on notice.

Senator WEST—When is it expected to be hitting the deck?

Mr Keith—I should know this, I apologise. Can I take that on notice too. I think it is to be soon. The evaluation process takes three parts. The first is to have the statistical method and the information used analysed to see if that is appropriate and to see that they have involved all the factors. It is somewhat of an art rather than a science and it is ensuring that all the relevant material has been put in. It has to be tested. We then want to test it with a number of people in the field—a number of rural doctors—to see that it does take into account all the things that they suggest. Then we want to run it through the rural work force agencies for 12 months to analyse the material to see if it does have an appropriate measure of difficulty in attracting people to one location vis-a-vis another location.

Senator WEST—What are the numbers of doctors in country areas these days? The ANAO report showed that up until 1996—a very significant year—we had been having a small increase. Is that trend continuing?

Mr Keith—May I take that on notice?

Senator WEST—Okay. I thought you would have had that.

Senator DENMAN—I recently met with a group of medical practitioners up in the north-west coast of Tasmania where I live. A large percentage of them are at the stage where they want to retire; they want out. They cannot just walk away from their practice. Most of them are over 70. One of the suggestions they put to me was that provider numbers be attached to practices rather than individual people. Is that being looked at?

Dr Morauta—I think the answer is that you need it attached to both.

Senator DENMAN—Yes. Their suggestion was just in their case.

Dr Morauta—On the current arrangements, I think you do need provider identification for all kinds of reasons, such as accreditation and standards and everything else.

Mr Wells—There have been a number of suggestions like that and other suggestions around how provider numbers might be allocated. These have been looked at from time to time. Generally there are problems around that because you get into the area effectively of compulsion, and there is a constitutional problem around that as well. These things do come up and are looked at from time to time. We could certainly talk to those doctors, if you like—

Senator DENMAN—Yes, please.

Mr Wells—to see if they have a particular spin on the proposal which we might not have come across before.

Senator DENMAN—It has become very difficult for them.

Mr Keith—Can I say that is the reason that a decision was taken to establish rural work force agencies in each state, because they are particular circumstances that apply to Tasmania and the group can look at that, whereas there are different circumstances in rural Victoria, for instance.

Mr Podger—There are difficulties in this whole issue, as Mr Wells was indicating, about trying to use provider numbers as a basis for geographic distribution, because geographic provider numbers are likely to break our legal limitations for the Commonwealth government in the constitutional basis of that because of our inability to do things which smack of conscription. If we work closely with state colleagues, we are able to do things with incentives and arrange for that sort of thing rather than direct compulsion from the Commonwealth. But, if there are any particular suggestions that might come through in the area you are talking about, we would be happy to look at them.

Senator DENMAN—Okay.

Mr Podger—But there are very severe legal constraints on how far the Commonwealth can go.

Senator DENMAN—I have some documentation—not here, back home—and I will forward it to you.

Senator FORSHAW—I have a couple of questions about bulk-billing and Medicare. Could we be provided with bulk-billing figures by electorates since the December quarter 1996? What I am looking for are the rates for bulk-billing, which I understand are available on a quarterly basis.

Dr Morauta—We can provide that if we have not already provided it.

Senator FORSHAW—You did provide some in the August hearings last year. So essentially what we are looking for is an update.

Dr Morauta—We can certainly do that, Senator.

Senator FORSHAW—Can they be divided into GP specialists as well as the total percentages?

Dr Morauta—We can do that, but there are some limitations on small centres. Where only a few providers or individual providers could be identified, we fudge it in some way so that they cannot be, but otherwise we can provide it in that form.

Senator FORSHAW—I see. I remember you mentioning that last time that, in very small centres, in order to ensure that—

Dr Morauta—Yes, where there is only one pathologist.

Senator FORSHAW—Yes, so that person does not get identified. What we are looking for here is an electorate by electorate analysis. Do you believe there are any discernible trends in bulk-billing?

Dr Morauta—At the moment it is certainly moving around in a way that a trend downwards or upwards is not observable. We thought there was a slight downwards trend and then it turned around again in the last quarter.

Mr Broadhead—Essentially it is going up. If you take it over a long period of time every year it is increasing.

Senator FORSHAW—I am advised—and I confess that I do not have specific figures in front of me—that over the last 10 months bulk-billing rates have fallen for almost all of that period compared to the same months last year. In other words, we are talking about the last 10 months compared to the equivalent 10 months in the previous year. The rates are less now than what they were, which would suggest a decline. First of all, is that picture correct for the last nine or 10 months?

Mr Podger—If I simply look at some of the figures, for March this year on March last year, it is down very slightly. For December 1997 on December 1996, it is down very slightly. For September 1997 on September 1996, it is up. For June 1997 on June 1996, it is up. I do not think there is a consistent story in the way that you have presented it, but people can look at it in more detail.

Dr Morauta—We can certainly table the figures, Senator.

Mr Broadhead—There is a table here which gives month by month figures for the last few years.

Senator FORSHAW—I would like to have a look at that.

Mr Podger—I think a view has been given that over a long picture you can see a very slight trend upwards year on year. In looking at the last couple of years, you are talking about movements within a very narrow band, and I would be extremely reluctant to draw a conclusion in any direction. You are seeing very tiny moves within a narrow band.

Dr Morauta—What happened over the last 10 years is that there was a continuous rise in bulk-billing, and that rate of rise has certainly stopped. It is either plateauing or just wobbling around on a level at the moment rather than continuing to rise in the way it had over the last 10 years. As the secretary says, there is no clear picture at the moment of what is going on. We can give you the back year figures too. We have them here if you would like them. They go back to 1984-85 if you would like those numbers.

Senator FORSHAW—I am having a look at this table that you have just supplied, which is for 1996 to April 1998. It seems that they have either stayed constant or dropped in most months, if only by a very small percentage.

Mr Broadhead—I have handed over my copy of the table, so I cannot actually comment.

Senator FORSHAW—I was advised that they have been falling over the course of the last nine or 10 months compared with the previous similar period.

Mr Podger—It is not a clear-cut conclusion of that sort. I really do believe we have got things jumping about in a very narrow band, and I would not want to call a trend in the last two years at this point.

Senator FORSHAW—I am also advised that the HIC has stopped publishing monthly figures. Is that correct?

Mr Num—That is correct.

Senator FORSHAW—That confirms what I was told. Why?

Mr Num—What we were finding was that, because there was so much variation and because of processing differences, the figures were essentially meaningless. So, to ensure consistency with the department, we went back to publishing those figures on a quarterly basis.

Senator FORSHAW—Thank you for that. I turn now to the issue which has been in the news again recently—that is, the potential for co-payment. Has the department had any work undertaken on the possibility of co-payments for medical services?

Mr Podger—No.

Senator Herron—I think the last work that was done on that was by the previous minister.

Senator WEST—About 1992. There has been some media speculation in recent times. I thought you might have done some more work.

Mr Podger—The answer I gave is no.

Senator FORSHAW—That is nice to know. That about covers 2.1 for me.

Senator WEST—Can I ask about the figures on page 87. I could not let you go without talking figures. I will accept the variations in the running costs, as previously said. Why is there a drop in the education, accreditation and review of diagnostic services?

Ms Rogers—The education, accreditation and review of the diagnostic services appropriation was brought down in the 1996-97 budget. In particular, it was allocated for the three-year pathology agreement as well as the radiology savings and reform package at that time. The money was allocated for pathology over three years and for radiology over four years. It was not an amount in each year, but it reflected the cycle of the programs. The major reduction is because we are moving into the third year of that three-year pathology agreement.

Senator WEST—What is the reason for the variation in the next one below: ‘Trials of coordinated care for people with ongoing and complex health needs’? There are some fairly good variations there.

Mr Broadhead—That is because the trials have only gone into the life phase part way through the current financial year. So the figure of \$41,605,000 is a part-year figure, whereas the figure for the next year is a full-year figure.

Senator WEST—But it is still a drop on the budget estimate for this financial year?

Mr Broadhead—That is because there were delays in getting the trials up and running. We had expected to spend more but, because of delays in getting the trials up and running, we have spent less than we originally expected and budgeted for.

Senator WEST—But you went for an additional appropriation?

Mr Broadhead—Yes, because there were two categories of costs associated with the trials: one was to do with service delivery, the actual process of providing services to people; the other was to do with set-up and development costs. The additional appropriation was in relation to set-up and development costs. But, because the trials have been delayed in starting, the service costs are below what was anticipated. There are two figures underlying that figure. We went for additional money for set-up and development, but there is a reduced amount being spent on services in the current year.

Senator WEST—Okay. Another item on that page is ‘general practice infrastructure training—training and support’. I presume that is putting everybody on salary, is it?

Dr Morauta—Senator, I am afraid this is not a particularly clear piece of public explication.

Senator WEST—I am very glad you said that because I am finding it exceedingly unclear and unhelpful.

Dr Morauta—You must realise there has been an effort to recycle. What has happened here is that, unfortunately, appropriation item numbers have been recycled. The number of an appropriation which was \$26 million last year for a different purpose has been reused this year for a new purpose at \$150 million—

Senator WEST—Do you think that you could give me a set of accurate figures with accurate numbers? And how often has this occurred in the rest of the book?

Dr Morauta—I think this is probably an unusual circumstance in that the general area of activity—being general practice training—was continuing but the way it was handled was quite different in these papers from previous papers.

Senator WEST—So the original \$26.199 million related to the old 340.4.06?

Dr Morauta—That is right.

Senator WEST—Is that general practice infrastructure training and support or was that something different?

Dr Morauta—General practice education.

Ms Batman—It used to be called ‘Support for education and training’ but it had the same appropriation item number—

Senator WEST—What does it get this year?

Ms Batman—It did include some of the same things. For example, it included the general practice training funds and it included an evaluation program which is still there. It now includes virtually all of the funds from the old general practice strategy—the money from the rural incentives programs, accreditation, as well as the John Flynn scholarships—

Senator WEST—According to somewhere else, doesn’t the John Flynn scholarship fall off or does that just fall off because—

Ms Batman—They have been picked up in this \$150 million.

Senator WEST—Do you think you could give me a list of what now occurs under 340.4.06?

Ms Batman—If we take it on notice, yes, we will do our best. It is a combination of that appropriation and the one below it—‘alternative funding for general practice services’. There have been some changes and movements between those two. If we can give you something that tries to explain—as best we can—what went in and what went out, we will certainly do that.

Senator WEST—Isn’t it possible to have a computer program that would ring alarm bells if you had a variation of 474 and it might make you go and have another look to see if you have not made a mistake?

Ms Batman—It is not an error; it is a change in what goes into that appropriation. It is just a bit unfortunate—we were expecting it to have new appropriation numbers so that it did not have a past history, misleading people about what it meant.

Senator WEST—I am waiting for a complete redo of the Social Security figures like this because of a similar sort of thing that happened all through their PBS. I hope this has not happened all through here and that I have to start saying, ‘Excuse me, but can I have them all sorted out very clearly?’

Ms Batman—I do not think it happens anywhere else, although I do not know. It is an issue really for the Department of Finance and Administration.

Senator WEST—Is this caused by the Department of Finance and Administration guidelines?

Mr Podger—No, I think this particular case, as I hear it, is an isolated one for this document that you are raising. But it is an issue for our department as well as Finance. We should have picked that there was an issue here and worked out a way of describing it better, and I apologise for that. But I am not going to turn around and say, ‘It is all Finance’s fault.’ They should have picked it, but we should have picked it as well.

Senator WEST—They did not pick it in DSS’s either. How much of a problem are their guidelines?

Mr Podger—This one is not an issue of their guidelines. The issue of their guidelines that I picked up earlier in response to Senator Forshaw was to do with the way we described the measures and the relationship between the measures and so on—that certainly has been a matter for them. Also the way we set these out in broad terms is in those guidelines.

Senator WEST—Oh, yes.

Mr Podger—But there is certainly room for us to make sure the explanations are clear and, on this one, there should have been some reference.

Senator WEST—Can I go to the one on the bottom of the page on the medical work force. You were given a budget of \$20.156 million, you expect to expend \$10.546 million, you have budgeted for \$10.659 million and you are calling that a variation of one per cent. I want to know why there was a 50 per cent drop in the first place.

Mr Wells—The reason for the drop in expenditure for 1997-98 is that it was clear that the full \$20 million would not be required for those work force measures. As part of the budget process, there were some savings taken and used for other purposes. The outcome then was \$10.546 million.

Senator WEST—So there has been savings taken from the item ‘Medical workforce—financial assistance for the provision of additional services in areas with a shortage of doctors’?

Mr Wells—For 1997-98. For 1998-99 and ongoing \$10 million has been directed into that general practice training item.

Senator WEST—We have just had a fairly lengthy discussion about the problems of attracting doctors to rural areas and then I discover there is a \$10 million cut to assistance. Is that what I am discovering?

Mr Wells—There is no cut for 1998-99 overall. It is just that the money is spread differently between the items.

Dr Morauta—For example, the funding to rural work agencies which support rural doctors increased in the budget by more than \$10 million—

Senator WEST—So some part of what was originally in 340.4.14 has disappeared somewhere else, has it?

Dr Morauta—Into 340.4.06.

Senator WEST—How am I supposed to ask intelligent questions?

Mr Podger—A few moments ago we said we would take on notice to give you a description of the particular issues around 340.4.06. We will clarify in that what the numbers cover and what the change in the year on year figures means—

Senator WEST—Please.

Mr Podger—I will take that on notice. I think we need to make sure we have things exactly right with Finance as well in the way we present that.

Dr Morauta—We also need to include in that the item ‘Alternative funding for general practice services’, because that item was previously amalgamated with some of the elements of the previous one. What we were trying to do was make it clearer. We were going to split program support elements for general practitioners from cash payments to them under the practice incentives program. The idea is that these two things are that. It was just the translation from one year to the next that went wrong.

Senator WEST—I think I will have questions for this—if we have not gone to an election—at supplementary estimates. I will see you in August. Over the page, to page 88, there is an item ‘Payment for special health programs—blood transfusion services, artificial limbs scheme, payments for former Commonwealth pathology laboratories’, et cetera. The way this reads, that has folded its tent up and gone somewhere in the night, because it has gone from \$32.9 million this year to zero next year. Where has it disappeared to? Have we stopped the bone marrow donor registry?

Dr Morauta—This is a case where, when the money moved, they closed down that appropriation item, if you like.

Senator WEST—Yes, I know. But where has it moved to; what has happened to it? Are the blood transfusion services still going to be funded? Is the artificial limbs scheme still going to be funded and to the same level? Are the payments for former Commonwealth pathology laboratories going to continue? What is happening to the Australian bone marrow donor registry? And nationally funded centres, what is happening to those?

Mr Maskell-Knight—That money has all been broadbanded into the health care agreement money, which is shown under subprogram 2.3. So, yes, all those things are going to be funded.

Senator WEST—At the same level?

Mr Maskell-Knight—Yes.

Senator WEST—I did not connect subprogram 2.1 with 2.3. I apologise.

Senator FORSHAW—I have some questions on the Australian health care agreement.

Mr Podger—That is subprogram 2.3.

Senator FORSHAW—Yes. This goes back to a comment I made at the outset. At page 283, where it sets out the budget measures for the Australian health care agreements, it lists the three subprograms. I am happy to deal with it in subprogram 2.3.; I just wanted to check that that was the right place.

[3.31 p.m.]

Subprogram 2.2—Pharmaceutical benefits

Senator WEST—My question goes to TGPs. Last time around, you said the information packs were sent out to medical professionals around mid-January for the commencement of the scheme on 1 February and that you felt the doctors were happy with the level of

information provided. In an answer to question on notice No. 20 from last time, you advised me that they were mailed out to the GPs, specialists and pharmacists between 15 and 29 January. The TGP came into effect on 1 February, and I am wondering how those doctors who had their TGP packs posted on 29 January actually got them and absorbed them in time for 1 February. January 29 was a Thursday and the next working day was Friday and, after that, the next mail delivery was the Monday. If you had sent me something on Thursday 29 January, even living in Bathurst, I would not have received that until 1 February. How many were actually sent out as late as 25, 26 and 27 January and where to?

Dr Graham—That was one part of the information program. They had also received earlier letters and other information, and there were also pamphlets in circulation before that time. The information kit that went to doctors was a fairly extensive medicinal information kit that showed comparative information between the different drugs.

Senator WEST—Yes, we got that.

Dr Graham—There was also, for instance, the satellite television broadcast where further information went out to them. We have recently had the first stage of an evaluation of the information program, where a company was just researching the effectiveness of the program, and, from the reports back, we have found that it was very effective. In fact, the question was asked if doctors wanted further information on that particular aspect of therapeutic group premiums, and the answer was no. I think they were satisfied, and the penetration was well over 95 per cent to the doctors.

Senator WEST—The last time round you told me that the number of exemptions granted from the TGP from 1 February to 28 February was 10,659 and that the number of rejections was 64, which represented 0.6 per cent of requests. Do we know why the 64 were rejected?

Mr Mynott—They were rejected simply because they did not meet the criteria.

Senator WEST—Okay. What are the numbers, and how many exemptions have been granted since then?

Mr Mynott—Up until 31 May, 40,180. The rejections were 195, which is down to about 0.5 per cent.

Senator WEST—That is four months. Are you running at about 10,000 a month?

Mr Mynott—A bit less than that.

Senator WEST—Right. Do you know how many inquiries you are getting from people seeking exemptions?

Mr Mynott—I think this was one of the difficulties last time. We do measure all the phone calls we get so that we can monitor the need for operating on those calls. We do not record a call that does not lead to a decision; we would register only whether it was a rejection or an authority. But with calls that are just general inquiries, we would not necessarily record the nature of that inquiry if it does not lead to anything. We get many inquiries—generally simple questions about various programs. We do not monitor or record those specifically.

Senator WEST—Telephone exemptions are all that is required for these TGPs?

Mr Mynott—They can claim exemption in writing.

Senator WEST—Yes, but the minimum requirement is a telephone exemptions?

Mr Mynott—That is correct.

Senator WEST—Are there any plans to change that exemption process?

Dr Graham—No, there are not, Senator. We have been monitoring the use of the exemption system, and we are satisfied that doctors are using it appropriately.

Senator WEST—I see. Prior to the introduction of TGPs, what was the prescription rate for a number of these drugs that exemptions have been given for?

Dr Graham—The prescription utilisation for a full year for these drugs was in the order of 25 million prescriptions for the drugs covered by the therapeutic groups.

Senator WEST—I suppose these 40,180 represent 40,180 prescriptions. Do doctors have to get an exemption each time they prescribe for a particular patient, or is it the case that once they get an exemption for one particular patient that is it for six months, 12 months or whatever?

Dr Graham—As it is, with the rest of the authority requirements under the PBS, the doctor needs to get an authority exemption for each time they write a prescription, but that prescription, in many cases, would have up to five repeats and therefore last six months.

Senator WEST—What is the most common reason for exemptions being sought?

Mr Mynott—I have not got that split, Senator. Can I take that one on notice?

Senator WEST—Yes, certainly. In relation to setting the prices of drugs, what is the process?

Dr Graham—It is very much an evidence based process. This is for a new drug coming into the scheme. They supply evidence to the Pharmaceutical Benefits Advisory Committee on relative effectiveness and relative cost-effectiveness. The PBAC then provides advice to the government, which is passed on to the pricing authority, which recommends a price to be negotiated with the supplier. That price is usually on the basis of a similar drug that is already in the scheme.

Senator WEST—I guess I am inquiring about drugs in general. So when drugs are coming in for the first time, they are assessed by the PBAC. They say yes or no and they look at efficacy. Do they look at all in terms of price too, or do they—

Dr Graham—Under legislation, they are required to look at cost-effectiveness, which is value for money. That takes into account the efficacy in terms of the price of the product.

Senator WEST—You said the PBPA sets the price guidelines and then starts negotiating with the supplier. What authority and experience would the PBPA have to alter cost efficiencies and things that the PBAC might have set?

Dr Graham—The PBAC is the expert committee. The pricing authority is the one that has industry representation as well as a person from the APMA. It has a person from the APMA, a person from the Department of Industry, Science and Tourism, a consumer representative, an independent chair and a person from our department. That committee is the one that advises, primarily on the basis of the PBAC's advice, what price should be negotiated, taking into account other factors.

Senator WEST—Do they go into the weighted average treatment costs?

Dr Graham—That might be one means by which a price is maintained once it has been decided upon, because with some drugs, where there are a number of different strengths, the better way of working out the price is to work out the weighted price across those different strengths.

Senator WEST—How is that calculated?

Dr Graham—We can supply information on how that is done but we need to get marketplace data on the relative utilisation of the various strengths and then weight that against the price of each to get an average monthly treatment cost of that particular drug.

Senator WEST—How precise is that? Is it to the nearest 10c, 1c, \$1?

Dr Graham—It depends on the accuracy of the marketplace data on utilisation. That is based usually on a sampling of the market, not the entire market. The actual price is calculated to 1c but, as I said, it depends on what information is going into the calculation.

Senator WEST—Do you get instances where there are discrepancies, say, between clinical trial based evidence that the PBAC would be using and the weighted average treatment costs?

Dr Graham—When a drug first enters the market it is difficult often to predict what the marketplace experience or usage of that drug might be. Therefore an estimate has to be made, and we might have to come to an arrangement with the company on what the weighted price might be, and then adjust that in terms of experience after we get marketplace usage of that drug.

Senator WEST—What do you do? Do you ask the company to drop their price?

Dr Graham—No, we would come to some understanding of what we feel is an appropriate starting point. It is a negotiation between the company and ourselves.

Senator WEST—What options do drug companies have if they think the weighted average treatment cost is incorrect?

Dr Graham—In the first place, the weighted average treatment cost is based on data that the company supplies. They supply the data and we calculate the price and they can check that price. If they feel that the weighted price might be changing in their favour, they are able at any time to supply further data so the price can be looked at.

Senator WEST—Are there any problems or limitations associated with the methodology that is being used?

Dr Graham—It is based, as I said, on a sampling of the market and hopefully we can get that as accurately as possible. It is based on the information supplied by the companies themselves. We think it is the fairest and most appropriate way of calculating the price. We have not been able to identify a better way of doing it.

Senator WEST—Does it assume that patients being treated by two equipotent drugs are the same?

Dr Graham—No. What it is based on is the utilisation in the marketplace, and that really is based on the clinical practice of the doctors, which to some extent presumably is affected by the promotion of that product and other factors as well. What we do when we use average monthly treatment costs, for instance, with a group of very similar drugs, is to use that as a means of identifying which one might be the benchmark product. The product or the drug with the cheapest average monthly treatment cost would be set as the base price drug against which the others would be compared.

Senator WEST—How do you deal with differences that might arise between what doctors, their research or their market experience, is showing and the PBS dispensing statistics?

Dr Graham—These are groups of drugs, similar to the therapeutic group premiums, which have been grouped together because the expert opinion is that they are very similar. At any time the company can put in evidence to the PBAC to justify a price premium above that base price. Therefore, that product would get a higher price, subsidised by the government. If they

cannot do that—and this is why these drugs are grouped together—they would be regarded as equivalent to one another in price.

CHAIR—How do you adjust prices where two equivalent drugs are used to treat different types of patient? Is it by more or less severe conditions, different age distributions or different medical conditions?

Dr Graham—In the case of these drugs, their range of uses would be similar and their availability in the marketplace would be similar. If a drug has a different range of usage, we can also use a weighted price across different uses which might have different cost effectiveness—not every use of a drug is equally cost effective. But that usually is a stand-alone drug where we set that sort of price.

Senator WEST—Is there any intention to review the way that the product prices are adjusted?

Dr Graham—One company has proposed an alternative way, or an alternative option, for looking at average monthly treatment cost, and we are looking at that with the company and the moment. It is not a big difference, it is just they feel that perhaps there should be different weightings to some of the factors within the calculation.

Senator WEST—With the therapeutic groupings, have you looked at overseas experience and at what has been the impact there of the introduction of therapeutic groupings or whatever other name is given to it?

Dr Graham—Yes, some other countries have used reference pricing or therapeutic group premiums. I think there is no evidence to show that that is detrimental to health outcomes. British Columbia, for instance, has done some studies and is at the present time monitoring the impact of their therapeutic group premiums, or their equivalent to it, which goes back several years now. Again, at this point in time we have not had any evidence of any adverse outcomes.

Senator WEST—What about Germany?

Dr Graham—Germany uses a different system. I do not know the outcomes there. They made many changes to their health system over a short period of time, and to identify one aspect from another would be very difficult, I suspect.

Senator WEST—I was of the understanding that they had seen an increase in bed occupancy in recent times with some of their changes.

Dr Graham—As I said, they tried many different ways to adjust their health system, including, as far as I understand it, the capping of the budgets for general practitioners, which had fairly major impacts on the way health services were delivered in Germany.

Senator WEST—What has happened in New Zealand?

Dr Graham—Again, we have no evidence of any adverse impact on health.

Senator WEST—Can you provide me with a comparable list of the drugs such as Norvasc and a few like that that are the higher priced drugs on the TGP? Are they available in New Zealand?

Dr Graham—I understand they are, yes. They use a different system from us in terms of reference pricing. Ours was very carefully based on the clinical input, and the medical profession was satisfied with the groupings that we chose. Different countries use different groupings, so it is somewhat hard to compare.

Senator WEST—So you have not compared the availability of new patented drugs in New Zealand as opposed to the availability of these drugs in Australia?

Dr Graham—Moving away from therapeutic group premiums, New Zealand has a completely different pricing structure to Australia and is quite aggressive in reducing the prices on the products it is subsidising. It has had some impact on the viability of the industry in New Zealand. Companies have stopped manufacturing in New Zealand and many companies now import into New Zealand rather than manufacture locally.

Senator WEST—Because it is such a small market, many companies are not taking in their newer drugs, I am told.

Dr Graham—I think there would be a debate on that.

Senator WEST—It is drug companies that have told me they will not put certain drugs in. I did not think Norvasc was in there.

Dr Graham—I know Pfizer does supply some drugs; I do not know about Norvasc. I think it is also a question of what drugs are not being supplied and whether that is any detriment to the public in the sense that there might be five or 10 ACE inhibitors, for instance, and the 11th one may not be needed on the New Zealand market to satisfy their health system.

Senator WEST—But isn't there the likelihood that the newer drugs, which are likely to be more highly priced drugs, are not going to go there because of the restrictions?

Dr Graham—I am not aware of that happening, and certainly in this country it is not happening because I think we have a well-balanced pricing system and certainly a very viable industry.

Senator WEST—So you do not think that the introduction of the TGP has led to the removal of or the lack of availability of drugs in Australia?

Dr Graham—No.

Senator WEST—I have got a letter from Merck Sharp and Dohme that was sent to doctors about the cancellation of MSD angiotensin II antagonist because of the removal of COZAAR from the PBS. Is that related in any way to the TGP?

Dr Graham—In a roundabout way. It is an AII which is related to the ACE inhibitors. There has been a pricing dispute over that drug because when it entered the scheme it was compared to another drug which dropped in price and Merck Sharp and Dohme decided not to drop its price. That matter was taken to both the pricing authority and the PBAC, who advised the government that there was not a detriment to it not being subsidised through the PBS. There is another AII which the evidence would show is a superior drug which has entered the PBS and is an alternative to COZAAR, which is the Merck Sharp and Dohme drug.

Senator FORSHAW—That is abathral, is it?

Dr Graham—Yes.

Senator WEST—Merck Sharp and Dohme do not miss in this letter to the doctors. I do not know whether you have seen it. They say:

The removal results from what we believe is an unintended consequence of the government's therapeutic group premium policy and a resultant unacceptably reduced price which the government is now offering to Merck Sharp and Dohme. We want you to be aware of the background of this highly undesirable consequence. COZAAR is an angiotensin II antagonist. It was the first major advance in anti-hypertensive therapy in over a decade, and the subject of a large investigation on basic research, product development and clinical trials. . . . To achieve PBS reimbursement, Government guidelines require MSD to compare COZAAR to the drug which it is most likely to replace as an ACE inhibitor. This resulted in a price

which was already well below the rest of the world. With the introduction of TGP's in February, COZAAR, a non-TGP drug, is now linked to the lowest price in the TGP class of ACE inhibitors, that is, generic captopril.

Dr Graham—Perhaps I can give some background to that because it is in the public domain, I understand. When losartan, of which COZAAR is the Merck Sharp and Dohme brand, entered the PBS, they supplied a clinical trial which was head to head, losartan against enalapril. The agreement when they listed was that they would price losartan equivalent to enalapril. Enalapril is an ACE inhibitor within that ACE inhibitor group. Because of the competitive pressure through therapeutic group premiums, there was a price drop, but it would have been true that there would have been price drops within that ACE inhibitor group anyway because of brand competition. Even though Merck Sharp and Dohme had agreed, when they entered, to price it equivalent to enalapril, when the price of enalapril dropped they decided not to drop the price of losartan. Irbesartan, which is the alternative AII that has come into the PBS, came in equivalent to enalapril and is meeting the enalapril price. Under the PBS, and for the interests of taxpayers, we are paying for health outcomes. Irbesartan and losartan are equivalent and Merck Sharp and Dohme decided from their own point of view not to compete on price and have decided to drop out of the scheme.

Senator WEST—I see. How do our drugs compare with OECD averages? Have you got some figures to show where we fit in the graphs?

Dr Graham—We could. Price comparisons, I think the industry would agree, are fairly rubbery because it depends what you are comparing. For instance, many of the price comparisons that have been used by the industry have been comparing list prices on, say, the European market or the American market to the Australian price, without taking into account discounting or generic brands on the market. When we compare, in what we think is an equivalent way, products that have competition on the Australian market, they would perhaps be lower priced than on the European market, but where they are innovative products, in other words, they are more stand-alone and are producing a real benefit through cost-effectiveness, those drugs are in fact reaching over 93 per cent or so of the UK price which is a good indicator of the European price.

Senator FORSHAW—Could you clarify for me; I am not au fait with what these drugs do.

Senator WEST—Reduce blood pressure.

Senator FORSHAW—That is what I understood COZAAR to do. Is that the reason why it was listed?

Dr Graham—Yes. In fact, the marketing use of COZAAR is for mild to moderate hypertension, which is another aspect of it which you probably do not want me to go into at the moment. It is for reducing blood pressure and its major benefit over, say, the ACE inhibitors is that it reduces the incidence of cough, which is a side-effect with the ACE inhibitors. It is not a high incidence even with the ACE inhibitors and it probably varies between the different ACE inhibitors.

Senator WEST—It is pretty disruptive, though, if you have somebody who has it—having had a staffer who had it.

Senator Forshaw—Is COZAAR also used to treat heart failure?

Dr Graham—It is not an approved indication in the Australian market. So it is listed on the PBS for hypertension. So is irbesartan, which is the other AII. I understand that the companies will be seeking heart failure as an approved indication in the longer term. In fact,

the ACE inhibitors have both indications: hypertension and heart failure. That is why the ACE inhibitors have a higher price, because of that combined use.

Senator FORSHAW—So if you have taken COZAAR off and you have put avapro on—

Dr Graham—That is a trade name.

Senator FORSHAW—Can you envisage any situation where a patient could be worse off if they switch from one to the other?

Dr Graham—No. I do not think the medical profession is fussed about the replacement of COZAAR with irbesartan. They would have been if irbesartan had not been available. What we have done is to leave both on for a period of three months. I think Merck Sharp and Dohme's letter was to advise doctors—they were very helpful here—that this would happen. Therefore, that was part of the information going out to doctors to move their patients across. Speaking to specialists, they see that irbesartan is a very good replacement for losartan.

Senator WEST—How are we going with terbinafine?

Dr Graham—It is being considered by the PBAC today and tomorrow. It did go to the PBAC at its last meeting. The PBAC is an independent committee which provides independent advice. It also has a legal obligation, as I mentioned earlier, to consider effectiveness and cost effectiveness. Its discussion at the last meeting about terbinafine was that it had concerns about how to control the drug once it got back onto the PBS. The company put in an application. It looked at that carefully and decided not to recommend it at its last meeting but to have further discussions over it. That is what it has done and it has gone back to the committee for this meeting.

Senator WEST—What about the proposal that was kicking around for use with people who had diabetes?

Dr Graham—That is what the committee looked at last time. They were concerned that there was really no evidence that that was the appropriate group to confine it to and they still were concerned that it would be very hard to confine it, from past experience, to that group, even with an authority listing. There have been some discussions with the company over strategies to try to ensure that it can be controlled. Hopefully that information will be acceptable to the committee this time around.

Senator WEST—So we wait and see—is that the answer?

Dr Graham—Yes.

Senator WEST—Are there any plans to ratchet up the eligibility criteria for exemptions for alternatives to those that are not on the TGP?

Dr Graham—Are you suggesting we might try to force people onto that?

Senator WEST—I thought that, instead of just taking an oral request over the phone, you might go to written requests, faxed requests or something like that.

Dr Graham—As I said, I think the medical profession is using the authority system appropriately. The authority that was put into place was a fairly wide authority. We relied on the doctors to use their discretion accordingly, and I think they have done that. They understand the need for being aware of price when they make dispensing decisions. In the research I mentioned earlier, one of the outcomes was that doctors are now more price aware than patients of the alternative choices. That is an important step. If you look in, say, the *Australian Doctor*, you will now start to see ads which are promoting the cost benefits of products, which again is an important step forward.

Senator WEST—Good start. I want to ask about changes to the National Health Act to ensure that pharmaceuticals can only be filled by pharmacies owned by qualified pharmacists rather than as a supermarket. There has been a proposal kicking around with respect to Woolworths or Coles. They are one-stop shops. You can get your petrol, your food, your clothes, your tobacco—the whole bit, including your pharmaceuticals—from those supermarkets. The next thing is they will put in a doctor as well. Does the government have a comment on that—maybe the minister?

Dr Graham—Under the competition principles agreement, the states are required to review professions such as pharmacies to make sure that anti-competitive elements that might be there are in the public interest. The government wrote to the states suggesting that it would be more appropriate to review pharmacy ownership, which is one of those aspects, in the course of discussing what might happen after the current agreement with pharmacy, which ends in the middle of the year 2000, and the states have agreed to that. That is where that situation is at: it will be reviewed. Community pharmacy is certainly very keen to demonstrate that it is a public benefit and a public interest issue for ownership to remain with pharmacists.

Senator WEST—Well, there are health professionals there. On page 97 of your figures, it says ‘pharmaceutical restructuring measures’. What do they mean? I thought we had just about finished pharmacy restructuring. I am sure Senator Herron remembers that.

Dr Graham—That line item includes some of the new policy proposals, and one is medication review by pharmacists. It is including money that is paid to pharmacists for such activities as medication review of patients in nursing homes and hostels.

Senator WEST—Another item is ‘Payment to National Prescribing Service Ltd’. What is that?

Dr Graham—Do you know about the National Prescribing Service?

Senator WEST—No, I think you had better tell me.

Dr Graham—The National Prescribing Service was a government initiative in the last budget. It involved setting up a company which is managed independently or at arms length from the government to identify ways in which the medical profession and other stakeholders can develop activities to assist in more rational prescribing. That company has now been set up. It has a board and it has money to implement activities such as prescriber feedback on a national scale. There has been a very big consultation process to seek the views of the various stakeholders, but particularly medical practice, about what activities would most useful. That has been going on over a period of several months.

Senator WEST—Will this company be putting out an annual report? Will this company be subjected to the estimates processes to see how they are spending public money?

Dr Graham—It is a company limited by guarantee. It is independent of the government but it will be issuing in—

Senator WEST—We are the shareholders.

Dr Morauta—It would be accountable through the department. Our contract with them has all kinds of reports. Those would be how we would report to you on their progress.

Dr Graham—We can provide you with an information kit. There has been extensive information that has been passed out around the NPS and you may be interested in that.

Senator WEST—I am interested in knowing things like staffing, administrative costs, advertising, consultancies they might have let, promotional campaigns they might have undertaken or might be planning to undertake, public relations—

Dr Morauta—They have only just started. This expenditure last year was in the consultation phase. When was it incorporated?

Dr Graham—In March, I think.

Senator WEST—They had a budget of zero in the last budget—or has it moved homes?

Dr Graham—It was moved. It was within our admin vote and it has been moved to the program money, now that it has been established.

Senator WEST—You heard all of our questions about promotional campaigns and public relations?

Dr Graham—It does not apply to the NPS at this point in time except for the consultation process, which was really just an information gathering process from the various stakeholders. At the moment we have appointed the director of the NPS, Miss Lyn Weekes, who worked within the New South Wales health system. She is an organisation of one person with a board just being established. We do not have an office for the NPS at this point in time but it will be located in Sydney. So it is very early days in terms of the operations of the organisation or the company, but they have done a lot of leg work in activities that will be most beneficial.

Senator WEST—How long has Lyn Weekes been there?

Dr Graham—About three weeks or four weeks.

Senator WEST—So who has been doing the leg work?

Dr Graham—We set up an advisory group that has been advising the department on how to establish this company. We had a consultant appraise associates who did the consultation process around the country and this has been the culmination of it. It was launched at the end of March I think.

Dr Morauta—There has been a small unit in the department working on this since the last budget.

Senator WEST—Are they part of the \$1.96 million?

Dr Morauta—They would be part of the running costs of the department.

Senator WEST—I look forward to any information you can provide to me about them.

[4.08 p.m.]

Subprogram 2.3—Acute care

Senator FORSHAW—Could I ask some questions about the current state of negotiations, or lack thereof, for the Australian health care agreements? I will try not to go over all the old ground that we considered at the committee's hearing a couple of weeks back when we looked at the health care legislation. New legislation has just been introduced into the parliament: the Health Care (Appropriation) Bill 1998. As I understand it, the legislation caps the amount of money for five years. It says, in section 4:

The total paid by way of financial assistance under this section must not exceed \$29,655,056,000.

Am I correct in understanding that that amount has been calculated assuming that the level of private health insurance coverage remains stable?

Dr Loy—That is the amount that reflects the Commonwealth offer at the Premiers Conference with some other adjustments that I could describe but are not particularly germane.

The offer at the Premiers Conference and that amount are figured on the basis of stable private health insurance rates.

Senator FORSHAW—So the answer to my question is yes. Could you outline what those additional amounts are that you just referred to?

Dr Loy—There is the inclusion that we touched on before of a number of broadbanded programs that used to be separately identified and now will be collapsed into the health care agreements. That is not a particularly large amount of money, in health care agreement terms anyway. There are some changes to the Premiers Conference offer that affect Queensland and the ACT in the settlement of those agreements. Otherwise it is as at the Premiers Conference.

Senator FORSHAW—How does this new legislation that has just been introduced deal with changes that might occur in private health insurance levels or even unexpected changes in population?

Dr Loy—The legislation, as you say, does appropriate a total sum of money for those purposes over the period of five years. If this were the structure that continued, at some point there would need to be a further appropriation if there were to be an adjustment in that funding arising from a decline in private health insurance. The structure and approach to figuring out what that additional funding would be will be dealt with in the agreements.

Senator FORSHAW—I am sorry if I am repeating back to you part of your answer, but I want to be clear on this. That total amount of \$29.6 billion does not include any appropriation which would cover changes in the level of private health insurance which would trigger, by virtue of the agreements, additional payments to the states. Assuming that the agreements are, for the purposes of this discussion, in place, if there is a further fall whereby extra money has to be paid to the states as compensation for that then you have to come back and seek to appropriate more funds. Is that correct?

Dr Loy—You would certainly have to come back once the amount got beyond the \$29 billion. That might occur for other reasons. Private health insurance may indeed remain stable. Clearly the estimates are also based upon estimates of cost increases, efficiency gains, ageing and population. The whole structure is based upon a set of estimates and any one of those assumptions, in due course, could turn out to require further appropriation.

Senator FORSHAW—I thought I had understood but I think you may have just confused me again. It may be that I am just looking at something the wrong way. Under the proposed agreement, if there is a change in the level of private health insurance and if it drops by X percentage over a period of time then the states become entitled to an additional amount of money to compensate for that. Is that correct?

Dr Loy—That is correct.

Senator FORSHAW—What is the percentage drop?

Dr Loy—One per cent equals \$83 million.

Senator FORSHAW—I am trying to ascertain whether or not, within this total figure of \$29 billion, there was any amount which would cover those circumstances. I understood that nothing was encompassed within the \$29 billion because it assumed a stable private health insurance rate. Therefore, it contemplates that the situation will not arise.

Dr Loy—No. The assumption in the Premiers Conference offer and estimates was on the basis of stable private health insurance. Clearly, the ideal is to have an arrangement whereby, effectively, the agreements appropriate the funding. That was the purpose behind the original bill but where, in fact, the legislation says the consolidated revenue fund is hereby appropriated

by whatever the agreements say, that is the ideal way to proceed. We are, however, faced with the fact that we have the prospect of entering the new financial year without agreements with all the states. Therefore, to make clear the government's commitment to pay the funding, even without the agreements, we needed a mechanism to appropriate the funding that was offered at the Premiers Conference.

Senator FORSHAW—Which is the purpose of this legislation.

Dr Loy—That is correct.

Senator FORSHAW—I understand now.

Dr Loy—In the fullness of time, maybe it will be possible for the government to replace this legislation with the sort of ideal legislation that I referred to that appropriates the consolidated revenue fund by the agreements. That would certainly be, even mechanistically, the most desirable thing to do. I certainly hope, and I am sure the government hopes, that in due course that will happen. While we are faced with the issue of entering the possibility of funding states without agreements, we need to have a direct appropriation mechanism and, to make it clear that the government was committed to the funding offer at the Premiers Conference, that was directly written into legislation.

Senator FORSHAW—Is any further meeting scheduled with the states?

Dr Loy—No, not with the states collectively.

Senator WEST—Not collectively. Are you going to knock them off one at a time?

Dr Loy—We have discussions with states from time to time and obviously we are very much engaged in discussions with Queensland and the ACT to settle the wording in the agreements.

Senator FORSHAW—Could I take up another issue that was raised during the committee's previous inquiry: the funding that is available for the states and territories that do sign funding up front to deal with this waiting list issue. So far, Queensland and the ACT have signed in principle and have received that part of their proportion of the funding. Is that correct?

Dr Loy—Yes.

Senator FORSHAW—The original date was set at 2 June.

Senator WEST—That has passed.

Senator FORSHAW—I know.

Dr Loy—It was midnight on 1 June, to be correct.

Senator WEST—Four days ago.

Senator FORSHAW—None of the other states or the Northern Territory had signed by that date. What prompted the decision to extend that date to 10 June?

Dr Loy—The minister was hopeful that some other jurisdictions could bring themselves to the same state as Queensland and the ACT in the immediate future. Thus, he extended the deadline to 10 June. In doing so, there were agreements with Queensland and the ACT to guarantee them further payments out of the incentives fund so that they were not disadvantaged by that extension of time.

Senator FORSHAW—How could they be disadvantaged? They have been advantaged by the Commonwealth's unilateral decision to penalise the other states for not signing by 1 June. How can it be said that Queensland or the ACT will be disadvantaged? They have already signed an agreement in principle, and the agreement in principle includes provision that, if

by chance the other states and the Northern Territory manage to actually change the Prime Minister's mind or the government's mind or the minister's mind and get some more funding, Queensland and the ACT will not be disadvantaged in that way. Putting that aside, how can you say that withholding money from the other states is somehow a disadvantage to Queensland?

Dr Loy—I am not sure what you mean by 'withholding money from other states'.

Senator FORSHAW—You said that the date was extended from 1 June to 10 June for the other states to sign, so that gave them another nine days, and if they did it within that period of time they would pick up their share of this bonus money, if I can call it that, up front. You said that as part of the extension of the date for the other states, certain commitments were given to Queensland that they would not be disadvantaged by that.

Dr Loy—The incentive pool operates such that each week the consenting states share the pool that is available, with a ceiling on the total that any state might receive, so therefore the number of other states that have signed does affect any state's share. The expectation could have been that on midnight 1 June Queensland and the ACT got all the money, but by entering into an agreement that gave them a commitment to further money, it left the possibility of other states getting a share of it by 10 June.

Senator FORSHAW—That is what I thought you meant. I just think the use of the term 'disadvantage' is a little bit too loose. If the original threat from the Commonwealth stayed the same and none of the states signed up by 1 June, how much extra would Queensland have received?

Dr Loy—Over what they have been committed to in the agreement to date, they would have got an extra \$55 million.

Senator FORSHAW—Fifty-five million?

Dr Loy—I think that is right—plus or minus one.

Senator FORSHAW—So Queensland just had to sit there and hope that the other states and territories did not sign by 1 June, which they did not. They would have expected to get an extra \$55 million. Now, because the date has been put back to 10 June, if one of the other states signs on, then Queensland would get less than \$55 million.

Dr Loy—That is correct.

Senator FORSHAW—If they all signed, they would not get any extra, and you say that is a disadvantage to Queensland. It seems to me that that is basically just a great windfall for Queensland.

Mr Podger—It is like the half full or half empty. Is the lack of a carrot a stick or isn't it? The government is not penalising other states. It has offered a carrot and some states have chosen to take it up and others have not. As it stands, the government has now made an agreement with Queensland and the ACT that they will not insist on getting the whole of the rest of it. Until after the 10th, they have given the Commonwealth another week to work out whether other states are willing to come to an agreement.

Senator FORSHAW—Do you expect the other states or the Northern Territory to sign up between now and 10 June?

Mr Podger—I am not going to give a view on that. It is obvious that there are some discussions with some jurisdictions, and I am not going to give a view on whether they will sign or not.

Senator FORSHAW—And you cannot tell me why it is 10 June? Why not 20 June? Why not 30 June? Why not the date upon which the Medicare agreements are due to expire and the new agreements for the five-year period are to commence? Why not that date? Why not a date that corresponds to the end of the financial year?

Mr Podger—It was a judgment by the minister to set that date. Why was it 1 June? There was a judgment made to set a date for an incentive.

Senator FORSHAW—And he just happened to pick a date that is three days before the Queensland state election. If none of the other states sign, there will be an announcement that Queensland has been given an extra \$55 million in federal funds on 10 June.

Mr Podger—With respect, such a statement could have been made on Tuesday.

Senator FORSHAW—Yes.

Mr Podger—And the government chose to seek the agreement of Queensland not to press that point but to allow an extension for us to discuss with other jurisdictions.

Senator FORSHAW—But why agree to an extension of nine days? Why not agree to a more logical date, which would be the end of June? The government introduced legislation into the federal parliament and set a date. They unilaterally said to the states, ‘If you do not sign by 1 June, then your share of the up-front money will go to the states and territories that have signed,’ knowing that the Queensland and ACT governments had already signed—not signed agreements completely but in principle. That is what was introduced into the parliament.

Bear in mind that this was after the minister and the Prime Minister said, ‘It doesn’t matter, we will go on and pay the states anyway.’ That is what was said a few weeks ago. They then set a date of 1 June, which is a gun at the head of the states—‘Sign by then or your share of the money will be given to Queensland and the ACT.’ The date was then extended to 10 June. There is no logical explanation for extending that to 10 June when it would have been just as easy to say 30 June, which is a more logical date—the end of the financial year, the end of the five-year period and the start of the new five-year period. Maybe, Senator Herron, can you tell me why?

Senator Herron—The agreement starts on 1 July.

Senator FORSHAW—Yes.

Senator Herron—But you will not allow for the fact that there needs to be a certain lead time before that for documentation.

Senator FORSHAW—The documentation and the draft agreements—

Senator Herron—The exchange of documents, et cetera. I am not a conspiracy theorist.

Senator FORSHAW—Minister, the draft agreements are already on the table. The draft agreements were provided to the states some three weeks after the government commenced a process of introducing legislation to, as it were, give legislative effect anyway to agreements that had not been signed. That is the bill that this committee looked at.

The government has subsequently introduced legislation to appropriate the money, to pay the money to the states whether they sign or not. What we have in the middle of all this is the federal government threatening the states, ‘If you don’t sign up by 10 June’—this is New South Wales, Victoria, South Australia, Tasmania and the NT—‘your share of the money is going to Queensland.’

Senator Herron—That is not a new statement.

Senator FORSHAW—It is new.

Senator Herron—That statement was made prior to the current date. In fact, it has been extended to allow them to have second thoughts.

Senator FORSHAW—As I said, why not extend it to a date after the Queensland elections so that there could not possibly be any appearance of it being used for political purposes.

Senator Herron—It would only be someone with a devious mind who would put that interpretation on it. I certainly do not.

Senator FORSHAW—I am sure that the Premier of Victoria and the Premiers of Tasmania, Western Australia, South Australia and New South Wales and their respective health ministers will all appreciate you suggesting they have got devious minds. They have given evidence to this committee, Minister, and it is very clear to them that one of the major influences upon getting Queensland and the ACT to sign agreements in principle, which they were so implacably opposed to not so long ago, was that it just happened to be prior to their respective elections.

Senator Herron—It is not the only interpretation one can put on that.

Senator FORSHAW—It is the best one.

Senator Herron—It is an interpretation that you have put on it.

Senator FORSHAW—No, not me.

Senator Herron—Some premiers. But I would have thought that if the inference is that this will influence a positive outcome for the current government in Queensland, apart from the New South Wales government, all the other premiers would have supported it.

Mr Podger—I must admit that I am confused by your suggestion that changing from 1 June to 10 June was somehow to do with favours to Queensland. All I wanted to say was that the purpose of the incentive payment was twofold. Firstly, to address waiting list issues and, secondly, to be an incentive to sign agreements. Clearly, the change of the date from last Monday night to 10 June is a judgment around whether it can be more effective by an extension, to see if we can get some agreements. That is a judgment.

Senator FORSHAW—But wasn't the original proposal that these incentive payments were there for the states and territories which came on board. If, at the end of the day, some did and some did not do that, their share of the money in the first instance was not going to go to the other states and territories, was it? It simply would not be paid.

Mr Podger—No, the incentive scheme had always been designed so that only those who signed it would receive access to it. That access to it would be to all of it, subject to a cap on each state per week, which is effectively only a cap for the smaller states. It was in terms of per week related to their population—if any state from the size of Queensland up intended to scoop the pool, if you like. That cap was actually higher than the weekly amount available.

Senator FORSHAW—But you still cannot give me any reasonable explanation as to why 10 June was chosen. If the minister and the federal government were being so magnanimous and gracious as to extend the date, why did they extend it to 10 June? At the end of the day, it is only a period of eight or nine days. Why didn't they do it until the end of June? I would have thought that was a far more logical suggestion.

Mr Podger—I certainly said it was a judgment around the effectiveness of the incentive.

Senator FORSHAW—I turn to a couple of other aspects. This money that is actually available up front to the states that sign the agreements: that is the money that was left over from the gun buyback scheme—is that correct?

Mr Podger—No.

Senator FORSHAW—It is not?

Mr Podger—No.

Senator FORSHAW—Is there any money in the current offer that comes from funds—I understand it is around \$120 million—left over from the gun buyback scheme?

Mr Podger—No, and I am not aware of what the unexpended money on the gun buyback scheme is.

Senator FORSHAW—So no promises have been made? Sorry, I will rephrase this. You are saying that no money out of what was left over from the gun buyback scheme has been offered to the states in order to get them to sign the agreements—that those funds just do not come into this equation?

Mr Podger—Those funds are not in this equation.

Senator FORSHAW—Do you know how the Commonwealth Grants Commission intends to treat these payments that have been and presumably will be increased to the state of Queensland and to the ACT?

Dr Loy—The Commonwealth has undertaken that they will be treated by exclusion. They will not be taken into fiscal equalisation.

Senator FORSHAW—Does that have any effect, then, on the level of financial assistance grants to, for instance, Queensland and the ACT?

Dr Loy—It means, if you like, that all the benefit of that money flows to those jurisdictions and does not get through the fiscal equalisation process distributed to other jurisdictions, effectively.

Senator FORSHAW—We might be talking slightly at cross-purposes. Is it or is it not true that the Commonwealth Grants Commission intends to treat these claimants in a way that will reduce Queensland's and the ACT's financial assistance grants?

Dr Loy—No. the Commonwealth has undertaken to exclude them from fiscal equalisation which will, presumably, involve direction to the Grants Commission.

Mr Maskell-Knight—Money paid in 1997-98 under this arrangement has been paid under a part of the existing Medicare agreements which is excluded, so there is no question of it being equalised. The Commonwealth has undertaken that it will quarantine the money for 1998-99, which will require a direction to the commission, I would think.

Senator FORSHAW—So it will require a direction to the commission to exclude?

Mr Maskell-Knight—To exclude these.

Senator FORSHAW—Has there been any statement or indication from the Grants Commission along those lines? Is what you are saying to me that that will be the direction given to the Grants Commission? Do we have anything more than that at the moment?

Dr Loy—No, but if it is a direction it is built into the terms of reference of the Grants Commission, and the commission will, of course, work to its terms of reference.

Senator FORSHAW—So the Grants Commission is then obliged to treat it that way?

Dr Loy—Effectively, yes.

Senator FORSHAW—Effectively?

Dr Loy—The commission might wish to comment on it or it might offer some other form of distribution. But it will certainly provide the basis for the terms of reference that it receives.

Senator FORSHAW—On another aspect, I have an AAP report of yesterday which quotes the federal minister as stating:

I think people understand it's the states that run the hospitals and that it's the states that have pulled money out of public hospitals.

I assume that the minister has been reported correctly. What is the basis for the statement that it is the states that have pulled money out of public hospitals?

Dr Loy—The basis is the graph in the states' submission to this committee in its hearing on the previous legislation where the states very neatly graphed the different ways you configure the Commonwealth and state contributions to public hospitals over the past five years. Under whatever scenario they used, there was a hole in the middle showing state reductions in funding compared with Commonwealth increases.

Senator FORSHAW—Does this statement hold true for the last year or so? This would be particularly since the election of this government in 1996 when we know—it is on the record—that there was a reduction in Commonwealth funds to the states as a result of the deficit reduction strategy, which fed through into reductions for public hospitals. The states have argued about this, as you know. For instance, New South Wales has argued that they have actually increased their contribution to public hospitals by \$1 billion. Do you agree or disagree with that analysis?

Dr Loy—I think, again, that the graph provided by the states with their submission certainly showed states in general increasing their funding from the middle of the current Medicare agreements period. When you break that down by state, you see that indeed some states have increased to above the level they were in 1992-93 and some states still have not reached that level. I think it is probably true to say—though I might be wrong in one or two cases—that all have increased their contribution but, as I said, a number of them still have not reached the level they were back in 1992-93.

Mr Podger—However you look at this graph, you will see a reasonable base here, being the year before the first year of the new agreement. Take that five-year period: the Commonwealth side of the bargain in that period had a very hefty increase in year one and a slower rate of increase after that.

Senator FORSHAW—That was under the previous government, wasn't it?

Mr Podger—That is right. The states in aggregate pulled money out in year one and, in aggregate over the latter years of the agreement, have found themselves increasing at a faster rate than the Commonwealth was. But when you look at the whole of that graph—as Dr Loy mentioned, it is in the states' own submission in graph 6.4—you can see that there is a substantial hole.

The Commonwealth is now offering—instead of a major increase in year one and a slow increase beyond it, which would mean that the health system was vulnerable to money being taken out rather than steadily increasing in line with need—a steady increase of the five-year period in line not only with population and ageing, which was in the previous agreement, but also on utilisation drift and changes in the levels of private health insurance as well as price and productivity. Certainly the picture we are looking for this time is not a repeat of last time, where all the pressure was on the then government for a big increase in year one and it did not actually go to health.

Senator FORSHAW—And just so that it is clearly on the record, five years ago—and, indeed, the year before five years ago, if that is the period you want to look at—there was a different government in New South Wales as well. It was a coalition government. I just put that on the record. It is relevant to the statement of the minister who says it is the states that have pulled money out of public hospitals. Maybe he should have gone on to clarify that that is what occurred. I do not think anyone argues that it occurred some years ago. It occurred under different governments, certainly in the major states. The record shows that the states, particularly the most populous state of New South Wales, have poured a lot of money into the hospital system substantially to make up the shortfall of the federal government.

Mr Podger—Obviously it would be improper for me to make any comments on the party politics, and I would not. All I am trying to say is that we would be concerned to have a repeat of last time in terms of a major infusion of money in year one which did not actually lead to a major infusion into the health system. That would be a major concern for us.

Senator FORSHAW—I appreciate you cannot comment, Mr Podger, or your officers, but the minister at the table is not averse to jumping in every now and then and talking about the 13 years of the previous government.

Senator Herron—Seeing you have invited me—

Senator FORSHAW—Let me finish, Minister, so I thought I would take the opportunity to remind you of who was in government in New South Wales prior to 1995 and who was in government federally then. I do not have any further questions—

Senator Herron—Senator Forshaw, you must allow me a comment. For some 20 years, all governments restricted capital expenditure on public hospitals—it went down to about three per cent of recurrent expenditure—and that was all governments of whatever political persuasion. That was the reason for the decline in the capital stock across Australia. I do not disagree with you, you will be pleased to know.

Senator FORSHAW—I am remember huge arguments in New South Wales some years ago about the need to expand the hospitals' capital stock, particularly in the western suburbs of Sydney. And it was not your party that was taking that issue on, Senator Herron.

Senator WEST—Anyway, my Tasmanian colleague wants to know whether it is true that Tasmanian funds would be cut by \$27 million. Can somebody comment?

Dr Loy—No.

Senator WEST—It is not true or you cannot comment?

Dr Loy—No, it is not true.

Senator WEST—Thank you.

Senator FORSHAW—So Peter McKay, the Tasmanian health minister, is wrong—

Senator Herron—I think I stated that in the Senate in reply to a question without notice. It is on the record.

Senator WEST—In relation to this program, do you have any public relations or promotional campaigns under way or in preparation about this issue?

Dr Loy—In relation to subprogram 2.3, there is a campaign being prepared—virtually launched—on bringing to attention the Medicare levy surcharge, the fact that people may be about to pay it and, therefore, they should think of the option of taking out private health insurance so they do not pay it again. That campaign will first appear in the media in the week commencing 7 June.

Senator WEST—How long is the campaign going to run for? Is it going a campaign on television, radio, newspapers, brochures—or what?

Dr Loy—The campaign will essentially be advertisements in newspapers and magazines with some minor other media.

Senator WEST—When is it going to finish?

Dr Loy—I think it runs through to the end of July.

Senator WEST—What is the cost of the campaign?

Dr Loy—Total approximate cost of \$463,000.

Senator WEST—And that comes out of the budget for subprogram 2.3?

Dr Loy—Yes.

Senator WEST—Where did the idea or the request for the campaign come from?

Dr Loy—I think it was one that emerged in discussions between ourselves and the minister over the period. There was a concern that perhaps the message about the levy surcharge did not get through. This was also brought to our attention by the health insurance industry, who said they believed that there were a lot of people who had not really got it into their heads that there was this option. So we thought we should take the opportunity of perhaps heightened awareness of tax issues, as you come to the end of the financial year, to draw people's attention to it. We are also making sure that paymasters and tax agents, of course, and other people of that kind, are fully aware of the surcharge and of the option of taking out private health insurance.

Senator WEST—Presumably there is a consultancy to do this project?

Dr Loy—Yes, the advertising agency is Ammurati. It has got other names. A.M.R. Quantum Harris did the research associated with it.

Senator WEST—What is the cost of them?

Dr Loy—I might have to take it on notice to get the specifics of that.

Senator WEST—What ministerial involvement has there been in the process in things like timing and content? Has there been some ministerial involvement?

Dr Loy—I am sure if the minister were here right now that he would say it should have happened before this, and perhaps we have taken too long in getting this up. But, in terms of the actual strategy of the campaign, of course there have been the usual discussions with the minister. He finally approved the advertisement that had been tested. There were the processes with the MCGC, and all the usual processes were followed.

Senator WEST—It was a tender process?

Dr Loy—No, it was not. Given that Ammurati had done the advertising campaign for the private health insurance incentives scheme, we took the view that the experience they had gained in preparing that campaign made them the best equipped to take on this one.

Senator WEST—So you did not go through OGIA to organise the campaign?

Dr Loy—No, there was not a tender process. Of course, we cleared the selection with OGIA on the basis that Ammurati had done the previous campaign.

Senator WEST—Thank you.

Senator FORSHAW—I want to move onto private health insurance. Dr Loy, you can probably give me what I am going to ask for before I ask for it. Do you have—

Dr Loy—I have got your tables. One is of the premium increases in March and May 1998. The other is the full table of premium increases since 1 September 1996.

Senator FORSHAW—Thank you. These tables, which I appreciate you supplying to us so promptly, list the average increase across the fund, which is of all of the products. Do you have details—and if you do, could you supply them—of the level of increase in the top cover product of each fund? Is that information you keep and could you supply that?

Dr Loy—I can. It actually would be quite a job to gather that information.

Senator FORSHAW—Can I make it easier for you? If I make it the major funds—the ones that have the major membership such as MBF and Medibank Private, would that make it any easier for you?

Dr Loy—It certainly would, yes. I would appreciate it if you would confine the request to those.

Senator FORSHAW—What I am concerned about is, whilst you have given us the average increase, it does not really tell me the impact, if you like, of increases in private health insurance on the members of funds because we do not have any data on how many clients have the cheaper product.

Dr Loy—I understand the purpose of your question, though I would point to the fact that we calculated that as a weighted increase and therefore it is weighted by the number of people in products, so it is in that sense a pretty true reflection. But I am more than happy to gather the data for the large funds for a top cover product and see what that shows us.

Senator FORSHAW—I am probably going to make your day a little bit more difficult by asking, if there are variations from state to state, that that be identified. I understand that, particularly with the national funds, it may not be the case that the increases are uniform across the states. Certainly, some of the other funds may have the bulk of their members in one or two states and that will show up anyway. Could you take that as part of the request please?

Dr Loy—We will try to give you something that sheds some useful light on that. I am not quite sure how best to do it but we will think about it.

Senator FORSHAW—Thank you. You probably need to take this on notice. It relates to the information you were no doubt going to put together for me, but let us take the period of the last two years. Take a fund like Medibank Private, which is the biggest fund: what is the level of increase for that fund? I am just looking here in your table. Overall, what has been the increase in their premiums?

Dr Loy—I cannot answer that question on the face of what is here.

Senator FORSHAW—You have got three entries, I note, for Medibank Private. This is under the chart headed ‘Premium increases since 1 September 1996’ and you have got 12.9 per cent, 11.2 per cent and 7.1 per cent. I am having a bit of trouble following what this chart is telling me.

Dr Loy—That reflects the premium increases that any given fund has received in that period from 1 September 1996.

Senator FORSHAW—So they have had three increases?

Dr Loy—That is right, but the most recent one takes effect from 1 June 1998 and presumably will apply for the year 1998-99, so when you look at those three increases, you are really looking at a period from 1 September 1996 to something like the middle of 1999.

Senator FORSHAW—It would be reasonable, would it, to simply add up those average increases, which comes to 31.2 per cent—

Dr Loy—And divide by something like three.

Senator FORSHAW—I have not done a cumulative calculation, but is it reasonable to say that the premium of a person who is a member of Medibank Private has gone up a total of 31.2 per cent, on average, since 1 September 1996, allowing for the fact that the next increase applies from 1 July, I think you said.

Dr Loy—1 June, I think.

Senator FORSHAW—That is correct, is it?

Dr Loy—Yes.

Senator FORSHAW—Have you previously provided us with data for increases prior to 1996?

Dr Loy—The difficulty we have is that we have aggregate numbers for prior to 1 September 1996.

Senator FORSHAW—My recollection is that I did receive something which went back prior to 1996 but I do not have it with me here.

Dr Loy—It was aggregated. We certainly can produce results for the industry overall. There was less attention given to premium increases a little while ago and we did not collect the information in such a detailed manner as we are now.

Senator FORSHAW—Are you able to say from your recollection what the level of total increases would have been, say, for the two years prior to 1 September 1996? I am talking here about Medibank Private again.

Dr Loy—I cannot say for Medibank Private. I can just talk about overall levels.

Senator FORSHAW—I suppose as a fund member I could probably ring them up and ask them, but that would only give me my table.

Senator Herron—If you can bear with me a moment, I will go and get them. I can give you them for the last 20 years. They are more interesting in the last 13.

Senator WEST—They are very interesting in the last two, and in the last 12 months.

Dr Loy—The other thing to bear in mind is that on our tables we add up the increases in premiums for funds which receive increases in premiums. That gives you, on any given period, a higher number than the total increase for the industry in a year, because there will be funds that do not have premium increases. So, in that table, on the 12 months from 1 March 1998, there is a collection funds, albeit small ones, without increases. When we add up the average of the increases, it gives us a higher number than the total increase in contributions. VIAC publishes a table in which they calculate contribution income receivable per SEU (single equivalent unit), which logically somehow relates to premiums, and that gives percentage of increases over previous years: 1991, 12.6 per cent; 1991-92, 16.1 per cent; 1992-93, 8.1 per cent; 1993-94, 4.4 per cent; 1994-95, 2.9 per cent; 1995-96, 3.6 per cent; 1996-97, 5.7 per cent.

Senator FORSHAW—Those figures you read out are for Medibank Private, are they?

Dr Loy—No, no, I am sorry. That is for the total industry.

Senator FORSHAW—I was looking for a comparison of the biggest fund, Medibank Private, for the two years prior to September 1996, if you had that data.

Dr Loy—I am sure Medibank Private will supply it to us, if we ask.

Senator FORSHAW—Yes, if you wouldn't mind. As I said, it could well be able to be calculated from the previous tables you have given us. Can you give us any update on what you are projecting for levels of private health insurance coverage over the coming year?

Dr Loy—I am not projecting.

Senator FORSHAW—Pretty dangerous, isn't it?

Senator WEST—Are there other estimates or are there targets?

Dr Loy—We do not sit down and try to do estimates other than for the purpose of the budget estimates for the incentives scheme. There have been discussions between ourselves, the Department of Finance and Administration, the Treasury and the Taxation Office to figure out a basis for writing down estimates for the incentives scheme, both in terms of what is taken as reductions in premiums and what is taken through the tax rebate, and those are the numbers that are reflected in the budget figuring.

Senator FORSHAW—Your projections have been fairly significantly altered there, haven't they?

Dr Loy—Yes.

Senator FORSHAW—They have?

Dr Loy—Yes.

Senator FORSHAW—Could you explain what the alteration is, and the basis for it? I understand it has something to do with the far greater number of people looking for the tax rebate than previously estimated. Can you clarify what the story is?

Dr Loy—That is right. There are a number of forces at play and clearly there is the fact that the level of coverage has fallen since the original estimates were done. Second, the original estimates were done on the basis that everybody eligible would take up the scheme one way or the other. There is a belief now that perhaps that is not the case, and it does appear that in the first year a much higher proportion of people will be looking to claim the incentive through the tax system than was originally allowed for.

For the future, the assumption has been made that that will settle down at 70 per cent of people taking the cash rebate—the reduction in premium—and 30 per cent through the tax system. That is a change from the original 80/20 assumption. But in the first year it looks more like a 60/40 split. I do have a rather long and complicated spreadsheet that has lots of these numbers on it which I am happy to table if that would help.

Senator FORSHAW—Yes, if you could table that. I do not expect to be able to have a look at it right now, but it certainly would be useful. Originally the scheme was expected to cost \$600-odd million I think in the first year, and a total of \$1.7 million over three years. Is my recollection right?

Dr Loy—My rough rule of thumb has always been that it is roughly \$600 million per year. As I said, our original estimates were on the basis of an 80/20 split between cash and tax which gave you about \$450 million to \$460 million cash in 1997-98. In the event, that has proved to be much less—more like \$245 million.

Senator FORSHAW—Two hundred and forty-five million in cash. Therefore, how much is it in rebate? It is a fraction, is it?

Mr Podger—The rebate will not appear in the 1997-98 figures. For the most part, it will appear in 1998-99 in respect of 1997-98.

Senator FORSHAW—I am just trying to understand precisely what that does to the system.

Mr Podger—People will claim it for 1997-98 in their tax returns they fill in after 30 June. Our expectation had been that it would be dominated by the cash in 1997-98 and that it would be about \$450,000. The \$450,000 is down. The rebate figure that would actually appear in the accounts, if you like, for 1997-98, will not be there much at all, and never was going to be there much at all. That starts to have an effect in the following year because it is not on a PAYE basis.

Dr Loy—You can see from the spreadsheet that the estimate for the tax rebate in 1998-99 is nearly \$220 million.

Senator FORSHAW—The information I am after is no doubt on that spreadsheet, by the sound of it.

Mr Podger—Our cash side is, of course, reflected on page 111.

Senator FORSHAW—One of the concerns that people have also had about this proposal is the ability of those who do not have health insurance and who are on an income in excess of \$70,000 and therefore liable to pay a levy to actually utilise the availability of cheaper products, if I can call them that, to take out health insurance and not be liable for the levy. Is that a real concern? Is there much evidence of that occurring?

Dr Loy—I do not think there is much evidence.

Senator FORSHAW—I should say that people can buy the product but nevertheless continue to rely on the public hospital system because they may have signed up for a product which requires them to pay the first \$300, \$500, \$1,000 or whatever of medical costs out of their own pockets.

Senator WEST—Or they have bought a product that is basically public hospital cover only.

Dr Loy—I do not think there is any such product.

Senator WEST—Yes, there is; Medibank Private has one.

Dr Loy—Has it?

Senator WEST—Yes.

Dr Loy—It sure does not have many members in it.

Senator WEST—I will admit to one.

Senator FORSHAW—So you get the doctor of your choice, or something?

Senator WEST—Yes. That is all I wanted, and ambulance.

Dr Loy—I cannot answer your question. I do not think there is any measurable evidence at this point. It would take some time before we know. People certainly have to buy hospital cover and, clearly, any hospital cover that is offered by a private health insurance company will contain enough to pay their share into the reinsurance pool, and that contributes to the balancing of the pool for hospital care for older people. So, in that sense, if you like, any membership contributes to positive rebalancing of the industry.

The issue that you have raised, and that the states have raised, about whether they are products that will take pressure off the public system is one on which, as I have said, I think the jury is still out, and we do not know the answer to that yet.

Senator FORSHAW—It seems to me that there are two issues. The first is whether it has any real impact upon levels of usage of the public hospital system. The second issue is the equity involved in the intent of the scheme. If the scheme was intended to encourage and

indeed provide an incentive for people generally through the cash system or through the tax rebate to take out private health insurance—and, indeed, to penalise high income earners for not taking out private health insurance—if they can, in effect, clear the high jump bar by paying the minimal amount necessary to buy a product and nevertheless get the \$450 rebate or whatever, it suggests that a lot more thought should have gone into ensuring that people were not able to manipulate the scheme that way. That is what I am concerned about. Because it is not having the intended effect, is it?

Dr Loy—As I said, you can look at the effects of the measure as being twofold. Given the fact that people who are earning higher levels of income on average will be healthier, you are recruiting into private health insurance a somewhat healthier cohort. They are contributing to the reinsurance pool and thereby contributing to the contributions for older and chronically ill people and positively moving against the adverse selection that is causing rises in premiums and rises in costs. All of that, I think, can be achieved virtually irrespective of the product they buy.

The second question, as I said, of whether that, in turn, leads to a reduction in demand on the public system because people of that group who do fall ill continue to use the public system, I think is one on which we do not have the data. We can have this exchange all afternoon, but neither of us is going to be able to—

Senator FORSHAW—But are you going to have a look at this issue? It has been raised. It was raised last year that people who really did not want to take out private health insurance but maybe thought that they were going to be forced into it because of the levy imposition would find a way, in effect, to do the least amount possible and on the way through pick up a rebate anyway. I know that the minister actually expressed concern at the time that this sort of thing really was not what you were aiming to achieve and it made a bit of a mockery of the whole objective. You could increase, as it were, the level of membership or coverage in private health insurance, but it was doing nothing more than adding numbers on a page because those people, at the end of the day, were still going to continue to use the public hospital system as they had always done.

Mr Podger—As Dr Loy said, there are two aspects of it. One is the impact on premiums and the other is the impact on public hospital pressures. But on either of them we are lacking the evidence of how big a problem this is. We will certainly keep an eye on this. If it turns out that it is a significant problem, we will certainly be advising government to address it. At this stage, we hear the anecdotal stuff. You asked whether we would keep an eye on it, and the answer is that we will.

Senator FORSHAW—The funds, presumably, will provide that sort of information to you?

Mr Podger—We can get some information on the sorts of coverage people have got. I am not quite sure whether our data would actually allow us easily to detect it for those who would be subject to the surcharge. We would have to look at how we would monitor that. It is an issue we will have to look at and we know that. At the moment, the evidence is not there, but the possibility is known.

Senator FORSHAW—How much revenue has been or is estimated to be derived from the imposition of the Medicare levy surcharge?

Dr Loy—I do not have any information on that.

Senator FORSHAW—Would that come from Treasury?

Dr Loy—Yes, the tax office and Treasury.

Senator FORSHAW—Is it possible for us to ask for that information through you or do we have to ask them directly?

Dr Loy—We would certainly be happy to provide what information we can. Again, it would still be a matter of estimates because, clearly, reality has not yet happened.

Senator FORSHAW—That is why I qualified it by saying how much has or will be. There was an issue about private health insurance.

Senator WEST—When you have got private health insurance and your employer is taking payroll deductions, if it is a Medibank Private one, can anyone tell me how often the group payments from the employer are paid in when they are taken out of the payroll fortnightly? Are they paid in fortnightly?

Dr Loy—You would have to ask someone who runs a fund and they are not here.

Senator WEST—We have had complaints from Patrick's employees that Patrick was taking the deductions out of the payrolls but ceased to pay the health insurance company, which was Medibank Private in this particular case, some time in November last year. The constituent actually went into hospital just after Christmas last year and then again later on in February, and it was only when they went to present their hospital bills to Medibank Private that Medibank Private said, 'Whoops, you are not covered by health insurance. Your health insurance payments ceased in November 1997.' They were able to pay an amount of \$365 to Medibank Private to get continuity with their insurance and I understand that Patrick has now paid. I am concerned that this can be a problem for people. What responsibility does the private health fund have to notify people that the direct payroll deductions have ceased to be received before they pass the two-month leeway they are allowed in making the payment?

Dr Loy—I would be happy to look into both the specifics and the generality of that issue and respond as best we can.

Senator FORSHAW—Can I just add a comment. I know as a member of the fund of Medibank Private that when I was making the contributions directly rather than having them as a payroll deduction that, as in any other situation, if you fell behind in your payments you would get a letter from the fund advising you and telling you that the benefits would cease if they did not receive a payment. Here we have a situation where employees apparently are not getting those letters, or at least there is no indication that they are getting advice that the employer has not made the contributions on their behalf.

Mr Podger—We can have a bit of a look at this but it is really an issue, as you say, amongst the fund and the employer and the individual and my guess is, not only are fund policy issues involved, but there are also direct legal issues about informed consent and all those sorts of things.

Senator WEST—We are dealing with Patrick as well as the employer.

Senator FORSHAW—We are dealing with a fund that is government owned. Is it still part of the HIC?

Mr Podger—Technically not.

Senator FORSHAW—That is right. That was last year, was it not?

Senator WEST—Yes.

Senator FORSHAW—But in any event, it is a matter—

Mr Podger—We had an officer from Medibank Private here earlier in the day just in case there were questions, but we let that person go.

Senator FORSHAW—We thought we would bring it up here.

Senator WEST—Sorry that we picked the wrong time.

Senator FORSHAW—Maybe he could look at it in due course.

Senator WEST—Look at the *Hansard*—that would be appreciated.

Senator FORSHAW—I have a couple of questions about James Cook University. Has the government made any commitments about establishing a medical school at James Cook University?

Mr Wells—There was a joint proposal from James Cook University and the Queensland health minister put to the Commonwealth minister last year. In response to that, both ministers established a joint working party between their respective departments, James Cook University and the Commonwealth Department of Employment, Education, Training and Youth Affairs. That working party has now concluded its task and reported to the ministers. The Commonwealth has been in some discussions with Queensland about that issue.

In Townsville at the moment there is a clinical school which is operated out of the University of Queensland. That clinical school was recently reviewed as part of the arrangements between Queensland Health and the University of Queensland. The review suggested that there could be additional support provided to that clinical school to make it more effective, and there have been some discussions around how that might be achieved between the Commonwealth and Queensland governments.

Senator FORSHAW—Will the setting up of a medical school at James Cook be dependent upon cutting medical school places at other locations?

Mr Wells—The proposal from James Cook was for a medical school with an annual intake of around 60, although in subsequent discussions with their planning dean, that number was increased to around 70. There have been various suggestions as to how those places could be funded. They could be funded as additional places directly to James Cook University or they could be provided by some mix of new places and places drawn from other universities, either in Queensland or elsewhere, or they could be funded by finding all the places from other universities.

There has been no decision on the Commonwealth's part about the medical school at James Cook University because there are a range of other things which would need to happen before any decision would be relevant. For example, the medical school there would need to get accreditation from the Australian Medical Council for its graduates to be able to register and practice as doctors. That process has been initiated by James Cook University but, according to advice from the Australian Medical Council, that process could not be completed before the end of 1999.

Senator FORSHAW—What are the other medical schools currently in Queensland?

Mr Wells—There is only one: the University of Queensland.

Senator FORSHAW—I thought I heard you just say that places could be provided by cutting places at other schools.

Mr Wells—I meant other schools either in Queensland or elsewhere in Australia.

Senator FORSHAW—I was going to ask you to identify the potential schools where places may be cut, but that appears to be a pretty wide range, doesn't it?

Mr Wells—There are 10, Senator.

Senator FORSHAW—I was working on the assumption that it might be a bit more localised than the whole of Australia.

Mr Wells—Some people have suggested—from universities other than the University of Queensland—that all the places should come from the University of Queensland.

Senator Herron—The southerners have suggested that, and it is resisted, of course, by the University of Queensland.

Senator FORSHAW—I am sure it is. When is the government likely to make some decision on this—whether they support the establishment of the school, and how it would be funded in terms of medical places?

Senator Herron—I think there is ongoing discussion. As far as I am aware—unless the officer can tell me otherwise—I do not think there is a time line on it because of all the factors that are involved.

Mr Wells—That is correct, Minister. As I indicated, all the evidence the government would need to make that commitment is not yet available—for example, the question of whether such a school could be accredited.

Senator Herron—There have been various discussions that I am aware of as to how it could be achieved, for example, by putting students there from the University of Queensland in their latter three years—this has been a University of Queensland suggestion. Where it has become a bit complicated is with the switch to second degree medical training, and so I do not think there has been a time line put on it as to when a decision should be reached.

Mr Podger—Senator, the nature of this exercise is that it is possible to make incremental decisions which are pointing in a direction, and it is possible that those sorts of decisions could come earlier rather than later, but a decision on an overall issue for a school, as Mr Wells has said, is subject to a range of things you would have to work through. It is no secret, as he mentioned, that we have been working with the Queensland government and with the James Cook people, and we have also been consulting with Queensland University on options in this area.

As a background to some of those options, we are very interested in trying to increase the numbers of medical students from rural areas and from Aboriginal backgrounds. If it were possible in any arrangement in Queensland that we could achieve that, or move towards that, by arrangements between Queensland University and the Townsville school, those are the sorts of things to discuss, and it may be possible to move those things a little earlier. To make a decision that there was going to be a total new school would take a number of steps, but there are other possibilities that you could move in that direction.

Senator FORSHAW—Maybe they should talk to the North Sydney Rugby League Club people and find out how you get these decisions made quickly. If you could get a rugby league team there, they might help them, I suppose.

Mr Podger—I think there is a rugby league team there already.

Senator FORSHAW—Whether they survive, I suppose—

Mr Podger—Unfortunately they pinched a few Canberra players and a coach.

Senator Herron—Just to give you an idea of the time frames of these things, I actually moved a motion in 1979 at a Liberal Party conference in Townsville—being an old Townsvillean—that there should be established a medical school in Townsville. We convinced

the Prime Minister that it was desirable—well, the motion was carried; put it that way. That was nearly 20 years ago.

Senator WEST—You are not holding your breath, are you, Minister?

Senator Herron—I am not holding my breath for a decision. It certainly has had a lot of impetus in the last couple of years.

Senator FORSHAW—Thank you.

Senator WEST—Has a health services inquiry been set up?

Mr Podger—I think you had better elaborate. I am not aware of one.

Senator WEST—On 8 May, there was an article in the *Herald* headed ‘Row over patient death inquiry’. It said:

The Minister for Health, Dr Wooldridge, told Federal Parliament on March 31 that he was establishing a ‘high-level committee of inquiry’ to investigate claims by more than 200 doctors that patients had died or been disabled because of the state of the health system.

Mr Wells—Senator, this relates to some material which was published in the media in March. It followed a survey form which had been published in the *Australian Doctor* magazine back in February and which invited doctors to respond to a number of questions, including: were they aware of any incidents where there were deaths or injury resulting from problems in the health system?

The people conducting that survey subsequently announced their findings to the media, and there was an indication that this was a major survey which showed major problems. The minister made his announcement and established an inquiry into this matter. He appointed three senior medical practitioners to the inquiry. I was the officer in the department who provided the administrative support to that group. We approached the people who had organised the original survey and obtained information from them, but it was clear that the survey was not in any way the sort of survey from which one could draw any conclusion other than that it had been published in a magazine and they had had some responses. There was no way of testing the authenticity of the responses or even testing whether they were from doctors or whatever.

The expert group decided that, on the basis of this, there was no point pursuing that particular inquiry, and advised the minister accordingly. However, they did point out that this certainly was an important issue and that the matter should be referred to the group being convened by Professor Porter which is looking more broadly into issues of quality safety in the health sector. That is what has been done.

Senator WEST—I see. This inquiry: the survey was anonymous, I understand.

Mr Wells—The survey forms were anonymous. We actually have received photocopies of the survey forms—provided to us by the organisation which conducted the survey—and they are anonymous, they are not identified. As I say, there was no basis on which any conclusion could be drawn from those survey forms, and certainly from the way they had been analysed by the organisers, one could not draw any conclusion at all.

Senator WEST—Why was the inquiry set up in the first place?

Mr Wells—It was not apparent that that was the case until we conducted the inquiry.

Mr Podger—I think it is fair to say that somebody who makes a claim in a health journal, a newspaper, that there have been deaths and other results from the health financing arrangements should be followed through to find out if those claims are valid or not. That is

why the minister wanted to see whether such very major claims had any real basis to them from the material which led to the article.

Senator WEST—What investigations had the department done prior to the minister announcing the set-up of the inquiry?

Mr Wells—We had done no investigations.

Senator WEST—So the department had not done any checks to check the veracity of the allegations or the article?

Mr Wells—The minister responded very quickly to the calls for an inquiry. The publicity and concern about it appeared and the minister responded very quickly. It was not one of those instances where there was a long delay.

Senator WEST—No, but it would also appear that there were no checks done to check the veracity and integrity of the—

Mr Wells—That was the first step we took: when the committee was convened, the methodology for the inquiry, if you like, was determined by the committee and we then proceeded to do it.

Senator WEST—Isn't it normal practice when these sorts of allegations hit the airwaves or print for the department to at least conduct some preliminary inquiries?

Mr Podger—I think the notion of public servants doing that in response to a survey run from time to time by an outfit linked to all the doctors runs some risk of lack of credibility amongst the doctors. To have an examination conducted by three senior medicos provides a little bit more credibility as to whether or not the claims have got validity.

Senator WEST—What magazine did it appear in?

Mr Wells—It was the *Australian Doctor*, which is a medical publication.

Senator WEST—Is it a refereed journal?

Mr Wells—No, it is not refereed, but the evidence that was available from the people who conducted the inquiry suggested that it was a survey of several hundred doctors and that it produced an overwhelmingly alarming result in relation to these matters. So it was purported to be a survey which at least had to be taken seriously.

Senator WEST—So the minister made the decision to go ahead with the inquiry. Who did he appoint to the inquiry?

Mr Wells—The three were: Dr Bryce Phillips, who chaired it; Dr Brendan Carney, who was then the Chief Executive Officer of the Royal Adelaide Hospital; and Mr Colin McCrae, who was then the President of the College of Surgeons—a New Zealand surgeon. I think his term might be about to expire.

Senator Herron—Yes, it is about to expire.

Senator WEST—How were they selected?

Mr Podger—The minister asked them whether they were willing to assist in any way.

Senator WEST—How many hundreds or how many—

Mr Podger—They are very eminent people in the medical area.

Senator WEST—Yes, I know, but they are not the only eminent people in the medical field, with all due respect to other eminent people in the medical field. Senator Herron is an eminent person—

Senator Herron—Bryce Phillips is a former president of the AMA. It was an AMA allegation. I think he was well chosen.

Senator WEST—So there were no particular selection criteria?

Mr Podger—There was not a process involving selection criteria, but it is pretty obvious that, within those three, we have a chief executive of a major hospital, a previous head of the AMA and a president of the College of Surgeons. It provides a pretty eminent field covering the sorts of areas where the accusations have been made.

Senator WEST—Yes. I do not want it to appear that I am reflecting upon their particular individual abilities, but I want to know how they were selected. Did the minister do the selections?

Mr Podger—Yes, the selections were made by the minister.

Mr Wells—And they were appointed by the minister. They were ministerial appointments.

Senator WEST—Right. I suppose I cannot ask you how much departmental advice was given because you will tell me that is policy.

Senator Herron—No. The three people involved are eminent in their field.

Senator WEST—I know.

Senator Herron—Do you mean other consumer representatives or something?

Senator WEST—Yes. Why was that selection made? Why was it the CEO of Royal Adelaide, not the CEO of Royal Melbourne or Royal Sydney or one of the major ones in Brisbane or Perth or—

Senator Herron—I cannot answer you. It was a ministerial appointment.

Senator WEST—Likewise, how was that former president of the AMA selected? What about the College of Physicians or the College of Urologists or—

Senator Herron—It was an allegation against a hospital that there was hospital misadventure.

Senator WEST—Yes, but physicians have concerns and neurosurgeons have concerns and orthopods have concerns.

Senator Herron—Yes, but the College of Surgeons represents everybody; all the orthopods, neurosurgeons, urologists—you name it.

Senator WEST—I am not going to get into an argument about demarcation.

Senator Herron—No. My understanding at the time was that there was a very serious allegation made. The minister moved very quickly and appointed three eminent people to do an investigation.

Senator WEST—But did not have the department investigate in any way what the potential veracity of the—

Mr Podger—As I said, if the department had investigated and given a view, our view may not have had as immediate an impact on the profession as the view of three eminent clinicians.

Senator WEST—So it was the profession you were concerned to allay the fears of, not the concerns of the public?

Mr Podger—No, it was credibility about the accusations. The accusations were in the *Australian Doctor*. That is where they came from. There was a survey of doctors and there was a very serious claim. If one is to look into it and have credibility in that, with all due

respect to my colleagues who are professional public servants, I do not believe that they would have the credibility of three eminent clinicians either with the public or with the doctors.

Senator WEST—You are not saying that your very well trained and highly reputable public servants, a number of whom are qualified doctors—some I presume have PhDs; others have medical qualifications—who have a lot of experience in administration, in the use of statistics and in research, in that respect, have no credibility, are you?

Mr Podger—Hardly. I am a great defender of the professionalism of the service, including some very eminent medical people we either employ or draw in through our committees and so on. What I am saying is that this process has been able to move very swiftly and has given credibility very quickly to the exercise. Also, I think if anybody else had looked at it, including the officers and the doctors in the department, they would have come to exactly the same conclusion as that which was come to.

Senator WEST—I am sure that they would have.

Mr Podger—And if the minister had selected another group of eminent clinicians they would have come to the same conclusion.

Senator WEST—I am not disputing the conclusion that they have come to; I am just wondering why some initial investigation was not carried out within the department before it got to this stage. How much was spent on this inquiry?

Mr Wells—The total cost of the inquiry was around \$300—\$220 of which was for the cost of photocopying the survey forms and the remainder of which was principally for telephone calls between the department and the committee members.

Senator WEST—So there was no meeting of the committee?

Mr Wells—There were telephone meetings of the committee; there were no travel costs and there were no fees paid to the members—they volunteered their time.

Mr Podger—That cost does not include the cost of the hours spent by Mr Wells himself.

Mr Wells—It does not include officers' time.

Senator WEST—So it is a bit more than \$300.

Mr Wells—It is difficult to cost; I have not calculated my hours on it.

Senator WEST—How long did the committee operate?

Mr Wells—The elapsed time was about three weeks. We convened the committee, as I said, by telephone within 24 hours of its having been appointed. The committee agreed on a process. We followed that process and, when we had the information back from the people conducting the survey, the committee again convened and came to a conclusion. We then prepared advice from the committee to the minister.

Senator WEST—And how quickly after the minister made the statement in the House that he was going to set up the inquiry did he appoint the members of the committee?

Mr Wells—I think they were appointed that day.

Senator WEST—Basically, the next day you had a telephone hook-up with them—or was it a couple of days later?

Mr Wells—No, within 24 hours. I cannot remember the exact time, but it was some time in the course of the next day.

Senator WEST—I am impressed the department can move quickly, but I do not know that I am impressed that the minister did not choose to at least have some preliminary work done

by the department to check some of the veracity of all this beforehand. So, during what was going to be a six-week inquiry, Dr Bryce was able to go off and have his holiday in Spain. It says somewhere in here that he would not be available for the last two weeks because he would be on holiday in Spain.

Mr Wells—That was irrelevant. The committee had come to its conclusion within three weeks.

Senator WEST—This article in the *Sydney Morning Herald* does not does not tell me that. It says:

According to the office of Dr Phillips, the inquiry chairman, he has been on holiday in Spain and will be gone for another fortnight.

I wondered what impact that might have been having upon the inquiry, but, as you had finished it all before then, it presumably had no impact at all. I wonder if the minister will be a bit more cautious next time and perhaps have some preliminary investigations done. Even though it only cost taxpayers only \$300, it might have been able to be saved.

Senator Herron—I think the minister is to be commended for his rapid movement, the key eminence of the people that were appointed, the low cost to the taxpayer and the fact that we did not spend an enormous sum of money both in the time of the bureaucracy getting together a report. We have a report that has been accepted by everybody in any case. What more do you want?

Senator WEST—Ninety per cent of your comments, Minister, I accept but I just think that the minister could have perhaps done some preliminary investigation that may have even reduced the need for some of what has happened.

Senator FORSHAW—I have a couple of questions which I think I can probably put on notice. I am not sure whether Senator West wanted to add some; but I will put on notice some questions on hospital waiting lists. We just need some data from you—I am not sure whether you collect them. Regarding dental health, you are aware of course that this committee and the references committee appointed recently on public dental health services have made some recommendations. I appreciate that was only recently. Does the department do any monitoring in relation to dental health issues at all?

Dr Loy—No. The department does not. The AIHW maintains some capacity.

Senator FORSHAW—I am aware of that. So you essentially rely upon the institute of health and welfare?

Dr Loy—Obviously the department will be considering the report and advising the government on a response in due course.

Senator FORSHAW—Does the department have a position as yet on the support for funding for an oral health survey?

Dr Loy—That is certainly something that we will be taking into account in advising on the response to the report.

Senator FORSHAW—Yes, it was in our report but, from memory, I believe it is something that has been raised and recommended prior to our inquiry. That is my recollection anyway.

Dr Loy—I think in general terms, we would recognise the desirability of a survey of that kind. The issue is its priority amongst everything else and that is something we will have to consider in the light of the report and other priorities.

Senator FORSHAW—I understand Senator West has some questions on rural and remote services.

Senator WEST—Yes, I do.

Senator FORSHAW—That might take us out I think.

Senator WEST—Can I do the figures first though, please. I am hoping, in this program, that ‘Alternative funding for general practice services’ has disappeared to some other area; that is when you have done that consolidation—on page 108.

Dr Loy—I think that funding did cease. The funding that is in the controversial appropriation that was discussed earlier in the day, if you like, is where the equivalent program will be funded.

Senator WEST—Has some of this gone into that or not?

Dr Loy—I do not think so.

Senator WEST—You might like to find out for me.

Dr Loy—I think that funding has ceased but we will check that.

Senator WEST—The next one below that is ‘International search for unrelated bone marrow’. I see that there is a drop of 28 per cent. I know we are only talking six figure sums, but you might be in desperate need of some unrelated bone marrow from overseas—or from anywhere—because you only have very limited compatibility. Why the drop? How many people is that going to affect?

Dr Loy—At the end of the day this is a demand driven program.

Senator WEST—It is demand driven.

Dr Loy—Whatever the need is, it will be met. An estimate has been made that the demand for the following year will be lower—I guess because of developments particularly in finding Australian donors. At the end of the day, the demand, whatever it is, will be met.

Senator WEST—In the one below that, ‘Acute health care—microeconomic reform initiatives’, for estimated outcome you have gone down with a bit of a flop and then come back up again. What is going on there? What is happening with the microeconomic reform initiatives? Are you running some of this financial year’s funding across into next?

Dr Loy—Yes. Relatively early in this it was decided that, clearly, we were not going to sensibly spend the allocation in 1997-98 and so there has been some rollover and some rephasing—in fact an additional year on the program.

Senator WEST—On the next page, ‘Establishment of musculoskeletal medicine clinics’—that cops a bit of a thundering, too.

Dr Loy—That was a program that was set up to examine the efficacy of—

Senator WEST—Is this the osteoporosis?

Dr Loy—approaches to musculoskeletal treatment. From memory, it was \$6 million over three years and the program is coming to an end during 1998-99.

Senator WEST—And it is not going to be continued or is it only the evaluation?

Dr Loy—Clearly, there will need to be an evaluation of the results of that program.

Senator WEST—When is that evaluation going to take place?

Dr Loy—During the current year.

Senator WEST—And who is going to do that? How is that going to be done?

Dr Loy—I will have to respond later on that.

Senator WEST—‘Performance measures for standards of quality and outcomes in Australian hospitals’—that is going to zero.

Dr Loy—Yes. It is a program coming to an end. In essence, that is one of probably several appropriations that have been wrapped up in the microeconomic reform initiatives or replaced. That work will be funded by the earlier appropriation on microeconomic reform.

Senator WEST—In that case, can you give me a bit of a breakdown of what is going to go into that microeconomic reform? You are telling me that it is a carryover from this financial year of the shortfall, but there is \$1.2 million in ‘Performance measures for standards’. I am just interested to know. What is happening with ‘Private health sector reform’—is that going into ‘Microeconomic’ as well? And what about ‘Palliative care’?

Dr Loy—Hang on. First step: yes, we can give you a breakdown of the microeconomic reform initiatives—and how we plan to spend that money. Private health sector reform was a specific allocation—again, a time-limited allocation—that was provided to see us through what was thought to be a temporary period of activity in terms of private health insurance. There is not a specific program allocation. In its rebalancing of its running costs, the department has funded continuation, obviously, of people to work on private health insurance and private health sector reform.

Senator WEST—What is happening to ‘Palliative care’? I know it is hardly acute care; but it is very important.

Dr Loy—Again, that individual appropriation is now taken up into the health care agreement appropriation.

Senator WEST—I presume the reduction in waiting time for elective surgery is too; is that right?

Dr Loy—No, it is not right. That goes into the microeconomic reform bucket.

Senator WEST—Over the page, ‘Reducing waiting times for elective surgery’—that has got \$3.6 million and it goes to zero. Where does that go?

Dr Loy—That is in Appropriation Bill (No. 2). That was funding to the states.

Senator WEST—So that is ceasing, is it?

Dr Loy—That would go into the agreements. The title is at least half misleading because it refers back to the original purpose for that appropriation—I think going back as far as the 1993 election. In fact, the national funding for that was more directed to projects in hospitals to improve throughput in operating theatres and the like. As I said, that has been taken up under the microeconomic reform money.

Senator WEST—That will do for the figures on this particular show. Rural and remote: have you any comments about this?

Dr Loy—The audit report is not bad. It is all right.

Senator WEST—It is all right! I might put some questions on notice about that, given the time constraints.

Dr Loy—In general terms, I think we are pleased that the auditor found that the rural health strategy had been well managed, that the department had done that adequately. There was a suggestion or a proposal in the national rural health strategy that there be an office of rural health in the department. We have chosen to go a somewhat different way and I think the auditor has some comments and views about that but I think we are probably right.

Senator WEST—You think he is right, or you are right?

Dr Loy—We are right. I think the auditor makes some very reasonable points about the fact that we have not progressed as far as we should have, or could have, in being able to measure outputs and outcomes in rural health. I think those points are well taken. It is not as if we are doing nothing, but we need to do better at that and we accept that.

Senator WEST—It does not appear among one of the department's key priorities. I would have thought with a population that is 27.2 per cent that live outside the metropolitan area that it should have appeared—I do not think, being part of that 27.2 per cent, that I am all that much of a minority.

Dr Loy—Are you referring to a specific piece of paper or part of the PBS?

Mr Podger—I am sorry, if I look at subprogram 2.3, 'Priority Outcomes', No. 4.

Senator WEST—You say subprogram 2.3?

Mr Podger—Page 101.

Senator WEST—Page 8 of the report states:

The corporate plan makes no specific reference to any objectives DHFS may have for its program activities dealing with rural health. Rural health does not, for example, appear among DHFS's key priorities within its range of programs.

Has the Auditor-General got it wrong?

Mr Podger—We do have two sets of documents: the *Portfolio Budget Statements* and our corporate plan. Our corporate plan is primarily about the how rather than the what, if you like. The *Portfolio Budget Statements* says, 'What are we meant to be achieving, what are our priorities in that sense?' Our corporate plan is more, in taking that forward and managing that through, how do we go about it? Mostly our corporate plan tries to pick up the things out of the PBS and it is reasonable that in this particular case, as the auditor says, we did not pick that up directly. We should have. All I am saying is that it is not true to say that it is not a priority because indeed we have a great deal of action going on in the department across at least three divisions on the rural area. There is Dr Loy's division, there is the Health Benefits Division, the questions you asked on subprogram 2.1 earlier, and there is the Aged Care Division. All three of them are doing quite extensive work in the rural area.

Senator WEST—I am only reading what is in the Auditor-General's report, which is what has led me to ask the question.

Dr Loy—I think you will find it in the corporate plan next year.

Senator WEST—Thank you. I think I will place the rest of my questions on this on notice.
[6.04 p.m.]

Subprogram 2.4—Mental Health

Senator FORSHAW—Can you give us a brief update on what development work has occurred with the second national mental health strategy so far and how things are going?

Dr Loy—There has been an evaluation of the first national mental health strategy. A second national mental health plan is nearing a final draft and will be considered by health ministers at their meeting in July. Dr Whiteford might want to add to that.

Dr Whiteford—The draft second national mental health plan has three planks to it. The first plank is to address promotion, prevention and early intervention in the area of mental health—a focus which had not been, perhaps, as strong as it could have been under the current strategy.

The second plank is around partnerships and service reform—continued structural reform of the public and, increasingly, the private sectors' mental health services. The third plank is quality and effectiveness—the development of data and outcome measures to ensure that the dollars we are spending in mental health service delivery are getting good quality outcomes for the patients.

Senator FORSHAW—What impact is the impasse, with respect to the signing of the health care agreements, having on this? Any at all?

Dr Loy—I think, as we mentioned in the discussion on subprogram 2.3, the funding will be paid. Funding has been identified within the context of what was offered at the Premiers Conference for mental health. I would expect that even where there is no agreement, funding will be paid on the condition that states support, join in and accept the second national mental health plan.

Mr Podger—I think the delays in signing the health care agreements have not so far had any detrimental impact on the development in this area. But it has, as we mentioned in that other committee discussion, led to some delays in some other joint activity on reforms and there is always a risk, if you like, of some collateral damage. But at this point we seem to be progressing quite well with the next mental health strategy.

Senator FORSHAW—I assume you are formulating this strategy with groups other than the states, are you? Or is it essentially a Commonwealth-state strategy that you are putting in place and then that gets worked through with the private agencies?

Dr Whiteford—The second national mental health plan was assembled with the states and territories but also with peak care and consumer non-government organisation groups. There is a strategic planning group for private psychiatric services which is convened by the AMA. It is chaired by the College of Psychiatrists and the Commonwealth participates along with private health insurers, private hospital providers and representatives of consumers and carers. The reform agenda that they are looking at very closely mirrors the second national mental health plan for the public sector.

[6.08 p.m.]

Program 3—Aboriginal and Torres Strait Islander Health

Senator FORSHAW—I have, firstly, some questions on eye health. On 13 June last year Professor Hugh Taylor reported to the minister for health on his review of eye health in Aboriginal communities. He made certain recommendations in that report which included regionalising the delivery of eye health services. Earlier this year when the Prime Minister visited the Northern Territory he announced some \$4.8 million in funding for Aboriginal eye health services. Can you give some more detail as to what is involved here—what time frame we are talking about, what type of service and the extent of the coverage.

Senator Herron—Yes. I have an answer here which I can give you. I am sorry, I did not realise we had the officer here.

Mr Podger—I will ask Helen Evans to give an answer on the details of that.

Ms Evans—The Taylor review that was released found that the existing delivery structures were pretty inadequate to deliver services, particularly to deliver specialist services out to regional areas. So the regional model is a way of integrating eye health into primary health care to get specialists out into regional areas where people are and also to better coordinate local regional and acute services. That is the model we are working on. Because it is very much a regional approach, it is being negotiated in an effort to get services to people where

they are—on the ground—through the primary health care services. It is being negotiated on a state by state basis and indeed, in many cases, on a region by region basis with the ophthalmologists and optometrists working closely with them and also with the local hospitals, looking at equipment and primary health care services. That is being progressed.

Senator FORSHAW—Is the \$4.8 million for services or will that cover pharmaceuticals as well?

Ms Evans—It is a combination of things. It includes the cost of Azithromycin which is being made available to rural and remote areas. But it also includes equipment to be available on a regional basis and training for health care workers—so that there can be early diagnosis and treatment. It is training health care workers in the use of equipment and in the early detection of trachoma and a range of things like that.

Senator FORSHAW—Are you able to give me a proportional breakdown of the \$4.8 million into those categories you have just talked about—training, services, pharmaceuticals?

Ms Evans—I cannot give you an exact breakdown but I can take that on notice if you like.

Senator FORSHAW—Thank you; that would be good. If I understand this correctly: in the Northern Territory, South Australia and Queensland, the services which operated until 30 April this year were defunded prior to the commencement of the new service. Is that right?

Ms Evans—In Queensland, the Northern Territory and South Australia there were trachoma councils set up—that is true—and they have been operating for about 20 years and were set up at a time when rural services were much less organised and much patchier. They operated on a state top down model. I think that the Taylor review found that a better and more effective way of reaching people was a regional approach. And so, it is correct to say that those councils have had their funding ceased from the end of April—but the skills of the staff there are being utilised as much as possible in the regional planning.

Senator FORSHAW—When does the new service commence?

Did you give me a date for that before?

Ms Evans—It is being negotiated—as I said—on a state by state basis. In South Australia there is a plan that has been endorsed. In Queensland they are in the final stages of endorsing it. In the Northern Territory they are well advanced. So it is being developed incrementally across the country.

Senator FORSHAW—I am a bit concerned and confused about this. If the existing services in those two states and the Northern Territory were defunded but the new service is not up and running yet, what is happening with funding in the meantime? You said earlier the personnel were still being utilised, but what is happening at the moment?

Ms Evans—The trachoma councils in those two states and the territory essentially were organising regional visits in some areas by ophthalmologists from the centre of the city. So they were not providing the bulk of the services. The services of the ophthalmologists that they were organising are, as I understand it, continuing.

Senator FORSHAW—What was the last bit? I missed it.

Ms Evans—The role of the council was to organise visiting services to some areas by ophthalmologists on a quarterly basis. My understanding is that in a number of those areas the ophthalmologists themselves are continuing to visit. The regional model is actually to provide a much more extensive cover. This was trachoma councils which covered only

trachoma, whereas in fact one of the other eye health issues is diabetic retinopathy. We are hopeful that the new regional scheme will actually be a much more extensive health cover.

Senator FORSHAW—Who is picking up the cost of funding these visiting ophthalmologists and others?

Ms Evans—Their costs will, as they have been in the past, significantly continue to be covered under the MBS scheme because they are private practitioners.

Senator FORSHAW—What impact will the new service have on Medicare, if any?

Ms Evans—It is not possible, I think, at this stage to estimate, but the services of the ophthalmologists, as they have been in the past, will be claimed under MBS.

Mr Podger—I expect that what we probably will not be able to detect is a small increase in the MBS expenditure but, more importantly, some shift in MBS expenditure to these clients rather than others, which is exactly what we would wish to achieve.

Senator FORSHAW—That completes eye health services, unless you have something else?

Senator WEST—Not on eye health services. I am wondering where the army programs fit in in relation to the delivery of Aboriginal health. Could you tell me somewhere in the figures where that fits?

Ms Dunlop—There isn't a separate allocation in the current budget papers for the army projects. The work that we are doing with the army and with ATSIC is to build the infrastructure in environmental health. So that fits very closely with what we are doing in building the primary health care services.

Senator WEST—In those projects that are involving the army, what is the total expenditure on each of the projects?

How does the break up occur?

Ms Dunlop—There are only two projects that are completed to date. The projects are all in various stages of development. The Bulla project has been completed in Oombulgurrie, but the time for completion of delivery of the remaining projects goes through until 1999.

Senator WEST—In the two completed, how much did Health put in? What was that for?

Ms Dunlop—The total contribution to the pool of funding available by Health was \$5 million, but that is for all of the projects. We did not break it down so much for each project as to the Health contribution.

Senator WEST—So what does that expect that your \$5 million will cover?

Ms Dunlop—We did not separately identify things for the Health component. The funding is all pooled.

Senator WEST—These infrastructure projects, they require recurrent funding, do they?

Ms Dunlop—No, they are one-off.

Senator WEST—What sorts of projects are they?

Ms Dunlop—Sewerage works, houses, dust abatement programs, water tanks and an upgrade of an airstrip—they are the major works.

Mr Podger—Our contribution was by way of a financial contribution. It was effectively offset out of our department's moneys that we had arising out of the provider number changes and additional funds put in for rural health. We held back our spending on that in year one and passed on \$5 million across to this exercise as a general contribution. As Ms Dunlop said,

you cannot go through this and say, 'This much was HFS and this much was ATSIC.' We made a general contribution of \$5 million towards this overall.

Senator WEST—And this much was Army. I am trying to get some sort of breakdown of the overall total.

Mr Podger—We can provide you with some information on what the expected, agreed funding is for the projects but I hasten to say that the Army contribution is not entirely included in that because a lot of that is the implicit costs of the Army personnel, equipment and so on. So their costs are in addition to the numbers we would be able to provide you.

Senator WEST—So Army provided the personnel?

Mr Podger—And equipment.

Senator WEST—That came out of their budget?

Mr Podger—It comes out of their normal operational budget arrangement.

Senator WEST—What else did Army do?

Ms Dunlop—They have also provided some screenings and dental services in the communities that they have been in already.

Senator WEST—When they have visited?

Ms Dunlop—Yes, they have taken their medical teams as well.

Mr Podger—They have also done some training of local people in building trades and things like that as they have been going through the work.

Senator FORSHAW—Regarding sexual health services, the report of the ANCARD working part came down in March last year. It included, of course, the national indigenous Australian sexual health strategy. Queensland has already signed the agreement with the Commonwealth. What is the position with other states and territories?

Ms Evans—The arrangement on the indigenous sexual health funding is that we have bilateral agreements on agreed projects. It is not signing off to the sexual health strategy; it is actually a bilateral agreement on which projects will be funded. Queensland has signed off, the NT funding has been approved and the New South Wales funding has been approved. All states and territories have now submitted their proposals. There are a number with the minister. The South Australian one has just been received and has not yet gone to the minister.

Senator FORSHAW—So Queensland has signed it off.

Ms Evans—New South Wales has signed off. The NT has signed off.

Senator FORSHAW—South Australia has just submitted one.

Ms Evans—Yes.

Senator FORSHAW—That leaves Western Australia, Tasmania—

Ms Evans—and Victoria. They are with the minister.

Senator FORSHAW—And the ACT?

Ms Evans—Yes, but the ACT have requested that their money be rolled up, so they did not actually want any funding for this year. They are going to start next year.

Senator FORSHAW—So Western Australia, Tasmania and Victoria are yet to reach some agreement. Is that the position?

Ms Evans—They are with the minister.

Senator FORSHAW—Okay, the proposals—

Ms Evans—are with the minister.

Senator FORSHAW—How much money has been allocated to the states that have been finalised?

Senator LIGHTFOOT—On that point, Senator and also Minister, is that just in respect of Aboriginal health funding? Is it the general funding for the states that we are talking about?

Ms Evans—No, this is particularly for the indigenous sexual health services.

Senator LIGHTFOOT—Sorry, Senator Forshaw.

Ms Evans—There is \$1.8 million to Queensland, \$944,500 to the NT and \$1.6 million to New South Wales for 1997-98.

Senator FORSHAW—There is a total of \$12 million. Will the remainder be taken up across the other states? Maybe you can explain what happens with the rest of the funds. I understood the strategy included this coming financial year, 1998-99, as well. Does that mean more funds will be available for next year?

Ms Evans—Yes, more funds will be available for next year. Perhaps I could take that on notice. I could give you a breakdown of a chart with figures. There are some national projects also, so it has not all gone out in state allocations.

Senator FORSHAW—But the amount, for instance, to New South Wales or Queensland, is not the total that that state would necessarily receive. Could those states get more?

Ms Evans—For next year they will.

Senator FORSHAW—On health framework agreements, Minister, is it correct that the Northern Territory is the only jurisdiction that has not yet signed the health framework agreement for Aboriginal and Torres Strait Islander health?

Senator Herron—Yes.

Ms Evans—If I could just clarify this: the Northern Territory has signed.

Senator FORSHAW—They have signed?

Senator Herron—Sorry.

Senator FORSHAW—So they have signed. That was quick!

Senator Herron—Senator, I thought that Helen, when she was nodding her head, was telling me that you were correct when you were saying that the Northern Territory had not signed.

Senator FORSHAW—There is a lot of signing to be done these days, isn't there? I was going to ask you what was the reason they had not signed, which I understood was their objection to having to consult Aboriginal organisations in regard to planning issues. I am right that that was their objection?

Ms Evans—Initially they had some reluctance to having the community control sector as a party to the framework agreement. They have now changed their position on that.

Senator FORSHAW—They have agreed?

Ms Evans—Yes. All four parties have signed.

Senator FORSHAW—What monitoring role is the Commonwealth proposing to undertake in relation to these framework agreements?

Ms Evans—There is reporting laid down in each of the framework agreements. They are required to report to ARMAC at least annually and also there will be reporting through the national advisory council to the minister. But there will be annual reporting to ARMAC.

Senator FORSHAW—Can we be provided with copies of the agreements?

Ms Evans—Yes.

Senator FORSHAW—That would be appreciated.

[6.29 p.m.]

Program 7—Leadership and Management

Subprogram 7.1—Executive Services

Senator WEST—Maybe you could take this matter on notice. I have just noticed that in subprogram 7.1 in the figures on page 241 there is a variation of minus 70 per cent in ‘Social and economic micro-simulation modelling’. I am wondering what the details of that particular little issue are.

Dr Wooding—That is just a change in the arrangements for the funding of the National Centre for Social and Economic Modelling. It comes from the previous budget, the 1997-98 budget. You will find it in the PBS there. We moved from a funding arrangement where we provided about \$850,000 to a new arrangement where we are going to do a contractual arrangement with joint funding with the Department of Social Security and the Department of Employment, Education, Training and Youth Affairs.

Senator WEST—Maybe you can give it to me on notice. I would be happy for you to do that.

Dr Wooding—I will give you the measure in writing.

Mr Podger—I just mention that there is a total reduction overall compared to the previous agreement which has come to an end, but we are sharing the new contract with the other two portfolios.

Senator WEST—I would like to know why there is a total reduction, but I am happy to have that on notice at this stage of the proceedings. I can hardly think straight. On 7.1, I presume that there is increased money going to volunteer management program services. Is that right?

Dr Wooding—That would be 7.2.

Subprogram 7.2—Corporate Services

Senator WEST—I will move on to subprogram 7.2.

Ms Searson—What page are you on, Senator?

Senator WEST—It is on page 245 and then it reappears on page 250. Maybe you can take the question on notice and give us the details of what the increased money going to the volunteer management program services is all about.

Ms Searson—I can tell you that there is \$1.6 million allocated over each of the next four years for the volunteer management program, which is almost doubling the amount.

Senator WEST—What is it going to do? Who is going to get it?

Ms Searson—We are going to increase funding to the existing state centres and referral agencies to give some parity. At the moment the funding is quite ad hoc. We are also going to put in a number of additional agencies across the states.

Senator WEST—Can you give me the details of that on notice?

Ms Searson—Yes.

Senator WEST—I notice on page 246, ‘Services provided to the Ministers’ Offices, Executive, management, clients and staff’, that the target for processing and distribution of ministerial correspondence to action areas is within three days of receipt. That is fine, but what about how long it takes to actually get the reply back to us? I think very clearly of that particular letter I had the other day that Ms Halton is looking at. There are occasions when you need those sorts of replies quite quickly, and I think three months to get an exemption, or to seek an exemption—I have not got it yet—is less than satisfactory. Maybe you can give us some sort of indication—I am sure you do it for the ministers—of the length of time that it takes normally to reply, what your aim is and how often you meet that.

Mr Podger—This is actually the responsibility within this group. Their responsibility is to move the correspondence around the organisation and move it quickly. You will see under each of the other programs—for example, if you look under program 6.3—

Senator WEST—I know it appears in all the other programs too.

Mr Podger—Yes, and we do actually have particular targets. The detailed targets are not down here but there are targets we have got. I will also accept, particularly after the questions you raised yesterday, that we are not performing as well as we should have on a lot of those. But we do have targets on those, and they appear elsewhere.

Senator WEST—If you had not had targets, Mr Podger, I would have been very critical of your management of the department.

Mr Podger—I accept that.

Senator WEST—But I am accepting that you do have targets and I am wondering whether you can give me some figures that indicate how the department is going at meeting its targets. I am happy for that to go on notice.

Mr Podger—We will take that on notice. I think it is fair to say that we have got some way to go to get to the targets we have set ourselves.

Senator WEST—I would agree with that. On page 250 and again on page 298 you talk about ‘Establishment of a peak body on homelessness through enhanced funding of the Community Sector Support Scheme’. It seeks to establish a single peak body for homelessness. I am quite happy for you to take it on notice to provide details of that. Who is going to belong to the peak body, where is it going to live, what are the membership criteria? Obviously it is not going to be a great deal because you are only spending \$200,000, but what is their role, who is involved, how is it being set up, and where and when? I would like all of that sort of detail, and I am happy for it to be on notice.

Mr Podger—We will take it on notice.

Senator WEST—Thank you. I think that is all from me for a bit.

Subprogram 7.3—Information Services

Senator FORSHAW—There is one other matter that you were going to deal with in program 7, and that is the decision by the department to discontinue publishing service details in the *White Pages*.

Ms Searson—We took the decision in March or April of this year to discontinue sponsorship. The department’s sponsorship cost about \$200,000 a year, and in working with Telstra looking at those pages they advised us that they were redesigning and the sponsorship

cost would potentially triple, so it would be between \$600,000 and \$800,000 a year for sponsorship. Looking at the increasing cost and the fact that the department was actually looking at other ways in the budget context of improving information on services available to the community, and also the fact that the pages were compiled on a first in, best dressed basis as opposed to any sort of selection criteria for those organisations, the decision was made to discontinue.

Senator FORSHAW—What consideration was given to the fact that discontinuing having this information published could well have some quite serious and significant consequences for people who may need to contact some of these services? Some of this information is obviously very important in emergencies.

Ms Searson—We did consider the fact that there would be some criticism of the discontinuation. Again we looked at that in the context of the number of the organisations also having other listings in the normal *White Pages* and, consistent with other ways the department communicates with groups, we took the decision to cease sponsorship.

Senator FORSHAW—I have to say I find it a most distressing decision, given the way in which the information is assembled. I am looking at a couple of pages out of the Australian Capital Territory *White Pages*. There are useful numbers for aged care services and it takes it through from the ACT Department of Health to senior citizens clubs. It includes information on carer information and support and then particularly the community health and welfare services, counselling, drug and alcohol services, emergency accommodation, food and clothing emergencies, rape crisis and services for the disabled. I find it very disturbing that a decision like this can be made.

If there is a cost issue with Telstra, surely there should have been some attempt to sort that issue out. Telstra is still owned 67 per cent or something by the government. I think it is pretty disgraceful, really, that you have got to get to the level of cutting out—

CHAIR—Have you got a question, Senator?

Senator FORSHAW—It is a comment, but I am looking for a reaction, I suppose. Are you concerned about this?

Mr Podger—You have got to put it into two contexts. One is that we were being told that the costs of this were going to escalate very substantially and we therefore had to take a view on whether we were going to do it that way. The other context is that we were currently looking at other ways of handling information. Over the next period we will be using our Internet arrangements and we intend to develop a very substantial online arrangement which will link into a range of information for consumers, not only in terms of services but also on health issues and so on. So it was a judgment made that we were on a threshold. Do we pay three times as much now, knowing we are actually going to go in a different direction at some point and we have got some money to start progressing that different way of doing it, or not? That was the context. You should not take the decision as being a reflection that the department does not wish to be involved in promoting information about services.

Senator FORSHAW—I am conscious of the time, but, Minister, is this a matter that has been considered by the government? Because what we have been told here is that, because of significant cost increases by Telstra, information which I would suggest is vital, and I think everybody would agree, is no longer going to be published in the telephone *White Pages*? The world might be getting onto the Internet but, generally, the first place people who are in a crisis situation or who need the services of government departments like Health and Family Services go looking is the telephone book.

Senator Herron—The state government pages have the various instrumentalities that are available in state government listed, and I would have thought that would be the first port of call. I am sure that was taken into consideration.

Senator FORSHAW—Was there any consideration at a higher level than the department? Did the minister want this?

Mr Podger—The matter was discussed at one stage with Minister Smith's office.

Senator FORSHAW—Thank you.

Ms Searson—I have one last comment. I know it does not address your concerns, but the age pages that are in a number of phone books actually remain; they are not ceasing.

Senator FORSHAW—Yes, but they are community ones, the other ones I read out are not.

CHAIR—Written questions have been placed on notice by senators Denman, Lees, Forshaw, Murphy, Crowley, Harradine and West. I thank the minister, Mr Podger and all the officers for their patience and tolerance and for the time that they have given the Senate.

Proceedings suspended from 6.41 p.m. to 7.55 p.m.

DEPARTMENT OF SOCIAL SECURITY

Proposed expenditure, \$1,500,324,000 (Document A).

Proposed provision, \$1,163,477,000 (Document B).

In Attendance

Senator Herron, Minister for Aboriginal and Torres Strait Islander Affairs

Executive—

Mr David Rosalky, Secretary

Mr Jeff Whalan, Acting Deputy Secretary

Executive Directors—

Ms Kerry Flanagan

Mr Graeme Hope

Mr Geoff Leeper

Ms Lisa Paul

Mr Michael Sassella

Mr John Powlay (Acting)

Program 1—Income Security for the Retired

Mr Evan Mann, Assistant Secretary, Retirement Programs

Ms Glenys McIver, Director, Means Testing Policy

Program 2—Income Security for People with a Disability and for Carers

Mr Andrew Herscovitch, Assistant Secretary, Disability and Carers Programs

Program 3—Income Security for the Unemployed

Ms Shirley Douglas, Acting Assistant Secretary, Labour Market Programs

Ms Peta Winzar, Assistant Secretary, Youth Allowance Implementation

Program 4—Income Security for Families with Children

Mr Alex Dolan, Assistant Secretary, Families and Children

Ms Karen Wilson, Director, Families Policy

Ms Jo Page, Families Policy

Ms Serena Wilson, Assistant Secretary, Parenting

Program 5—Housing

Dr Keith Ogborn, Assistant Secretary, Housing Programs

Program 6—Special Payments and Services

Mr Lloyd Scholes, Director, Special Payments and Rural Section

Portfolio Agency Services (Corporate)—DSS

Mr John McWilliam, Assistant Secretary, Budget Development

Mr Les Blacklow, Assistant Secretary, International

Ms Tricia Rushton, Assistant Secretary, Information, Statistics and IT

Ms Joan Corbett, Strategic Development and Change

Mr Chris Foster, Assistant Secretary, Strategic Analysis and Evaluation

Mr Peter Whiteford, Director, Social Research Projects

Ms Helen Fleming, Assistant Secretary, Legal Services

Mr James Jordan, Assistant Secretary, Executive Projects

Mr Jeff Popple, Manager, Corporate Unit

Commonwealth Services Delivery Agency (Centrelink)

Executive

Ms Sue Vardon, Chief Executive Officer

Mr Ross Divett, Deputy Chief Executive

Ms Jane Treadwell, Chief Information Officer

Portfolio Agency Services (Corporate)—Centrelink

Mr Vic Rogers, Chief Auditor and General Manager, Audit and Evaluation

Mr Graham Bashford, General Manager, Business Development

Mr Andrew Moran, Account Manager

Ms Di West, Account Manager

Mr Mike Goldstein, General Manager, Contestability and Contracts

Mr John Wadson, General Manager, The Gateway

Ms Carmel McGregor, National Manager, Disability, Rural and Housing

Ms Carolyn Hogg, National Manager, Employment

Mr Chris Holland, Director, Employment

Mr John Gibson, Employment

Mr Dennis Mahoney, Acting National Manager, Families and Children

Mr David Batchelor, National Manager, Gateway Management

Ms Margaret Kilpatrick, National Manager, Retirement

Mr Brian Silkstone, Acting National Manager, Youth and Students

Ms Sue Finnigan, Manager, Work for the Dole and Mutual Obligations, Youth and Students

Ms Sally Babbage, Manager, Business Management, Youth and Students
Ms Mandy Ritchie, Acting National Manager, Budgets
Mr Hank Jongen, National Manager, Communication
Mr Norman Walker, National Manager, Customer Service
Ms Jenni Colwill, National Manager, People Management
Mr Paul Conn, Area Manager, Calls Centre Support
Mr Rod Gibson, National Manager, Compliance Support
Mr Brian Pacey, National Compliance, Compliance Services
Mr Alan Bain, National Manager, Compliance Support
Mr Brian Richardson, National Review Coordinator, Compliance
Mr Les Matthews, Manager, National Property
Mr Peter Rock, National Manager, Multicultural Services
Ms Vie Foster, Director, Customer Notification Team

Department of Finance—

Ms Nicky Feijen

CHAIR—I thank Dr Rosalky and the various officers who have spent so much time trying to give us a set of figures that we can understand this time around. I look forward to hearing your explanation for the expansion we are now seeing in the presentation of the figures. Dr Rosalky, I invite you to make an opening statement in explanation.

Dr Rosalky—Since our earlier hearing we have provided to the committee a corrigendum to table 3.3 from the portfolio budget statements of the social security portfolio and a set of supplementary information which aims to present the information in the same format as it is in the portfolio budget statements so that how the tables link is transparent and also to roll those tables up in different ways to show some of the management components, such as salaries and other elements of the running costs, for each of the Department of Social Security and Centrelink. We are presenting here the figures covering the whole of the portfolio of social security so it does include payments appropriated to and for the Department of Social Security but also appropriations to the Department of Social Security to be paid to Centrelink as a fee. The very large part of the moneys appropriated for running costs in bills No. 1 and No. 2—of course, I am not including here the large program amounts which are all the payments made to its customers—is the fee the department pays to Centrelink for the services that Centrelink provides for our programs. So those payments are made and appear as a particular line in this table of outlays—it is the line that has \$1,361.628 million in the first year and goes across.

As both the Department of Social Security and Centrelink are on the public account, we are obliged to present these outlays as they flow in and out of the public account. So what we see in that first column is that, in the 1997-98 budget, Appropriation Bill (No. 1) appropriated \$1,361.628 million to the Department of Social Security. That appears as an expenditure for us. We pay that to Centrelink and because they receive it on the public account you see it below the line—about five lines from the bottom—as being received by Centrelink under section 31 of the Financial Management Accountability Act and then it is paid out by Centrelink again as they actually expend it on services—their salaries and all those sorts of things. So it appears again as an annotated appropriation for Centrelink about halfway down the page. Because all those fees are moving between the department and Centrelink and are

on the public account, they actually appear three times. It is really in the presentation of those flows that we ourselves made some mistakes in the earlier table. More importantly, the fact that these payments appear three times does add to the complexity of the presentation of these tables. In the bottom line they appear only once because only once are they expended from the budget to the public, if you like.

So I needed to explain why those lines appear three times. You will see that Centrelink is mentioned several times in that table and nearly all the entries for Centrelink are annotated appropriations because they are appropriations that accumulate to Centrelink on the basis of moneys they actually receive from other organisations, be they DSS or other departments.

Senator WEST—So they are transfers around the system?

Dr Rosalky—Yes, they are. As well as receiving the approximately \$1,361 million that DSS pays to Centrelink, they are also budgeted to receive \$218 million in 1997-98 from other departments—principally Health, DEETYA and DPIE—and there are some very small components from other portfolios. The only actual direct appropriation to the Centrelink, if I remember rightly—and someone will correct me, I am sure, if I am not—is the carryover moneys from one year to the next; they actually have to be reappropriated directly to Centrelink and not through DSS for reasons that relate to the accounting conventions under which we operate.

Senator WEST—Could they have got a more confusing way to actually do these figures?

Dr Rosalky—It is an international accounting convention, but I think it is not conducive to the current forms of payment. In fact if we move into a form of accrual accounts we are about to change it fundamentally anyway. We are not sure what it is going to look like yet.

Senator FORSHAW—I was not present during the initial estimates hearings so I am not as conversant with the issues as members of the committee are. This might be, therefore, a question that has already been covered or it might be a totally stupid question, I do not know. I am still having trouble understanding why the figure that you have referred to, the \$1,361.628 million, appears three times. Are we looking for a balance at the end of the day? I understand when something is in and out and it balances, but I am not sure of this one.

Dr Rosalky—It is really because we are both in the same account, the public account. If Centrelink were a private organisation, or even a public organisation with its own bank account, these moneys would only appear once. DSS would pay it to them off budget—end of story. But, in fact, as we hand them the cheque, they receive it back on budget and back in the public account. They, in a notional sense, bank it and then spend it on their salaries, et cetera. That is why there are three entries. We have to see what DSS pays as a fee and, separately, what Centrelink receives on the public account from us and other departments and expends in exercising their operation. That is why it appears three times.

Senator FORSHAW—I think I have just got it. But you are not looking for a nil balance at the end of the day—

Dr Rosalky—Not a nil balance.

Senator FORSHAW—you are looking for the actual balance which corresponds to the one payment.

Dr Rosalky—Under the old DSS, where there was not a separate Centrelink, this money would have been seen as a single entry because we would have been paying it directly on salaries and other services, but we now pay it to Centrelink which receive it and then pays it out themselves. So there are those three entries.

Senator WEST—Can I ask about some of the sets of figures. There is a rather large variation between the first corrigenda and this one in Appropriation Bill (No. 1) on running costs for DSS and then Centrelink. When you look at the estimated outcomes for this financial year, you will see the original corrigenda has \$1.618 billion; the second corrigenda, today's corrigenda, has \$61.64 million. There is one hell of a difference there. Can someone please explain that?

Mr McWilliam—Basically, we had incorrectly shown the moneys that Centrelink had spent out in 1997-98. As Dr Rosalky said, once Centrelink has received that money and has spent it out, then it is shown. What we had shown there was the money that Centrelink had spent out, plus its carryover, when in fact that money should have been reflected further down in the annotated appropriations—in other words, the moneys that it is spending out down there. So Centrelink delivery of services for DSS—that figure of \$1,618,563 million that was there—consists of the \$61.640 million which is the estimated outcome on its carryover, plus—if you go down a few lines to the annotated appropriations—Centrelink delivery of services for DSS, the \$1,332.635 million, plus the Centrelink delivery of services for other portfolios annotated appropriations, \$224.288 million. So what we had done was misapplied it. It was really an annotated appropriation as Centrelink spent that money.

Dr Rosalky—Centrelink spent both those sets of money. It is a question of accounting what part of it is attributable to the appropriation for purposes of carryover from the previous year and what part is attributable to the moneys they receive from us as a fee—in some senses that is purely an accounting distinction. All those moneys were jointly spent on the operations of Centrelink for services to DSS.

Mr McWilliam—I might add that there is a difference between what happened in 1997-98 and what happens in the 1998-99 budget in other years. That is because Centrelink has actually spent that money in 1997-98 but has not actually yet spent it in 1998-99. That is only recorded once—

Senator WEST—1998-99 has not occurred yet.

Mr McWilliam—That is exactly right. It cannot be recorded until that year has actually happened. In 1998-99, for instance, if you look at those figures that I had on the annotated appropriations for delivery of services for DSS and delivery of services for other portfolios, we are actually showing those moneys there as new lines to show what it expects to spend.

Senator WEST—What happened? In the first corrigenda you suddenly went to \$28.769 million when everything else was \$1.25 million. You have gone back to \$1.25 million. I presume there was a mistake there, too.

Mr McWilliam—There was, Senator. That \$28.769 million comprised the DSS annotated appropriation of \$1.25 million, plus, at the bottom under Appropriation Bill (No. 2), the \$27.519 million for the Centrelink computer. So that was put in the wrong place.

Senator WEST—So you have had to alter some stuff from Appropriation Bill (No. 1) and Appropriation Bill (No. 2)?

Mr McWilliam—Yes, we have those incorrectly shown.

Senator WEST—What figures appeared in the original appropriation bills? I do not know how many amendments you probably have had now to them. What figures were shown?

Mr McWilliam—These are the figures that are shown in the appropriation bills. These match the appropriation bills.

Senator WEST—They match the appropriation bills?

Mr McWilliam—Yes.

Senator WEST—There is no variation on that?

Mr McWilliam—They were incorrectly showing the totals of the appropriation bills in the original table, but the total outlays for all years, except the 1997-98 estimated outcome, remain the same. It is because of the flows between the different years.

Senator WEST—But you have just told me that you have done alterations and that you had some things in Appropriation Bill (No. 1) that you should have had in Appropriation Bill (No. 2), so are the figures in Appropriation Bill (No. 1) the same as the figures that you have put into the PBS?

Mr McWilliam—The figures that we now have in table 3.3 line up with the figures in the appropriation bills.

Senator WEST—Consider me stupid, but when we have had to take \$28.769 million, which is in Appropriation Bill (No. 1), and put it back to \$1.25 million, and it has gone into Appropriation Bill (No. 2) in that \$27.519 million—I have not done the maths, and I have not got the appropriation bills with me—

Mr McWilliam—It did not line up previously; it does now.

Dr Rosalky—I have the appropriation bills, and they do line up. I have not checked every single number, but I think that is correct.

Senator WEST—Damn! I shouldn't have asked the questions, then I could have gone into the house and asked the minister why the appropriation bills did not add up to the PBS.

CHAIR—That is why we are having this hearing, Senator West.

Senator WEST—Finance looked at these initial figures, your initial PBS, didn't they?

Mr McWilliam—No. Finance does not see the PBS before it is published, Senator.

Senator WEST—What about the corrigenda?

Mr McWilliam—We have not cleared the corrigenda with Finance.

CHAIR—But none of that goes to Finance, does it?

Mr McWilliam—No, Senator.

Senator WEST—I have to say that I am not impressed with your bookkeeping.

CHAIR—But this bookkeeping is what has been going on for years, isn't it?

Senator WEST—Not the format.

Dr Rosalky—The methodology has.

CHAIR—The methodology is the same.

Senator WEST—It is not the methodology; I am not impressed with the fact that the figures are a bit like a 'dog's breakfast'. Can I now turn to the other ones. Have there been some corrections with these?

Mr McWilliam—No. That is supplementary information to further explain the information in the portfolio budget statements. To follow up on some of the questions that you asked earlier on: the first, the consolidated table 3.3, was just a reformulation of that table to a more simplified form to bring together what moneys there were for DSS and what moneys there were for Centrelink.

Senator WEST—Yes, but we had to fix up some maths along the way, didn't we?

Mr McWilliam—Yes, but—

Senator WEST—On the table of appropriations, you have had to correct last year's budget. I would have thought that that would have jumped out and hit you. You have had to correct the budget for this year. You have had to correct the forward estimates for next year, the following year, and the following year after that, and you have had to change the estimated outcomes in the total outlays.

Mr McWilliam—Senator, what I intended to say was that that table was a restatement of the corrigenda to present it more simply.

Senator WEST—I appreciate that, and I can now see where various things are going, which makes me happier.

Mr McWilliam—The next page which has the summary of Centrelink funding, you were interested in the total amount of funding that Centrelink received, so we have included this table just to provide that summary.

Senator WEST—That is more helpful. I will still be interested in seeing Centrelink's annual report, because I am not getting a clear handle on what they are doing to whom, and things like that. But that is not for tonight.

Mr McWilliam—You asked us to reformulate the tables in section 6, which we have done in the way you asked, and I will come to that shortly. We thought you were also asking about the moneys in those program tables in section 6: firstly, what was the total amount; and, secondly, what moneys DSS was responsible for.

Senator WEST—Can I just find the tables I am meant to compare it with, please.

Mr McWilliam—These are the tables in section 6 of how the programs are resourced.

Dr Rosalky—But they were never rolled up like this.

Mr McWilliam—But they were never rolled up like this. This is a new table, and it was to answer your questions—

Senator WEST—Where is superannuation?

Mr McWilliam—firstly, what is the total amount that is being spent; and, secondly, what moneys are being spent by DSS and what moneys are being spent by Centrelink. What we have done here is to show the superannuation administrative expenses and minor capital in a consistent way across those tables, broken up by DSS and Centrelink. In that table, we have also included quite a number of footnotes to explain what the various appropriations are for. You were also interested in the salaries and administrative expenses as they were the previous year, so we have included an abbreviated version of that table as well.

Dr Rosalky—Broken by salary, administrative expenses and property operating expenses.

Mr McWilliam—The remainder of the tables are reformulated in the consistent way shown in line with the 1998-99 appropriations structure.

Senator WEST—Which still leads me on to questions along the line of what some of the variations are. Now I can actually see what the superannuation is, I presume the administrative expenses now include salaries and payments in nature of salaries?

Dr Rosalky—That is correct. Superannuation, as you may know, is actually a proportion of salaries. We do not have any discretion on that; it is a fixed actuarial proportion.

Senator WEST—Yes, that is right. That is not a problem. I am interested in why there was a revised appropriation up and then you did not really need it all. Was that notional allocation

because you got additional appropriations across the board and you have tried to allocate it to programs?

Dr Rosalky—Yes. This is what I was explaining to you the other day, Senator. At the time of revised estimates, we had been holding negotiations—as we are virtually continuously—between DSS and Centrelink. After the first split, which took place at the beginning of the financial year, we had agreed on a revision which was effected through the revised estimates in a way that removed some of the money that had been paid to Centrelink and put it back into DSS's estimates. At that point in time, it was distributed somewhat notionally and in proportion to the various components of the budget—not exactly so, but that was basically it. As the year has progressed, those moneys have been utilised for certain pressures and priorities that arose during the year. The revised appropriation column really reflected a distribution of that money. It was not actually new money; I want to make that point. It was not appropriated from the budget as new money; it was a redistribution between Centrelink and DSS. In fact, the total appropriations have been progressively reduced with efficiency dividends, et cetera, not increased.

Senator WEST—Have we sorted out why compensation and legal expenses have gone up \$0.285 million, or is that back somewhere earlier in previous columns about the breakup between DSS and Centrelink?

Dr Rosalky—Are you asking about the increase in compensation and legal expenses?

Senator WEST—Yes.

Mr McWilliam—Senator, that was just to reflect what appears to be the expected increase that will be occurring. At the time these tables were prepared, the trends in expenditure were showing that we would have a higher than expected outcome in 1997-98. We were about to put in a request for an Advance to the Minister for Finance, but we had not actually done it at that time. So we actually expect the 1997-98 outcome to be a bit higher than is shown there. These tables were correct at the time they were prepared.

Senator WEST—I notice that, on the new consolidated program, the one you have given me today, you do split out the amounts between DSS and Centrelink, but I cannot see that having happened in table 5.1.2. Is that ever going to occur, or are we going to have to ask questions about who has earned what and who is costing more to run their compensation and legal? I think they are valid questions as to what is the expenditure that DSS has to make to maintain their compensation and legal and what is the expenditure that is rightly Centrelink's. I do not want you having Centrelink's compensation and legal hidden in your compensation and legal. Do you get the point I am making?

Dr Rosalky—Yes. To provide that information, I think we would usefully do this kind of explanatory table attached to our PBSs in future. As I understand how this particular appropriation works, it is a contingent appropriation and is paid out only as cases come up; it is not really able to be estimated. In fact, as I understand it, it is funded by the Department of Finance on a needs basis, and it can vary a lot from year to year because you can have a particular case arise. I think the split has been done basically on our understanding of cases that relate to DSS operations and cases that relate to Centrelink's operations.

Mr McWilliam—That is correct.

Dr Rosalky—That will vary a lot from year to year, but we could always provide it as explanatory information as part of the—

Senator WEST—Yes. When you look at the overall budget, yours is about one-tenth, or less than one-tenth, of Centrelink's. Come next estimates, I want to be able to say, 'All right, you had this much; you used this much and Centrelink used that much. What happened? Who did what to whom and why?' That is my problem. I presume the same happens for the computing equipment and that in there, on page 105, is the fact that that is both your computing equipment and Centrelink's computing equipment. Is that right?

Dr Rosalky—It is all Centrelink's, because we hire our computing services from Centrelink; they actually hold the whole of the computing operation. Mr Divett can explain that.

Mr Divett—Yes. It is all Centrelink's, and Centrelink provides a set of computing services for a fee to Social Security.

Senator WEST—So what is the fee? In program 1 you have a budget appropriation of \$2.949 million between the pair of you. How much of that is DSS's, and what is the fee?

Mr Divett—I can show you where it is; it is not separately identified at this stage.

Mr McWilliam—The fee is included in the moneys we pay Centrelink for running costs. It is not separately identified out, but it is part of those moneys we pay them.

Senator WEST—I would like you to take on notice to advise us how much you are paying Centrelink for computing.

Dr Rosalky—Senator, we actually have an objective. Through the course of this—we have been doing it up to date, we are still doing it and we will be into 1998-99—we have been having a much more detailed and explanatory derivation of these costs by various components of the service. Part of what will enhance that is that we have a new financial accounting system coming online on 1 July. One of the outcomes of being able to record costs more precisely will be both internal processes of assigning costs to particular activities and being able to record them by those costs. We do expect to have much better information in this coming year than we have had in this year.

Senator WEST—That is fine. I want to know, for this financial year ending 30 June—and I am happy for it to go on notice—what DSS is having to pay, program by program, to Centrelink for computer facilities. That means I can then ask Mr Divett how things are going, for example, in relation to the year 2000—that sort of thing.

Mr Divett—The computing services that we are talking about here is the desktop computing that just the policy officers in Social Security use. It is a very small amount, Senator.

Senator WEST—That is fine.

Mr Divett—I am happy to get that on notice and give it to you.

Senator WEST—That is all I am asking.

Mr Divett—It will not be program by program. It is a small amount. The fee that the department notionally pays us is taken off our full fee from them for the maintenance of their desktop computers.

Senator WEST—What other services does Centrelink provide for DSS?

Dr Rosalky—There are some common corporate services that we actually buy. I might just split one idea because I think I can see two things being rolled together here. For example, when we purchase service, such as the payment of all age pensions, from Centrelink, part of that operation involves considerable use of the computer installation. I think that is what you are asking for—the computer costs by program. But as well as that, as a department we purchase from Centrelink the provision of our own internal computing operation, which is

largely a desktop operation, and we pay a fee for that as well. It is somewhat a notional fee at the moment, but we can estimate that for you.

Senator WEST—I want to know, when these services are being provided by one organisation for the other—how much in total is fine—what it is broken down in, how it is broken down, in what amounts and whether you calculate they are going to use X amount of time on the computers—or however you work out the figures—so that we can look at it—and you can look at it—and say, ‘Hey, we’re not getting a good deal here. What happened this month or what happened that year?’

Dr Rosalky—We will give you the best estimates we can. It will be an estimated process, but we will give you those figures on notice.

Senator WEST—Thank you. After I asked the question the other night, did we ever find out about payment of sales tax for computer mainframe leasing? You have not got any budgeted for next year. Has somebody worked out why that is the case?

Mr McWilliam—Ms Ritchie might like to add to it but, as I understand it, when Centrelink took out its mainframe leases, it was expected that it would have to pay sales tax. Provision was made in the previous two years for that and, as it turns out, it does not have to pay that sales tax. All that has been shown here is, if you like, a refund of those moneys. Ms Ritchie might like to add to that.

Senator WEST—This is money coming back to the department, technically?

Ms Ritchie—The refund that John is talking about is going to be returned to budget as a whole, not back to DSS—that is my understanding. But it does relate to the fact that we have now been advised that we are exempt from paying sales tax and, on that basis, those funds will be returned.

Senator WEST—Would your computer leasing be exempted from the goods and services tax?

CHAIR—That is a hypothetical question, Senator West. There is no goods and services tax.

Senator WEST—I just raised it as a thought provoking point for people to think about. In the total annual appropriations, have some figures been changed? On page 133 of the 1998-99 budget, under ‘Total annual appropriations’: the first corrigenda is \$578.921 million; the second corrigenda is \$536.960 million.

Mr McWilliam—That is correct. It was simply a computational error.

Senator WEST—I am reading the wrong column. There is no mistake. I have asked all the questions that I need to ask and I thank you for the explanations. It is a fruitful thing to look at columns and figures, isn’t it? You would have been putting in an amendment to the appropriation bills if you had gone off these PBS figures.

Mr Rosalky—We probably would have had to correct these tables. I think the appropriation bills were correct. But it has been a very helpful exercise for us to focus through a different window on the figures and to try to get them more appropriate to the questioning—also the consistency. It has helped us. I am glad that it has helped you.

Senator WEST—Thank you very much. I am sorry about the late nights.

CHAIR—I thank the minister at the table, Dr Rosalky, Mr Whalan, Mr Divett, the officers at the table and behind the table for the time that you have put in to help the committee resolve this problem. I declare the hearing closed. I thank Hansard and the secretariat for their effort in the whole of the estimates process.

Committee adjourned at 8.34 p.m.