



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

COMMUNITY AFFAIRS LEGISLATION COMMITTEE

Consideration of Additional Estimates: Supplementary Hearings

TUESDAY, 4 MAY 1999

CANBERRA

BY AUTHORITY OF THE SENATE

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SENATE
COMMUNITY AFFAIRS LEGISLATION COMMITTEE

Tuesday, 4 May 1999

Members: Senator Knowles (*Chair*), Senator Bartlett (*Deputy Chair*), Senators Denman, Eggleston, Chris Evans, and MacGibbon

Senators in attendance: Senators Calvert, Denman, Eggleston, Chris Evans, Gibbs, Knowles, MacGibbon, Quirke and West

Committee met at 8.56 a.m.

DEPARTMENT OF HEALTH AND AGED CARE

Proposed expenditure, \$133,697,000 (Document A).

Proposed provision, \$4,529,000 (Document B).

In Attendance

Senator Herron, Minister for Aboriginal and Torres Strait Islander Affairs

Department of Health and Aged Care—

Health and Aged Care Portfolio

Executive

Mr David Borthwick, Deputy Secretary

Professor Judith Whitworth, Chief Medical Officer

Program 1—Public Health

Population Health Division

Dr Margaret Dean, Medical Advisor

Ms Jan Bennett, Acting First Assistant Secretary, Population Health Division

Dr Cathy Mead, Assistant Secretary, Communicable Diseases and Surveillance Branch

Ms Judy Blazow, Assistant Secretary, Primary Prevention and Early Detection Branch

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

Mr Gerard Linehan, Acting Assistant Secretary, National Population Health Planning Branch

Ms Joy Russo, Director, Population Health Strategies Section

Ms Laurie van Veen, Director, Population Health Social Marketing Unit

Mr Tom Carroll, Senior Advisor, Research and Marketing Group

Mr Roger Hughes, Manager, National Drug Strategy Unit

Mr Jamie Fox, Director, Tobacco and Alcohol Strategies Section

Ms Cheryl Wilson, Director, Illicit Drugs Section
Therapeutic Goods Administration
Mr Terry Slater, National Manager
Ms Ngaire Bryan, Director, Business and Services Branch
Dr Leonie Hunt, Acting Director, Drug Safety and Evaluation Branch
Mr Graham Peachey, Director, Chemicals and Non- Prescription Drugs Branch
Dr Susan Alder, Director, Drug Safety and Evaluation Branch
Dr Gordon Burch, Director, International Services Branch
Dr Elaine Walker, Director, TGA Laboratories Branch
Ms Rita MacLachlan, Acting Director, Conformity Assessment Branch
Dr Brian Priestly, Chief Scientist, Chemicals and Non-Prescription Drugs Branch
Ms Laurayne Bowler, Director, Review of National Drugs and Poisons Legislation
Dr Clive Morris, TGAL
Office of the National Health and Medical Research Council
Mr Robert Wells, First Assistant Secretary
Program 2—Health Care and Access
Health Access and Financing Division
Dr Louise Morauta, First Assistant Secretary
Dr Peter MacIsaac, Medical Officer, Pharmaceutical Benefits Branch
Mr Brett Lennon, Assistant Secretary, Pharmaceutical Benefits Branch
Mr Charles Maskell-Knight, Assistant Secretary, Financing and Analysis Branch
Dr John Primrose, Medical Officer, Medicare Benefits Branch
Ms Penny Rogers, Assistant Secretary, Diagnostics and Technology Branch
Mr Ian McRae, Assistant Secretary, Medicare Benefits Branch
Mr Alan Stevens, Director, Pharmaceutical Benefits Branch
Mr Alan Keith
Ms Geraldine Donohoe, Director, Diagnostics and Technology Branch
Health Services Division
Ms Liz Furler, First Assistant Secretary
Mr Nick Blazow, Assistant Secretary, Rural Health Branch
Dr Peter Broadhead, Assistant Secretary, Acute and Coordinated Care Branch
Dr Robert Pegram, Acting Assistant Secretary, General Practice Branch
Ms Jenny Thomas, Assistant Secretary, National Health Priorities and Quality Branch
Mr Dermot Casey, Acting Director, Mental Health Branch
Portfolio Strategies Division
Ms Lynelle Briggs, First Assistant Secretary
Ms Chris Woodgate, Assistant Secretary, Private Health Industry Branch
Dr Robert Wooding, Assistant Secretary, Budget Branch

Ms Chris Francis, Director, Insurance Policy Section
Ms Joanna Davidson, Assistant Secretary, Policy and International Branch
Professional Services Review
Dr John Holmes, Director
Health Insurance Commission
Mr David Num, General Manager, Finance and Planning
Mr Ralph Watzlaff, General Manager, Professional Review
Mr Peter Hatch, General Manager, Information Technology Services
Ms Jackie Wood, General Manager, Strategic Planning
Mr Graham Grayson, Manager, Health Programs
Mr Michael Robbins, Manager, Budget Initiatives
Mr David Lapsley, Acting General Manager, Financing and Planning
Mr Graham Mynott, Acting General Manager, Program Management
Private Health Insurance Administration Council
Ms Gayle Ginnane, Chief Executive Officer
Program 3—Aboriginal and Torres Strait Islander Health
Office for Aboriginal and Torres Strait Islander Health
Ms Helen Evans, First Assistant Secretary
Ms Mary McDonald, Assistant Secretary, Program Planning and Development Branch
Ms Marion Dunlop, Assistant Secretary, Health Strategies and Research Branch
Program 4—Aged and Community Care
Aged and Community Care Division
Dr David Graham, First Assistant Secretary
Ms Karen Bentley, Acting Assistant Secretary, Policy and Evaluation Branch
Ms Jan Feneley, Acting Assistant Secretary, Office for Ageing Australians
Ms Pieta Laut, Acting Assistant Secretary, Accountability and Quality Assurance Branch
Mr Peter De Graaff, Acting Assistant Secretary, Office of Hearing Services
Mr Andrew Stuart, Assistant Secretary, Residential Program Management Branch
Mr David Cullen, Director, Budget Management Section, Policy and Evaluation Branch
Program 5—Leadership and Management
Portfolio Strategies Division
Ms Lynelle Briggs, First Assistant Secretary
Dr Robert Wooding, Assistant Secretary, Budget Branch
Corporate Services Division
Mr Neville Tomkins, First Assistant Secretary
Ms Wynne Hannon, AGS General Counsel, Legal Services Branch
Ms Robin Foster, Director, Corporate Treasury and Financial Resource Section

Information Technology Group

Dr Ian Heath, First Assistant Secretary

Department of Finance and Administration

John Ignatius

Brad McDonald

David Weiss

CHAIR—I declare open this supplementary hearing of the Senate Community Affairs Legislation Committee considering the additional estimates for the portfolio of health and aged care. The committee has before it a list of the subprograms relating to matters which senators have indicated that they wish to raise at this hearing. In accordance with the standing orders relating to supplementary hearings, today's proceedings will be confined to matters within the relevant subprograms. In the minister's absence, I welcome departmental officers of the Department of Health and Aged Care. I invite senators to ask questions on subprogram 1.1.

Program 1—Public health

Subprogram 1.1—Public health development and programs

Senator DENMAN—I want to ask a couple of follow-up questions on the detox and rehab question I asked last time. I asked for information on the numbers of people waiting state by state; I have not received it yet. Could you tell me what the hold-up is?

Ms Kerr—We don't have that information on waiting lists; that is not available.

Senator DENMAN—Why isn't it? Surely if you are dishing out money for drug rehab programs you ought to have the data?

Ms Kerr—This is something that is managed by state governments, and we are relying on state governments to give it to us.

Senator DENMAN—But have you asked for it?

Ms Kerr—Yes, I will just check. Yes, we did write to state governments and ask for that information, but many of them have told us that they don't keep those records.

Senator DENMAN—But surely they would have to do that to be able to apply for drug money. How do you substantiate giving out money if you have not got statistics from each state?

Ms Kerr—The grants money went to individual organisations through a process of bidding—as you know, as we talked about at previous hearings—and, in addition to that, state governments identified where key emerging needs and requirements were. They were able to do that in the absence of detailed information on waiting lists.

Senator DENMAN—So they tell you where the emerging areas are without any statistics, and you just accept that?

Ms Kerr—They certainly were able to identify where the needs were and put forward proposals for funding in those areas.

Senator GIBBS—Could I follow up on that? If that is the case, how can you be assured that that money is being used correctly? If the states are not accountable, if the states do not keep records, I think this is such a serious thing. I think any government should keep records and be accountable. If the states cannot do that, how do we know that this money is going

to the right areas and is being used in the right ways? Surely we should put some sort of restrictions on these people.

Ms Kerr—It is very difficult for me to answer on behalf of the states as to why they do not keep records.

Senator DENMAN—Surely, if you request it from the states prior to giving them their funding, you would get it. I just do not understand this at all.

Ms Kerr—Perhaps we should talk a little about the usual way in which we fund the states, and that is through the public health outcome funding agreements.

Senator DENMAN—But that is not with drug programs. There has just been specific money set aside for drug programs.

Ms Kerr—Certainly our usual funding for the states through public health is through the public health outcome funding agreements, and that includes money for drug treatment as well as the new money that we have for drugs through the Tough on Drugs initiative. So, under the public health outcome funding agreements, we provide that funding in a block and states agree on performance indicators with us. On that basis, we make that funding. That is the usual funding that goes to the states and they can use that for treatment and other drugs programs.

CHAIR—Has that methodology of funding changed in recent years?

Ms Bennett—In terms of the public health outcome funding agreements, yes, that changed. So the money that has traditionally been associated with the National Drug Strategy and a range of other programs, including breast screening, cervical screening and others, was broadbanded and paid to the states in one flexible pool of funds. But I think that the money that is being discussed here is the National Illicit Drug Strategy.

CHAIR—Are they now not keeping records that they used to keep previously in an effort to get the money from the federal government?

Ms Bennett—No, I do not think that is the case.

CHAIR—So the record keeping has not changed at all? It is still on the basis of a guarantee from the states under which they get the money and not on the record keeping that has been requested here?

Ms Bennett—In terms of the public health funding agreements, there is a range of performance indicators which are agreed as part of that funding agreement and the states are required to report their performance against each of those indicators each year. They have done that. Those reports are available. They are on the department's Internet site. They have reported against, on average, I think 17 or 18 performance indicators in each agreement, but there is a range that varies across states. There are two to three performance indicators in each of the program areas that were rolled together and broadbanded in that funding. So, yes, the states have reported against the indicators negotiated in those agreements, and those reports have been consolidated and are available publicly.

Senator CHRIS EVANS—Do you give each state the same amount of money on these programs?

Ms Bennett—No, before the broadbanding of that money, there was a range of formula in place which distributed the money for each of those eight programs. Some were based on throughput, others were based on raw population—a range of measures. In the first round of those agreements, that money was, in effect, consolidated according to the previous distribution across states. In the next round of those agreements, the negotiations for which have just

commenced, we will be moving to a somewhat different allocation which will, in effect, see a slight change in the distribution across states.

Senator CHRIS EVANS—What is the new basis going to be?

Ms Bennett—The new basis is to move away from the eight formula that used to exist to one which is looking at a range of needs that impact on the distribution of public health services. So it is a combination of things such as the public health factors, and the Grants Commission allocation is part of it. There is some weighting for factors like Aboriginality and low socioeconomic status, which is a demand factor for population health services. So there is a range of models which we are looking at.

Senator CHRIS EVANS—Is one of those factors, though, demand?

Ms Bennett—No, because we are looking to distribute whatever the available funding is on a more equitable basis across states. The question of demand drives the total.

Senator CHRIS EVANS—Are you saying to me that equitable distribution does not involve any concept of demand for service?

Ms Bennett—It does because it is built into the factors that are considered in the determination of the distribution of the money. For instance, raw population—the greatest demand driver is the quantum of people in the states—is one of the significant factors. Aboriginality is a factor because that creates demand for the broad range of services.

Senator CHRIS EVANS—It does not seem to me that this is a terribly left wing proposition to suggest that one might look at the demand for services and the unmet need when making these allocations, but you seem to be going all around it and saying that is not a criteria.

Ms Bennett—We are looking at a range of criteria which impact on poorer health outcomes in jurisdictions, and they are the underlying factors which would be closely linked to the specific demand factors that you are talking about.

Mr Borthwick—The key point is that we have approached the states and asked for this information. We are in the states' hands. It is not as though we are sitting on our hands and doing nothing. I gather we gave you, Senator, an interim reply on 26 February saying that we were approaching the states.

Senator DENMAN—That is what the question was about. Why have we not heard?

Mr Borthwick—We are frustrated the same as you in terms of getting this information.

Senator CHRIS EVANS—But Ms Bennett's whole answer seems to be that you really do not care whether they give you that information or not and that it is not a factor you are going to use to allocate these funds.

Mr Borthwick—I think Ms Bennett is talking about the allocation of moneys in general, not specifically towards illicit drugs.

Senator DENMAN—Mine was a specific question about detox and rehabs.

Mr Borthwick—We have gone to the states and are seeking that information. We will go back to them and try to jog them along.

Senator DENMAN—You would surely have to before you started allocating drug money. Obviously you do not know where the needs are if you do not have statistics from the states.

Ms Kerr—As I understand, a couple of states have replied giving us information, but others have said that they do not have it. Another issue that is relevant here is that a lot of service delivery is by the non-government sector, and state governments do not keep records on what

waiting lists there are and what demand there is for that non-government sector. So there are some reasons why it is difficult for the states to collect this information and give it to us.

Senator CHRIS EVANS—Are you saying that, until Senator Denman raised the issue with you, the question of the demand for services was not a factor that you were pursuing in allocating this money?

Ms Kerr—Through the National Illicit Drug Strategy money, we set up state reference groups to advise the minister on where the money would best be allocated. Those state reference groups, which were chaired by our state managers, included state governments as well as the non-government sector. Those groups were able to assess the applications that were received in response to the advertisements that we placed. They were able to take on board their collective views about where the need was most urgent and assess those applications against their collective understanding of where the money was most needed.

Senator CHRIS EVANS—That is right, and I understand that. I guess some people have had some concerns that the process might have been a little more political than it needed to be. With a meeting of a group of people, their particular interests and issues get highlighted. I am not making any accusations but it seems to me that, for the department, the question of a proper analysis of need and unmet demand is at the core of any health program.

Ms Kerr—Senator, in the advertisements we identified the areas in which we particularly welcomed applications. Those areas included youth, women, women with children, Aboriginal people and particular geographical gaps because those areas had been identified in earlier work we had from a consultant who had looked at this issue. So the advertisements actually called for applications in those particular targeted areas, and many of the applications did come forward in those areas.

Senator DENMAN—I do not find it at all satisfactory.

Senator GIBBS—I asked a question last time about the education program under the National Illicit Drug Strategy and I received a breakdown of the expenditure indicating that \$5 million was allocated to a community-wide education and information campaign. What types of educational programs have been initiated or developed under this program?

Ms Kerr—Senator, there are two aspects to the education under the National Illicit Drug Strategy. One is the funding that has been allocated to DETYA for school based drug education and the other is for the community education and information campaign, for which our department has received funding of \$17.5 million over three years.

Senator GIBBS—What sorts of programs are we initiating with this money?

Ms Kerr—This is a program to raise community awareness about primary prevention, treatment and rehabilitation options and to target different illicit substances. It is going to comprise two parts. The first will be a strategy to meet the information needs of parents, carers and the broader community, and we expect that that will be launched later this year. The second is a series of specifically targeted strategies relating to particular drugs. That will be in the public arena probably early next year, but the first stage, as I said, is particularly information for parents and carers.

Senator GIBBS—So all of this \$5 million is going towards this campaign to educate the public—parents and carers—about particular drugs?

Ms Kerr—Senator, I am not quite certain of the answer that you are referring to—the \$5 million. I do not actually have that with me. As I said, the whole community education and information campaign is \$17.5 million over three years.

Senator GIBBS—I received a reply and I had a breakdown of where the different things were going to. I assumed that this possibly could be used in the schools, if we were using some sorts of programs within the schools with regard to education.

Ms Kerr—I am happy to have a look at the reply that was given to you. I do not have it with me right at the moment to see the detail of what was provided to you.

Senator Herron—I think that what you have said is correct, Senator Gibbs. I am interested too in the response. We will get one to you about what the program is. The important thing is that it is a major new initiative. Extra funding is being spent and part of that, as I understand, is going into schools.

Senator GIBBS—That is true, and I am sure parents, carers and the broader community have to know things, but I am more interested in what exactly we are teaching the kids in school. How early are we starting with regard to drugs? What sorts of programs are there? Has anybody looked into the programs that they are using overseas because some of them are counterproductive?

Ms Kerr—Senator, I now have in front of me the answer that was given to you. The \$5 million does refer to the community-wide education and information campaign, which is the one I have spoken about, which is to be administered by our department. It is the figure for the year 1998-99, whereas the \$17.5 million I quoted was the three-year figure.

Senator GIBBS—So can you get me the answers I am asking for? I am really interested in the community-wide education information campaign. Is this only going to go to parents and carers in the broad community? Is this going to be used for education in schools? What sorts of programs are we going to use to educate the kids? How early are we going to start? How young are we going to start doing this, because a lot of programs that have been used overseas have been counterproductive? So I would like to know exactly what we are going to do with our children.

Ms Kerr—Senator, I will ask Ms van Veen to give a little more information on the nature of the campaign.

Ms van Veen—There are two aspects that Ms Kerr has talked about. The component within DETYA involves a block of funding where the Department of Education, Training and Youth Affairs is working with states and territories to identify a range of priority needs. They have a strategy that is being developed. Our department is working with DETYA to ensure that the community component of the campaign not only links in with the needs of parents but also is integrated with the work that DETYA is doing quite specifically.

Because DETYA is not responsible for curriculum—that is determined at a state and territory level—they are working quite closely with the states and territories to identify needs and to come up with solutions that are based on best practice. With respect to the parent component and the community-wide education component, what we are doing at the moment is determining what parents' needs, perceptions and issues are so we can generate a campaign that meets their needs before we move on to the next component, which is looking at the needs of youth.

Senator GIBBS—I see. So, once again, we are just leaving this to the states to organise. I find this absolutely appalling, bearing in mind some of the attitudes that some of the states—in fact, probably most of the states—and territories in Australia have towards this problem. Are we going to get some sort of record from the states with exactly what they are doing? In my state no party had any sort of drug policy until last year, and we are almost going into

the 21st century. I do not know about other states, but I find it appalling that on such an important thing like this—give credit to the government; they are trying to do something—we are leaving it to the states to organise. Shouldn't we have some sort of feedback from the states? Shouldn't we want to know what they are doing with the education programs with our children? Are they doing something or is the money just being wasted?

Ms van Veen—DETYA is not leaving it to the states, Senator. They are working with the states, and part of that has involved a range of consultations. They have been quite broad in seeking input from states and territories and from community groups to determine what the areas of need are to ensure that the money meets those needs.

Senator GIBBS—If you are going to educate children with regard to drugs, alcohol, sex—whatever—surely education is primarily in the schools. Are they going to have these programs within the schools? This is where the kids are—in the schools, everyday.

Senator Herron—Senator Gibbs, I sympathise and understand your questioning, but the actual department liaises with DETYA and they should be questioned about the detail of their coordination with the states rather than these officers here because they do not know what is occurring other than that the money is being provided. There needs to be consultation with the states. The states are running the education systems. Perhaps that should be followed up. I will undertake to produce as much as we can, or perhaps I can coordinate for you with DETYA so we can get an answer for both of us.

Senator GIBBS—Thanks, Minister. That would be very helpful.

Senator DENMAN—I only have a couple of questions, and they are specifically to the minister, based on some responses you gave last time. One response you gave was that the methadone program was unproven. I went to the department and asked for the research you used to make that statement and they could not find it. So can you tell me where you got that from and what research you used?

Senator Herron—I have a whole file which I can give you.

Senator DENMAN—Thank you.

Senator Herron—Methadone is a harm minimisation program.

Senator DENMAN—Yes, I know what it is.

Senator Herron—There is a lot of debate about it.

Senator DENMAN—Your own department have a file this thick.

Senator Herron—I think the one I quoted was from the library.

Senator DENMAN—Could you give me that specifically, because we could not find it anywhere. Mind you, the library could not either.

Senator Herron—I have a copy. I have been following this for 40 years and I have a file. I will get it for you, but it was the one produced by the library.

Senator DENMAN—You also made a statement that the Amsterdam program was not the solution either. What program are you referring to in Amsterdam?

Senator Herron—I attended a program there in 1994 or 1995. It was the official drug program conducted by the government.

Senator DENMAN—But what—methadone, naltrexone?

Senator Herron—No. It was a heroin provision program.

Senator DENMAN—They do not have heroin trials in Amsterdam. They have never had a heroin trial. They are about to have one this year.

Senator Herron—I did not say it was a trial; it was a provision of drugs. I will get it for you.

Senator DENMAN—Thank you.

Senator GIBBS—I asked a question on this last time, but apparently some \$51.3 million was allocated to the second instalment of research into alternative treatments for heroin users. We were delighted recently to hear that the Prime Minister was going to fast-track naltrexone onto the PBS list. That is extremely welcome and we give him full credit for that. Is there going to be any funding directed to new drugs such as buprenorphine and LAAM? The buprenorphine is the one that stabilises people. Are we going to look into that too?

Ms Kerr—Senator, what I can say is that the National Illicit Drug Strategy funding is about the evaluation of a range of alternative pharmacotherapy treatment approaches. Certainly, the Prime Minister did announce as part of the COAG communique that naltrexone would be looked at in terms of considering its place under the PBS and that that would be given some priority.

Senator GIBBS—The Prime Minister said October; it would be on the PBS in October.

Ms Kerr—That is not what was said. What was said was that consideration would be given to looking at it ahead of its usual time. There are other officers here who might wish to speak further about that.

Senator GIBBS—I thought I saw that on a television program.

Mr Borthwick—Before something is listed on the PBS, it has to be evaluated by the Pharmaceutical Benefits Advisory Committee. That process has been brought forward. It has been fast-tracked as a result of the Prime Minister's undertaking, but it requires a recommendation from the Pharmaceutical Benefits Advisory Committee that naltrexone be added to the PBS list. In this case, the department is working with the drug company, Orphan, to try to bring that forward. The timetable we are working on would have it considered by the PBAC in August. We will await their recommendation as to whether or not naltrexone should be added to the PBS list.

Senator GIBBS—Is there a danger that they might say no?

Mr Borthwick—Their assessment is based on the effectiveness of naltrexone. It is part of evidence based medicine. I would not want to prejudge what they might find one way or another. All drugs on the PBS are subject to a professional evaluation by the PBAC. I am not saying that there is a problem here; I am just saying that there is a process that has to be gone through before any drug is added to the PBS. In this case, the Prime Minister has accelerated that process. We are working very closely with Orphan Australia to make sure that is happening.

Senator GIBBS—What about the other drugs? Are we going to look at other alternatives?

Mr Borthwick—I am not sure of the status of particular other drugs. We can seek that information, but the normal process for all drugs is that they are first considered by the TGA as to whether or not they are safe and effective. If they are, then subsequently they can be considered for addition to the PBS, but there is a process which requires the drug companies to submit applications for registrations to the TGA. With respect to the specific drugs you mentioned, we can make inquiries to see where they are at in terms of consideration.

Senator Herron—Is there one in particular that you are interested in?

Senator GIBBS—Buprenorphine is the one I am really interested in, yes. Just out of curiosity, how do they evaluate this? Do they ask for volunteers who, say, are addicted and who want to volunteer to use this drug to try to get himself or herself off the heroin? How exactly do they evaluate whether this is a drug that we should have on the market?

Mr Borthwick—The TGA has for all drugs, not just illicit drugs, an extensive process in which sponsors submit data from trials or whatever sources around the world to assess the effectiveness of the drug.

Senator Herron—We might have somebody from the TGA here who could take you through the process, because it has not changed at all.

Mr Borthwick—It is the fundamental underpinning of our system of the safety of drugs.

Mr Slater—The TGA is the regulator for all medicines and medical devices that come onto the Australian market. The TGA, though, only responds to an application. It does not seek applications. That is not its role. If a sponsor of a medicine or a medical device wishes to market that product in Australia, they make application to the TGA. Those applications are treated as commercial-in-confidence. It would not be usual for the TGA to acknowledge whether it had received an application or not for a particular medicine or medical device.

Senator GIBBS—So when you are trialling a drug for public use you just work on evidence that people give you, or do you do the trials yourself?

Mr Slater—No. The TGA seeks data from the sponsor of a product. That data, depending on the classification of the medicine or the medical device, may require clinical trials data. That clinical trials data does not have to have been conducted in Australia. We will take data from comparable countries so long as it is clinically relevant to the Australian setting.

Senator GIBBS—Thanks very much.

Senator CHRIS EVANS—Senator West, who unfortunately cannot be here at the moment, asked me to raise with the department some questions she asked about men's health and Professor De Kretser. She put them on notice last time and has not received a reply. I wonder whether the department is in a position to reply to those questions or not?

Ms Bennett—What is your actual question?

Senator CHRIS EVANS—Senator West put on notice a range of questions. Question No. 411 stated:

When did the minister or his office first receive a grant request from the Institute of Reproduction and Development at Monash University or from Professor De Kretser . . .

Unfortunately she cannot be with us at the moment, but she is hoping to be here later. She asked me to raise whether the department had answers to those questions.

Ms Blazow—Yes, we have answered that question. I could get you another copy, if you like, but that has been answered.

Senator CHRIS EVANS—Is that in recent times?

Ms Blazow—We do not have a copy with us because it is quite old. It was answered quite a long time ago. We can get you another copy.

Senator CHRIS EVANS—Thank you. I suspect that Senator West missed it. I am not sure whether there is some confusion; the message was whispered to me as she ran out. As far as you are concerned, question No. 411 has been answered.

Ms Blazow—Yes. We will make sure you get a copy.

CHAIR—We will move to program 2.

Senator DENMAN—I have some questions under subprogram 1.2.

CHAIR—We have not got anything on subprogram 1.2 listed.

Senator DENMAN—I will put them on notice then.

[9.34 a.m.]

Program 2—Health care and access

Subprogram 2.1—Medicare benefits and general practice development

Senator GIBBS—I have a question here about out-of-hospital psychiatric consultations. I asked about this last time, and I did receive an answer. I asked:

Can the department provide to the committee the figures that indicate the number of people who visited psychiatrists more than 50 times a year prior to the introduction of this budget measure?

I did receive the information. I have been told that 2,597 people claimed more than 50 out-of-hospital psychiatric consultations in 1995-96. Another question I asked was how it would affect Medicare. I have the figures on people who have visited up to 50 times a year. What about those who visit more than 50 times a year? How does that affect the Medicare budget? Do these people get any rebates at all if they have more than 50 visits?

Mr McRae—Yes. The way the schedule now works is that if people have more than 50 visits a year they can be treated in one of two ways. They may continue to get the full Medicare benefit if they meet particular conditions—in particular, if they are diagnosed as suffering from severe personality disorders, anorexia nervosa, bulimia nervosa, dysthymic disorder, or a substance related disorder, or a pervasive development disorder, or if they meet some other tests. If they meet particular psychiatric criteria, they will continue to be eligible for the full benefit for up to 160 visits in a year. If they do not meet those tests, they are eligible for half the standard benefit after their 50 visits.

Senator GIBBS—Would people actually visit a psychiatrist unless they needed to? You would not exactly want to go to a psychiatrist every day, surely, unless you really needed it. That is not the sort of person you would like to visit on a regular basis.

Mr McRae—I hear what you are saying. The number of visits people make to a psychiatrist, for people who go frequently, not for people who turn up once or twice, is largely due to how often the psychiatrists choose to call them back. The psychiatrists themselves can make those choices and are making those choices on a clinical basis. The decisions that were taken to make these changes were actually based on substantial negotiation and discussion with the psychiatric profession through their college, and the 50 cut-off and the 160 cut-off were put in on the basis of consultation with the profession.

Senator GIBBS—Maybe I am misinterpreting this. Was this put in to stop psychiatrists from overservicing?

Mr McRae—You could put it that way, yes. It was put in in the context of trying to put pressure on the system to focus on what they were doing in terms of providing quality of care within a funded environment.

Dr Morauta—I think the profession advised on the circumstances in which they thought it was reasonable for very frequent consultations to occur. Those circumstances were written into the schedule, and frequent consultations are permitted for those circumstances.

Senator GIBBS—I am not an expert on mental health. Fifty consultations means visiting a psychiatrist every week for an entire year and for 100 consultations you would have to go a couple of times a week. You would have to be an awfully sick person to visit a psychiatrist twice a week for a whole year, wouldn't you? One would suggest you would need hospital treatment. I do not know. I am not an expert or a doctor.

Mr McRae—The list I read out before about severe personality disorders, anorexia and so forth are the conditions under which the profession advised us that people should be seeing a psychiatrist more than 50 times a year and potentially up to 160, potentially up to three times a week. These are out-of-hospital limits, rather than in-hospital limits. It is saying that these are the sorts of conditions that can be dealt with in an out-of-hospital environment.

Senator GIBBS—Thanks very much.

CHAIR—Any further questions on 2.1?

Senator CHRIS EVANS—Yes. Perhaps I could start with answer No. 138 you gave to Senator Denman. I asked these questions last time. I think officers might have been a bit short of having precise information at the time of questioning. I got a little confused about it. I see that answer No. 138 is a bit more precise, but it also gives a slightly different impression to that which was given at the last estimates hearings. I think the estimates were on 8 February, and your answer refers to as at 4 February for what the current state of play was. Therefore, I gather from the table you have provided that you describe three categories of MRI units granted Medicare eligibility and then break it down to currently used to access Medicare—68, which is around the number we were talking about previously. Then you describe the 13 as eligible MRI units not yet accessing Medicare. You describe them as 'eligible'. I thought the eligibility question was what was at stake.

Mr Watzlaff—If I could just explain the process, there are basically two steps. There is the approval of the unit or the magnets and there is also approval of eligible providers who can claim from those units. So as the application process goes, there are from time to time people who have sought eligibility of the unit but have not yet got eligibility of providers who will claim from those units. That is why we can have a category of units that are approved but which are not being used to generate claims on the system—because the eligible providers have not been approved.

Senator CHRIS EVANS—I just want to deal with what the state of play was at 4 February for the moment. Were these 13 listed as eligible MRI units not yet accessing Medicare just that? They were approved. I got the impression from what you told me last time that these were basically units that you had not yet checked out to see whether or not they were eligible at all in the sense of whether they had been applied for prior to the budget and whether they were eligible to be brought into the net.

Mr Watzlaff—No. They were people who had made application to us, and we had approved those applications. I think last time it was mentioned that the process involved was lodgment of a statutory declaration saying that the equipment had been ordered and was subject to a contract that was entered into prior to budget night and things of that kind. Those particular units had been the subject of applications that were made to us and in respect of which we had no reason to reject, so they were approved.

Senator CHRIS EVANS—Are these 13 then the same as those that were under investigation?

Mr Watzlaff—No.

Dr Morauta—You cannot tell from that table the numbers under investigation. That is a separate set of issues, if you like. Some of the ones that are under investigation are already accessing Medicare because information which might have given rise to an investigation arose subsequently, for example. This table does not give you a picture of the ones being investigated.

Senator CHRIS EVANS—Maybe that is why I have been confused. We seem to have been all around this, but I am still not quite clear in my own mind what you are saying to me. Perhaps the starting point then ought to be: is that table you provided, being correct as at 4 February, still correct or have there been amendments?

Mr Watzlaff—No. There has been a change in the situation and I have another table now that I would like to present that actually shows the position as at 31 March. You will see from it that the number who are now billing Medicare has grown to 72, but there are still 11 units which are not claiming. So in one sense the claiming position is catching up to the installation position.

Senator CHRIS EVANS—But the total has also increased?

Mr Watzlaff—Indeed it has, yes. There are additional applications coming forward and we expect there will be more that will come forward.

Senator CHRIS EVANS—Will you explain to me again why it is that the applications are still not lodged, or are potentially still not lodged?

Mr Watzlaff—There is a substantial delay in the actual delivery of these machines. It can be 12 to 18 months between the placement of an order and the actual installation of the equipment. That can be delays in the ordering process. It can also be delays in the actual fit-out and installation process within the site.

Senator CHRIS EVANS—So people could still be lodging applications, to be eligible for the pre-budget decision, next year some time?

Mr Watzlaff—Yes. That could happen.

Senator CHRIS EVANS—So you do not and will not know for some time how many MRIs are eligible to bill Medicare?

Mr Watzlaff—That is right.

Senator Herron—I think it is fair to say that we will never know, because there may be increasing demand. So it will never be precise at any one point in time. Is that correct?

Senator CHRIS EVANS—I do not think that is right, Minister.

Dr Morauta—The real issue is that they have to have been eligible and they have to have ordered by budget night. That number could go on for a year or so in terms of the last one or two trickling in.

Senator CHRIS EVANS—The government has not done anything to put a limit on when they might apply?

Mr Watzlaff—No. There is no limit.

Senator CHRIS EVANS—It is an open-ended process. So we may well, some time next year, get further applications from people who seek to establish that they had entered into a contract prior to—what was it?—11 May last year?

Senator Herron—It was 12 May.

Senator CHRIS EVANS—Do you have a best guess? You have got up to 83 applications you are dealing with now. Do you have any feel for what else is still out there?

Mr Watzlaff—Not at this point.

Senator CHRIS EVANS—We have now got 72 billing Medicare—in the table you have just provided me—and 11 not billing Medicare as yet. Is that because their applications are still being considered?

Mr Watzlaff—No. Those applications had been lodged and have been approved, but they may not have obtained any eligible providers and so there are no providers approved who are claiming in respect of those machines, or it might be because the machinery has not been installed. It could be a number of reasons.

Senator CHRIS EVANS—I am sorry, Mr Watzlaff. I think where I am going wrong here is this ‘eligible provider’ stuff. Could you explain that to me? I think that is where there seems to be a gap in the logic. I think it is because I do not understand that part of it. I am not suggesting it is your fault. I just do not understand.

Mr Watzlaff—In terms of the claiming arrangements, providers claim off us and to be eligible to claim for MRI they have to be accredited by the college as people experienced in MRI. They also have to make application to us to be approved as an eligible provider for the claiming of MRI services at particular locations. It is the actual eligible providers that claim off us, and they must generate those services on eligible pieces of equipment. There is the approval of the equipment and there is the approval of the eligible provider, and that is why there can be a difference between the two. You can have equipment that is eligible but in respect of which there are no eligible providers.

Senator CHRIS EVANS—For a lay person does that mean that you have got this bit of machinery but you have not found a location for it yet? You have not got a hospital to agree to put it in; is that it?

Mr Watzlaff—That is right.

Senator CHRIS EVANS—So these 11 MRIs are approved; they are eligible in all respects; but they have to find a home of an eligible provider before they can start claiming?

Mr Watzlaff—Yes, before the eligible providers can claim.

Senator CHRIS EVANS—Are they in use currently, or not?

Mr Watzlaff—No.

Senator CHRIS EVANS—These would be ones on order, would they?

Mr Watzlaff—These ones would not be currently in use.

Dr Morauta—The machines may not be in the country yet, too.

Senator CHRIS EVANS—So they may well be just ones on order or machines not in. They are not likely to be operating in a location that is not an eligible provider’s location?

Mr Watzlaff—No.

Senator CHRIS EVANS—Do we have any reason to believe that those 11 will not, in the fullness of time, become located in eligible provider premises?

Mr Watzlaff—No specific reason, but that is the subject of our inquiry. Should we find that there are false statements made with respect to those particular applications, certain consequences would follow.

Senator CHRIS EVANS—But Dr Morauta made the point earlier that that subset of 11 is not necessarily that group.

Mr Watzlaff—No.

Senator CHRIS EVANS—So in the normal course of events—putting aside the inquiries—those 11 would come online and we would end up with 83 MRIs eligible to bill Medicare?

Mr Watzlaff—That is right.

Senator CHRIS EVANS—Could we turn to the subset that are under investigation. Are you still investigating applications for MRIs?

Mr Watzlaff—Yes, we are.

Senator CHRIS EVANS—How many are still under investigation?

Mr Watzlaff—We are investigating all of the applications in respect of those where the equipment was ordered but not operating as of budget night. So we are investigating all of them.

Senator CHRIS EVANS—All of them that were ordered prior to budget night?

Mr Watzlaff—That is right.

Dr Morauta—But not in operation.

Senator CHRIS EVANS—That would be quite a large group, would it?

Mr Watzlaff—It is about 24.

Senator CHRIS EVANS—Is it correct to assume that the 11 not billing Medicare would automatically fall into that group?

Mr Watzlaff—Yes.

Senator CHRIS EVANS—So there are those, plus another 13 that are already billing Medicare, that are under investigation?

Mr Watzlaff—That is right.

Senator CHRIS EVANS—What stage is the investigation at?

Mr Watzlaff—Those investigations are proceeding but they are not complete at this time.

Senator CHRIS EVANS—It is almost a year since the decision. Do we not have any finality on the investigation at all?

Mr Watzlaff—It is not really a year. Many of the documents were not lodged with us until the latter part of last year, from October onwards. So the investigation has been going about six months.

Senator CHRIS EVANS—Of the 24 under investigation, you have not been able to clear any of those 24 and finalise those?

Mr Watzlaff—No. We are still working through those.

Senator CHRIS EVANS—But potentially you are giving them Medicare access at the same time as investigating them?

Mr Watzlaff—That is right.

Senator CHRIS EVANS—So obviously the Commonwealth has a financial interest in bringing this investigation to a conclusion fairly quickly?

Mr Watzlaff—Indeed, yes.

Senator CHRIS EVANS—Is there any capacity for you to recover moneys on payments made to MRIs if you find that they were obtaining their approvals fraudulently—if that is the correct word?

Mr Watzlaff—That is possible, but that would have to be a matter subject to legal advice.

Senator CHRIS EVANS—So we have not been able to rule out or conclude on any one of the 24?

Mr Watzlaff—No, not at this point.

Senator CHRIS EVANS—You told me last time you had started your investigations in Sydney and were only investigating there at the time. Are you investigating in other states now as well?

Mr Watzlaff—Yes, we are.

Senator CHRIS EVANS—Have investigations on all 24 commenced?

Mr Watzlaff—No, not all 24. We have investigations going on about half of those.

Senator CHRIS EVANS—When are the others likely to commence?

Mr Watzlaff—That will involve visiting other states, and that will be an ongoing process.

Senator CHRIS EVANS—You have just told me that the investigations have extended beyond New South Wales. Where else have you been able to undertake investigations currently?

Mr Watzlaff—All places where the equipment is situated. We have looked at Brisbane and Melbourne.

Senator CHRIS EVANS—But there are still 12 you have not even got round to yet?

Mr Watzlaff—That is right.

Senator CHRIS EVANS—When is that likely to happen?

Mr Watzlaff—We would expect to complete these inquiries by the end of July but there could be additional applications made which may make that period go out, as we have just discussed. There could be new applications coming in and, as we do not know the extent of that, that could mean that those matters would take longer to complete.

Senator CHRIS EVANS—So you are telling me that we may not have an answer to the public policy concern here about whether or not there has been fraudulent activity until beyond July and maybe not until you are convinced that you have received all applications?

Mr Watzlaff—In terms of fraudulent activity, if we can get evidence of fraudulent activity we would refer those cases to the DPP as soon as we have the brief complete.

Senator CHRIS EVANS—That is what I was wondering. If you find evidence of concern, are you going to wait till you have completed all of your inquiries or do you immediately refer a case on?

Mr Watzlaff—No. These cases would be handled in accordance with our ordinary case management process. As soon as a brief was complete, it would be submitted to the case management committee in the relevant state and, if approved for submission to the DPP, that matter would then be referred on.

Senator CHRIS EVANS—I just want to make it clear. You are not suggesting that an investigation into one application, if found to raise concerns, will be delayed until the others have been completed?

Mr Watzlaff—No.

Senator CHRIS EVANS—Have you referred any as yet?

Mr Watzlaff—No, not at this point.

Senator CHRIS EVANS—Have you completed any inquiries as yet?

Mr Watzlaff—No. They are progressing.

Senator CHRIS EVANS—So we do not have a completion on any one of the 24 inquiries at this stage?

Mr Watzlaff—No, not at this point.

Senator CHRIS EVANS—When would we hope to have made some progress?

Mr Watzlaff—By the end of July we would expect to have completed the present matters.

Senator CHRIS EVANS—The whole 24?

Mr Watzlaff—Yes.

Senator CHRIS EVANS—This may be a policy question. If I need to, I should direct it to Senate Herron. Has there been any consideration given to having a closing date for applications for Medicare eligibility? You discussed with me earlier how we had this potential for them to float in whenever they were ready. I do not want to ask an officer questions they are not competent to answer, but it may well be there has been some discussion that it is not possible, or whatever.

Senator Herron—I am not aware of it. If the officer wants to answer it, that is all right.

Dr Morauta—I think it is a reasonable issue. If they continue to trickle in, I think it is something that the government would probably want to look at, and we would consider a closing date.

Senator CHRIS EVANS—But there has been no action taken as yet to try and put a close off date?

Dr Morauta—No.

Senator CHRIS EVANS—Are you able to give me the breakdown on the dates on which these contracts have been signed?

Dr Morauta—Not at present, because the investigations are continuing. We feel it would be prejudicial to provide them at this stage, but there is no reason why the dates could not be made available at the end of the period of investigations.

Senator CHRIS EVANS—I am a bit perplexed by that answer. I accept that, because investigations are occurring, one would not want to give me the full list of who applied and when et cetera.

Senator Herron—It is my understanding that the dates might identify them. That is why it might be prejudicial.

Senator CHRIS EVANS—In what way is that prejudicial?

Senator Herron—By putting it on the record, my understanding is that you might be able to identify those being investigated, and that would be prejudicial to the investigation.

Senator CHRIS EVANS—It seems that we now know who 11 of them are. What I do not understand—and I guess I am asking for an explanation—is what is the so-called legal difficulty in providing the parliament with the dates upon which the applications are based, not providing the names of the companies. The public policy issue at stake here is whether

or not the budget process and the cut-off date issues have been—I cannot think of the right word—breached, or what have you. I do not understand why the provision of the dates is a problem. It did not seem to be a problem when we first asked about it; it was only afterwards when we got the answer in reply that the dates seemed to become an issue.

Dr Morauta—I think that the questions that were previously asked referred to the dates. And, at this stage, while investigations are continuing, we do not know whether those are real dates or only purported dates, so that is another issue. The dates on which these were actually ordered will not be known until the investigations are completed.

Senator CHRIS EVANS—But the key issue is when they are claimed to have been ordered, is it not?

Dr Morauta—That is certainly one issue.

Senator CHRIS EVANS—I am asking: why cannot the Senate be provided with the list of dates upon which the claim is based?

Senator Herron—You are pre-judging. If you are given dates, the claims might be quite legitimate and the implication is that they are not. I think you should allow the presumption of innocence.

Senator CHRIS EVANS—It seems to me, Minister, that Dr Wooldridge in answer to a question in parliament said that there was no evidence that they were ordered in the week prior to the budget, so he has obviously got some information.

Senator Herron—Officers are collecting the evidence, and I think you should await the outcome of that, rather than pursue your own investigation.

Senator CHRIS EVANS—What I want to know is: has the minister been told the dates?

Mr Watzlaff—No, we have not informed the minister of the dates.

Senator CHRIS EVANS—So the minister is not aware of the dates upon which they were ordered or that they rely upon in their claims.

Mr Watzlaff—Information of that kind has not been given by the HIC to the minister.

Dr Morauta—Nor by the department.

Senator CHRIS EVANS—Is it available to anybody else?

Dr Morauta—No.

Senator CHRIS EVANS—So no-one else should know, you have not told the minister, and you cannot help me as to the basis on which he claims that there was no evidence that the machines were ordered in the week prior to the budget.

Senator Herron—No. As I say, that is correct. The evidence is being collected.

Senator CHRIS EVANS—No, they are different things. There either is or is not evidence. There is a question of who knows about what the evidence reflects.

Senator Herron—The officers said that they are not aware. I am not aware.

Senator CHRIS EVANS—The minister may well be unaware of whether there is any evidence. It is quite a different thing to say there is no evidence. I am just trying to ascertain whether the minister knows or does not know.

Senator Herron—I accept his statement; that is what I am saying. Nobody here can add any further to that.

Senator CHRIS EVANS—Are these investigations just being carried out by the HIC?

Mr Watzlaff—That is right.

Senator CHRIS EVANS—What are your powers of investigation in general terms? I am not a lawyer; I am just trying to see what—

Mr Watzlaff—In general terms, our investigations are initially conducted on a voluntary basis. So, for example, we seek to get cooperation from people to gather evidence, to provide us with data. Should we get to a point where we failed to get that cooperation, we would have to move to the compulsory processes under part IID of the Health Insurance Commission Act. That enables us to summon material that might be necessary for us to pursue our investigations. We have not invoked those part IID powers on any of these matters as yet.

Senator CHRIS EVANS—Is that because you are getting cooperation?

Mr Watzlaff—Yes.

Senator CHRIS EVANS—Although, obviously, as you have already pointed out, you have not even got to 12 of the cases yet. Is there any concern that their trail might be getting a bit cold?

Mr Watzlaff—No, I have looked at the question of whether or not the offences would run out of time, and there is no difficulty there. The case, as we see it, is mainly a documentary one. So the material is there, and we are getting that material in.

Senator CHRIS EVANS—Have you thought about requesting extra resources to try to bring this thing to completion?

Mr Watzlaff—No, we have used a group which has some specialised knowledge of radiology, and it was felt preferable to use that one particular group on the whole investigation.

Senator CHRIS EVANS—My personal opinion is that there is some concern that this is taking an awfully long time. I would be concerned if the thing dragged on unnecessarily. So, while I appreciate the need for the use of specialists, it seems to me that the other question is the public interest in getting the matter resolved. Because if there are non-eligible or fraudulently approved MRIs operating, we are spending an awful lot of taxpayers' money subsidising them currently, are we not?

Mr Watzlaff—Yes.

Senator CHRIS EVANS—I want to go back and have you take me through what precipitated your investigation. There has been a number of different and sometimes conflicting answers given by either the minister or the department as to how we came to have this investigation. So, Mr Watzlaff, could you just explain to me who initiated the investigation and why?

Mr Watzlaff—Last December the Health Insurance Commission received information from an anonymous source, which seemed to be well placed, that there were false statements in documents lodged with us in relation to the MRI applications. Upon receipt of that material I commenced the investigation.

Senator CHRIS EVANS—Do you have the power to do that?

Mr Watzlaff—Yes.

Senator CHRIS EVANS—Did you seek advice or the imprimatur of anybody else before doing that?

Mr Watzlaff—No.

Senator CHRIS EVANS—So it was on your initiative that the investigation commenced.

Mr Watzlaff—Yes.

Senator CHRIS EVANS—You would have been aware of concerns that had been raised in public prior to your receiving that information in December. Had you considered launching an investigation prior to that date?

Mr Watzlaff—No, that was the first material that had been put to me. I had heard rumours, but I had not received anything in writing, and certainly nothing that was of sufficient significance—in my mind, at least—to commence any inquiries.

Senator CHRIS EVANS—Do you accept that that sort of chatter was about, that there had been a bit of a leak about access prior to that?

Mr Watzlaff—I would not say I had heard ‘chatter’ at all, no.

Senator CHRIS EVANS—I am happy for you to choose your own words; I did not mean to put words in your mouth. Were you aware that there were concerns in industry or elsewhere prior to your receiving that information in December?

Mr Watzlaff—Concerns as to what?

Senator CHRIS EVANS—Concerns as to the process about the budget decision and whether or not people had prior knowledge that contracts signed before the budget would make them eligible.

Mr Watzlaff—No, I was not aware of that.

Dr Morauta—Certainly the department heard from time to time commentary of that kind, but when we invited people to provide the kind of evidence that might give rise to an investigation we did not receive that.

Senator CHRIS EVANS—When did the department receive that sort of feedback?

Dr Morauta—Certainly earlier than December, as you said. But we did not have any evidentiary material.

Senator CHRIS EVANS—I gather that the information in December was anonymous.

Mr Watzlaff—Yes.

Senator CHRIS EVANS—Do you normally investigate anonymous complaints?

Mr Watzlaff—We look at all anonymous complaints. But this one appeared to be quite well informed, and for that reason I thought it was worth proceeding on.

Senator CHRIS EVANS—So you launched the investigation. What do you have to do to formally do that?

Mr Watzlaff—We work to a case management process. I spoke to our state PRB manager in New South Wales and caused material to be forwarded to him. He then assigned the task to his team.

Senator CHRIS EVANS—Were the initial complaints that you received about New South Wales?

Mr Watzlaff—No, they were not necessarily referable to any one state.

Senator CHRIS EVANS—So why did you commission your New South Wales office?

Mr Watzlaff—Because that is where our radiology team is.

Senator CHRIS EVANS—When was this business about the statutory declarations invoked? Why were statutory declarations required? Is that a normal process?

Dr Morauta—I think we probably touched on this last time we met. The idea was to be quite clear that the intent of the cut-off in time was, in fact, implemented in that way, so we put the statutory declaration requirement in.

Senator CHRIS EVANS—Had you used statutory declarations before?

Dr Morauta—I am really not able to answer. I think they may well have been used in other circumstances in MBS, but I just do not have the information. This is quite an unusual circumstance, when a whole new thing is being moved into the MBS, so that might make it unusual in that sense.

Mr Watzlaff—It is not a very common process in the health portfolio, but it certainly is common in other areas of government administration.

Senator CHRIS EVANS—What was the reason for initiating the statutory declaration process?

Dr Morauta—Because of the need to find a way to implement the decision that the supply measures would take the form that they did, and it appeared that that would be a good way of getting at that cut-off in time.

Senator CHRIS EVANS—In the past has the HIC carried out investigations similar to the ones they are carrying out now? Is this within your normal procedure?

Mr Watzlaff—I would have to say that the MRI arrangements are somewhat different from other matters. So, in terms of looking at investigating the content of a statutory declaration in this context, in terms of looking at equipment, I suppose that is unusual. But in terms of false statements in documents lodged with us, that is very common, and we look at that in terms of both provider fraud and public fraud.

Senator CHRIS EVANS—Is it common that you have false documents lodged with you, or that you investigate them in this way?

Mr Watzlaff—The sort of investigation that we are conducting is conducted in the same fashion—

Senator CHRIS EVANS—What other sorts of things do you investigate?

Mr Watzlaff—We investigate provider fraud. There might be situations where doctors lodge claims for services that were not rendered or which were up-coded. We investigate for false statements made by patients on the basis of accounts that were falsified, which may be forgeries or have additional services added to them.

Senator CHRIS EVANS—Is it also your practice not to release any information about those investigations to anybody?

Mr Watzlaff—That is right. We take the view that the provisions of the act prohibit us from releasing material about investigations to parties other than our legal advisers and the DPP.

Senator CHRIS EVANS—So did you seek any separate legal advice in this instance when you were asked to provide information about the contracts, the dates, et cetera?

Mr Watzlaff—Yes, we sought advice from our legal services unit.

Senator CHRIS EVANS—That is your internal unit?

Mr Watzlaff—Yes.

Senator CHRIS EVANS—They provided written advice to you?

Mr Watzlaff—No, they did not. It was just done informally.

Senator CHRIS EVANS—What was the effect of that advice?

Mr Watzlaff—The advice was that we were bound by secrecy provisions in terms of the release of data within our investigations. As to whether that would be binding in the context of a Senate inquiry was a matter where our legal manager felt there may be some room for different views, but he was of the opinion that the information should not be released.

Senator CHRIS EVANS—But he did not provide that to you in writing?

Mr Watzlaff—No, he didn't.

Senator CHRIS EVANS—When did you seek that advice from him?

Mr Watzlaff—I have sought it on several occasions, and most recently I sought that advice last week.

Senator CHRIS EVANS—Why did you seek advice again last week? You had already indicated in a written answer that you were not going to provide it.

Mr Watzlaff—I just wanted to put the view to him again to see whether he had a different view.

Senator CHRIS EVANS—It seemed to me last time that you were quite happy to provide the advice but did not have it with you. Then we get a written advice saying that you cannot provide it. Now you tell me that last week you actually went and sought further advice. I am just trying to understand what is going on here. Has anyone else provided you with any advice about whether or not you should release this information?

Mr Watzlaff—No.

Senator CHRIS EVANS—Have you sought anyone else's view?

Mr Watzlaff—No.

Senator CHRIS EVANS—Despite raising it a couple of times with your legal division, you still do not have anything in writing from them about this?

Mr Watzlaff—No.

Senator CHRIS EVANS—So your last request for information from them went to the precise issue of whether or not it ought to be appropriate to release it to the Senate estimates process; is that right?

Mr Watzlaff—Yes.

Senator CHRIS EVANS—On what basis did your legal division argue that it should not be released to the Senate?

Dr Morauta—I can comment here, because we also had a look at this question. I think it is clear that parliamentary legislation can override other legislation but that the normal pattern or practice of committees has been not to seek detailed case information.

Senator CHRIS EVANS—That is right.

Dr Morauta—That is a matter of practice, is the way I have been advised, and that the committees do not normally seek to have detailed information on cases, acknowledging that the information in other contexts would be protected by the secrecy provisions of the Health Insurance Act.

Senator CHRIS EVANS—That does not really answer my question though, Dr Morauta, as to why the provision of information as to the dates relied on is not to be provided. It seems to me that does not identify anyone. It does not militate against the investigation; it merely

provides information as to what happened as a result of the budget process. We have here quite a large increase in the number of MRIs being approved over what was anticipated by the department. It seems that a large number of them may well have been as a result of applications fairly close to the budget decision, but we are not able to ascertain whether or not that is right. It seems to me it is reasonable for us to find out whether that is or is not right. The minister claims to know. Why can't we know?

Dr Morauta—I am sorry, I do not know that we had settled that the minister knew anything about the dates; I think we settled that he did not know anything about the dates. The position that we are putting is that when the investigations are completed and we know for certain how many were on what date rather than at the moment there is doubt around it and when it would not be at all prejudicial to the inquiries to release the dates that were under investigation, then we will do that.

Senator CHRIS EVANS—Dr Morauta, you raised two issues there, the second of which was whether or not you are able to release the information but the first was there was some doubt about the dates—

Dr Morauta—No, that is the question I raised before about whether they are the dates on which they were ordered or the dates on which they were purported to be ordered.

Senator CHRIS EVANS—I see. There is no doubt that in lodging their applications they have to rely upon a date to which the application is based; is that right?

Dr Morauta—That is right.

Senator CHRIS EVANS—So the only question is not what that date is but whether or not you think that is right or there is a fraudulent claim; is that correct?

Dr Morauta—Yes.

Senator CHRIS EVANS—There is no confusion about the dates relied upon. It is merely a question of whether you accept the evidence presented or not. Has the HIC briefed the minister on this MRI issue?

Mr Watzlaff—No.

Senator CHRIS EVANS—So you have not had any opportunity to brief the minister on your investigation or anything of that nature?

Mr Watzlaff—No.

Senator CHRIS EVANS—Mr Borthwick, has the department been the one briefing the minister on this issue?

Mr Borthwick—No, it is in the hands of the HIC at the moment.

Dr Morauta—On the investigation, yes.

Senator CHRIS EVANS—I think the minister referred in the chamber to having been briefed on the issue. I am just trying to establish who briefed him.

Mr Watzlaff—Sorry, on what issue—the investigation?

Senator CHRIS EVANS—I will find the minister's exact words, if that helps.

Dr Morauta—I think it is where he quotes from advice from the HIC. Is that what you are talking about?

Senator CHRIS EVANS—He says this on 11 February 1999:

Finally in terms of my role, I asked the Health Insurance Commission last night what is the role of ministers in this. I will read you their written advice, and I am happy to table the page. It reads . . .

Dr Morauta—We have that.

Senator CHRIS EVANS—What advice was provided to the minister on 10 February 1999?

Mr Watzlaff—That was on the role of ministers in terms of their knowledge of particular investigations. We said it had not been the common practice to provide ministers with detailed material on individual investigations.

Senator CHRIS EVANS—I just need to be clear: I thought I asked you whether you had briefed the minister, and you said no.

Mr Watzlaff—Sorry, I thought you meant in relation to specific investigations.

Senator CHRIS EVANS—Let us start with the general and then move to the specific. Did you provide a verbal or written briefing to the minister on or around 10 February?

Mr Watzlaff—Yes, we did.

Senator CHRIS EVANS—Was that a verbal or a written briefing?

Mr Watzlaff—Both.

Senator CHRIS EVANS—So some time on the 10th you did brief the minister. What did you brief him about?

Mr Watzlaff—We provided him with information about the nature of the process as to whether ministers had been aware of the detail of investigations, and we provided him with material about the claiming patterns in respect of the MRI items in the schedule.

Senator CHRIS EVANS—The claiming patterns?

Mr Watzlaff—What I mean by that is the number of services claimed in the history of the MRI arrangements.

Senator CHRIS EVANS—Why were you called to brief the minister on the 10th?

Mr Watzlaff—I don't think I can—

Senator CHRIS EVANS—Sorry, you were invited to brief the minister on the 10th?

Mr Watzlaff—Yes.

Senator CHRIS EVANS—You were invited to brief him on what issues?

Mr Watzlaff—On the question of the role of ministers in investigations and the nature of the MRI claiming arrangements.

Senator CHRIS EVANS—And at that meeting what did you advise him about the role of the minister and such things?

Mr Watzlaff—As I say, we advised the minister that it had not been the common practice to that point for the minister to be given detailed briefings on particular investigations.

Senator CHRIS EVANS—Did he ask for a detailed briefing on that investigation?

Mr Watzlaff—No.

CHAIR—Could I just flag a note of caution here that the officers are not required to give information on advice that they have given to ministers at all.

Senator CHRIS EVANS—So you had the briefing on the 10th where you advised the minister that it was not common for the minister to be briefed on the nature of investigations. What was the other issue that was discussed?

Mr Watzlaff—The MRI claiming patterns.

Senator CHRIS EVANS—Why was that an issue?

Senator Herron—That is something that the minister would have to answer. The officer was asked and he provided that information. It is not for the officer to interpret why the question was asked. I am happy for this to flow, because what the officer has just done is reinforce the statement of the minister. There was no evidence, and my presumption is that was on the claimings against MRI prior to that date. It is not for the officer to interpret why—

Senator CHRIS EVANS—In fact, that was not what the officer said at all. The officer said it was not the practice for them to brief the minister.

Senator Herron—No, I said my interpretation of that evidence.

Senator CHRIS EVANS—I think we need to be clear, Minister, because you are saying they briefed the minister to one effect. Mr Watzlaff is saying quite the opposite—that they did not brief the minister because it was not his right to know. Which is correct?

Senator Herron—About specific investigations, and that is normal practice in my own portfolio. I never ask just because there are so many.

Senator CHRIS EVANS—I am interested in what you normally do. I want to know what you are saying on this occasion.

Senator Herron—The officer has just said that the minister asked, ‘What is the role of the minister in these investigations?’ The minister was told. The minister asked, ‘What are the claiming patterns on the MRI?’ and the minister was told. It is not for the officer then to interpret or to discuss why the minister asked those questions.

Senator CHRIS EVANS—I accept that. Were you investigating claiming patterns as well at this time, Mr Watzlaff?

Mr Watzlaff—We certainly analyse all the claiming patterns for MRI, and we have done so since the beginning of the new arrangements.

Senator CHRIS EVANS—So you did not brief the minister about the investigations and you did not provide him with the dates relied upon in the claims, which was your evidence earlier?

Mr Watzlaff—No.

Senator CHRIS EVANS—Turning to this question of claiming patterns, what is happening there? Can you give us a potted summary of the claiming pattern?

Mr Watzlaff—There has been an increase in the number of claims made. The figures for March showed quite a substantial increase in the number of services after relatively quiet months in January and February, and I do not have the April figures at this point.

Senator CHRIS EVANS—What is your view about what this is going to mean for the annual rate?

Dr Morauta—On the MRI, the agreement was phrased in terms of the number of services for this year, and on the current trends we expect to be within the number of MRI services that were anticipated in the agreement with the profession. I am just trying to pick up the number. It is 120,000 services in 1998-99 in the agreement—that is the right number—and we are currently on track to come in around that number or a little under.

Senator CHRIS EVANS—Is that though because you had a slow start?

Dr Morauta—Yes, it would be partly because of a slow start.

Senator CHRIS EVANS—So what are you saying this means about the underlying trend in terms of usage?

Dr Morauta—The targets for the following two years are up on 120,000—they are 138,000 and 145,000. It is really difficult at the beginning of a new thing to tell what the trends are. If it were to keep going as it is, it might not be quite within those figures. But it is a bit difficult to tell because at some stage it will plateau. It is just a question of when it will.

Senator CHRIS EVANS—When you talk about the year, are you talking about the financial year?

Dr Morauta—Sorry, yes.

Senator CHRIS EVANS—Do you have a breakdown of the figures, say, pre October and post October? Do you have a breakdown of the figures, because it seems to me that the growth has occurred in more recent times?

Dr Morauta—I am just getting the services table up. In July and August there were no claims on MBS, September was this transitional month, and by October they are not very high figures. We have the monthly figures on benefits paid and on services, which we can give you.

Senator CHRIS EVANS—Yes, it might be useful to track that.

Dr Morauta—I was ready to table the benefits paid, but I think what you need is the services table. We will just get that for you.

Senator CHRIS EVANS—I am particularly interested for October to March figures.

Dr Morauta—Yes, we can give you that.

Senator CHRIS EVANS—Thank you. While you are doing that, I asked for the agreement with the radiologists and the date, and I thank the department for providing it to me. But am I right in assuming that the date on the document I received was right—that 15 May was the date of the agreement between the government and the radiologists?

Dr Morauta—I think that is the date on which it was transmitted to the minister as a formality, if you like. I think the agreement on the document was reached prior to the budget.

Senator CHRIS EVANS—I asked the question a number of times last time, and I was not able to get a date. Then I got the document, and the document's date was actually after the budget. I would like to be clear on this if we could. Are we able to provide the date upon which the agreement between the minister and the radiologists was struck?

Senator Herron—We should be able to get that for you.

Dr Morauta—Yes, we can, Senator.

Senator CHRIS EVANS—I would appreciate that answer today if we could, because I asked a number of times. As I say, the document then reflected a different date.

Dr Morauta—No, you are quite right. The minister had a meeting on 5 May with the college, and that was where they basically agreed on the detail. There was a drafting process that went on, and the final thing—drafted up in detail—emerged in that letter on 15 May from the college to the minister.

Senator CHRIS EVANS—But the decision on which the budget decision was taken or the agreement on which the budget decision was taken was made at the meeting on 5 May?

Dr Morauta—I think it was finalised then, yes.

Senator CHRIS EVANS—Finalised then?

Dr Morauta—Yes. The minister would deal in the broad principles with them. I am sorry, I was not at the meeting. But then subsequently there would be a drafting exercise that would go on. That was what emerged on the 15th.

Senator CHRIS EVANS—My memory is fading but, as I understood it, the reason why the arrangements were not detailed in the budget was that the decision was reached very late.

Dr Morauta—That is right.

Senator CHRIS EVANS—As I understand it, you said there was a meeting at which the radiologists and the minister signed off on this proposal to have a cut-off for the budget night.

Dr Morauta—No, sorry, that was not part of the agreement process. The supply measures were outside the agreement. Remember, we had this discussion last time.

Senator CHRIS EVANS—Yes, and I did re-read the *Hansard* this morning. Perhaps you could take me through this, Dr Morauta. There was the agreement between the radiologists and the minister in the broad, which was reached at a meeting on 5 May, and the details were to be subsequently worked out. That agreement was finally signed off—or whatever the correct term is—on 15 May.

Dr Morauta—That is correct.

Senator CHRIS EVANS—You referred to the supply side issue. When were decisions taken about that?

Dr Morauta—That was very close to the budget. It was reflected in documentation which I think is dated just a day or two before the budget. Let me just get that for you. I think the documentation would suggest on 10 or 11 May the final decision by government was taken on the supply side measures.

Senator CHRIS EVANS—The documentation would suggest that it would have been 10 or 11 May. Are you not sure?

Dr Morauta—There is a group of pieces of correspondence. If the summary here is correct, it was 11 May.

Senator CHRIS EVANS—When you say ‘supply side issues’, what is contained in those?

Dr Morauta—That is the arrangement with respect to the budget night cut-off and which MRI machines would be eligible.

Senator CHRIS EVANS—Does that include the agreement as to the number of MRI scans? You had the price versus volume deal as well, didn’t you?

Dr Morauta—No, that is all part of the agreement.

Senator CHRIS EVANS—So the only issue that was outside of the agreement was the question of this cut-off?

Dr Morauta—Of which MRI machines were going to be eligible, yes.

Senator CHRIS EVANS—Why was that not part of the broader agreement on the 5th?

Senator Herron—I would have thought they were separate issues. One was a commercial issue of the supply of machines and accreditation, and the other was an agreement with the college.

Senator CHRIS EVANS—With respect, Minister, they are clearly linked. The number of machines operating has—

Senator Herron—They are linked in that sense, but the provision of machines is not the college’s responsibility. That might be the responsibility of individual hospitals or providers. The college represents the radiologists. All radiologists do not have MRI machines, obviously. There are only 72 machines. There are groups of radiologists that would have one. I think there are 1,400 radiologists in Australia—something like that.

Dr Morauta—I think Ms Rogers covered this issue last time. The radiologists accepted that there needed to be some supply side controls, but they also accepted that this was a matter for government decision, more appropriately made by government than themselves. Although they had provided some ideas, the final decision was taken by government on recommendations from the department.

Senator CHRIS EVANS—The agreement with the radiologists goes to the question of controlling the usage of or access to MRIs, doesn't it?

Dr Morauta—On a number of other things—for example, that there was supervised provision of service, that there was a tertiary referral and so on. All those things are part of the agreement, but the semi-business question of which machines would be eligible, as Senator Herron points out, was a decision taken by government.

Senator CHRIS EVANS—But the number of procedures is directly linked to the number of machines.

Senator Herron—As a generalisation, that is correct.

Senator CHRIS EVANS—I am sure the evidence of the last nine months has taught us that if nothing else. I am trying to understand why that was separated out.

Dr Morauta—I am not really sure, Senator. I think it may have been that the business sensitivity of it was recognised and it was felt that it was more appropriately handled by government independently.

Senator Herron—From a college perspective, the college represents the radiologists—presumably nearly all of them—and it is not their business. The college is about standards of training, accreditation of radiologists to use MRI machines, et cetera, but it is a commercial decision as to which people buy machines. They may not be radiologists.

Senator CHRIS EVANS—I am sure there are very effective unions, Senator Herron.

Senator Herron—Not a union. Each of the royal colleges is concerned about standards and provision of service to the public. I think that is a concept that needs to be understood.

Senator CHRIS EVANS—When the meeting concluded on 5 May, were the radiologists aware of what the minister was going to do in terms of the budget decision?

Dr Morauta—No, Senator, not on the supply measure.

Senator CHRIS EVANS—Were they aware on 10 or 11 May of that decision?

Dr Morauta—No.

Senator CHRIS EVANS—So, as far as the HIC is concerned, the radiologists never knew that the minister was going to make that decision prior to its announcement on budget night?

Dr Morauta—No, Senator, as far as the department is concerned they did not know.

Senator CHRIS EVANS—What did they think was going to happen?

Dr Morauta—They probably thought there would be some supply side measure, but they did not know what it was.

Senator CHRIS EVANS—Had the range of possible supply side measures been discussed with them?

Dr Morauta—I need to ask about that. I think they put forward some options, but I am not sure that they put forward this particular option.

Senator CHRIS EVANS—Are you able to check that for me?

Dr Morauta—Yes.

Senator CHRIS EVANS—I would appreciate it if you could take that on notice if you are not able to answer it now. The minister has been at pains to make it clear that these are, if not unrelated, separate issues. But, as I understand it, you have an agreement with the radiologists which provides that, if they access more services than anticipated, you will reduce the price they can charge you for those services. Is that right?

Dr Morauta—That is one of the things that can be done if the amount of expenditure rises above the targets. Other things that can be done is that we can have a look at the itemisation in the schedule—this is right across the diagnostic imaging table—and change the item descriptors or the indicators. Or, if we think some items are being overused, we could change the description of them. There are a number of things you can do about it, but the bottom line is that you could reduce the price of some or all of the items.

Senator Herron—Reduce the rebate.

Dr Morauta—Yes.

Senator CHRIS EVANS—So, in signing up to that agreement, they signed up to the concept that that was able to be done by the government and they would have no recourse?

Dr Morauta—I think it is a broader thing. The idea is that we work with them. We have a committee that looks at the way the usage of services is going. If we see a difficulty emerging, we look at different options for handling the difficulty. I think they would have appreciated that, because we had an agreement with the pathologists which worked exactly that way. I think there was a general appreciation in the medical profession of that kind of option.

Senator CHRIS EVANS—I gather the government has accepted that the risk for MRI volumes lies with the government. Is that right?

Dr Morauta—No. I think we would discuss with the professional what the trends were. I think there is an earlier answer which refers to the AHTAC report which we provided. That said what they thought was a reasonable number of services per head of population. If the basis for that report changed or there were new MRI items, then the situation would change. I think it is somewhat more fluid than you are describing.

Senator CHRIS EVANS—I think you said earlier that you are on track for about 120,000 services for this year.

Dr Morauta—Yes.

Senator CHRIS EVANS—I think the minister described that as a worst case scenario earlier in the year. Does that mean you have thought about implementing some response to the growth in usage?

Dr Morauta—We have been meeting regularly with the college over the year. It is a bit difficult because in January and February you get a reduction in service utilisation, so March is the first time when you begin to get back to what the underlying patterns are. We had a meeting with them recently in which the patterns for this year were discussed, and people went away to investigate further the figures and to consider what options were ahead of us for managing the expenditure.

Senator CHRIS EVANS—What options is the HIC examining?

Mr Watzlaff—The HIC does not examine the options. The Consultative Committee for Diagnostic Imaging will consider the options rather than the Health Insurance Commission.

Senator CHRIS EVANS—Who makes the decision if there is concern about a blow-out in costs or usage?

Dr Morauta—I think the spirit of the agreement is that we reach agreement with the profession on how it is handled.

Senator CHRIS EVANS—Is it fair to say there is concern now that there seems to be a blow-out in usage occurring?

Dr Morauta—In MRI?

Senator CHRIS EVANS—Yes.

Dr Morauta—I think if the increases continued that would be the case. We do not know when it will plateau. Obviously when we have all the machines on, you would expect some plateauing, but the committee is looking at how that is running now and wondering whether we have every detail of the arrangements right and whether there are some things that need adjustment.

Senator CHRIS EVANS—How would you express your position now? Are you concerned at the increase in usage? Are you worried? Is it a blow-out?

Dr Morauta—On MRI we are a little bit in wait and see mode, but, on the table as a whole, probably some need to take some action to adjust.

Senator CHRIS EVANS—So you are contemplating action to address the problem now?

Dr Morauta—I expect action is more likely in the November schedule or perhaps in July, but not immediately. One tends to take time to get these things right and then put something through.

Senator CHRIS EVANS—But have you not got a problem that you have another 11 machines coming online?

Dr Morauta—It is certainly an issue that needs working through, Senator.

Senator CHRIS EVANS—I assume it is not a question of 11 machines having 11 times worth of work, but clearly that will add to the pool of MRIs operating. It will obviously add to the problem, will it not?

Dr Morauta—Yes, Senator.

Senator CHRIS EVANS—What do you say about the potential budget impact then? What is your best estimate about the extra budgetary cost by the end of the year?

Dr Morauta—I do not think there would be any excess cost in 1998-99. For the following two years, there is the opportunity to look at what is going on with the MRI machines—for example, what kinds of services have been provided, whether they have been provided appropriately—and work through that. At the moment I do not see the situation as at all unrecoverable in terms of the overall expenditure on diagnostic imaging.

Senator CHRIS EVANS—You are going to be dealing with about 25 per cent more machines than you were expecting to deal with, though, aren't you?

Dr Morauta—Yes, that is right. But I would point out that the MRI expenditure is only about three per cent of the total diagnostic imaging expenditure, and we have a cap on the overall expenditure. So the overall budget outcome could be maintained in a number of different ways.

Senator CHRIS EVANS—I have no knowledge of these areas but, as I understood the evidence last time, MRIs are a growth area or a trend or the latest fad in a sense, are they not? I am not putting this well, Senator Herron.

Senator Herron—I am not having a go at you particularly. It is a new technology that may supplant some other technologies like CT scanning.

Senator CHRIS EVANS—That was what I was trying to say.

Senator Herron—Yes, in that sense, it is a growth industry. Given the successful negotiation of pathology services by the previous government, I think the analogy with MRI scanning is that we do not want duplication of technologies. That is what the college agreement is about. So there will be progressive growth, and I think the officer was saying that that is being monitored. It will be some time before we see what patterns emerge. But the agreement with the college is to limit it, with those specific indications for the use of MRI, unless something occurs where more specific indications arise, which will be handled by AHTAC.

Senator WEST—You said that it may take the place of other investigative processes such as CT scans. Is that becoming evident?

Dr Morauta—No, I would not say it was at the moment. That is one of the issues which the committee wants to have a look at, because the expectation had been that there would be a substitution effect with MRI, with CTs just bouncing along as always. So that is one of the issues that the profession has agreed to look into: what is the relationship between these two sets of tests?

Senator WEST—Is CT use going up or is it plateauing?

Dr Morauta—It is going up; it is not plateauing.

Senator WEST—It is still going up?

Dr Morauta—Yes. There is not much evidence of a substitution effect at the moment.

Senator WEST—If it is still going up and MRIs are going up, you would have to say that there is no evidence of a substitution.

Dr Morauta—It really depends on how fast CT would otherwise have gone; but, generally, yes.

Senator Herron—And the population is ageing and more people are being treated.

Mr Borthwick—I think the key point here is that the radiologists for the first time have a budget cap, so it is not open slather. Also, there is the whole range of mechanisms which will work with the college to make sure that the budget objectives are met.

Senator CHRIS EVANS—How is that? What budget cap is that?

Mr Borthwick—This is the cap on overall radiology that Dr Morauta referred to before.

Senator Herron—That was the analogy I made with pathology, which was successfully negotiated by the previous government.

Senator CHRIS EVANS—But there was allegedly a cap on the number of MRI machines. That is what this issue is about. We have gone from 68 to 83, on the last count. This cap does not seem to be working terribly well.

Dr Morauta—There was not a cap; there were only estimates of numbers of machines. However, on the expenditure side, there is an actual cap.

Senator CHRIS EVANS—But there is no cap on MRI currently?

Dr Morauta—It was expressed as a target number of services within the overall DI expenditure.

Senator CHRIS EVANS—That is right, and it seems to me that you will be at the upper end or in excess of that target at the end of this financial year.

Dr Morauta—No, I think we will probably be okay this year, but I admit that there is a problem in the second and third year if things continued as they were.

Senator CHRIS EVANS—I am interested in the evidence because the radiologists seem to think that there is a problem. They are having closed sessions at their conferences, discussing what they say is the concern about overuse. With exceeding by 50 per cent the growth, they obviously think that you think there is a problem. You seem to be downplaying it to me, but they seem to be pretty worried about what you are going to do to them.

Senator Herron—That is healthy symbiosis.

Senator CHRIS EVANS—The Senate ought not be concerned but they ought be?

Mr Borthwick—I think Dr Morauta said that the spirit of the agreement is something with which we will work through the issues with the radiologists. It is quite understandable that they would be looking at their situation, and we in conjunction with them.

Senator CHRIS EVANS—You have spoken of the cap. I just want to be clear about the MRI. As I understand it, there is no cap; there is agreement with the radiologists that the government may be able to institute, in a spirit of cooperation, certain measures. I think the evidence so far is that there have not been any measures implemented by the government.

Mr Borthwick—The MRI arrangements come within the overall radiology arrangements. The MRI only accounts, I think Dr Morauta said, for about three per cent of the overall expenditure. That is not to say that the MRI is not something that needs to be looked at in its own right. But, in terms of the government's overall expenditure on radiology, it is subject to the agreement.

Dr Morauta—The conference—and we are participating in some of its sessions; you are quite right, they obviously want to gather themselves together and have a session on their own on Sunday afternoon—is looking at strategies for managing the entire agreement. In terms of overall expenditure, it might be, for example, that CT is the area where most attention has to be paid at this stage.

I think there are two things here: we are just at the beginning of realising what the growth patterns are, after the January/February lull with the March figures having only just come through; and it is the beginning of a process for the first time where we are sitting down with this particular part of the medical profession and working out how to do things, and we do not have all the answers yet.

Senator CHRIS EVANS—But we are doing it with a lot more machines in the MRI field than we thought we would have, subject to Mr Watzlaff's investigations. Would HIC provide us with a statement as to why, on what legal grounds, it is refusing to provide the committee with information about the dates relied upon and the applications? I think, Mr Watzlaff, you have indicated that you have sought advice on a couple of occasions but have not had it in writing. I cannot speak for the other members of the committee, but I am not satisfied that the grounds are justified for refusing to provide that information. I think it would assist the committee if you could provide some written justification as to why we ought not have that information to enable the Senate estimates committee and the Senate to consider whether or not the case is justified. I suppose I am asking you to provide—

Senator Herron—No, we have given our arguments. We agree to differ. There has been no written legal advice given, so we cannot give it to you. That is not uncommon. It is not uncommon to ring the Attorney-General's Department, ask for advice and get verbal advice on some matter that is not followed up with written advice. That is one point. We made in discussion this morning the arguments why we think they are justified in not providing dates. Without recapitulating what was said by the officers, I think we just agree to differ on it.

Senator WEST—What about providing verbal advice? It is not going to be relied upon in a court of law.

Senator Herron—We have provided advice; we do not have it in writing.

Senator CHRIS EVANS—Senator Herron, I just want to make it very clear on the record: you are refusing to provide written advice as to why this information cannot be released to the Senate estimates committee?

Senator Herron—None has been provided.

Senator CHRIS EVANS—I am asking you to provide it; that is what I am doing.

Senator Herron—We will write something out for you, yes.

Senator CHRIS EVANS—But I want the legal advice, not that you do not want to give it because you do not want to give it to me.

Senator Herron—We have gone through this previously as to dates. We can go through it again, if you wish.

Senator CHRIS EVANS—You are using legal grounds as the basis for refusing this.

Senator Herron—No, we are not, not at all.

Senator CHRIS EVANS—So there is no legal reason why you cannot provide this?

Mr Borthwick—I think the answer before was that the HIC are expecting their investigations to conclude by the end of July. At that stage they would see their way clear to providing you with the dates. For the sake of a couple of months—even though there is an issue to look at in terms of your powers to require that information—it would be preferable from the HIC's point of view if they could provide what information they could at the end of their investigation rather than partway through it.

Senator CHRIS EVANS—That is what I am trying to get very clear, and I have not got it clear from you yet: whether it is just your preference not to provide it to us now, whether it is your legal advice that precludes you from providing it, or whether you are just not cooperating with the committee's inquiry. I do not want to make judgments. I am just trying to get very clear why it is that you will not give me this information.

Mr Borthwick—I think it was made clear earlier that we are not refusing to provide that information on the basis of legal advice. It is just customary for committees not to request that information during the course of any investigation. I think that is the basis.

Mr Watzlaff—That is the basis, yes.

Senator Herron—That is my understanding of it too.

Senator CHRIS EVANS—I will go back to my original point: I would appreciate advice from the officers as to why they do not want to provide this.

CHAIR—The answer has been provided a number of times, Senator Evans.

Senator CHRIS EVANS—In a number of different ways.

CHAIR—Exactly. It has been provided a number of times, and the officers have tried to explain it to you in a number of different ways.

Senator CHRIS EVANS—The reason given at the last estimates, the reason given in the written answer and the reason given today are not the same—and, quite frankly, the reasons articulated by different officers at the table have been different. I want to be very clear why it is they are not providing this advice.

CHAIR—I think Mr Borthwick just gave that to you.

Senator CHRIS EVANS—Mr Watzlaff also said earlier that it was on the advice from legal counsel.

Mr Watzlaff—No, sorry. You asked me whether I—

Mr Borthwick—No, that is not the case, Senator. We will go back and check the record of transcript and, if any clarification is required, we will clarify it. But the situation, as I understood it, is what I just summarised.

Senator CHRIS EVANS—Is it your understanding too, Mr Borthwick, that the information about what dates we relied upon in the applications has not been provided to the minister?

Mr Borthwick—That was said, yes.

Senator CHRIS EVANS—I am asking you as the senior health department official at the table.

Mr Borthwick—If that information has not been provided by the minister, I accept the answer.

Senator CHRIS EVANS—It would not have been provided by the health department?

Mr Borthwick—It has not been provided by the health department, no.

Senator CHRIS EVANS—Thank you for that.

CHAIR—I have a couple of questions on overseas trained doctors, for obvious reasons, as I come from Western Australia—Senator Evans and I both come from Western Australia. Western Australia, it appears now, is reforming its registration procedures. Could you advise the committee as to what the Commonwealth has done to assist in that reform?

Mr Wells—The Commonwealth minister and the Western Australian minister recently reached an agreement which is meant to streamline the process for recruiting doctors from overseas who have equivalent qualifications to those of qualified general practitioners in Australia; the agreement will streamline their capacity to recruit these doctors and to enable these doctors to practise in Australia. The basis of the scheme is that the Western Australian government will recruit the doctors internationally, or locally if there are resident overseas trained doctors who have these qualifications.

The Royal Australian College of General Practitioners will accredit the doctors as having the qualification, and there are some overseas qualifications which are currently accepted by that college. The Western Australian Medical Board will provide a registration for the doctors which restricts them to practise in a designated rural area of need, and they have that capacity under their act. The Commonwealth would then provide the doctors with access to Medicare with a provider number which would have the same restrictions as that imposed by the medical board in terms of geographic area of practice; and the Western Australian government would contract the doctor to work for a minimum of five years in the rural area of need.

The immigration department will provide a temporary entry visa through a streamlined process. That could be for three years or it could be for five years, depending on what arrangements are best suited to recruiting that particular doctor.

CHAIR—So these two will work in tandem: the registration and the visas?

Mr Wells—Yes, they will work in tandem. If the doctors recruited under this scheme complete the five years—in other words, serve out their contract—they would then be eligible for permanent residency through the immigration process without any further complications. They would receive unconditional medical registration through the WA Medical Board and, therefore, they would then receive unrestricted access to Medicare with a Medicare provider number, and they would not be caught by the 10-year moratorium arrangements under the current Health Insurance Act. So they are the arrangements. The Commonwealth is also providing \$½ million to assist Western Australia in the initial recruitment campaign.

CHAIR—Mr Wells, have other states made any approach for a similar arrangement?

Mr Wells—Yes. All the other states, with the exception of Tasmania, have approached either the minister or the department, and negotiations are proceeding at various stages with each state. For example, we are meeting with officials from New South Wales later this week. There have been extensive discussions with Victoria and Queensland and preliminary discussions with some of the other states.

CHAIR—I have seen the bonded scholarship idea promoted. Does this also give a short-term solution in conjunction with the overseas trained doctor proposal?

Mr Wells—The overseas trained doctor proposal is only one step of many steps, and it deals with the immediate need to get doctors on the ground. It is hoped that the overseas trained doctor proposal would substitute what is now fairly transient and temporary doctor arrangements with more longer term doctors who are also qualified as general practitioners when they start.

In terms of other measures, like bonded scholarships, there have been proposals around and some of these are under consideration at the moment. There has not been any announcement in relation to those or any decision about proceeding with bonded scholarships. There are a range of issues around those which you are probably familiar with.

CHAIR—Would it be fair to say that the government has recognised the desperate need and the crisis, virtually, in rural and remote Australia in doing what it is now doing with Western Australia and possibly with other states? How does this fit in with the long-term initiatives that have already been announced? Where is the total picture now?

Mr Wells—Others can talk about the other initiatives in relation to support for general practitioners but this measure, I suppose you could say, is the front end, where we can recruit overseas doctors who are readily available and capable of moving straightaway into rural and remote areas and who have the qualifications which are deemed by the accrediting body in Australia—that is, the College of General Practitioners—to be the full requirements for practising in general practice. They would be under arrangements which give some stability—that is, they would be required to stay in the area for a minimum of five years but with the prospect that they could stay longer and settle there permanently.

CHAIR—Sorry to interrupt, but that is in one area; they are assigned to ‘an’ area.

Mr Wells—Initially they would be assigned to an area. Obviously, if the state felt their services might be better placed in another area—if after an initial period in area A, they were needed in area B and the doctor was happy to move—as long as it continued to be a rural area

of need, from our perspective, we would have no difficulty with that at all. That would be a matter for the state.

CHAIR—But it is still based on an area of need—I am just thinking if mining towns close, diminish in population and so forth. There is total flexibility.

Mr Wells—That is right. There is total flexibility within the definition of rural area of need. It has to be rural, and it has to be an area of need in rural. So this scheme would not apply to those towns which are already doctored. Single doctor towns or towns where there has obviously been a long-term difficulty in recruiting sufficient doctors would come within the definition of rural area of need.

CHAIR—Sorry to interrupt, you were talking about the wider initiative.

Mr Wells—I was saying that this is the front end. It is clearly not the sole answer to rural doctor requirements. There are other initiatives in relation to attracting into medical schools students who themselves come from rural backgrounds and providing the medical schools with a capacity to increase the exposure of their students, especially in their clinical experiential phases, to as much training as possible in rural and remote areas. The John Flynn scholarships, for example, are available for that purpose. There is a university department of rural health being established in each state which will be part of the medical schools but facilitate the movement of students, doctors and academic teaching staff from the cities to rural areas. So that will increase the exposure.

The government is also committed to supporting the establishment of a medical school at James Cook University. That medical school would have a particular focus on the needs of Northern Australia in terms of attracting students in training. A new clinical school based at Wagga in New South Wales would again give medical students an extended period of their training in a rural location.

CHAIR—Mr Wells, I do not know whether you answered this question in the broader context; if you did, I missed it. What is the anticipated time frame for this to be up and running in Western Australia, and what is the anticipated time frame for the other states to be able to do similar projects?

Mr Wells—The Western Australians can move now. They can start their process immediately.

CHAIR—Yes, but how long is it anticipated before doctors would start appearing?

Mr Wells—I cannot answer that. That is in the hands of Western Australia—how quickly they can gear up their recruitment and how quickly they can actually attract doctors who meet the criteria and who are prepared to work in the rural areas. It could be months, it could be longer. It could be within a few months. It really is something we cannot answer because it is now in the hands of Western Australia. The arrangements are in place for them to do that. For other states, it would depend on when they finalise their agreements with us and, again, their capacity to recruit and attract the doctors.

CHAIR—But everything from a Commonwealth perspective is going to be effectively fast-tracked to enable that to happen?

Mr Wells—Yes, and all those arrangements are in place. We have worked the immigration arrangements through with the Department of Immigration and Multicultural Affairs, and the arrangements in terms of Commonwealth health are capable of being done now. We do not have to change any of our procedures or whatever.

CHAIR—Thank you, Mr Wells. Are there any further questions on 2.1?

Senator WEST—Yes. Can I just clarify the current state of play in relation to overseas doctors in Australia. There are a number of categories of people involved, aren't there? As I understand it, there are those with permanent residency who are currently studying to pass the AMC, those with permanent residency who have been registered without passing the AMC in order to practise on a temporary basis in an area of need—

Mr Wells—Yes. For permanent residents there are, I suppose, basically now three categories. There are those who are in the AMC process. They are waiting to sit the multiple choice question part or they have passed that and are waiting for a clinical practical test. That is category 1. Category 2 would be doctors who have come here as temporary visa doctors but have gained permanent residency and would be seeking then to enter the AMC process. So they might or might not have sat the MCQ test, depending on their timing.

The third category would be the category of doctors who have gained a place under the scheme we introduced this year to enter medical schools at an advanced level. These are doctors who have a basic medical qualification from overseas, have permanent residency but, as an alternative path to the AMC process, are now enrolled in one of our 10 medical schools around Australia at an advanced level. That level varies from school to school and doctor to doctor. Those doctors would then graduate as Australian medical graduates and would not need to go through the AMC process.

Senator WEST—Could you give some indication of what level they are entering at?

Mr Wells—In the six-year degree courses, most have entered in year 4, so they have to do three years. In the four-year program, most have two years to go; they have entered in year 3. For the five-year program, they tend to enter in year 3, but it does vary.

The other category I did not mention was doctors who have a specialist qualification gained overseas. They can apply to the relevant specialist college and, if their qualification is accepted by that college, they can be registered to practise in that specialty without going through the AMC process.

Senator WEST—And they do not necessarily need permanent residency either? They can be temporary.

Mr Wells—They do need permanent residency to practise permanently, but they can come in as temporary visa doctors as well.

Senator WEST—Is there a group that can come in with permanent residency without the AMC in order to practise on a temporary basis in an area of need? Is that permitted?

Mr Wells—The state medical boards can register temporary visa doctors with what they call conditional registration to work in a specific location—in a hospital, town or whatever—directly from overseas without those doctors going through the AMC process. Those doctors can only practise for the period of their visa and in accordance with the restrictions placed on their registration by the medical board.

Senator WEST—Do they get a Medicare number if they are working in the town?

Mr Wells—Some do if the state certifies that they need the Medicare number because they are in an area of need—for example, they might be in a rural location, on a locum program or whatever. If they are working in a hospital as a hospital doctor, they would not be eligible for a provider number.

CHAIR—Can I just clarify that: so New South Wales can actually register whoever they like, however they like?

Mr Wells—Yes, they can.

Senator WEST—The doctors have some thoughts about a lot of the standards though, don't they?

Mr Wells—Sorry?

Senator WEST—The AMA and the colleges would have some thoughts about the medical standards of people who are coming in.

Mr Wells—They might, but it is the medical boards who, under the various state acts, have the authority to register doctors and therefore certify the standard.

Senator WEST—And the medical board is usually controlled by and comprises their peers—that is, doctors?

Mr Wells—Medical boards are set up under the various state medical registration acts and their composition would be as set out in the acts. I do not have all those details with me.

Senator WEST—We now have this new group who are going to be given visas on the basis that they have a qualification recognised by colleges here in Australia.

Mr Wells—Yes.

Senator WEST—Do we know what sorts of qualifications or where they are from that the colleges will be recognising? Presumably, it is going to be a reciprocal type arrangement, is it?

Mr Wells—Yes, that is right. There are some countries where there are already reciprocal arrangements between the Australian college and the equivalent body in that country. The college also has the capacity to recognise qualifications from other similar bodies, whether or not there is a reciprocal arrangement. It does not have to be reciprocal, although in some cases it is.

Senator WEST—Do you have any idea of the numbers of doctors who are actually in Australia practising under all the different categories?

Mr Wells—Doctors in the categories I described earlier who are practising?

Senator WEST—Who are working as doctors in Australia.

Mr Wells—Who are resident overseas trained doctors?

Senator WEST—Who are permanent residents here and maybe studying for the AMC, who are permanents who have been registered to a specific area of need, who are temporary residents working specifically in specialised areas.

Mr Wells—The number of temporary resident doctors at any one time is about 1,500. I do not have the exact figure, but it is of that order. I do not have the number of resident overseas trained doctors who are practising as doctors. There are varying estimates of the number of resident overseas trained doctors, but around 2,000 is generally seen as an acceptable figure. Not all of those would be practising, and I do not have figures on how many of those would be practising as a doctor at any one time.

Senator WEST—Does anybody know?

Mr Wells—I do not think anyone does.

Senator WEST—Can you take it on notice and see what you can get?

Mr Wells—Yes. I will get you what we can.

Senator WEST—Thank you. I would also like a list of the overseas qualifications that are going to be recognised by the Australian colleges and where they emanate from.

Mr Wells—Again, we will give you what we have.

Senator WEST—So you do not know at this stage what the colleges are going to recognise?

Mr Wells—The arrangement I have been talking about is basically with the College of General Practitioners. I have had some preliminary discussions with the college, and I am going to have further discussions with them in the coming weeks. Could I take that on notice and give you further advice after those discussions?

Senator WEST—Yes, I am happy for it to go on notice. It is a fairly big ask, but I would like the answer before the next round of estimates in the first week in June, please.

Mr Wells—Yes, I will get you what we have before then.

Senator WEST—I am just interested in knowing where those qualifications are coming from that are going to be recognised by colleges. You say that it is generally the College of General Practitioners that is going to be doing it. My understanding was that the other colleges in Australia recognised qualifications such as the British qualifications, and that if you came here and passed a fellowship to any of the other colleges, apart from the general practitioners one, you automatically got AMC recognition. Is that correct?

Mr Wells—If you have a specialist qualification gained overseas, you apply to the relevant college here and that college accepts you as having an equivalent qualification. You can be registered then, without going through the AMC process, to practice in that specialty.

Senator WEST—But the same did not apply with the College of General Practitioners?

Mr Wells—No, but it does now.

Senator WEST—Why didn't it apply before?

Mr Wells—I cannot answer that, Senator.

Senator WEST—Why did the AMC think that their exam was of a higher quality and a higher calibre and more important than a college exam and persons passing that? It is just something that has fascinated me.

Mr Wells—If I could hazard a guess, I suspect it is partly historical, because basically there was an arrangement for specialists and then there was an arrangement for everybody else. Progressively, in the college of GPs, general practice has become—

Senator WEST—Recognised as a specialty area.

Mr Wells—Yes. Then we caught up with those changes. I suspect it is that more than anything else.

Senator WEST—It would have been rather embarrassing for the department, would it not, to have been promoting fellowship of the royal college of GPs, yet these people were not being given registration by the AMC? Although they have got college recognition and are therefore eligible for additional funding under vocational registration, they were not able to gain registration of the AMC. It was a bit of an anomalous situation, was it not?

Mr Wells—Anomalies could have arisen with individual doctors, but I suspect generally those doctors who had a qualification which would be seen to be equivalent to that of the college of GPs here would have performed reasonably well in the AMC process anyway. Anomalies of that nature with GPs have not been brought to my attention, but that is not to say they don't exist.

Senator WEST—Hasn't the situation that took place in Gulgong been brought to your attention?

Mr Wells—Senator, you would have to brief me on that.

Senator WEST—Dr Robin Williams, who was Welsh trained, came to Australia, got recognition and passed the College of General Practitioners exam but then had a problem with the practical side of the AMC exam in Brisbane and did not pass that. You must be aware of that case?

Mr Wells—I am not familiar with that case.

Senator WEST—It took place in March-April this year.

Mr Wells—I am not familiar with that.

Senator WEST—I ask you to have a look at it. If this change had not taken place with the recognition by the Royal College of General Practitioners, what would the ramifications have been for vocational registration and the additional payments made there?

Mr Wells—I will have a look at that.

Senator WEST—Have you had complaints about the AMC exam process?

Mr Wells—Yes, there have been complaints about the AMC exam from a range of people—particularly from overseas trained doctors who are going through the process. There have been complaints of various sorts.

Senator WEST—Whose job would it be to actually investigate those complaints?

Mr Wells—The AMC is an independent body and it regularly does benchmarks, if you like, of the standard of its exam. Its exam is supposed to produce the same standard of competence as a graduate from a medical school, so it is supposed to be roughly equivalent to the level of knowledge, of competence, which someone who has gone through an Australian medical school would have at the end of that process. That is what the AMC is supposed to produce. The last time they did this I think was in 1997; they benchmarked their exam against a group of Australian final year medical students to see how they performed against the AMC exam. I think it was 1997. Do not quote me on the year; it could have been 1996, but it was within that time frame. Their benchmark test then indicated that their test was of a standard which most of the Australian students were able to pass and therefore it was regarded as equivalent to the Australian medical school standard. Each medical school has its own assessment process, so it is not quite as simple as just having a comparable test.

Senator WEST—I realise that. Where are doctors who want to practise in Australia failing most in the AMC exams? Is it in the written or is it in the oral test?

Mr Wells—It is difficult, because those who fail the written do not then go on and do the oral test.

Senator WEST—Is there any comparison between the number of failures in the written and the number of failures in the oral?

Mr Wells—I have not seen a comparison, but I could get the AMC figures for you. But that is not comparing apples with apples.

Senator WEST—I know; I am trying to find what is an apple to compare with an apple. I am having difficulties. Who is responsible for the AMC? Surely the Commonwealth department of health has some—

Mr Wells—The Commonwealth department has a person on the AMC. I am the Commonwealth's nominee on the AMC. It is an independent body set up under ACT companies statute. But I suppose it ultimately reports to Australian health ministers. They are the ones who ultimately have concern for what the AMC does. The bulk of the AMC membership on the council is nominees of the state medical boards—usually the presidents or whatever. It reports to the various state health ministers through that mechanism, so its accountability is to health ministers.

Senator WEST—How do people complain about the AMC process, apart from hunger striking? What is a more effective way to complain?

Mr Wells—There have been a number of cases taken to the human rights commission in recent years. Some are still under way, but some have been dealt with. People can complain to their respective state health minister or indeed to the Commonwealth minister, as some do. In the case of complaints to the Commonwealth minister, these are taken up through the Commonwealth representative to the AMC itself, and we deal with them and investigate them that way. So there is a range of mechanisms.

CHAIR—I am getting a bit lost here. Registration is a state issue, and the states can use the AMC if they want to, or they can register whoever they wish whenever they wish. I am just wondering about the federal link to that.

Senator WEST—The federal link is the AMC.

CHAIR—But they do not need to use the AMC; that is the point that is being made. They only use the AMC because the states decide they use the AMC. I am just wondering about the federal link.

Senator WEST—In that case I would wonder why the AMC is even set up then. You raise that very interesting question.

CHAIR—That is a totally different question; it is up to the states.

Senator WEST—The federal minister has an input into it.

CHAIR—But registration is in the states. I am just wondering where the federal link is.

Senator WEST—I am sorry if you cannot see the link there, but I intend to—

CHAIR—There is no link; that is the point. I am asking for questions of a federal nature on registration. I do not mind questions on the subject.

Senator CHRIS EVANS—Mr Wells has told us that he is the Commonwealth representative.

Senator WEST—That is right. And there are a number of doctors who have registration from overseas who have permanency in this country who are studying to pass the AMC process. As Mr Wells is the federal representative of the federal minister on that body, I see a very close link to the federal government.

CHAIR—The states have the say, not the federal government.

Senator WEST—Senator, there is a process in which the federal government is involved through their representative, and that is what I am asking questions about.

CHAIR—You are not. That is the point that I am making.

Senator WEST—Mr Wells, you are aware of complaints about the AMC process?

Mr Wells—Yes, there are complaints.

Senator WEST—I will deal with that at another time. We are bringing on stream these new people who will have postgraduate qualifications that are recognised by colleges. They will be allowed to have a restricted Medicare provider number in a particular location and after five years they can get permanency and go and work wherever they want. What are going to be the consequences of this new stream coming on? What is going to happen five years down the track? Has anybody looked at what the consequences of this are going to be?

Mr Wells—It is difficult to anticipate what these doctors will do. Some will decide to stay where they are. Some will decide to go elsewhere—either to another rural location or to an urban area. Some will decide to leave Australia and go and work somewhere else. It is difficult to anticipate the proportions of those decisions so early in the piece.

Senator WEST—So it can be any qualification recognised by any one of the colleges?

Mr Wells—No, the location is defined by the state. When they come in to start, the state determines what are the rural areas of need, and the state medical boards, under their various acts, register those doctors in accordance with whatever the state requirements are.

Senator WEST—Will they be just registering for GPs or will they be registering for specialist services too?

Mr Wells—Technically they could register for specialists, but the thrust of the need, as I understand it, is for general practitioners. Many of these towns would not support a specialist.

Senator WEST—So you are not aware of any shortage of specialists in regional centres?

Mr Wells—I didn't say that; I said that in the towns identified as single doctor towns or in the towns where there are long-term recruitment problems, most of the need has been identified as being for general practitioners. That is not to say that there are not locations where there are specialist vacancies as well. I could see no reason why these arrangements would not apply in those situations, where the need had been identified and there was a specialist available who had gained the recognition of the relevant specialist college.

Senator WEST—Are you aware of whether any identification of areas of need has been done?

Mr Wells—That is a matter for the state. In the case of Western Australia, they have defined it as rural area of need. They have indicated that it would be where there is no doctor in a single doctor town, or where there has been a long-term problem recruiting sufficient doctors to meet the needs of towns where there is more than one doctor.

Senator WEST—But at this stage, federally, you are not aware of the number of areas of need, the number of doctors that are going to be required?

Mr Wells—Western Australia has indicated that currently they have a need for up to 38.

CHAIR—But that is a state decision based state by state?

Mr Wells—That is a state decision; that is not a matter in which we have been involved. It is their capacity under their act to determine where those areas of need are and to make the appropriate registration arrangements.

Senator WEST—In five years time, do you think the 38 are still going to have doctors and not be areas of need, or are we actually going to see after the five years that we are still back to having 38 areas of need?

Mr Wells—As I said, it is difficult to anticipate what proportion of those doctors will stay in situ, where they have been, what proportion will move to another rural location and what proportion would decide to move to an urban area. They are individual decisions.

Senator WEST—I am trying to pursue what the consequences of this action are likely to be five years down the track, because there has to be some forward planning and forward projections done in any administrative area. I am wondering what has been done in terms of the forward planning and forward projections for five years down the track when these doctors have the eligibility to go and practise anywhere they like.

Mr Wells—This would not be a static program, Senator. It is unlikely they would recruit 38 up-front. Doctors will come and go. Some doctors will come and they will not stay the five years. They will decide it is not for them and go back to where they came from or go to another country. That is something that would evolve with experience. It is difficult to make these projections now. We have not made those projections. We have no evidence or data on which we could make such projections.

Senator Herron—Aren't there figures to show that something like 40 per cent—I am not sure of the exact figure—of those new general practitioners who go to rural areas stay more than a period of years? I think it is more than five years, something of that nature. Do you have figures from past experience? There are some figures around.

Ms Furler—I came forward because I interpreted an earlier question as to whether or not there was any work under way in the department that would help us get a feel for the need in rural and remote areas for, for example, general practitioners further down the track rather than simply responding to communities or doctors coming forward as a result of being under pressure. There is work under way through the University of Adelaide to develop a couple of indices that will help the department do some more systematic planning and projection work in the future.

There will be a needs index in particular indicating relative need and provision of general practice services and based on factors relating to usage and provision of services and population and demographic factors which impact on community need. It is envisaged that this index could be used in the future in combination with other information to inform resource allocation under rural incentives programs.

Senator WEST—Does this index have a name?

Ms Furler—It is work that is being done to improve the existing methodologies that are in place.

Senator WEST—It is those methodologies, the assumptions, that you are basing some of this work on. Do you know five years down the track? Do you have any plans or any ideas five years down the track what the likely outcome is going to be?

Ms Furler—My answer was in response to my interpretation of the question, which was: is there any work under way that would help us get a feel for what need is further down the track on a more systematic and rigorous basis? I think the answer is yes. However, I cannot answer what I think your second question is, which is the consequences of bringing in overseas trained doctors. My colleague could perhaps talk about that.

Senator WEST—Can you take on notice and give me details of the work you have started to outline there so we can look at it and think about it?

Ms Furler—I will have to take that on notice.

Senator WEST—I am happy for you to do that.

Mr Wells—This is a new cohort. We do not have experience yet of how these doctors who have not been trained in Australia, who have not been resident in Australia and who have signed up for five years will behave. We do not have such a cohort yet on which we could

derive some estimates. But, as they come and as other states come on board, we will be able to monitor the situation and get a better picture of what their behaviour might be. It is a new cohort. It is impossible to extrapolate figures from other cohorts of Australian trained doctors, for example, and suggest that the behaviour from that cohort might be the same as for this cohort.

Senator CHRIS EVANS—Except that the economic and other factors applying to them are much the same.

Mr Wells—Except their only experience of practice in Australia will be in the rural location or locations where they are working. So they will not have had an urban residential experience.

Senator CHRIS EVANS—Not having seen the big cities of Australia, they will be more inclined to stay in the bush, Mr Wells?

Mr Wells—No, but I am saying their experience of practice in Australia will be in rural locations.

Senator WEST—I think we might wait and see on that one.

Senator Herron—Are you opposing it, Senator West.

Senator WEST—No, I did not say I was opposing it. I am interested to know where they are coming from. I am interested to know whether it is a long-term solution or a short-term solution.

Senator CHRIS EVANS—If at the end of five years we have more doctors competing for oversupply in the city, we have not solved anything.

Senator WEST—And what might be the impact on inexperienced and recent graduates who are forced out into the country areas where they are going to burn out and be exposed to and forced to undertake responsibility loads that perhaps are not appropriate for them or are not fair to them when they are working in sole practice in isolation?

Senator Herron—Certainly it is a step forward.

Senator WEST—Yes, if we can get them to stay there. But if they are all going to turn around after five years and head back to the big smoke—

Senator Herron—As Mr Wells says, it is a new cohort. We cannot even predict what is going to happen in five years time. In the last *Medical Journal of Australia*, I think, there was an analysis of this where 40 per cent of those who go to rural areas stay there.

Senator WEST—Maybe what you saw, Senator, was one of the two answers to questions I put on notice at the last estimates—that is, questions Nos 233 and 111. In those answers the numbers are not the same. We actually want the department to clarify this.

Senator Herron—No, I have not seen that.

Senator WEST—This one says that the total turnover was 94 doctors, and 45 of those had worked in rural locations. I was wondering whether you were getting confused about the turnover and 45 per cent. Is it possible for this department to give any indication of how many doctors are here as temporary resident doctors, visa category 422?

Mr Wells—We will get that information for you.

Senator WEST—Thank you. How many of these doctors have been given provider numbers under 3J exemptions and how many have prescribing rights?

Mr Wells—We can give you that, Senator. I do not have that information with me.

Senator WEST—Can you give me the figures for 1997 and 1998 broken down by state for the numbers of temporary resident doctors with, firstly, provider numbers and, secondly, prescribing rights? I am happy for that to go on notice.

Mr Wells—Yes.

Senator WEST—I understand that, following the February hearings, an investigation was commenced within the department in relation to the disclosure of information; is that correct?

Mr Wells—Could you be more specific?

Senator WEST—I understand there was an investigation into information tabled at a Senate committee. I understand that, following the February hearings, an investigation was commenced within the department in relation to the disclosure of information. What was the nature of the investigation? Were the police involved? Did the investigation relate to the rural doctor number tabled at the Senate estimates hearing?

Mr Borthwick—I do not know anything about an investigation, Senator. We will make inquiries and get back to you.

Senator WEST—Thank you.

Mr Borthwick—But we would appreciate any more information you could provide to us to direct us where to look.

Senator WEST—I have already drawn attention to answers 233 and 111, and I indicate that we do not think they are the same. The answer to question 233 arrived on my desk yesterday afternoon, along with a whole bundle—about four or five other questions—that I had placed on notice, and this morning I received the answer to my hepatitis C question which I placed on notice. I think somebody made the comment that this had just been published—that is, *Hepatitis C: a review of Australia's response*—but the cover says it is dated January 1999. Perhaps someone can tell me why question 233 and a number that I received yesterday took so long to answer.

In question 111, I asked: what was the net increase, or was this a move from one location to another? This was in relation to rural work force issues, and I got a table of full-time equivalents. It tells me that caution needs to be exercised in interpreting these results since the significant increase in some areas is off a low base. A table was also provided for question 233 with 1997-98 RRMA location figures. From a quick viewing of these, the figures do not add up. Because this came so late yesterday, I have not been able to sit down and study them totally. So I think I should send you back to tell me why I cannot comprehend and understand the difference between the two tables. I would like this answer before we have estimates again in the beginning of June, please.

It may well be that the higher numbers in question 233 are total numbers of doctors who charged Medicare during the year, and it could be that the numbers in question 111 are for full-time equivalents. I do not know. Can you tell me that? I also note that, of the 211 doctors who practised in category 7—that is, remote areas locations in 1997—57 gave up doctoring the next year, 17 moved back into the city and 20 moved into less remote locations. Thus, the turnover was 94 doctors, or 45 per cent of those who had worked in remote locations. The figures in answer 111 suggest that these people were just replaced but only after some effort.

I would like some clarification as to why I am interpreting the answers I have received for those questions differently. They seem to me to be different. It gets a bit confusing when that happens. I would appreciate it if somebody could take that on notice, look at those two

answers and come back to me with an answer before the beginning of June so I can pursue the line of questioning at the full estimates.

Mr Borthwick—We will do that, Senator.

Senator WEST—Thank you. Also briefly on the John Flynn Scholarship Scheme—question 108 on notice—you identified three problem areas which needed addressing. In the three areas identified, what has been done to come overcome those problems? I am happy for that to go on notice. I will leave it there.

CHAIR—As there are no further questions on subprogram 2.1, we will move to subprogram 2.3

[11.44 a.m.]

Subprogram 2.3—Acute care

Senator CHRIS EVANS—Ms Briggs, could you take me through the chronology of your dealings with the ACCC in relation to the government's private health insurance rebate fund campaign? I think I asked you during the health bill No. 3 inquiry the other day when you had discussions with the ACCC, and I think you said it was late January or February and that you put a circular out straight after that, but I notice that the circular I have was issued on 10 or 11 March. So I got a little lost in the chronology. Perhaps you could take me through when the ACCC first raised concerns with the department about the campaign and what followed from that.

Ms Briggs—Yes, Senator, I can take you through that chronologically. You are in fact correct in terms of those date differences. I know the evidence that was given at that time was not that we responded within 24 hours; what really occurred was that we met with them within 24 hours. They approached us on 19 February, and they approached Deputy Secretary Borthwick. He informed me immediately and we met with the ACCC that afternoon. That began a series of discussions between the ACCC and us which subsequently led to the production of the circular to which you have referred which we sent to registered health funds on 11 March.

Senator CHRIS EVANS—What was the nature of the approach from the ACCC?

Ms Briggs—The nature of the approach was that they had received a complaint about the nature of—

CHAIR—One complaint?

Ms Briggs—I will pick that up later. They received a complaint about the nature of the advertising. When we met with them, I asked for clarification of that. They said that they had received of the order of three or four complaints.

Senator CHRIS EVANS—I am more interested, though, about what they said about it. They obviously thought there was some merit to the complaints, otherwise they would not have contacted you.

Ms Briggs—Yes, they did, Senator. We had a discussion in and around a number of things. In particular, it was clear at that time that the ACCC had not understood the nature of the new rebate and indeed the fact that the previous Private Health Insurance Incentives Scheme had been abolished at the end of last year. We explained to them that it had been abolished on 31 December, for all intents and purposes, and that the new rebate began on 1 January 1999. We said to them that the advertising campaign was based on the 30 per cent rebate

arrangements. They went through that. They had some press clippings from ads from the various health funds and they went through those with us.

Their concerns were, at that time, placated by us to some extent because we explained that the major features of our TV campaign and the newspaper campaign had already been completed by that time. The TV campaign was completed by 13 February and the newspaper campaign was completed by 23 January. They were, however, cognisant of the fact that the Trade Practices Act does not necessarily cover government advertising activities. They were particularly concerned that, in view of some of the press ads they had seen from some health funds, there may be some issues. We, of course, were concerned that we did not wish to see issues that would raise concerns about misleading advertising.

CHAIR—What was the nature of the complaints? We seem to be going to the dealing with the complaints, but we do not know the nature of the complaints.

Ms Briggs—The nature of the complaint, as I understood it at that time—we were told there had only been a complaint of one order—was the absence in the advertising of reference to the previous incentives scheme. That was causing some problem in the understanding of the people who had made the complaint.

Senator CHRIS EVANS—That is consistent with the evidence you gave us about the complaints to the department, isn't it? People thought they were going to get a 30 per cent reduction but if they were already on PHIIS they got less than that.

Ms Briggs—They still received the 30 per cent reduction. However, in the transition between the old and the new, there was some confusion around those arrangements.

Senator CHRIS EVANS—So, effectively, they were not getting a 30 per cent reduction in cost if they were already eligible for PHIIS, because they were already receiving the rebate.

Ms Briggs—That is correct, Senator.

CHAIR—But PHIIS no longer existed, so they qualified for a 30 per cent rebate.

Ms Briggs—Yes, that is right.

Senator CHRIS EVANS—So are you telling me that the department relied on the fact that the previous scheme ended on 31 December to make that point?

Ms Briggs—It is a pretty pertinent point; yes, Senator. We also relied on a number of other issues in our discussions with them, including the nature of the campaign that the Commonwealth itself had run which had been a campaign based on some research which had told us that the messages in the campaign needed to be quite simple and straightforward because people were in fact confused about the vast array of health products. The previous advertising campaign around the PHIIS scheme, with the income test and so on, was very confusing for them and the fact that they ended up with different rates of entitlement because of those income tests meant that we needed to run a very simple line in the campaign. There was no reason for us not to do that.

Senator CHRIS EVANS—But on what grounds did the ACCC say to you that they were concerned that the ads might be misleading?

Ms Briggs—The grounds were the issue of the transition between the private health incentives scheme and the 30 per cent rebate.

Senator CHRIS EVANS—That was the only grounds?

Ms Briggs—That was the grounds they raised with us. When we were talking to them about the nature of the advice we might give to the health funds, we went through with them a range

of issues around the nature of the rebate and covered with them the issue to do with registered health funds and access to Medicare being fundamental rules governing entitlement. We felt it opportune that, if we were going to write to the health funds about their advertising, we should pick up on those issues, and the commission in fact agreed with that.

Senator CHRIS EVANS—Do you think that the defence against the charge of misleading advertising is the fact that PHIIS finished on 31 December the previous year?

Ms Briggs—I think there are a number of things here, Senator, that I would say in and around this issue. I think that is a fairly important issue—that is, that the old scheme no longer existed.

Senator CHRIS EVANS—But is that a defence against the charge about it being 30 per cent cheaper? I mean, one replaced the other.

Ms Briggs—One did in fact replace the other. We have accepted the guidance of the ACCC in terms of the wording of advertisements subsequent to that.

CHAIR—But there was no such charge that it was misleading; it was only suggested that it could potentially be misleading. I think we need to get the terminology right.

Ms Briggs—That is correct. That was part of the discussions, Senator. If I may go on, I would point out that we did say to them at the time that we had never suggested anywhere that the rebate was in addition to the PHIIS arrangements, and that was accepted. We also had some questions in and around the fact that our campaign was and is in several different bits. So there was the mass advertising campaign where we would argue that you cannot provide a lot of detail. However, as part of that campaign, all of the ads included the number of our hotline which was available to provide more information. In addition to that, we had information kits, brochures and so on which explained fully the other matters that we had discussed with the ACCC.

Senator CHRIS EVANS—All right. So the ACCC raised this issue with you on 19 February. Did you accept that there was some merit to the ACCC's concern?

Ms Briggs—I think 'accept' is the wrong word. Certainly, we saw no reason to make any amendments to our own campaign. That was largely because it is very unlikely, as the ACCC concedes, that our arrangements were affected in any way by their act. You will note that—

Senator CHRIS EVANS—Sorry, what were you saying there, Ms Briggs? Your arrangements were—

Ms Briggs—Sorry, government advertising. If I could explain, the Trade Practices Act does not apply to government programs, and misleading advertising, which is prohibited under the act, concerns advertising which is misleading in the context of commercial dealings. The department is not involved in such dealings. Moreover, it is not possible to translate this concept to the advertising of government programs and policies. We made that point on the day. However, we also very much accepted the jurisdiction of the ACCC over the wider health insurance sector. We felt we had a duty of care towards the sector to try to reach some agreement with the ACCC about what advice we might give the sector in terms of their own advertising.

Senator CHRIS EVANS—So you had legal advice that they had no jurisdiction over you but you had legal advice that they had jurisdiction over the private health insurance funds. Is that right?

Ms Briggs—That was our understanding, yes. I had some legal advice to that effect and I have subsequently had advice on that more recently. However, when there were discussions in the parliament last week, I asked for formal written advice on that.

Ms Woodgate—Senator, I might just add to Ms Briggs's comments. There is also a practical issue here that that part of the campaign was shortly to finish.

Senator CHRIS EVANS—I thought it did not finish until the end of April, Ms Woodgate?

Ms Woodgate—The mass media campaign, Senator.

Senator CHRIS EVANS—I thought the mass media campaign consisted of TV, newspaper and billboards. The billboards did not come down until April.

Ms Briggs—We asked for the billboards to come down at the end of March. However, a couple did not come down until early April, Senator. That is correct.

Senator CHRIS EVANS—Did you change your arrangements regarding the billboard advertising as a result of the ACCC investigation?

Ms Briggs—We did slightly, Senator; that is correct. What we did was to, in effect, not allow the ads to stay on for as long as it took for the group that owns the billboards to put up new ads. That is normal practice with billboards. Instead, we asked for them to come down at the completion of the particular period that we had paid for the ads to be up.

Senator CHRIS EVANS—So normally they would leave them up after your contracted period if they had not got a replacement?

Ms Briggs—That is right.

Senator CHRIS EVANS—So you did not take any action to have them taken down early as a result of the ACCC investigation?

Ms Briggs—No, we did not, Senator. I seem to recall that they raised the issue about whether or not we could amend the billboard ads. The department declined to do so on the basis that billboard ads are normally under about 10 words, sometimes only one word. We thought it would be injurious to people's health in cars if they were to try to study more words on such an add.

Senator CHRIS EVANS—Also the cost, as I recall from my previous life, is in the production costs of the billboards.

Ms Briggs—It is quite significant; that is right, Senator.

Senator CHRIS EVANS—So you chose not to take any action on the billboard advertising as a result of the ACCC investigation other than to end it at the end of your contract. Why was that?

Ms Briggs—As I explained, we did not believe that the ads were misleading.

Senator CHRIS EVANS—I just want to be clear on this. There is this question of jurisdiction. There is this question of relying on the defence of PHIIS ending on 31 December. I am just trying to be clear as to what the department's view was. Did they accept the critique of the ACCC and seek to take remedial action, or did the fact that you had legal advice that you were not compelled to do anything and that they had no jurisdiction over you mean that you chose not to do anything?

Ms Briggs—There is no precise answer to that question, Senator. I think it would be fair to say that we took the views of the ACCC very seriously and we agreed to work with them about how we might deal with these issues as they affected the private sector.

Senator CHRIS EVANS—You say you got formal legal advice again just the other day on this issue. Did you get written advice the first time? Obviously, with the ACCC calling on you, no-one regards that as a pleasant experience, with all due respect to them.

Ms Briggs—No, Senator. We were accompanied by one of our legal advisers when we met with the ACCC.

Senator CHRIS EVANS—Was their advice prior to that meeting that they had no jurisdiction over you?

Ms Briggs—That was part of the discussion, Senator, yes, but bear in mind that that meeting took place on an afternoon when I had personally received advice at lunchtime that day that there was an issue. So it was a very short period.

Senator CHRIS EVANS—Sure. Did you get written advice on that occasion from your legal department?

Ms Briggs—On that particular issue, yes, I think there was some advice, though I took it to be very preliminary advice.

Senator CHRIS EVANS—The other day when we were raising this in parliament, you said you went and got further legal advice.

Ms Briggs—Yes, in and around the Trade Practices Act issue. I thought it was very important that we should have that clarified, Senator.

Senator CHRIS EVANS—I am not having much luck with legal advice today in this committee, but perhaps you could tell us what the effect of that advice is. I do not know whether you want to make it available or not, or what the sense of it is.

Ms Briggs—If the minister deems it to be appropriate, we could table that advice to the committee.

Senator CHRIS EVANS—I have not heard anyone contend otherwise than that is the case, but I am not sure.

Ms Briggs—No, in essence, the advice is in and around the issue. The conclusion is that the conduct does not involve engaging in trade and commerce, and it goes through a whole series of issues about the application of the act and concludes that we are not subject to those provisions. If it is acceptable to the minister, I will table that.

Senator CHRIS EVANS—On what date did you get that advice?

Ms Briggs—On 28 April.

Senator CHRIS EVANS—You said you got some preliminary advice. Was that to the same issue?

Ms Briggs—My recollection of that was that there had been some discussion in the press before a formal approach by the ACCC. I think I said to one of my people, ‘Get me some advice on that.’ So it was very much preliminary advice from a junior officer.

Senator CHRIS EVANS—Again, I do not want to put words in your mouth. But, as I recall, at the last round of estimates you were telling me that you had complaints to the department as well not so much about the advertising but about that they got the wrong message.

Ms Briggs—What I think I said at that stage, and the data remains the same, is that we had had a very large number of calls to our private health hotline and of those only one per cent had been in the nature of a complaint about issues to do with the rebate.

CHAIR—Was that the South Australian Labor MP who was bragging he had lodged the complaint?

Ms Briggs—Yes, it was a member of parliament from South Australia.

Senator CHRIS EVANS—You were saying that the only complaints—

Ms Briggs—To the ACCC.

Senator CHRIS EVANS—We need to be clear. I was asking about complaints to the department. Senator Knowles said something about a South Australian ALP MP. Your evidence to this committee was that you had telephone calls to the department, as I understand, from members of the public about this issue.

Ms Briggs—That is correct. Sorry, I was answering two of you at the one time. I apologise for that. Since that time, the latest statistics I have seen in terms of issues with our hotlines are that of the order of one per cent of the total calls are to do with issues which have a negative view about the rebate. We do not have a breakdown of what those particular concerns might be, however. The calls that we have had to the last time period, which is about the middle of April, were about 32,000.

Senator CHRIS EVANS—As I recall the evidence last time, sometimes the calls were about the question of not getting 30 per cent off, but there were also questions about access to the cash rebate benefit. People were trying to get cash at one stage and funds were only offering extended memberships. There were a few issues.

Ms Briggs—Yes, that is correct. Certainly we had discussions with the health fund around the latter issue.

Senator CHRIS EVANS—What has happened with that? What advice have you provided about this issue of funds just extending the membership rather than providing a cash rebate, as it were?

Ms Woodgate—We informed the funds that they must offer the full range of options to consumers in that they could take a cash rebate, they could take a tax rebate, if you like, or have their membership extended. We have had no further complaints about that issue.

Senator CHRIS EVANS—Ms Briggs, you had the first meeting with the ACCC on 19 February, and you had a number of meetings after that. Were they in quick succession?

Ms Briggs—I did not personally have any further meetings, but my staff had discussions with them, yes.

Senator CHRIS EVANS—And what were those meetings about?

Ms Briggs—They were in and around how we might best advise the private health insurance funds of how to manage their advertising in a way that would be appropriate to the commission's concerns.

Senator CHRIS EVANS—What does that mean?

Ms Briggs—In effect, so that they would comply with the Trade Practices Act and pick up the issues to do with the Private Health Insurance Incentives Scheme being abolished which, in particular, was their major concern. But the use of the term '30 per cent cheaper' was also something they had concerns around. As I said, we picked up the other two issues about the registered funds and eligibility for Medicare.

Senator CHRIS EVANS—So did you accept the ACCC's critique/concern?

Ms Briggs—We certainly accept their jurisdiction.

Senator CHRIS EVANS—So without necessarily accepting their argument, you thought it prudent to advise the funds that they ought to modify their advertising campaign?

Ms Briggs—Yes, Senator.

Senator CHRIS EVANS—That went out on 11 March?

Ms Briggs—Yes, Senator.

Senator CHRIS EVANS—Who was that approved by?

Ms Briggs—It was certainly cleared by me. I think the words were also cleared in their final form through the ACCC.

Ms Woodgate—That is correct.

Senator CHRIS EVANS—So you tick-tacked with them to make sure the advice was correct?

Ms Briggs—Yes, Senator.

Senator CHRIS EVANS—Why did it take three weeks or so to do that? Why was it not done earlier? Were there points of contention?

Ms Briggs—There did not seem to be. There were some exchanges of words that we might put in and there were differences of opinion, and it simply took that long to agree on a final version. I would add, Chairman, that the nature of our dealings with the ACCC have always been cordial in this matter. There has been no disputation of any sort.

Senator CHRIS EVANS—Did they formally write to you about this?

Ms Briggs—There was correspondence between the two. I think there might have been an original piece of correspondence to Mr Borthwick.

Senator CHRIS EVANS—Are you able to provide that to the committee?

Ms Briggs—I would have to seek the advice from the minister as to whether he would wish to do that.

Senator CHRIS EVANS—I would appreciate it if you would do that. I would be interested in any correspondence between you and the ACCC over this matter. Did you seek any ministerial advice before responding to the ACCC's concerns?

Ms Briggs—Can you clarify that question?

Senator CHRIS EVANS—Following the approach of the ACCC raising concerns that the advertising might be potentially misleading, did the department seek advice or consult with the minister's office?

Ms Briggs—Certainly I advised the minister's office on 19 February that we had had advice from the ACCC that they had some concerns and I updated them on that. Similarly, I think I sent them a copy by fax of the circular that we were intending to send out. I do not recall, but Ms Woodgate might be able to back me up, any conversation or any note to the minister in and around this issue. But, as part of the normal business, we do prepare parliamentary questions for our minister.

Senator CHRIS EVANS—Did you provide PPQs on the question of potentially misleading advertising?

Ms Briggs—Yes, we did.

CHAIR—You have already stated that. You do not have to disclose what the content of those were.

Senator CHRIS EVANS—I did not actually ask.

CHAIR—No, I know. But Ms Briggs had already said that they had already provided questions.

Senator CHRIS EVANS—I specifically wanted an answer to the question about PPQs. What date was that provided to the minister's office?

Ms Briggs—I could not tell you that. We update our question time briefs regularly. There were several different versions of that, including a current one.

Senator CHRIS EVANS—Are you able to tell me when you first provided information to the minister in that form on this issue of the ACCC's inquiries?

Ms Briggs—I will try to find that out. I certainly do not have that today.

Mr Borthwick—What goes between the department and the minister remains between the department and the minister.

Senator CHRIS EVANS—It was my recollection that in previous cases we actually got the dates but not the actual contents of the PPQ, but I am open to advice on that.

CHAIR—Dates are not necessarily a problem. As Senator Evans has identified, and I mentioned earlier, the content is not what is required by the committee. But the dates are okay.

Senator Herron—There might legitimately be some difficulty with dates. As has been said, they are updated. Certainly there is a date on the PPQs that I see, but it might not be the date of the first PPQ preparation. I think that would be difficult to retrieve.

Ms Briggs—That is very correct, Minister. We run our question time briefs on an electronic system where they get turned over very quickly.

CHAIR—So the original date actually disappears.

Senator Herron—The original date may have disappeared into the ether. It might not be on permanent record.

Senator CHRIS EVANS—Given that it is such a difficult task, take it on notice and see whether it is possible.

Ms Briggs—Yes, Senator.

Senator CHRIS EVANS—Given the record keeping is so good on other things, you never know, we might get lucky. Was there any discussion about perhaps changing the ads in response to the ACCC's concerns? As I understood it—and correct me if I am wrong—this represented stage 1 and 2 of the campaign. I think last time we spoke about this you were not sure whether there would be a stage 3. Are there to be more ads and, if so, will they take into account the ACCC's concerns?

Ms Briggs—We are currently formulating the arrangements for stage 3. That is not at a stage yet where I am prepared to go into the detail of that. We have not, for example, put that formally to the Ministerial Committee on Government Communication to get a view from them.

Senator CHRIS EVANS—But last time we spoke you were unclear as to whether there was going to be a need to have a stage 3. Are you saying to me that there will be a stage 3 advertising campaign now?

Ms Briggs—We are certainly expecting that there will be some stage 3 work, yes.

Senator CHRIS EVANS—So there is to be a stage 3 advertising campaign. Is the advice of the ACCC to be followed in formulating that campaign?

Ms Briggs—Certainly I am very conscious of the ACCC's advice. However, as I explained earlier, we do not believe they have jurisdiction over this form of advertising.

Senator CHRIS EVANS—Are you saying to me that the advertising campaign will continue to make assertions that the ACCC has raised concerns about?

Ms Briggs—No, Senator. I am not saying that.

Senator CHRIS EVANS—I want to be clear what you are saying. Will the government's next stage of the advertising campaign reflect the need to respond to the ACCC's concerns?

Ms Briggs—Senator, as I said, we have not formulated the details of the campaign yet. We would certainly have regard to their views as part of the development of the detail of the campaign. I would hasten to add that our existing brochures, et cetera, cover all of the issues of concern to the ACCC already and are entirely consistent with those views.

Senator CHRIS EVANS—Yes, that does not address whether or not advertising in the broad is misleading, does it?

Ms Briggs—I would point out that the ACCC has only ever said that the advertising is potentially misleading.

Senator CHRIS EVANS—I have a copy of that letter. I think it is a very important question, Ms Briggs. I am still not sure I fully understand your answer. I want to know whether or not the government is going to continue to advertise making the same assertions that the ACCC has raised concern about.

Ms Briggs—And I have indicated to you, Senator, that we are taking on board their views but the details of the campaign have not been formulated. It would be a hypothetical issue for me if I were to say this or that. It has not been settled yet, Senator.

Senator CHRIS EVANS—There has been no policy decision to accept the ACCC's advice?

Ms Briggs—There has been no policy decision of that nature, Senator.

Senator CHRIS EVANS—As I understood it, there was a budget of about \$7½ million as part of the implementation costs for the advertising campaign. Have you expended all of that money?

Ms Briggs—Not yet, Senator. We have spent or committed about \$5 million plus the other \$0.5 million on staff and running costs and so on associated with it.

Senator CHRIS EVANS—So would any stage 3 campaign just reflect use of the remaining \$2 million or is there a fresh allocation to be made?

Ms Briggs—No, Senator. That is correct. The actual figure we have left after commitments is \$1.9 million.

Senator CHRIS EVANS—So you have \$1.9 million left to spend. It is envisaged that stage 3 will be met out of that or will additional funds be required?

Ms Briggs—No, Senator, additional funds will not be required. Stage 3 would be met from that allocation, and we would expect to spend those funds over the rest of this calendar year, probably finishing in about August, I think we were talking about. There might be some carryover further on because we were a little delayed in the beginning of that stage.

Senator CHRIS EVANS—What sort of tools are to be used in stage 3?

Ms Briggs—Certainly we envisage some public relations and advertising activities. But, as I said, the MCGC has not yet taken a position on how this might be played through.

Senator CHRIS EVANS—Refresh my memory: what is the MCGC?

Ms Briggs—It is the Ministerial Committee on Government Communications. That is the committee that is responsible for authorising and approving all details to do with government communications—and that would include the 30 per cent rebate campaign.

Senator CHRIS EVANS—Was there any consideration given, after the ACCC's approach to you, to running ads to clarify the situation?

Ms Briggs—No, Senator.

Senator CHRIS EVANS—It is normal if, say, Myers do an ad and the price is not quite right or something is a bit misleading for them to run an ad the next day saying, for example, 'If you have been misled, please be advised the real price is \$2.60 not \$2.72.'

Ms Briggs—I think I pointed out earlier on that the department does not accept that the advertising was misleading.

CHAIR—Ms Briggs has given the answer a number of times now, Senator.

Senator CHRIS EVANS—That may well be. But I wanted to ask that question. So there was no thought given to clarification?

Ms Briggs—No, Senator.

Senator CHRIS EVANS—Where did the slogan or the terms '30 per cent cheaper', et cetera come from?

Ms Briggs—As part of the campaign, the company who advised us on the nature of the campaign—in other words, developed the TV ads, the umbrella logo, et cetera—suggested words that would be run as part of these messages.

Senator CHRIS EVANS—Was there any concern raised by the department internally or externally before the campaign started that the ads might be potentially misleading?

Ms Briggs—No, Senator, there was not. As I explained, we are very cognisant of the fact that the advice that we were having from researchers around this campaign and the previous campaign was that it was very important that the message should be very simple.

Senator CHRIS EVANS—Yes, that is always the case. Last time I asked you about that AMR Quantum Harris research you said that you were happy to give it to us but in the fullness of time. Have we reached that fullness of time?

Ms Briggs—No, Senator; the campaign has not been completed.

Senator CHRIS EVANS—When do you think we will be able to have that?

Ms Briggs—When the campaign has been completed.

Senator CHRIS EVANS—Will that be about August?

Ms Briggs—Yes, in the event that the minister confirms that it is appropriate to release that material for you when the campaign has been finished.

Senator CHRIS EVANS—So the minister has not done that as yet?

Ms Briggs—No. We have not approached him about that yet.

Senator CHRIS EVANS—Is the decision not to release that now one for the department at the moment?

Ms Briggs—Yes. We have a set of principles which govern this research. Those principles have been agreed with the minister.

Senator CHRIS EVANS—In terms of the health insurance funds, your circular went out on 11 March. Did you have any response from the funds?

Ms Briggs—I am not aware of any response from them.

Ms Woodgate—I am not aware either. There was no direct contact with my office.

Senator CHRIS EVANS—Did you have discussions with them before the circular went out about the concerns of the ACCC?

Ms Woodgate—I cannot recall, Senator. If funds had rung us about issues about their advertising, we would have indicated to them that a circular was coming out about the advertising, but I cannot recall any specific inquiries.

Senator CHRIS EVANS—Given that the ACCC had various concerns and in your circular you refer to ‘ensuring that there is no potential threat of legal action in relation to this matter’, you gave them quite clear advice about this. What has been their response? As I understand it, the advice you gave was quite clearly counter to some of the phrases and some of the thrust of advertising that they had been running. As you well know, the cost of changing advertising campaigns, altering messages, et cetera is very expensive. I would have thought it would not have gone down very well in the industry if they had booked a TV ad and been told in a circular from you that it was potentially a problem. There would have been a bit of a reaction. I am surprised that—

Ms Briggs—I appreciate what you are saying, Senator. At the time of our discussions with the ACCC on 19 February, their concerns purely related to material in the print media as it related to the funds. They did not raise with us any issues around TV campaigns by the private funds. So it is not surprising that they have not discussed these things, at least with Ms Woodgate or me, to the best of our knowledge.

Senator CHRIS EVANS—Did the ACCC speak directly with the funds, do you know?

Ms Briggs—I do not know that, Senator.

Senator CHRIS EVANS—What have you been doing to monitor that the funds have been complying with the circular?

Ms Briggs—To my knowledge, we are not monitoring that. Our view of this issue is that the ACCC has taken such a close interest in it that it would be doing the monitoring. We regard it as an independent body. We cannot tell it what it should or should not be monitoring, but our expectation has been that it would be doing that.

Senator CHRIS EVANS—So you do not play any role in monitoring that the advertising is complying with the intention of your circular?

Ms Briggs—We have not played that role, no, Senator.

Senator CHRIS EVANS—Do you think that is appropriate, or not? You were obviously concerned enough on that matter to issue the circular.

CHAIR—Officers do not have to answer questions of personal opinion.

Senator CHRIS EVANS—That is fair enough. I am not trying to be difficult. The circular is worded quite seriously. It has been issued to the funds. There seems to have been no reaction to the department and no follow-up. I am a bit surprised. I would have thought you would have funds saying, ‘Don’t tell us how to run our business,’ and raising concerns with you.

CHAIR—The officers cannot speak for the funds, Senator. I cannot understand how Ms Briggs is meant to respond to that.

Ms Briggs—We have discussions with the funds on a daily basis. These issues have not come up as a point of concern with them, to my knowledge.

Senator CHRIS EVANS—I have a copy of the ad I promised to you last hearing, from that august journal the *West Australian*, dated 21 April, which makes the same claims. It is a full page ad. They were still making them on 21 April.

Ms Briggs—Thank you, Senator. I would like to have a look at that.

Senator CHRIS EVANS—I have a copy for you. I meant to give it to you the other day.

CHAIR—As there are no further questions on 2.3, we will move to subprogram 4.3. Thank you, officers.

[12.23 p.m.]

Program 4—Aged and community care

Subprogram 4.3—Residential access and quality

Senator CHRIS EVANS—I do not intend being too long. I want to ask a few questions, mainly to do with capital funding and a couple of other issues. I am conscious that we get to do this all again in three weeks time. We had a discussion last time about how factors have changed since the Gregory report and how the report could be considered to be out of date in terms of the capital funding needs of the industry. I wondered whether the department had since we last spoke commissioned any work or had any further thoughts, or whether the minister commissioned any work as to the capital needs of the industry.

Ms Bentley—Senator Evans, I believe you have just tabled a question on notice about this issue, asking about a survey result. The department has carried out a survey for the preparation of its annual report on legislation, which did a survey of residential facilities and their capital. We will be providing the answer through the parliamentary question on notice process in due course.

Senator CHRIS EVANS—That was the survey which, I think, the minister has been quoting in the parliament in answer to questions. But is there any other work apart from the survey? Who did that survey?

Dr Graham—The survey was conducted by the division itself as part of the annual report on the legislation.

Senator CHRIS EVANS—As part of that are you required to survey or did you just choose to survey institutions?

Dr Graham—We sent letters out to all service providers asking for information, which we then collated for the purposes of the annual report.

Senator CHRIS EVANS—Did that include questions about their capital needs? My question goes more to the Gregory report about capital funding needs of the whole sector. I appreciate Ms Bentley raising that I have put that series of questions on notice, but we had a discussion last time about the Gregory report and I raised concern that the information now is fairly dated and that it was not necessarily the best indication of the capital needs of the sector. I was just checking to see whether any further work had been done by the department or whether there was any movement on providing a better assessment of the capital needs of the sector than provided by the Gregory report.

Dr Graham—We have not looked at that question specifically, but what we have done through that survey is to ask people what money they are putting into their sector in terms of investment and intended building.

Senator CHRIS EVANS—Right. But in terms of the department's view about the capital needs of the sector—I am aware that, as early as December 1997, the then minister was

concerned about the sector and about there not being sufficient funds available, et cetera—I am wondering what the department is doing to update its assessment of the capital needs of the sector.

Dr Graham—We are monitoring the money going into the sector, of course. The government has provided a certain amount of money to support the sector in terms of capital needs over a period of time. Certainly there is a finite period of time until the accommodation charges and bonds start to really kick in. During that time the government is providing some money to support that capital need. But we have not specifically carried out a detailed analysis of the industry in that respect.

Senator CHRIS EVANS—Is there any intention to carry out that analysis once the new charges system is up and running?

Dr Graham—Yes, we do have a review of the impact of the reforms, and that is through the independent two-year review conducted by Professor Len Gray. That is monitoring the issues that might be related to the reforms and the outcomes of the reforms. That will give an indication of whether or not there is a need to do more detailed investigation in that area.

Senator CHRIS EVANS—So you will not make a decision about whether or not there is a need to do more work investigating the capital needs of the sector until after the two-year review is finally reported?

Dr Graham—We have not had identified to us that there is a need. The evidence is that the industry is receiving a lot of money and is quite viable at this point, and increasingly so. So we have not identified a need to carry out that type of detailed analysis.

Senator CHRIS EVANS—But surely that is a critical issue for the department, is it not?

Dr Graham—It is important that we have a viable industry. As I said, the indications are—from perhaps the interest in the new planning round and also other activity that is going on in the industry—that there is evidence that it is a viable industry.

Senator CHRIS EVANS—You are not going to quote bed licences to me, are you, Dr Graham? Surely the analysis has to be a bit more sophisticated than what bed licences are selling for. We put in place a whole new system for capital raising for the industry. It was changed on *A Current Affair* at a moment's notice, and you are telling me that the department has done no work to assess whether or not that is going to be adequate.

Dr Graham—We have, through the independent review. That is one example of where we are monitoring the consequences or the outcomes of those reforms. The summary of the first report of that two-year process is now available.

Senator CHRIS EVANS—To be frank, the summary did not say much.

Dr Graham—In general, I think it did show that the outcomes are supported by the various stakeholders.

Senator CHRIS EVANS—What does that mean?

Dr Graham—The consumer groups see the benefits that are starting to flow from the changes that have been introduced, in the sense of accreditation and certification and perhaps the greater focus on consumer rights and needs. The industry, I think, is also supportive of the fact that money is flowing through in terms of both user charges and the government subsidies.

Senator CHRIS EVANS—I raised with you before the issue that it was not a requirement that those accommodation charges be used for capital purposes. Has there been any action on the front of trying to quarantine those or to ensure that they are used for capital purposes?

Dr Graham—We have responded to the question on notice at the last hearing. You are correct in the sense that it is not explicit in the legislation that they have to use it in that way. We are aware that many providers—in fact, most providers—would be using it that way, but that is a point for consideration, yes.

Senator CHRIS EVANS—The question, though, is: are you doing anything about it to make sure that that money is preserved for capital needs? Is there any proposal or any method to ensure that those moneys are quarantined?

Dr Graham—I think I can only answer that we are aware of the issue and we are considering how we might respond to it if there is a need.

Senator CHRIS EVANS—I saw *Yes, Minister* on the way up last night at Sydney airport, and that was pretty good.

Senator WEST—How appropriate.

Senator CHRIS EVANS—What is happening in response to the Productivity Commission report?

Dr Graham—It may sound like another *Yes, Minister* answer, but the government has received the report and has released it, but at this point the government is still considering its response to the report.

Senator CHRIS EVANS—How long is the government expected to consider its response?

Ms Bentley—At this stage we are consulting the industry. The department is actually carrying out visits to various stakeholders in the states. We envisage that there will definitely be a response before the next budget.

Senator CHRIS EVANS—Before the next budget?

Senator WEST—As in one week away or one year and one week away?

Ms Bentley—As in one year and one week away, at the very outside.

Senator CHRIS EVANS—So, potentially, we might have to wait a year for the response. Page 156 of the report provides for the government's proposal for coalescence. Was that something developed within the department?

Ms Bentley—That is correct; it was developed by the department.

Senator CHRIS EVANS—Can you just explain that to me? With all due respect to the Productivity Commission, they use the most impenetrable language ever devised. I do not know if anyone has tried to read this thing, but it is certainly designed so as to be very hard to break through. Could you explain the department's proposal in plainer English?

Ms Bentley—I will attempt to explain it. Basically, the rates are coalesced to the percentage difference that each stage is away from the national average, year by year. So we move along in two, four, eight, 14, 24, 24, 24 per cent over the seven-year period. For example, last year each state moved two per cent towards the national average. So they moved towards the national average by two per cent of whatever the difference was between the national average and the rate that they were being paid. Next year, it will be four per cent, the year after that it will be eight per cent, and so on.

Senator CHRIS EVANS—I gathered from my reading of the report, though, that the Productivity Commission has rejected the department's approach in this regard. Is that right? Is that how you read it as well?

Ms Bentley—I would just like to go back to my explanation. It is actually not four per cent in the second year; it is four per cent of 98 per cent, because there has been a two per cent variation in the previous year. I just wanted to clarify that.

Senator CHRIS EVANS—This is the trouble I was having with the Productivity Commission's report, just reading a couple of their paragraphs. But basically the Productivity Commission has rejected that approach. So when the department is going out and consulting, are you consulting to win support for the government's approach or to move to new ground?

Ms Bentley—We have been seeking other forms of pathways towards national subsidy rates. The Productivity Commission has recommended that there be national subsidy rates, and we have been consulting stakeholders on possible pathways to a national rate.

Senator CHRIS EVANS—The problem was that under your proposal places like Tassie and Victoria, in particular, would have had a decrease in real terms over a period. Is that right?

Ms Bentley—They will, because they will be coming down to the national average. Their rates will continue to increase until around 2002, as you can see in the graph on page 156 of the commission's report.

Senator CHRIS EVANS—But in real terms they actually were going to have a decrease in their funding. I am just trying to understand what the department's rationale is, what the thinking is, in terms of maintaining care to residents. How do you expect them to maintain care to residents if they are getting a real reduction in funding?

Dr Graham—The purpose of coalescence is to bring in a national average which will reflect that there is a uniform need across the country to pay that amount. We are trying to bring down those states which may have a higher proportion of the amount of money that is being passed out and to contribute that to the pool of money that would go to the states and territories that are getting a lower amount. So, in that sense, although there may not be a real increase, the value of what they are getting should be appropriate.

Senator CHRIS EVANS—So the logic of your position is that those states are overfunded currently?

Dr Graham—In a sense, yes. Because if we are saying that there is an appropriate national amount, as applies to hostels at the moment, for the payments for a particular residents' classification, then if states are getting more than that, in some way or another they have to be averaged out.

Senator CHRIS EVANS—I am just trying to understand your proposition, because it seems to me that on the basis of your proposition providers in those states would be required to maintain the level of care while having an effective eight to nine per cent fall in real funding levels. I understand the theory about a national rate. Like most theories, it is good in theory, but the practicality is that your proposition seriously reduces real funding in a number of states. I am just trying to understand what that says about your views about the funding levels and the level of care. Do you expect the level of care to come down, or do you think they can take an eight to nine per cent cut and not reduce care?

Dr Graham—The government still has to decide how it will respond to the Productivity Commission. The Productivity Commission in its assessment recognised that a national rate was appropriate. The mechanism of getting there is something that has to be considered, and

that is part of the consultation with the industry. Some of the models, in fact, could quickly bring down some states in real terms to the national average, and other models will do it over a different period. The proposal that was put forward by the government in the first place did this over a period of seven years.

Senator CHRIS EVANS—But that is a national average assuming no increase; it is the current average. Your proposition for coalescence is not to say, ‘This is the level of care. This is the money needed for that level of care. Therefore, we ought to find that \$115 a day is the right mark and bring everyone to that level.’ Your approach is to say, ‘This is the current average. Some are above and some are below, but they all have to come to the average.’ Is that how your proposition works?

Ms Bentley—Under the current coalescence proposal that commenced 12 months ago, yes, that it is right. It is moving to a national average.

Senator CHRIS EVANS—The Productivity Commission have rejected that approach. You can consult and say, ‘Yes, they rejected our approach, but this is still what we want to do,’ or you can go out and say, ‘This is an alternative approach which the Productivity Commission recommended. Can you work with us to get there?’ Or you can decide on another approach. What are the parameters for this consultation? What are the strictures put on you by government direction in terms of this consultation? Is the goal only to have a national rate? Is it a national rate within the current funding? What is it?

Dr Graham—You are asking us questions that the government will have to consider. Our responsibility is to put options, and we are exploring those options.

Senator CHRIS EVANS—But have you not done that already?

Dr Graham—The consultation processes is to—

Senator CHRIS EVANS—I have assumed that you had a consultation process before you implemented last year’s coalescence proposal. With that now under pressure, the Treasurer agreed to a Productivity Commission report. It has rejected the government’s approach. You are now going out to consult again. The department is in pretty good touch with the industry at the best of times. I do not know that you have to keep going out. I think you know what they think, et cetera. What purpose is the consultation serving, and what are the guidelines imposed on you? What are you talking to them about? This has been around for years now. We have had the debate. We have had the Productivity Commission inquiry. You are going out to have another cup of tea with them and a chat about it. What are you saying?

Ms Bentley—Basically, the Productivity Commission did hand down 18 recommendations but they are not specific. They do not actually set out the exact mechanisms by which to achieve the objectives that they have set out. We are having consultations with stakeholders in order to get their input on what they think of the commission’s report, what their views are. We have had one consultation so far. The rest are in due course. Basically, the consultations are around their general reactions to the report and then, if they wish to do so, they can talk to us more generally about individual recommendations.

Senator CHRIS EVANS—So when is that consultation process likely to end?

Ms Bentley—By the end of this month.

Senator CHRIS EVANS—You are aware there has been some debate in Queensland recently because it has significantly lower rates than other states. You have said the response may take until the next budget. Is there any proposition of remedial action and funding for Queensland in the short term?

Ms Bentley—I think that is a matter for the government to decide. I cannot comment on that at this stage.

Senator CHRIS EVANS—Does the department's advice accept that Queensland is currently underfunded?

CHAIR—The department does not have to disclose the advice it has given to government.

Senator CHRIS EVANS—I did not mean in that way; I must have poorly phrased it. Your proposal has Queensland moving from a rate of \$88 a day to \$110 or thereabouts over a seven-year period, so clearly you are proposing that Queensland rates be increased dramatically. That was the proposition you put to the Productivity Commission. Do you stand by that proposition?

Dr Graham—Again, that is a government decision. I think the graph certainly shows that Queensland rates are lower. If we are talking about a national average subsidy, it would mean that at some point—if that was accepted by the government—Queensland would move up.

Senator CHRIS EVANS—But do you accept that Queensland is currently underfunded?

Dr Graham—I do not think there is evidence to show that the industry in Queensland is not viable.

Senator CHRIS EVANS—No, that was not the question I asked. The government proposed a phased-in increase in funding for Queensland of 20 per cent or more. Now you tell me the government may not do anything about it for at least a year. I am trying to understand whether or not you accept the argument that Queensland is underfunded.

Dr Graham—The government accepted the need that there should be a coalescence for the national rate, and that was put into place. There were concerns expressed by the industry about that process. That has gone through an Industry Commission review, and now we are looking at various options to respond to it. I think there is an acknowledgment that a national rate is appropriate and that, as a consequence of that, Queensland would move up.

Senator CHRIS EVANS—What is the status of the current coalescence proposal, given this review, the consultation and the Productivity Commission rejecting the government's approach? Does that go on anyway?

Dr Graham—That will have to be something that the government considers too. The next step in the coalescence is 1 July, so the government will have to consider how it will handle the process then.

Senator CHRIS EVANS—Would that happen automatically barring some government action? That is a genuine question because I am not sure.

Ms Bentley—Yes.

Senator CHRIS EVANS—The current coalescence proposal would flow through in the absence of the government putting a halt to it; is that right?

Dr Graham—That is my understanding. That is government policy at the moment.

Ms Bentley—That is correct.

Senator CHRIS EVANS—Is that a legislative trigger or is it just government policy? On 1 July does something tick over automatically because of the legislation, or does there have to be a decision by the minister to sign off on something?

Dr Graham—It is a cabinet decision which has not been reversed.

Senator CHRIS EVANS—I was going to say it has no greater status than that—but there is no legislative backing for it clicking over on 1 July?

Dr Graham—We are not aware of a legislative backing. There presumably is a way of increasing the normal rates.

Senator CHRIS EVANS—So on your understanding, there would effectively be a need for another cabinet decision to alter the process flowing through; is that right?

Ms Bentley—Government decision.

Senator CHRIS EVANS—The other thing the Productivity Commission did was to call on the minister to set up an expert reference group to examine possible indexation arrangements. Has that been done?

Ms Bentley—Sorry, I missed the first part of the question.

Senator CHRIS EVANS—The Productivity Commission report called on the minister—I think at page 97—to set up an expert reference group to examine possible indexation arrangements. Has that recommendation been acted upon?

Dr Graham—That will be part of the package that the government will have to consider. So at this point of time, no, Senator.

Senator CHRIS EVANS—So that has not been given by greater priority in terms of the response?

Ms Bentley—Are you referring to recommendation 5?

Senator CHRIS EVANS—Yes.

Ms Bentley—That is part of this whole process. The government has not made any decision on any of the recommendations at this point.

Senator CHRIS EVANS—Because this indexation issue seems to be as pressing as the general coalescence stuff in a lot of people's minds. Turning to this business about bed licences, what information does the department keep on the cost of bed licences? Do you monitor it? Do they have to be registered with you?

Ms Bentley—Not that I believe. We do not require the cost of bed sales to be registered with us.

Senator CHRIS EVANS—When the minister and others use the information on bed licences, where does that come from? Is that a departmental figure or not?

Ms Bentley—We could take the question on notice, but I believe it comes from independent consultants who work for the industry themselves.

Dr Graham—There is information that goes around the industry, because the value of a bed is fairly well known. So that type of information can be acquired from a number of sources.

Senator CHRIS EVANS—Yes, I have heard it myself. I was really interested in whether you have that information. And if you have, how do you monitor it and is it available?

Ms Bentley—No, we don't.

Senator CHRIS EVANS—You do not actually verify that information yourselves?

Ms Bentley—No.

Senator CHRIS EVANS—I want to ask about capital funding in the low care sector now that the grants have dried up. Do you have any figures on money raised by bonds in low care facilities?

Ms Bentley—We have some information through the same survey that you have asked us about in your parliamentary question on notice. We have survey results which show the size of bonds. We do not keep data on all of the bonds charged. They are a matter between the provider and the resident.

Senator CHRIS EVANS—So apart from the survey information that you get back, you do not have any other sort of authoritative statistics on that?

Dr Graham—From memory, the survey covered about 60 per cent of the industry, so in that sense it is current and valuable data.

Senator CHRIS EVANS—I am not decrying the information you get, but you do not monitor the level of bond or what is going on in that sector in terms of capital more generally than the survey? I think you had a 60 per cent response rate on the survey.

Dr Graham—In this particular case, yes, we did.

Senator CHRIS EVANS—I guess that means 40 per cent did not respond. I have not seen the survey so I am not sure how detailed it is or whatever. I guess I am asking: do you have any better information on those sorts of capital issues and bonds, et cetera, in low care facilities or is the survey the extent of it?

Dr Graham—The short answer is that we do not have alternative sources of information. We really only get the information that we require under our regulation. So what lies outside that is really regarded as a matter between the resident and the service provider.

Senator CHRIS EVANS—Has the ministerial reference group on a national strategy for ageing Australia met?

Dr Graham—Yes, it has.

Ms Feneley—The ministerial reference group has now met twice. They have cleared a discussion paper which will be released tomorrow. That will go out for broad consultation.

Senator CHRIS EVANS—This is the interim report that was announced would be released in March? Is this the same document?

Ms Feneley—This is a background paper which sets the scene for further discussion papers which will be released during the year.

Senator CHRIS EVANS—So it is a discussion paper—

Ms Feneley—Primarily providing background.

Senator CHRIS EVANS—The Prime Minister signalled that an interim report—I think that was the term he used—would be released in March. Is this the same document?

Ms Feneley—No, I am not aware of an interim report.

Dr Graham—I am not aware of that report. This is really a scene setting paper, if you like, for the national strategy.

Senator CHRIS EVANS—Anyway, this is the only work that group would have done, I presume, if they have only met twice. This is the only paper they are about to produce?

Ms Feneley—Yes.

Senator CHRIS EVANS—It is a discussion document which sets the scene for further reports that they will be producing?

Ms Feneley—Yes, there will be four discussion papers that will be released during the year. One will be on world-class care, which is about service provision in aged care. Another paper

will be on independence and self-provision, which will cover issues such as superannuation and retirement planning. There will be a paper on attitudes, lifestyle and community support, and then there will be a fourth paper on healthy ageing. They will cover the range of issues that impact on the ageing population.

Senator CHRIS EVANS—How do those reports culminate? What happens at the end of that?

Ms Feneley—Once those papers have gone out for consultation, the broad community, peak bodies, et cetera will be providing input to the department and then on to the ministerial reference group in order to put together a national strategy.

Senator CHRIS EVANS—What is the timetable for the national strategy?

Ms Feneley—We are expecting that a national strategy would be released early in 2000.

Senator CHRIS EVANS—So it is not going to be released this year?

Ms Feneley—At this point in time, we are expecting early 2000.

Senator CHRIS EVANS—Thanks for that. I have one other set of questions related to these validation exercises. You are aware of the reports of the concerns about the validation exercise. Could you perhaps explain to me what has been occurring, why there was suddenly a lot of validation activity—if there was—and what happened?

Ms Laut—The RCS program underwent a review last year and, as part of undergoing that review, the industry was advised that we were going to an educative process around how the RCS would be applied and how proprietors would use it to assess residents. We also advised that, once the review had been completed and considered and the new RCS implemented, we would come back off the educative process into a more targeted process, because, after all, the RCS program is the audit program that helps maintain accountability on the \$3 billion we put into residential care per annum. In November or December last year, we notified the industry that in February this year we would restart the targeted auditing process. That commenced in a slightly staggered sense in February of this year.

Senator CHRIS EVANS—You notified the industry in November about that, did you?

Ms Laut—In November-December, yes.

Senator CHRIS EVANS—What form did that notification take?

Ms Laut—A letter was sent to providers and to peak bodies.

Senator CHRIS EVANS—Informing them that the process would start in the new year?

Ms Laut—That it would start in February, yes.

Senator CHRIS EVANS—Sorry, go on.

Ms Laut—That process started on a more targeted approach using our risk management approach to target both facilities and residents within facilities against those which will most likely not be meeting the requirements of the RCS. The level of activity simply returned to that level prior to the educative process being put in place.

Senator CHRIS EVANS—You are aware that there is a view among some providers that there was a bit of a crackdown occurring and that the activity was unusual and focused? You describe it in a way to indicate that there was nothing that excited any concerns and that this was just normal practice. But the industry feedback I have had was that the department seemed a bit excited about the issue and suddenly came out in a fairly heavy-handed way. Is that an unfair statement?

Dr Graham—I think what we are doing is reverting back to a previous approach where, when the RCS came in, we needed an educative approach to inform people of how to use the instrument appropriately. But now we have gone back to more of an auditing role that we have always carried out to ensure that the resources are used appropriately.

Senator CHRIS EVANS—So the level of activity in February-March on the auditing role was not higher than had previously been the case?

Ms Laut—Not higher than had been the case before we had gone into educative mode.

Senator CHRIS EVANS—So how long had it been since that level of activity had been applied?

Ms Laut—That would have been prior to 1 November—no, possibly a little earlier than that. It would have been about September last year.

Senator CHRIS EVANS—So it is only a matter of three or four months?

Ms Laut—No, September last year, I think. I can check on the exact date and get back to you on that.

Senator CHRIS EVANS—I am just trying to get a feel for this educative role you are talking about. How long had that phase been going on? You are talking September to February. You are saying the sort of compliance activity that you undertook in February was the same sort of activity you were doing in June-July last year?

Ms Laut—Yes.

Senator CHRIS EVANS—And the level of audits was not available?

Dr Graham—In 1997 perhaps.

Ms Laut—I can check on the exact timing and get back to you. I am not too sure of the exact timing.

Senator CHRIS EVANS—I am not so much worried about the exact timing, but are you telling me that it is a few months prior in that year or are you saying that it was a couple of years ago?

Dr Graham—My understanding—and we can get you firm details—is that the education approach went over a period of perhaps a year. We have now gone back to the need to audit the outcomes rather than just educate people on how to use the instrument.

Senator CHRIS EVANS—And you are telling me the level of audit activity was no higher in February-March this year than that which was occurring prior to the educative period?

Dr Graham—That is my understanding. Perhaps we are more successful in targeting. We can use various triggers in terms of our data to identify where we might need to put our resources, but in terms of the level of validation or auditing it is of a similar level.

Senator CHRIS EVANS—Was there something that particularly triggered the activity in February-March?

Dr Graham—No. As we announced to the industry in November, we were going back to what is an appropriate role, and that is to ensure appropriate use of resources. That will be an ongoing function.

Senator CHRIS EVANS—I got the impression from what you said then, Dr Graham, that you were able to better target your audit activity in a sense. Were there things reflected in the statistics information that you had been gathering that led you to have concerns about certain sectors or areas of the industry?

Dr Graham—No. I think the more relevant point is that it is a \$3 billion program that requires us to monitor how that resource is used.

Senator CHRIS EVANS—Yes. The industry's view is that the activity was fairly targeted. How did you come to identify the providers that you went and saw in February?

Dr Graham—There are a number of factors, and we can brief you independently if you like on those, but it is an ongoing program. It is fair to say from our side that we need to ensure consistency of the application of our validations as well. We are doing a lot of work to ensure that. From the industry side, we have to ensure that the money is well spent.

Senator CHRIS EVANS—No-one is more supportive of that than me. Are you able to give me information on how many reviews were carried out or how many residents were reclassified as a result of this activity?

Ms Laut—I can give you the figures from January through March.

Senator CHRIS EVANS—That would be great.

Ms Laut—Nationally there were 2,452 residents reviewed. Do you want a breakdown by state of how many were reviewed in each state?

Senator CHRIS EVANS—If you have it there, that would be useful.

Ms Laut—In New South Wales, 978; Victoria, 272; Queensland, 398; South Australia, 277; WA, 451; Tasmania, 76.

Senator CHRIS EVANS—What about the results of those reviews? How many were reclassified?

Ms Laut—Nationally 50 per cent were unchanged, 10 per cent were upgraded and 40 per cent were downgraded.

Senator CHRIS EVANS—Forty per cent were downgraded?

Ms Laut—Yes.

Senator WEST—Have you got a breakdown state by state of where that happened?

Ms Laut—Yes. In New South Wales, unchanged 60 per cent, upgraded 12 per cent, downgraded 29 per cent; in Victoria, unchanged 35 per cent, upgraded four per cent, downgraded 61 per cent; in Queensland unchanged 63 per cent, upgraded 18 per cent, downgraded 19 per cent; in South Australia unchanged 21 per cent, upgraded three per cent, downgraded 77 per cent; in WA unchanged 43 per cent, upgraded six per cent, downgraded 51 per cent; in Tasmania unchanged 66 per cent, upgraded five per cent, downgraded 29 per cent.

Senator CHRIS EVANS—Those are quite huge variations state to state. On first blush, for instance, you did fewer validations in Victoria per head than would seem warranted by national averages. You did 450 in WA and 270-odd in Victoria. To a lay person, the first thought is that they would have a lot more residents in care in Victoria than in Western Australia. Can you explain to me how or why you identified those particular groups in each state? Clearly it was not random.

Ms Laut—The number reviewed was not the target that was provided. A target percentage is provided overall which is the same between the states, but that is over a year, not over a couple of months. The targeting started in each state on a slightly different time within February. In some cases it did not start until towards the end of February, whereas in other states it started at the beginning of February. So the statistics are not directly comparable. We have also found that there has been quite a degree of inconsistency in approach taken between

the states in monitoring the statistics that came up. We have gone through a process of trying to resolve where those inconsistencies have led to issues for providers, and are undertaking reviews anywhere where providers believe the inconsistencies have led to problems for them.

Senator CHRIS EVANS—On first blush, if 77 per cent of people you have reviewed have been downgraded, it seems to me that you have a major problem.

Ms Laut—As I said, there are a couple of things associated with that. Part of the problem lies in that there was some degree of inconsistency in how the review was applied across the different states. We have dealt with that by going through and developing a protocol around the different interpretations so that we now have a standard way to interpret some of the reclassification issues.

Senator CHRIS EVANS—Are you telling me that was not done before?

Ms Laut—It had been done before, but any time you have a new instrument it is difficult to see how it is going to work out until you are on the ground dealing with it. We have had a significant number of questions from the industry over varieties of ways you could interpret questions in how they apply the RCS. We have tried to apply back to them a consistent line. That line has been used, as far as we can see, by our state offices in undertaking the reviews. However, there were a couple of areas where there were some differences.

CHAIR—We were planning to break at 1 o'clock. How much longer are we likely to go?

Senator CHRIS EVANS—Five minutes.

Senator WEST—I have about 10 minutes worth.

CHAIR—We have Social Security scheduled to come at 2 o'clock. I plan to break preferably no later than quarter past one if we can.

Senator CHRIS EVANS—We will see how we go. I want to get this clear. The department did not initiate this validation process out of concern that there were large numbers of people overclassified in the system. You just explained to me that that was not the basis for the validation; it was normal process. But as a result you found figures of up to 77 per cent of residents in South Australia needing to be classified downwards. It was just fortuitous that you stumbled across this problem, was it?

It seems to me that you have a major problem here. Forty per cent of the residents on your survey—a small survey—had to be classified down. In one state 77 per cent of those that you surveyed had to be classified down. I was interested in the earlier evidence about why you did this. It was all normal practice. Clearly, you have a major problem with, I suspect, huge financial ramifications. I want to be clear that there were not any warning bells going on earlier about expenditure et cetera that prompted this validation process and the targeting. It just does not seem to be consistent.

Dr Graham—It has always been a role of our state and territory offices to carry out this type of program. With the introduction of the new instrument, there was that education phase. Even now there is a requirement that we inform the industry as much as monitor the industry to get them to use the RCS appropriately. For instance, when we do a validation study within a service provider, there is an exit interview where we go through the reasons why we have downgraded or upgraded some residents. That will inform the service, hopefully, that they can then apply the next time round. Some of it would be inadvertent misclassification, and some of it would be intentional.

Senator CHRIS EVANS—I am not making any accusations. Are all these reclassifications down one grade or are they greater than that?

Dr Graham—Some would be greater.

Senator CHRIS EVANS—Have you got an average figure?

Ms Laut—No, I don't, not here.

Senator CHRIS EVANS—Are you able to get that?

Ms Laut—I think we can probably get that.

Senator CHRIS EVANS—I would be interested in what that means. I forget what you fund each grade for, but that must have huge financial implications for the Commonwealth.

Dr Graham—I did indicate earlier that we do target where we do the validations. We can look at risk factors and identify what might be a more important area to look at.

Senator CHRIS EVANS—That is what I am getting at. Is this, in your view, indicative of what is going on in the industry, or is this a picture of areas that you have targeted because you had concerns? One minute you are telling me that you did not have concerns; it was normal process. If this is representative of the industry, it seems to me that we have a scandalous situation here. Which is it?

Dr Graham—I think it probably indicates that we are quite successful in targeting those areas of higher risk, and that is what we are looking at initially. That is our expectation.

Senator CHRIS EVANS—So you would argue that the outcomes of this particular validation process are not representative of the industry?

Dr Graham—I would anticipate that we would find lower rates across the whole industry. Because we have now gone back to this approach, we will see the industry being very careful about classifications too. There will be a flow-on effect to the rest of the industry from the fact that we have targeted this area.

Ms Laut—The other thing worth noting is that about 170,000 appraisals are done annually. In our targeting we only touch on about 24,000, so we are doing only about 14 per cent of the industry. We clearly target the area that is at highest risk. We are not anticipating that this would be indicative right across the industry. We are targeted to the area where we think there is the greatest risk.

Senator CHRIS EVANS—Have you done any figures on what this might have meant in terms of Commonwealth expenditure on this sort of result?

Ms Laut—I do not have any figures with me on what the potential impact is.

Senator CHRIS EVANS—What is the average difference in Commonwealth subsidy between classification levels?

Ms Laut—It varies between the different levels.

Senator CHRIS EVANS—What sort of money are you talking about?

Dr Graham—We will see if we can find it.

Ms Bentley—To use New South Wales, the rates at 1 July 1998 for RCS category 1 was \$103.59; RCS category 2, \$93.59; RCS level 3, \$80.58; RCS level 4, \$57.31; RCS level 5, \$34.29; RCS level 6, \$28.41; RCS level 7, \$21.81; and the last category does not receive Commonwealth subsidy.

Senator CHRIS EVANS—What sorts of rates are they?

Ms Bentley—They are daily rates.

Senator CHRIS EVANS—Has the department done any work on the financial implications of this sort of overclassification?

Dr Graham—We monitor what we think are risks in the program and we would have some estimates, but I do not have those with me at the moment.

Senator CHRIS EVANS—What is your view about the budget for this year, given what you have found in your validation process?

Dr Graham—I think it emphasises that the validation process is necessary; that is what it indicates.

Senator CHRIS EVANS—What have you done as a result of this particular validation process and what it has revealed?

Dr Graham—This is an ongoing process now; it is not just a one-off. I think that is the first thing to emphasise. As Ms Laut indicated, we are ensuring that our application of the RCS from the validator's point of view is appropriate. Certainly we are talking with the industry and service providers through such things as the exit program to try to educate them to use the RCS appropriately, and we will be monitoring that.

Senator CHRIS EVANS—Let me put this another way: were you surprised by these results? You told me that you did this validation process prior to the new instrument. Are these sorts of results normal? Is this the sort of outcome you would generally get?

Dr Graham—I cannot speak from experience. I recognise your concern and I accept it. As I said, we did target, but we do expect that there is a problem across the industry—perhaps not to the same degree. That is why the process will be continuing.

Senator CHRIS EVANS—How does this compare with your previous validation type results?

Ms Laut—I do not have any figures on that here.

Senator CHRIS EVANS—What has the department done in response to what are, it seems to me, quite perturbing results? Have you drawn the conclusion that perhaps your classification levels are wrong, or do I conclude from this that you still think the classification levels are right but that there is massive wrong classification going on in the industry? If so, what have you done in response to that?

Dr Graham—I think we recognise that there is a serious issue here. We have had a review of the RCS to make sure that it is an appropriate instrument. From that review we have made adjustments to make it even more suitable. We are looking at our validation procedures to make sure they are appropriately applied, and we are looking at such things as how we can target and using the data to identify how we can target our resources. It will be an ongoing program. So I think it emphasises that validation of residents' classifications is a necessary part of this program.

Senator WEST—In relation to the income tested amount that patients pay each day—there is the basic charge and then there is the income tested amount—how often are notices sent out to the institutions and to the patients or clients to advise them of variations?

Ms Bentley—This is in terms of the income tested payment, basic?

Senator WEST—Yes.

Ms Bentley—I believe that they are sent a notification when their income level changes.

Senator WEST—Is it normally every three months?

Ms Bentley—It depends on the resident's particular circumstances. If they have a widely fluctuating income, then they may receive notifications more often than a resident who has a very stable or static income.

Senator WEST—Can these be retrospective? Can they send a notice out now saying that it is retrospective to 1 February, or something like that?

Ms Bentley—Yes.

Senator WEST—I have a constituent who is on a war widow's pension topped up with social security. I would have thought that would not have changed very much. She was admitted to an age care institution at the end of August last year. The institution received its first letter on 17 September stating that the income tested fee, effective from 28 September, would be \$1.57. It then received a letter on 2 December saying that, as from 28 September, it would be \$1.67, not \$1.57. On 23 December it received a letter saying that, as from 1 November, the income tested fee would be zero. On 9 February the client received a letter saying that, as from 1 November, the income tested fee was \$1.67, which leaves her three months in arrears with about \$200 to pay. How often is this sort of thing happening?

Dr Graham—It does not happen at a frequent rate, but we do acknowledge that there are concerns about the frequency of letters to the occasional resident. As a government, we are looking at options to make it more manageable.

Senator WEST—I spoke to the institution this morning and it has about four or five for whom it keeps getting these sorts of letters. It received a letter for another patient a couple of weeks ago stating that it now had been changed and there was this back payment due. The daughter, who is responsible for paying the fees because dad is unable to, sent a cheque in the mail on the same day another letter from the department arrived stating that it had changed again.

Ms Bentley—The department is aware that there are a very small number of residents who receive several letters; less than one per cent of all residents are affected. Residents are not affected, for example, if they were in care before 1 March 1998. So it is only new residents who are affected. We certainly appreciate that it can cause inconvenience and anxiety, and we expect to resolve the problem shortly.

Senator WEST—How soon is 'shortly'? This lady wrote to the minister at the end of March and still there has been no result.

Ms Bentley—The department also intervenes to prevent large numbers of letters being sent out to residents; we manually intervene at this point in time.

Senator WEST—With this person being on a pretty stable sort of income level, how can you send a letter out at the beginning of December saying it is \$1.67 and three weeks later send another out saying it is now zero?

Ms Bentley—We would have to look at the individual case.

Dr Graham—We do have an information line and people who can look into individual details like that and help the person out if these circumstances arise. I cannot guess at what the reasons might be. But the fee letters would be generated where there was a change of income in this case or perhaps assets.

Ms Bentley—So the information will come through from either the Department of Veterans' Affairs or Family and Community Services, or Centrelink.

Senator CHRIS EVANS—So, if the war widows pension went up because of indexation on 1 January, you would have to reassess and send out another letter? Is that right?

Ms Bentley—It is more to do with the person's individual income fluctuating than with the indexation of rates in general.

Senator WEST—You should be aware of this case because it would be in the correspondence file from the minister's office, presumably.

CHAIR—The officers have said that they are happy to investigate it.

Ms Bentley—We are happy to investigate it.

Senator WEST—Then I will provide you with more details about it. When you see institutions getting these sorts of change or variation letters that are retrospective and covering periods for which a notice has already been given, it seems to me that it is not very helpful, particularly when dealing with a group of people who could well have some minor forms of dementia or paranoia associated with dementia; this leads to confusion.

Dr Graham—We would agree, and we certainly would be keen to reduce the problem.

Senator WEST—Then can I repeat these questions to you on 1 June and expect you to have an answer for me; will you have it solved by then?

Dr Graham—I do not know what the time frames might be; but yes, please ask us again.

Senator WEST—I will leave it at that. It is not going to go away.

CHAIR—I thank the minister and the officers for their attendance. The committee will resume its hearings with Family and Community Services at 2.00 p.m.

Proceedings suspended from 1.25 p.m. to 2.05 p.m.

DEPARTMENT OF FAMILY AND COMMUNITY SERVICES

Proposed additional expenditure, \$275,137,000 (Document A)

Proposed additional expenditure, \$21,058,000 (Document B)

In Attendance

Senator Newman, Minister for Family and Community Services

Department of Family and Community Services

Executive

Dr David Rosalky, Secretary

Mr Wayne Jackson, Deputy Secretary

Mr Jeff Whalan, Deputy Secretary

Executive Directors

Mr Graeme Hope

Mr Geoff Leeper

Ms Robyn McKay

Ms Lisa Paul

Mr Michael Sassella

Mr David Tune

Mr Barry Wight

Assistant Secretaries

Ms Jenny Bourne, Youth and Students
Mr Andrew Herscovitch, Disability Policy and Carers
Mr Peter Hoefler, Corporate Resources
Mr Evan Mann, Seniors and Means Test
Mr John McWilliam, Budget Development
Mr Jeff Pople, Tax Reform Unit
Mr John Powlay, Performance, Ministerial and Public Relations
Ms Tricia Rushton, Community
Ms Serena Wilson, Risk, Audit and Compliance

Centrelink

Executive

Ms Sue Vardon, Chief Executive Officer
Mr Ross Divett, Deputy Chief Executive
Ms Jane Treadwell, Chief Information Officer

General Managers

Mr Graham Bashford, Business Development
Mr Mike Goldstein, Contestability, Procurement and Contracts
Mr John Wadson, The Gateway
Ms Carolyn Hogg, The Gateway

National Managers

Mr Darryl Alexander, Acting National Manager, Employment Services
Ms Sally Babbage, Youth and Students
Mr Denis Bayada, Families and Children
Mr Peter Fisher, Disability and Carers
Mr Rod Gibson, Prevention and Recovery
Mr Hank Jongen, Communication
Ms Margaret Kilpatrick, Retirement
Mr Andrew Moran, National Account Manager, FaCS
Ms Trisha Moran, Business Pricing and Support Operations
Ms Rhonda Morris, National Account Manager, FaCS
Mr Brian Pacey, Detection and Review
Ms Marcia Williams, Acting National Manager, Rural and Housing
Ms Lynne Jenkins, Special Needs Customers

Managers

Mr Greg Evans, Supplement Team
Ms Sue Finnigan, Youth Employment Services
Mr Danny Freedman, Debt and Compensation Recovery

Ms Les Matthews, Network Design

Mr Graham O'Brien, Youth Allowance Team

Business Managers

Mr Pieter Schoots, Rural Services

Ms Glyn Tomlinson, Housing and Special Services

Ms Jan Kurr, Security

Product Manager

Ms Karen Appel, Disability Customer Service Team

Area Managers

Mr Graham Maloney, Acting Area Manager, Call Centre Support

Mr Pat Fegan, Area Manager, South West New South Wales

Chief Finance Officer

Mr Allan Gaukroger, Financial Accounting

Department of Finance and Administration

Brad McDonald

CHAIR—The committee will now commence its supplementary estimates hearing for the portfolio of Family and Community Services. The committee has before it a list of subprograms relating to issues and matters which senators have indicated they wish to raise at this supplementary hearing. In accordance with the standing orders relating to supplementary hearings, today's proceedings will be confined to the nominated issues and matters within the relevant subprograms. I welcome the minister, Senator Jocelyn Newman, the departmental secretary, Dr David Rosalky, and officers of the Department of Family and Community Services and Centrelink. Minister, do you wish to make an opening statement?

Senator Newman—No, thank you.

CHAIR—The committee will commence with issues relating to Centrelink, followed by portfolio corporate issues and then the subprograms.

Senator CHRIS EVANS—I want to ask about the issue of the change of pension days first. Centrelink and Wayne Swan have been having a debate in the press about it, so I am sure you are well briefed about it all. I thought we would start with someone explaining it to me so I am absolutely sure that I understand it.

Ms Vardon—Mr John Wadson is the senior project manager looking after pay cycles. He is the best person to answer general questions and any specific questions that Senator Evans might have.

Senator CHRIS EVANS—Perhaps the best thing is for you to explain to us what is happening and why.

Mr Wadson—The pay cycles initiative that is attracting attention at the moment mainly affects Commonwealth Bank customers and a few smaller groups. From 8 July all payments will be made 14 days in arrears. The structure has been set up to take effect from the first payday in July—which, from memory, is 8 July and is the current payday for all pensioners. For pensioners in general the payday structure will remain unchanged. They will go into the new arrangements on the same payday, and there will be no impact on pensioners. It was

deliberately designed so that we would not disrupt pensioners. That is how the transition arrangements were set up to work.

Under the current arrangements we do not pay people in arrears. Pension payday is Thursday and we take the information off our files on the previous weekend and process that information. The money is then credited to pensioner accounts. The Commonwealth Bank has maintained the practice for a number of years, and for its own reasons, because it had the information to do so. We gave the information to the bank on Tuesday, it credited accounts on Wednesday, and pensioners who knew of this could come in on Wednesday and access that money. I stress that the Commonwealth government—and there is no change in this arrangement—reimburses the banks only on Thursday, the pension payday, so there has been no change in that timing arrangement.

Under pay cycles, the way the payday structure is set up, the pension pay period will finish on the Tuesday. We will take that information from our systems on the Tuesday and provide it to the banks sometime on the Wednesday morning. The banks will then credit it on the Thursday, which is pension payday. The impact of this is that the Commonwealth Bank will not have the information to maintain its existing arrangement. As far as pensioners are concerned, they can either say, 'I'll go to the bank on Thursday, which is my payday,' and they will have a completely uninterrupted payment cycle through the new initiative or, if they decide that for any reason they want to change their payday to a Wednesday or any other day, they can call us and we can arrange that for them. That will involve a transition payment, because effectively they will have received a part fortnight's payment. I am sorry that this is very longwinded, but it is a detailed change.

Senator CHRIS EVANS—So you have this arrangement with the Commonwealth Bank, St George and a few others?

Mr Wadeson—No, it is with the Commonwealth Bank but not all St George Bank customers. St George was involved in some mergers, and those merged organisations had an arrangement to credit accounts early. Once again, they made these decisions for their own reasons.

Senator CHRIS EVANS—Why do you say that that cannot continue?

Mr Wadeson—For pensioners who continue to be paid on Thursday, the information will be taken off our computer systems on the previous Tuesday night. Because of the timing involved, that information will not be available to the financial institutions until sometime the following morning. The banks do not do credits during the day for these transactions; they do their own systems overnight. So they will update their records on the Wednesday night and have the money in the accounts for the Thursday payday.

Senator CHRIS EVANS—Why can't you have that information on the Monday night?

Mr Wadeson—If we did that, we would not be paying fortnightly in arrears; we would be paying one day in advance. Under pay cycles, the pay period for the people who are paid on Thursday ends on Tuesday night.

Senator CHRIS EVANS—As I understand your explanation of the current arrangements, you are not paying them earlier anyway. That is a liability the banks are carrying.

Mr Wadeson—That is right.

Senator CHRIS EVANS—There is no liability for you under the current arrangements. I cannot quite grasp why there is some liability problem for you under the new arrangements.

Mr Wadeson—I am not sure what you mean by 'liability'.

Mr Leeper—The end of the entitlement period on Tuesday is essentially a policy matter, but the end of the entitlement period is as close as we could get to the person's payday. If you compare it with the current situation, people's pay files are based on the previous Friday's circumstances. Under this initiative, from 1 July what they get paid on a Thursday will be based on the circumstances up to and including close of business Tuesday. The further back you roll that, the less reflective their payment is of the circumstances that generate the payments.

CHAIR—The bottom line is that they are not going to miss out on anything.

Mr Leeper—Absolutely not. It will be daily based, in arrears. The only situation where a person's rate might change on transition, or at any point after 1 July, is where a person makes a decision to have their payment made on a different date. This is not just an issue for Commonwealth Bank and St George customers prior to 1 July. On any occasion where a person elects to move their payday after 1 July similar provisions will occur. If on 1 September I choose to move my age pension day from a Wednesday to a Tuesday, that next fortnight I will receive thirteen-fourteenths of my payment because it is a daily payment in arrears. So people are getting exactly what they are entitled to.

Senator CHRIS EVANS—That is not the question I raised, though. You have had an arrangement for some time that has obviously worked from both parties' point of view. I am just trying to be clear as to why that cannot continue. It seems to be a policy decision of the government. There are no extra costs.

Mr Leeper—No, I believe it is the policy of the bank. The Commonwealth government has been making the payments to the banks for those pension payments on the Thursday. The payment file has been provided to all the banks. In this situation, the Commonwealth Bank in general have elected to make that payment available from the Wednesday. Having had discussions with them, it is fair to say that it makes good business sense for them to do that because it spreads out the customer contact load in their branch network across Wednesday and Thursday.

Senator CHRIS EVANS—It is the same reason you used for moving the paydays—for having the changes made to this arrangement.

Mr Leeper—Yes, except that in this case it is much more general. People can elect to be paid on any one of the 10 days in a fortnight rather than just the Wednesday or the Thursday.

Senator CHRIS EVANS—The reason they do it is the same reason you got us to support the change in the bill.

Senator Newman—But also, for quite a while, some of the organisations representing older people have asked to have staggered paydays because of the security issues for pensioners being known to have money on a Thursday and also the queues that they and everybody else in the community have to endure on a Thursday.

Senator CHRIS EVANS—I understand that. I handled the bill in the Senate.

Senator Newman—You understand the background and that is where it came from.

Senator CHRIS EVANS—We are not arguing about that.

Senator Newman—But that is where it came from.

Senator CHRIS EVANS—I understand all that. Mr Leeper, you were almost disparaging of the bank's reasons. All I am saying is that it is the same reasons you used for supporting the bill—to spread your administrative workload, as I understand it.

Senator Newman—That was not the reason the government adopted it. The government adopted it because people in the age pension bracket thought it was something they would like and they had been lobbying for it for a bit. Also, people in small business, like post office agencies, were concerned about security issues once a fortnight.

Senator CHRIS EVANS—I may be wrong, but I thought one of the arguments the government used as a supporting argument was spreading the load.

Senator Newman—It was another reason, but it was not the driving force.

Senator CHRIS EVANS—I do not want to argue about it, because it is not the point. It was one of the reasons advanced by the government at the time, I think you will find. The point I am raising is: why can't you continue to provide that information, say, on the Monday evening? As Mr Wadeson explained, this seemed to be the nub of the issue.

Mr Wadeson—If we were to provide it on the Monday evening, we would then be taking the information off our computer systems with one day of the fortnight left. So we would be paying, if you like, 13 days in arrears one day in advance. The pay cycles specifically were set up to make all payments 14 days in arrears.

Basically, you have two choices, if you like. You could do that. You could lose that ability to say it is 14 days in arrears, or you could in fact try to move all pensioners forward one day. As you would imagine, that is not an insignificant task. The decision to move it to Monday, while technically possible, changes the focus of the pay. So it is really putting it partly back where the current system is. There would be costs in that, which is the cost of that day's transactions that now do not get processed.

Senator CHRIS EVANS—So there is no cost to you in the current arrangements?

Mr Wadeson—There is, if you like. Certainly, there is a cost in the current arrangements in that, if you are a pensioner at present and you advise us of a change in your circumstances between the Monday and the Thursday, that is not able to impact on your next payday on that Thursday. That involves a number of costs. There is confusion, and overpayments and underpayments can get caused because of that. Payment cycle as fundamentally a simplification measure does away with that and says, 'At the end of your pay period, we will pay you two days after your 14 days.'

Senator CHRIS EVANS—I accept that argument. Putting that to one side, is there any additional cost to the Commonwealth for the current arrangements with the banks?

Mr Leeper—My understanding is no.

Senator CHRIS EVANS—So they bear the risk of you cancelling someone's pension between paying it—

Mr Leeper—The payment file for the Thursday payday is provided to all financial institutions on the Tuesday, as I understand. Those banks that elect to pay on the Wednesday have chosen to bear, in effect, the forgone interest cost, which is probably in the low millions of dollars a year, as a balancing item against the ability to balance out the loads against the branches from Wednesday to Thursday.

Senator CHRIS EVANS—So the current arrangement is a cost to them rather than a cost to you?

Mr Leeper—Yes.

Senator CHRIS EVANS—What discussions have you had with the banks about this issue, and how did they arise?

Mr Leeper—There have been extensive discussions with the banks starting from around May 1998, when the department and Centrelink discussed with the Reserve Bank the implications of the government's policy decision. There is a long chronology of meetings that we have held and discussions that have been had with the range of financial institutions—most particularly, the Commonwealth Bank in the last three or four months—to try to find a way through this implementation issue.

Where we both, I believe, have jointly come out is a position which says that there were unacceptable risks in trying to finish a person's entitlement period on the Tuesday, do the payment processing and get the money into the banks available for Wednesday payment, which is clearly an option the Commonwealth Bank would have preferred. The risks from that strategy we believed—and the Commonwealth Bank I understand also believed—were unacceptable. So from a design point of view, that was not open to us.

The strategy that the department and Centrelink have agreed we should pursue is one of writing to all of these customers and advising them of what will happen from 1 July to enable them to make decisions about whether they would choose to move their payday formally from the Thursday to the Wednesday or, if they elect to keep Thursday as the payday, they have two months notice that that is going to happen.

Senator CHRIS EVANS—Did the banks suggest any other alternatives to the one you have outlined?

Mr Leeper—There were some policy options proposed, all of which had costs which were borne solely by the Commonwealth government. They were essentially policy decisions. I am not sure I am able to talk about them in detail here. They were changes to the actual entitlement period end date and the gap from there to the payday, which actually meant there were substantial costs which would have had to be met by the budget in relation to those changes.

Mr Wadeson—I would just say about the other banks that we have had discussions with virtually all the banks at various times, but we would expect that particularly some of the other big banks see big opportunities in actively encouraging pensioners to move paydays. They may intend, I think, later this year to start to talk to pensioners about how it might be more convenient for them to use other days, simply because the banks can see advantages for themselves in that more even workload.

Senator CHRIS EVANS—I was just interested in this one issue of these customers of the Commonwealth Bank and St George. In the department's or Centrelink's view, there is no way to maintain the current arrangements without altering the pay cycle in effect?

Mr Wadeson—No. Within the current policy framework, as Geoff has explained, if we took the data off our systems on a Tuesday night, we could not guarantee on any regular basis that we could have that information with the bank on the Wednesday. We could probably do it most days, but the problem would be that we would leave pensioners uncertain, and that would be the worse position of all.

Senator CHRIS EVANS—Thanks for that.

CHAIR—Are there any further questions on Centrelink?

Senator QUIRKE—Can we have an update on what is happening with the tenancy arrangements in South Australia I have raised a couple of times—namely, Marden and Parkside?

Ms Vardon—I have a brief on this matter. We have referred to the three offices of concern—Norwood, Marden and Parkside.

Senator QUIRKE—I understood that one of them had closed already. I think you said you were going to close the Norwood branch.

Ms Vardon—No, we have not closed the offices.

Senator QUIRKE—In that case, include Norwood in it as well.

Ms Vardon—In the press on 28 and 29 April, we placed advertisements seeking proposals for 1,600 square metres of high quality office accommodation for a combined Norwood-Marden customer service centre. It is our intention to put them together.

Senator QUIRKE—That is Norwood and Marden?

Ms Vardon—Yes. Our preferred site is Norwood.

Senator QUIRKE—You do not have any building identified at this stage?

Ms Vardon—No, we are still waiting for people to respond to the expressions of interest. Whatever decision we make will affect what happens to Parkside. If, for example, we go to Marden, then we will have a small suboffice at Parkside. If we go to Norwood, we will have Parkside served by an upgraded Curry Street in Adelaide. So I cannot give you a specific answer until we work out the site. It is the first domino to fall.

Senator QUIRKE—Parkside is to be downgraded in either scenario?

Ms Vardon—Yes.

Senator QUIRKE—Haven't you just signed a lease with Parkside?

Ms Vardon—My memory of it is that we have extended our lease at Parkside until the decision is made.

Senator QUIRKE—How long for?

Ms Vardon—I cannot answer that. I will have to get you the answer.

Mr Matthews—Our lease at Parkside is on a month to month basis.

Senator QUIRKE—I thought there had been some extension beyond that during the course of this year?

Mr Matthews—You are right. The lease expires 14 September 1999.

Senator QUIRKE—So it is until September this year. I thought that; that is what they told me out there. What is the story with the Marden lease? How is that going?

Mr Matthews—That is on a month to month. We have asked the lessors at Marden and Norwood whether they would entertain us on a 12-month lease in both premises until we consider the options from the market.

Senator QUIRKE—And the answer was?

Mr Matthews—We have not had an answer yet.

Senator QUIRKE—Thank you very much.

Senator GIBBS—I would like to refer to my questions that I asked last time about redundancy packages. I had a couple of questions and I received a couple of answers. I received information that Centrelink has spent \$6.401 million on redundancies since July 1997 and that, since 1 July 1997, 280 redundancy packages have been given out to Canberra based Centrelink staff. I also had another question which led out of the other two and that is: what percentage of staff have actually returned as contractors after they had been given redundancy

packages? This was from 9 February and I still have not had a reply. The only reply I have had is:

The data required to answer this question is not readily available. A report will be provided by the end of March 1999.

We have gone past the end of March. When am I going to get the answer to my question? I think \$6.4 million is a significant amount to spend on redundancy packages, so I really need to know how many of these people are returning as contractors after taking such a hefty redundancy package.

Ms Vardon—I have personally spent some time on this trying to get an answer for you. It is not that we are defensive about it; it is very difficult to find out. We are close to getting you an answer. One of the things I undertook today was to give you an understanding of one of our problems about it.

Most people who take packages from our place, we do not ever see again. They have gone into another lifestyle. We do rehire IT people who once worked for us. We do not think those people whom we hire back have taken packages. The difficulty we have is that we do not hire them as individuals. We hire a company to do a piece of work or to give us a series of contractors to do a particular piece of work. Sometimes some of those contractors once worked for us. The difficulty is that we would have to go back to every contractor we had ever had and ask how long it was since the person left us that they rehired them and we hired them again. We think we are talking in terms of very small numbers, because we do not offer packages generously at all through the IT part of our organisation. We need every single person whom we can get in IT.

On the general question though of contractors, our second problem is that we issue many contracts and we report on those contracts. We are interested in your definition of a contractor. Is it a person who sits in a job for a longer period of time?

Senator GIBBS—Ms Vardon, you know what a contractor is. We are talking about outsourcing here.

Senator Newman—Excuse me, Senator Gibbs. I do not think that tone needs to be taken. Ms Vardon was just trying to work through the issues with you.

Senator GIBBS—Minister, we all know what the definition of a contractor is.

Senator Newman—There are different definitions of contractors, and I would ask you to hear her out.

Ms Vardon—We have a lot of people on contracts whose company we hire to do work for us for short periods of time. We think—and I will give you an answer—there are 44 people who once worked for us who you could consider contractors, but we think most of those are actually out in the network. I have to say that a first flush of our figures says that there are three of those in national support, but one of the things I wanted to share with you today is that it is not easy for us to get information that comes from a company because we hire the company. We were seeking to say to you today that we are taking a narrow definition of contractor—that is, somebody who is working for a substantial length of time, maybe more than a year or two, on a piece of work that may or may not have been done by a public servant.

If there is some acceptance of a definition like that, we can give you the answer, because there are many other people who are short-term contractors. So it is a definitional problem

for us. We are not trying to be difficult for you. But we don't also think that we can go back to every single company that we hire, because we don't hire the individuals.

Senator GIBBS—I have had information that people are getting redundancy packages and then coming back to work for the department as contractors. You are saying that that does not happen at all? You are saying that they come back working in a company?

Ms Vardon—We think that there are probably 44, but I am not giving you that final figure. We think there are probably 44 people who have come back as individual contractors, not through a company.

Senator GIBBS—Forty-four?

Ms Vardon—But I am not tabling that as a figure.

Senator CHRIS EVANS—Those are former employees who have taken a package?

Ms Vardon—Former employees who have taken a package.

Senator CHRIS EVANS—So the former employees total would be a larger total than that?

Ms Vardon—No, there are some people who resign and come back, but most people do not come back to work.

Senator GIBBS—I am not interested in the resignations. I am interested in people who have taken large redundancy packages and then have come back as contractors rather than permanent employees.

Ms Vardon—If you accept a definition that says 'a person that we hire in their own individual right for a period of time more than a year', we will give you that figure.

Senator GIBBS—That will be fine. I would like anything other than, 'I have not got the information; the data is not available.'

CHAIR—That is why Ms Varden asked you the question seeking clarification. She wasn't trying to be smart. She was actually seeking your clarification as to what you want in terms of what you deem to be a contractor. You responded, 'We all know what contractors are.' What Ms Varden is trying to do is be helpful, to get your definition of what you believe a contractor is, from which she will provide an answer.

Senator GIBBS—That is fine, and I am sure Ms Vardon could have dropped me a note or rung my office and said, 'What is your definition of a contractor?' and given me an answer before this.

CHAIR—She is now asking you what your definition—

Senator GIBBS—Three months later?

CHAIR—Would you now like to give the committee and Ms Vardon your definition of a contractor so she can then provide you with your answer specifically for that requirement?

Senator CHRIS EVANS—I think the key issue though—Ms Vardon would be best placed to answer this—is that that depends very much on the sorts of contracts that Centrelink lets. If Ms Vardon is saying that they generally let long-term contracts, then that would colour Senator Gibbs's response. If the average length of your IT contracts is 11 months, then I suspect she would have a different view of it. Ms Vardon, you are in a position to know what sorts of contracts you let. I think us having a flavour of what sorts of IT contracts are let would then determine what is a fair question.

Ms Vardon—We are now talking IT contractors, which is what I think is the issue of concern. There are very few of those people in our organisation who used to work for us.

Those who do work for us, we hire through another firm. We don't hire them back as individuals.

Senator CHRIS EVANS—Forty-four out of those that you have hired directly?

Ms Vardon—No, the 44 related to people who are not IT contractors who might be another form of contractor. We need to fix that figure. It was only recently that I realised that this question had not been given to you; it is not like us to be late, and I apologise for that. But it was when I sought definition—what it was that we were actually answering for you—that we came up with this particular problem. We can give it to you if you agree that the definition is something over a year, because we have a lot of short-term people.

When it comes to contractors, we are bound by a lot of rules. Contractors are not supposed to be hired permanently or for long periods of time in our organisation. At the end of every contract they are to be reviewed. Our preference is for a permanent person to be able to take their place. So we do not have people on forever. But to get a decent definition for you we thought about a year plus would answer your concern, because that looks like it is significantly doing the work a public servant might have done.

Senator CHRIS EVANS—I guess that depends on whether you have got a lot of short-term contracts rolling over. I am not trying to be difficult; I am just trying to find a way through this that would help Senator Gibbs. If in fact you don't have a lot of long-term contracts, then the answer to the question about who is on for more than a year may not be a very relevant answer. What is the nature of your IT outsourcing contracts? How long do they last? I am talking in general terms. How many are renewed? As I understand these things, they tend to get renewed fairly regularly, don't they?

Ms Vardon—They do, and often many of the contractors are there because they have a special skills that we need for only a short period of time. We don't need them permanently.

Senator GIBBS—My original questions were not based specifically on IT contractors, which go to other questions I have got down the track. That related to IT contractors. I think that was in regard to TA, which I will come to at a later date. My original questions were: what is the total cost of redundancy packages for Centrelink staff? How many redundancy packages have been given out? I have got that answer; there were 280 redundancy packages overall. I also asked: what percentage of staff have returned as contractors after they have been given redundancy packages? I am talking not just about IT contractors but Canberra based staff in Centrelink.

I want to know how many people have taken redundancies, been forced to redundancies—whatever, whichever way they have gone—and then come back and worked for Centrelink as a contractor either short-term or long-term. I think this is extremely important. The problem I have got here is that permanent staff are being put off and are being replaced by contractors, which are basically replacing them with the same contractors. Those people are obviously valuable people, so why have they been put off in the first place?

Ms Vardon—We are happy to answer that question. In my original answer I referred to both IT and non-IT. There are very few people who fall into that category. If we can eliminate from your question people who are hired by other companies—

Senator GIBBS—A company can be one person.

Ms Vardon—Yes.

Mr Divett—The companies we use are not single person companies in the IT area. They are very large companies that we are using to do work for us.

Senator GIBBS—All right. Let's eliminate the companies, because you are saying that these people have left and they have gone to a well-paid job in another company?

Ms Vardon—Yes.

Senator GIBBS—Let's get rid of those. I want to know how many people are come being back on a one-to-one basis, whether it is for three, six or 12 months or whatever. I am asking about people who have been made redundant and then are being rehired by Centrelink.

Ms Vardon—I think the answer is between one and three, but I want to give you a proper answer. Now we have got greater clarity, we will get an answer as soon as possible. It a very small figure.

Senator GIBBS—I would like the actual amount.

Ms Vardon—Yes, you will get it.

Senator GIBBS—This is bearing in mind that we have paid out \$6.4 million in redundancies.

Ms Vardon—And there has been an equivalent reduction in the numbers of people in the national support in those areas. There has been a growth—

Senator GIBBS—This is since July 1997?

Ms Vardon—Yes. We will get you the information.

Senator GIBBS—Thank you. Because of all of the redundancies and the wastage of human resources that we have been carrying on with, is Centrelink now taking a view that, rather than having a more stabilised permanent work force, they are taking in more casuals to do the job of these people?

Ms Vardon—No, in our statement with our workplace agreement we have just done with the CPSU, we have said that our preferred form of recruitment is to have our own staff. There are times though, when there are peak demands, that we look to put on part-time temporary people, and there are some jobs that we will look to have done by people other than ourselves. There is some outsourcing in the way that we have our forms done and so on. But as a general rule we are not looking to casualise the work force.

Senator GIBBS—Good. I want to turn now to an answer I was given to a question that was on notice. It was about travel allowance for IT staff in the support applications area over the last 12 months. I was told that \$474,151 had been spent on travel allowance, and a further \$46,254 was spent on TA for IT staff in the Y2K area. What percentage of staff receiving TA were contractors as opposed to permanent staff members?

Ms Vardon—Contractors do not receive TA.

Senator GIBBS—They don't receive anything?

Ms Vardon—No, they are paid a whole figure for their work.

Senator GIBBS—So all of that TA would have been on your permanent workers?

Ms Vardon—Yes.

Senator GIBBS—Thank you very much.

Senator DENMAN—Could you tell me what you have done to address the areas identified by the national waiting times summary that you conducted in January?

Ms Vardon—We are happy to do that. We actually look at the waiting times all the time, because it is one of the issues of our performance which is important to customers. About

every month we have a look and we notice the range that there is and we look at the variation of that range against each of the different forms of work that we do for our customers, our client departments. If we notice that in any area across Australia a waiting time has gone out, we ring immediately that regional office or the area office that supervises it to find out the extraordinary circumstances and what they are doing. So we have a kind of flag system, I suppose, whereby we watch regularly.

There are a number of other things that we do which are more substantial. Our quality people have been looking at new ways of managing queues and so on and waiting times. All of our officers have a quality program of some kind to make sure that they deliver good customer service. In the sense of flagging, when the call centres notice that there is a waiting time in a particular area when they try to deliver a service and make an appointment for somebody, if the appointment seems to be too far out, the call centre people will tell us as well. There have been some very significant productivity improvements in our organisation in the last little while since we have changed the way we do our business.

Senator DENMAN—This has happened since January when you did you that survey?

Ms Vardon—It is a continuation of the quality service improvements that we have been doing. A number of our people are finishing work off more quickly on the same day or at the same time if they are talking to a customer who comes in. All of those things improve the length of time it takes and therefore provide us more opportunities to get people through more quickly. I could go on. Those are the significant things which are very important to us—any waiting times people have—and we are paying very high attention to it.

Senator DENMAN—So what you are saying is that you have dealt with the time delays, and on this survey that was put out, if we were to now ask for figures, the time delays would possibly be less?

Ms Vardon—They will certainly be less, because that was a very busy time. The figures were taken in January, which is one of the peak times of our year.

Senator DENMAN—So in January next year it will be more efficient?

Ms Vardon—Every January we have got better, and we anticipate the same next year.

Senator DENMAN—Did you identify any causes for the delays? Were there, say, across the board 30 reasons in various outlets that caused the delays? Was there any common factor in the causes for the delays?

Ms Vardon—I will ask Mr Divett to have a go at this one as well. There are very many reasons—I am not sure that there are 30—

Senator DENMAN—That was just a figure I made up.

Ms Vardon—I can remember going into one office where there were delays and there were a number of people away on training, for example. There has been a recent study in the Commonwealth about the training, and our organisation is the most trained because there are many changes and we emphasise accuracy now and so on. For example, right now the pay cycles have changed and everybody in the whole organisation has had to be trained in pay cycles. If three or four training events are happening together, that might be a reason and then we ask our managers to go back and think about how that is spread. There are other reasons for that. They are not always exactly the same.

Senator DENMAN—Do you have anything, Mr Divett?

Mr Divett—If you go back over the full year, the common national ones include if there is the flu in the network—if it affects one or two officers, it can affect that office very quickly. There are localised issues. In January, a number of educational institutions, which is quite atypical for the rest of the year, took some decisions on proof of identity or other issues about their own enrolment and that put a lot of their customers back into our offices. That affected us for a couple of weeks. Generally it is staffing related issues. So everyone in an office getting sick at the same time is the most common cause.

Senator DENMAN—So, if in the future there are cuts that are possibly foreshadowed, will you be able to cope within the Centrelink offices and not jeopardise the programs and not have longer waiting periods?

Mr Divett—Our waiting periods in our offices for the last six months have been better than ever recorded.

Senator DENMAN—Yes, but I am asking how you would cope with further staff cuts?

Mr Divett—We would not make the further staff cuts unless we had made the productivity improvements to match them, and that is what we are doing.

Ms Vardon—One main contact that we are introducing around Australia has made a significant difference to the capacity of our staff to handle the work that is in front of them. We get wonderful reporting about how much more under control work is, how much easier it is, how little rework is being done and how people are finishing things to completion when a person is with them. In our system we have been able to take out a lot of inefficiencies, if I can use that word, in the way we do our business.

There was a lot of rework. There were people throwing things to the back office to be rethought and redone. We have taken most of that away now, and the transactions are completed all at once. That has brought back a great capacity in our organisation to serve people sufficiently, as far as we are concerned, to look after the continuing financial demands that are on our organisation, which you have already flagged.

Senator DENMAN—So you are fairly confident that, if there are any other cuts, you are now efficient enough and will cope with those, that you have identified most of them?

Ms Vardon—Yes. I will give you an example. I was at the Blacktown office yesterday. It is a very busy office, a very busy part of town. One of our staff who is known to not always be friendly to management said, 'You've got a new problem now.' I said, 'What is that?' She said, 'What are you going to do about boredom in the office?' I said, 'If that was the only problem we had in our organisation, I would be a happy woman.' She was actually reflecting the fact that, by the afternoon, her business was finished and we now had a greater capacity to be value added. That at Blacktown was quite spectacular.

Senator GIBBS—Mr Jongen, I just want to follow up on my questions from February on the Brave Design Group. I know I received an answer here, and it was related to what exactly the contract was worth—half a million dollars to a \$1 million per annum as a minimum. When was the contract with Brave Design entered into? This is regarding Centrelink's graphic design contract with Brave Design Group.

Mr Jongen—Yes, approval was given on 17 July 1998.

Senator GIBBS—Why was it decided to allow one company to have responsibility for all the graphic design needs of Centrelink rather than obtain quotes for each necessary job individually?

Mr Jongen—To answer that question, I really do need to reflect on the process. Essentially, we were trying to come up with a more economical way of managing what was already an outsourced function, which is graphic design and the provision of a range of design services. As you can appreciate, each individual job that we were required to undertake meant that we had to go through quite a complex procurement process and, in order to improve our efficiency in that area, it was felt appropriate to appoint one company.

In addition to that, with the introduction of Centrelink and our attempts to try to ensure greater consistency in our imagery—in other words, protecting the use of our logo and ensuring that we had consistent design standards across our range of products—part of what we went out to the market for was to bring on board a company that would help us manage that process. In other words, we were looking at trying to introduce what would be commercial practices in the area of design services, and we felt that one company was best placed to provide that.

The appointment of the company was actually done in two stages. Firstly, we invited expressions of interest from the market—and I might add that a total of 18 companies submitted proposals. They were short-listed to a total of seven companies. We then went through a selective tender process. The agreement we have entered into is a non-exclusive agreement. Although Brave is our preferred supplier on the basis of this tender, we do have the option, if we need to, of going to other suppliers if we felt that Brave could not provide the specific services that we wanted.

Senator GIBBS—With your ongoing work and as work comes up in the future, how are you going to know that Brave is charging competitive prices as compared with other companies? Did you have a long-term plan of what your projects would be in the future, or did you know only a couple ahead and then down the track some brainy person might think up something fantastic and you will go with that? How do you know this is going to be a competitive thing?

Mr Jongen—I guess that was inherent in the selection process. One of the bases upon which Brave was selected was their pricing regime, which meant that we were in a position to assess their competitiveness at that point in time. Although we do work in an environment where we have a good understanding of what our information and communication requirements will be over a 12-month period, the reality is we do operate in a very dynamic environment and often we will be required to produce a new product at short notice. But, as much as possible, we do operate in a planned environment.

Senator GIBBS—So how long is this contract for? It started in 1998. When does it finish? How many years does it go for?

Mr Jongen—Senator, I do know that you asked that question previously.

Senator GIBBS—Did I get an answer? I do not have it here. I do not think I got an answer for that. I have: 'Centrelink expects to pay in the vicinity of half a million dollars to \$1 million per annum as a minimum.' That is what you said here, and I have written confirmation that that would be correct. I have not seen an answer to that question, if I have asked it before.

Mr Jongen—I am afraid I do not have that information included in my material. I regret that I will have to take that on notice.

Senator GIBBS—That would be good if you could because I am sure the contract is for a set period, for so many years; it is not an open-ended contract.

Mr Jongen—Yes, it is. If I can be of assistance, you did previously ask me this question. To the best of my knowledge, this answer is correct: it is a three-year contract.

Senator GIBBS—Obviously I have overlooked that answer, sorry.

Mr Jongen—Senator, could I give you a commitment that, if there is any variation to that figure, I will make sure we provide you with that information?

Senator GIBBS—Thank you. When you do these contracts, do they sort of contract for a certain amount of money you are going to pay them? I know here it says a minimum of half a million dollars to \$1 million per annum. Does this mean it could blow out to \$3 million, \$4 million or \$5 million? Is there some sort of fixed cap here?

Mr Jongen—The way in which the agreement has been structured is that Brave Design charge us on the basis of individual services that they provide us. In other words, for each job we provide them with our requirements in the form of a brief and there is a pricing regime provided for under the agreement of set charges. Obviously, external to the contract, it is part of my responsibility to monitor my budget in the context of what I have been provided with to undertake various tasks.

Senator GIBBS—So, when the next annual report comes out, I will be able to look up Brave and see exactly what we have spent on what schemes, on what projects? Will it all be there?

Mr Jongen—In the annual report we would be required to provide you with the total amount that has been expended, but in this forum we could provide you with a breakdown.

Senator GIBBS—I would actually like to know the breakdown. That would be good. How much money has Centrelink paid to Brave Design under this contract so far? I would also like a breakdown of this expenditure itemising each task performed and its price. If you cannot answer that straight away, which you probably cannot because it is a bit detailed, I really would like that information.

Mr Jongen—Certainly, Senator, I do have to take that on notice.

Senator GIBBS—That is not a problem.

Senator CHRIS EVANS—Madam Chair, correct me if I am in the wrong program, but I want to ask about overpayments and whether or not there was a general problem or a reasonably large problem when the changes to allocated pensions and superannuation were done last year and whether there were a range of errors that arose from the way income streams were assessed following those changes and whether there was a problem in terms of overpayments being made in that area.

Senator Newman—Madam Chair, that does not appear to be one of the items that has been given on notice by the committee.

CHAIR—No. I was just checking with the secretary as well. I am trying to figure out where it fitted in.

Senator CHRIS EVANS—I was going to ask Centrelink, but I was not sure. Madam Chair, we will be back in three weeks. I am not overly perturbed. If it is something that can be answered happily and easily today, we will do it today. If not, we will do it in three weeks time. I am open to advice.

Senator Newman—We will come back to that in three weeks time, if you do not mind. We have come with staff to answer these issues.

Senator CHRIS EVANS—That is fine, Minister. If you had the staff here, we could do it now. If you do not have the staff here, that is fine. We will do it then.

CHAIR—Any there any further questions on Centrelink?

Senator CHRIS EVANS—Yes. I want to ask a question about dealings with a contractor, the JJB Group. I want to get a feel for the extent of the relationship between Centrelink and that contractor and how their financial difficulties are impacting on Centrelink—what I presume are financial difficulties.

Ms Vardon—JJB is a builder that we have used on a number of occasions. I think a total of six of our offices have been built with this firm. We have two current projects: one at Nowra and one at Marion in South Australia. We planned to move into our building in Nowra just a few weeks ago. The contractor approached us wanting to extend the lease that we had with them from a period of five years to a period of eight years. We said that that would not be proper.

Senator CHRIS EVANS—Just so I understand it, they are owner-builders, are they? Is that the situation? They are building it but they also own it?

Ms Vardon—Yes. They were to build the property and we were going to lease it from them to move into it.

Senator CHRIS EVANS—So you had a contract to lease it from them for five years and they approached you to extend it?

Ms Vardon—Yes, to eight years.

Senator CHRIS EVANS—And this was before you had moved in?

Ms Vardon—Before we had moved in, yes, at the ninth hour. We had an agreement for five years. It would have been unconscionable of us to have made an adjustment like that because it is Commonwealth moneys and we should have advertised. If that was going to be an eight-year contract, we should have advertised publicly and so on. So we were not in a position to accede to their request. For reasons not related to us, I do not think, they were putting pressure on us to do this. We said we would not. We then had a stalemate and they would not issue us with a certificate of completion so we could move into the building in Nowra. The building had been fitted out. It has our computers in it. It has our files in it. It has a number of other things in it.

Senator CHRIS EVANS—So it was completed as far as you were concerned and it was just that they would not issue the certificate?

Ms Vardon—It was completed as far as we were concerned, but we could not get a certificate of completion. We then decided to up the ante, in a sense, by taking them to the Supreme Court, where the matter is now being heard.

Senator CHRIS EVANS—So the problem from your point of view was that they would not let you fulfil the contract in the sense of moving in?

Ms Vardon—Yes.

Senator CHRIS EVANS—Did they make it clear to you as to why they wanted to change the terms of the arrangement?

Ms Vardon—They gave us various reasons. We are not sure that the reasons we were given were in fact the substantial reasons.

Senator Newman—I think we might be in a difficult area here if this is a matter to come before the courts, Senator.

Senator CHRIS EVANS—Yes, I am conscious of that. I did not realise that. So you have taken action in the Supreme Court of New South Wales. What is your other contract with them?

Ms Vardon—Marion in South Australia.

Senator CHRIS EVANS—Is that the same sort of arrangement in relation to the owner-builder thing?

Ms Vardon—I am going to have to defer to Mr Matthews. He is more on top of this.

Mr Matthews—It is a similar arrangement. It was to build and we were going to lease it. The site at Marion is not as advanced as Nowra. We were not due to take occupation there until July. The work at Marion has stopped.

Senator CHRIS EVANS—Why has it stopped?

Mr Matthews—Because of the problems the JJB Group has been having.

Senator CHRIS EVANS—I see. So is there anything formally occurring between you and them over the Marion contract?

Mr Matthews—Yes. The company that is a subsidiary company of the JJB Group is a different subsidiary to that in Nowra, and both companies have been put into receivership in the last 48 hours. A mortgagee in possession has taken possession of the Marion site due to the receivership of the subsidiary company of JJB. We are conducting negotiations with the receivers and managers and the mortgagee in possession in an attempt to resolve that situation.

Senator CHRIS EVANS—So the Nowra and Marion companies are different subsidiaries, but are you saying that they have both gone into receivership?

Mr Matthews—That is correct.

Senator CHRIS EVANS—And that was in the last 48 hours?

Mr Matthews—Yes. The head company, JJB, went into receivership probably two weeks ago.

Senator CHRIS EVANS—I did not have that information. Are they the only contracts that you currently have with JJB?

Mr Matthews—Correct.

Senator CHRIS EVANS—When were you first aware of their difficulties?

Mr Matthews—About two days out of occupying Nowra.

Senator CHRIS EVANS—When were you hoping to take over Nowra?

Mr Matthews—I think it was 28 February.

Senator CHRIS EVANS—So you became aware that there might be a problem and, basically, they were reluctant to let you take possession?

Mr Matthews—That is right. As Ms Vardon said, they left it to the eleventh-and-a-half hour to pull this stunt on us.

Senator CHRIS EVANS—And you already had Centrelink facilities installed in the building?

Mr Matthews—That is right.

Senator CHRIS EVANS—Have you recovered those?

Mr Matthews—No, they are in the building at this stage. We are still hopeful that we will get possession.

Senator CHRIS EVANS—Have you had the same representations from contractors that we have all been getting?

Mr Matthews—We have had a couple.

Senator CHRIS EVANS—Is there anything you are able to do for them?

Mr Matthews—Not at the moment. We will be pressuring the mortgagee in possession. We have explained the overall lie of the land to them. They are of course assessing their position as well, but we are talking to them about assisting those subcontractors who have not been paid.

Senator CHRIS EVANS—You had an ongoing relationship with JJB that predates these two contracts. Have they been satisfactory in the past?

Mr Matthews—As far as being a landlord, yes.

Senator CHRIS EVANS—How much business have they got from you in the past?

Mr Matthews—I think they have constructed six buildings before this. They own those buildings in various forms. They usually syndicate the buildings once they are up. They either own them 100 per cent or have a diluted holding of some form.

Senator CHRIS EVANS—So is Centrelink still in a relationship in terms of being a tenant in other buildings?

Mr Matthews—As far as leases are concerned, yes, in the existing buildings.

Senator CHRIS EVANS—How many buildings is that?

Mr Matthews—I think they are owners in some form at—and I will probably have to get this again—Horsham, Burnie, Launceston and another one in western Victoria. Do you want me to take that one on notice?

Senator CHRIS EVANS—Yes, please. What are the financial implications for Centrelink of those relationship there?

Mr Matthews—Those leases continue.

Senator CHRIS EVANS—But is the owner of the building still JJB?

Mr Matthews—No, they will be some other company. We have not been advised by any of the receivers that any of those companies have been taken into receivership.

Senator CHRIS EVANS—I guess there is not a problem in that sense anyway. You are just paying a lease. You are not likely to be exposed much in any event.

Mr Matthews—No. We would not have any exposure in those buildings because we continue to make payments to whoever the landlord is.

Senator CHRIS EVANS—Yes, all right. Did this JJB Group have a preferred tenderer type status with you or did they just tender normally for each of the projects one by one?

Mr Matthews—No. They won them in the open market.

Senator CHRIS EVANS—Were they all tendered separately?

Mr Matthews—Yes, that is right, over a period of some years.

Senator CHRIS EVANS—Did you know whether the JJB Group had a building licence for South Australia prior to them winning the contract for the construction at Marion?

Mr Matthews—No.

Senator CHRIS EVANS—You were not aware or—

Mr Matthews—It is not something we specifically asked, from my memory.

Senator CHRIS EVANS—Is that not something you raise as part of the contract?

Mr Matthews—The contractor has to get approval from the local building authority and councils, et cetera, in order to be able to proceed with that building. I am aware of that allegation. We have not followed that up.

Senator CHRIS EVANS—I am just trying to get a feel for whether that is a prerequisite for them to get the contract though.

Mr Matthews—No, not specifically. They have to be able to perform all the conditions of our contracts. I would have to go back and look at whether that is a specific condition of contract.

Senator CHRIS EVANS—Perhaps you could take that on notice to see whether that was an issue raised, because, as you know, there is an allegation that they did not actually have a building licence to operate in South Australia.

Mr Matthews—It may well be that the JJB Group does not have a licence, but one of their subsidiary companies was the builder of the project through some company corporate structure.

Senator CHRIS EVANS—So who is your contract with on each occasion? Is it with JJB or the subsidiary?

Mr Matthews—It was the JJB Group who tendered. The name on the lease is a different company again. It is Infrastructure Management Services Ltd.

Senator CHRIS EVANS—That is for Marion?

Mr Matthews—That is right.

Senator CHRIS EVANS—What about for Nowra?

Mr Matthews—In Nowra it is JJB Projects Pty Ltd.

Senator CHRIS EVANS—So I presume you are in a position where you do not know when Marion will open as a result of this?

Mr Matthews—Not at this stage.

Senator CHRIS EVANS—But you are hopeful that Nowra will be able to be opened shortly?

Mr Matthews—Yes. We would like to think that, depending on the court action, we might be in fairly soon.

Senator CHRIS EVANS—Thanks for that.

CHAIR—We will move to corporate issues.

Senator GIBBS—In February I asked questions relating to the expenditure on the remodelling of B block at Tuggeranong Office Park. I asked: how much money was spent? The answer to my question was that the Department of Family and Community Services will have spent a total of \$585,024 on remodelling B block. Given the waiting periods being experienced by Centrelink's call centre customers, this expenditure of nearly \$600,000 on renovations to a relatively new building seem quite exorbitant, wouldn't you say? I have had a look at the building, and it does indeed look extraordinarily extravagant.

Senator Newman—Yes, it was. It was placed there by the Labor Party as an attempt to bring more employment into the Tuggeranong Valley. I do not criticise that, Senator. But it was at a time where there were very high rentals being charged, and that is a burden which the department is continuing to meet. What they have done in recent days, and it is the money you are referring to, is to try to make at least one of these buildings—I am not sure if it is more than one—better able to provide working space for more people.

With the amalgamation of the department and various programs from other departments, we have had to look right across the portfolio to make sure we have working space where people who work in related areas can easily deal with each other. If you had seen this building when I became minister—in other words, when we came into government—it was a very beautiful interior, but it was very wasteful of space and very few people were accommodated on one floor. I think from a good use of a very expensive rent, that was money no doubt well spent. That is by way of preamble. I do not want to pre-empt the answer you are going to get from officials.

Senator GIBBS—Fine.

Senator Newman—Have you seen the inside?

Senator GIBBS—Renovations came to a total cost of almost \$600,000. The building is relatively new. This is extraordinary.

Senator Newman—We are tied to rental there for least another 10 years, I think.

Senator GIBBS—These are renovations. I have a breakdown here of renovations: floor finishes, \$74,983. They must be some great floor coverings. How many people actually work in this building?

Mr Whalan—You would have noted in the reply that we gave that some 12 people did work in that building prior to those renovations. Another 35 now work in that area as a result of the renovations. The building, if you have been out there and been through it, has two floors. A significant part of the building is taken up with conference and other facilities. The point I make is that the 35 additional staff make far better use of what was a large space.

Senator GIBBS—Are you saying that it was designed for 12 people?

Senator Newman—It was hugely expensive rent.

Senator GIBBS—It was designed originally for 12 people?

Mr Whalan—For some 12 people, yes.

Senator Newman—That was before we came into government. That is what we inherited—very costly per worker.

Senator GIBBS—It is my understanding that it has been renovated and re-renovated. People are calling it the Tuggeranong Hyatt.

Senator Newman—That is what they were doing before we came into government.

Senator GIBBS—I have photographs here. It actually looks like the Hyatt.

Senator Newman—It is very luxurious in terms of space per worker, but that is what we inherited. We are bound for another decade or more to very high rent, mid-1980s rent. That is why the decision was taken to actually fill in some of the open spaces and make more cost-effective use of the building.

Senator GIBBS—What did you pay almost \$75,000 on floor finishings on? It cannot be the good old linoleum, surely. That is pretty exy, isn't it? What exactly is on the floors to cost \$75,000?

Mr Whalan—It is a mixture of carpet and parquetry. It would have been the parquetry, which was there prior to any changes, that would have added some cost.

Senator GIBBS—This is the new renovations.

Mr Whalan—Parquetry was not added. Parquetry was there. There was a large open space, which I understand was originally designed to be used for large gatherings. We have converted a large amount of that space into areas where people have desks. As part of doing that renovation, the remainder of the parquetry floor had to be redone.

Dr Rosalky—That empty space that Mr Whalan is speaking about was, as he said, just empty parquetry floor with no functional use at all. It was converted with minimal erection of walls into a boardroom, with furniture in that boardroom. It is used every single day now as a practical room. When you do that, when you convert an empty space into a room where people have to work, things like air conditioning have to be adjusted for the reconfiguration of the space. It is those kinds of costs that you are seeing in here. Essentially the floor was recast to put a whole branch in one half of it and the whole executive in the other half of it, with conferences and boardrooms. Empty space has been turned into working space, and all the services had to be adjusted to give air where it was required, et cetera. That is essentially what has been done.

Senator GIBBS—I understand that. I do not have a problem with the air conditioning. I am amazed that we spent \$75,000 on floor finishings for people to work on.

Senator Newman—It is quite a large space.

Senator GIBBS—It is my understanding that this building does not have any customers, simply people working there. Why do we have to be so salubrious with our floor coverings? It is not as though we are trying to impress the customers.

Senator Newman—I was there yesterday and I must say that I do not think it is salubrious, if my understanding of the word is the same as yours. I would be very happy for you to have a good look from the inside and be shown what was just absolutely unused space—it looked gorgeous—and what is now working area. Then I think you would see the extent of it. It was a very, very large building that housed very few workers in opulence. We had to do something about fitting in our new people, and we have reconfigured the usage of our buildings. It was built by the private sector. As I say, it was taken on board at very high rent. We cannot get out of that rent. We had to do something about making better use of it.

Senator GIBBS—Minister, I do not have a problem with the rent. I can understand that you have high rents.

Senator Newman—But that is why we had to convert this.

Senator GIBBS—I have a breakdown of renovations, which come to \$562,324. I understand that the kitchen in B block recently has been remodelled. Is this expenditure in here? I cannot see it in here. It does not say 'remodelling of kitchen'.

Dr Rosalky—Yes, it was part of it. It is approximately half the size it was before.

Senator GIBBS—So you have reduced the kitchen by half.

Dr Rosalky—To make useable space. There are small kitchens on the floor that we are speaking about where the renovations were done. One of them was cut in half to make useable space. That cost would be in some of those services that you see.

Senator GIBBS—What would that be? You turned that into an office.

Dr Rosalky—The whole thing was reconfigured. What was part of the kitchen might now be waiting seats outside an office and part of what was empty space is an office. A lot of reconfiguration went on. We could show you plans before and after, if you want to see them.

Senator GIBBS—Is that the latest renovation?

Dr Rosalky—Yes.

Senator GIBBS—This is after all these renovations?

Mr Whalan—It is incorporated in those renovations. Once again, we are happy to show you what has happened. I would have thought that it has all been done for exactly the right purpose, to try to provide a better use of what a lot of people would have said was wasted or opulent space.

Senator GIBBS—I will accept that. If you started out with 12 people and we now have an extra 25 people, that is 47 people working there on two floors. We have spent \$600,000 in renovation. That is not accounting for the high rent we have to pay. That is fine.

Senator Newman—It is not fine, actually. It was Ros Kelly's attempt to be re-elected, which we are still paying for today. That is what irks me.

Senator GIBBS—I am not interested in that, Minister. I am interested in what is happening now. I was not here when Ros Kelly was here.

Senator Newman—No, I was.

Senator GIBBS—I am interested in what is happening now with taxpayers' money.

Senator Newman—That is what the taxpayers are funding now—still.

Senator GIBBS—Okay. Then you are the government; you fix it. What I want to know is: is this the end of these rather extraordinarily expensive renovations or can we look forward to something else being renovated in the future? Is this the end? There will be no more expenditure.

Dr Rosalky—It was a one-off incident because the creation of Centrelink changed the executive of the former Department of Social Security. Centrelink reaccommodated their executive with their own staff. That left us a floor. It was a one-off case to rebuild that floor in the most useful way we could. It is not a series of changes. There was a very small adjustment—and I think a relatively cheap adjustment—when the Department of Family and Community Services was created. We had to redo one room because there was a new staff configuration, but it has all been done in a way that was hopefully a cost-effective adjustment to a very expensive building to work on because of its systems and its air conditioning, et cetera.

Senator Newman—There has not been a series of renovations, which you have referred to several times. There has not been; there was just that one lot of renovations, as I understand it. Officials confirm that. Have you been inside?

Senator GIBBS—Not inside. I have had a look from the outside.

Senator Newman—You are very welcome, if you would like to come down, rather than look at the plans.

Senator GIBBS—I will. I will go down and have a look when I come back.

Senator Newman—It was more like a hotel than a government office block.

Senator GIBBS—I have the photographs here.

Senator Newman—It was really quite beautiful. If it had been a hotel, it would have been very glamorous.

Senator GIBBS—I will move on to the next thing I wanted to ask about in this corporate section. I want to refer to security passes for employees. I believe that there was a rather large, cumbersome security pass which resembled a pocket calculator on one side and had a photo ID on the other side. This was in a plastic case, and it was quite cumbersome and, no doubt, extremely heavy if they wanted to hang it around their necks like the staff around this building hang their passes around their necks. How much money was actually spent on purchasing these key pad passes, which I am told are not used now at all—they are defunct?

Dr Rosalky—I will pass that question to Mr Wadeson from Centrelink because this was a Centrelink security system that we were under at that time.

Mr Wadeson—The contract costs and the costs we paid for the card and the work done outside was just over \$4 million.

Senator GIBBS—So that is \$4 million down the drain.

Mr Wadeson—No, we are proceeding with the cards. We are two-thirds of the way through the implementation with the cards. The system is working very well.

Senator GIBBS—This is the key pad pass.

Mr Wadeson—If I can show you mine, this is the card everybody is talking about.

Senator GIBBS—That is the one I have seen, yes.

Mr Wadeson—On this side of the card it has a little keyboard. The idea is you key in your personal identification number. It generates a log-on ID, which is your entrance into our computer systems. Every time you log out, keying in your PIN generates a random number on the liquid crystal. So literally no-one can log on unless they both have this card and know your PIN.

I should explain that the creation of this level of security goes back to around 1994 when the Auditor-General basically made some comments about our existing log-on security which, in the Auditor-General's view, was not really sufficient. I think there was acceptance at the time. There were no immediate answers to that. We have a traditional security system where people are given a log-on ID. Under the old system, it was very hard to stop people sharing log-on IDs and hard for people to discover someone else's log-on ID. As all our security hangs off that log-on ID security, there was a lot of discussion at the time about possible ways out of this. This technology, which at that stage was only very developmental, was the chosen path to improve our security.

Senator GIBBS—That looks quite slim to me, if you hold it side-on. Is this a new version? My understanding was that the other one was quite a cumbersome item.

Mr Wadeson—There may have been some early prototypes, but this is the only version that we have released into our network. This is the standard.

Senator GIBBS—When did this slimline one come into being?

Mr Wadeson—I think they have been around for 12 months.

Senator GIBBS—So before that, staff had the big cumbersome ones?

Mr Wadeson—There was in fact no card. You entered into the computer system by a log-on ID that you got from the security group. So there was no card entry. But this card is set up to perform a dual function. Not only does it get access to the computer but, for example out at Tuggeranong, it lets you through the doors as well. That is done by the card on the front. The black bit on the back is the part that controls the computer security—the really important part of the device.

Senator GIBBS—I am at a bit of a loss here. I understood that this was a rather cumbersome thing—that it had a keypad on one side and your ID on the other. That is exactly what you have got there now.

Mr Wadeson—Yes, that is exactly what I have got.

Senator GIBBS—I have been informed that those passes are of no use anymore and new ones have been issued to everybody.

Mr Wadeson—No. This one was trialled in an office in the Hunter. It took us several months of trial to tie up the technologies. But to my knowledge, when we went into that trial the cards were these cards. I am not aware of any larger cards that we have used—at least in a production sense.

Senator GIBBS—So you have had those for a year and you did not have anything before then?

Mr Wadeson—There have been various ways of getting around buildings but, in terms of computer security, your log-on was provided by the security desk. You would ring up and you had to memorise it. It never changed so you could hold the one log-on for quite some time, the problem being that if you left your machine on or if you gave that log-on, for any other reason, to someone else they could do transactions in your name.

Senator GIBBS—Thank you.

Mr Whalan—I can add some supplementary information. You are somewhat right in relation to staff of Family and Community Services who occupy the same location at Tuggeranong Office Park as Centrelink staff. When we were still the Department of Social Security, I think, these same passes were issued to all staff across the then combined department. Since the Department of Family and Community Services was created we have still had Centrelink being responsible for most security functions across the complex, and IT security. However, no staff in Family and Community Services are using these passes for access to the IT system. We are not currently planning to do that although we are reviewing our security arrangements at the moment. So there is a difference at the moment between Centrelink staff and FACS staff, all of whom were initially provided with the same access key. You are right, in relation to Family and Community Services staff, that new staff in that department can get a slimline version. They do not have to get the version with the keypad on it. However, we are in the midst of reviewing what our future security arrangements will be.

Senator GIBBS—So the keypad in Family and Community Services is not used for anything at all?

Mr Whalan—That is right. But originally, when we were part of the one organisation, it was going to be used for the same purpose as Centrelink staff now use it for. Then the Department of Family and Community Services was created. We are now a policy department and a delivery agency, and the delivery agency has different requirements.

Senator GIBBS—I see. When you were the one department you were all issued with this. Because you are separate departments, you do not use yours for what Centrelink people use it for. It is not as if you were given that when you were in that department?

Mr Whalan—That is right.

Senator GIBBS—So if you become the one department again you will be able to use that and it will be fine, and we will not have to spend any more money on it.

[3.57 p.m.]

Program 2—Support for economic and social participation

Subprogram 2.9—Child disability allowance

Senator DENMAN—Do you have any preliminary findings on the child disability tool?

Mr Herscovitch—I can give you some preliminary information on numbers of applications, grants and that kind of thing, but we are a fair way from completion of the more detailed evaluation. Between 1 July 1998, when the tool was introduced, and 24 March this year there have been 19,969 applications for CDA, of which 13,708—about 69 per cent—have been accepted.

Senator DENMAN—You probably have not done an analysis yet on what sort of disabilities have been accepted under that—or have you?

Mr Herscovitch—Not really. We have done some work on a couple of conditions which have been a bit contentious. These are very early figures.

Senator CHRIS EVANS—Are there trends from the rejections rates obviously throwing up certain groups?

Mr Herscovitch—No. We do not have that sort of detailed information yet. We are a fair way from getting that. I can give you some, from some contentious conditions where we have focused our attention. There have been 93 cystic fibrosis applications, of which 69 have been granted. Of 630 applications involving epilepsy, 420 have been granted. Of about 1,100 involving diabetes, about 700 have been granted. I stress these are early figures and obviously we are treating them with a fair bit of caution.

Senator DENMAN—Do you have any data on the average cost to a family with a child suffering from cystic fibrosis?

Mr Herscovitch—No, we do not.

Senator DENMAN—Is it possible to get that?

Mr Herscovitch—Only with a pretty major study. We certainly would not be trying to do that as part of the evaluation, because there is a commitment to report on that in the second half of this calendar year.

Senator DENMAN—Do you have figures on how many cystic fibrosis child sufferers there are in Australia?

Mr Herscovitch—I do not. I do know there are 1,220 children for whom child disability allowance is currently being paid, and that obviously includes people whose allowance was granted prior to 1 July last year, under the previous rules. The numbers of children with that condition who are not in receipt would be quite low because, prior to the tool, cystic fibrosis was a manifest condition which allowed automatic entry to the payment.

Senator DENMAN—So far you have had 93 families apply for cystic fibrosis payment and you have granted 69?

Mr Herscovitch—That is right.

Senator DENMAN—When do applications for these grants close? Is it ongoing?

Mr Herscovitch—Yes, it is an ongoing program. There is no closing date.

Senator DENMAN—So the 93 are from July last year until March this year?

Mr Herscovitch—That is correct.

Senator DENMAN—Under the scheme prior to June 1998, how much money did the families who have children with cystic fibrosis get each year?

Mr Herscovitch—From the child disability allowance?

Senator DENMAN—Yes.

Mr Herscovitch—They were receiving \$1,950 a year. The rate of child disability allowance has not changed except for a small indexation increase since then. The rates are the same.

Senator DENMAN—So those who qualify now will still get \$1,950?

Mr Herscovitch—It is slightly higher. It is \$1,965 now, since the indexation increase. It is much the same.

Senator DENMAN—What saving per annum is there to the government for those families whose children will be excluded from this?

Mr Herscovitch—Based on the numbers to date, on an annual basis we are probably talking about \$50,000. That is only based on the numbers of people who have applied to date. That obviously will grow as the number of people affected increases.

Senator CHRIS EVANS—Explain that to me. Why will that grow?

Mr Herscovitch—As more assessments are made, more people will be granted and more will be excluded, because it is an ongoing program.

Senator CHRIS EVANS—Will they be new clients, effectively?

Mr Herscovitch—Yes, the savings are from new clients. People who were eligible for the allowance at 30 June last year remain eligible for five years without review.

Senator CHRIS EVANS—Are we talking about young children who have been diagnosed and then come seeking to access the disability payment?

Mr Herscovitch—Yes, that is right.

Senator CHRIS EVANS—What would you anticipate the numbers to be per annum once it is in full effect?

Mr Herscovitch—We have not done any precise calculations of that. Based on what we have so far, we would be looking at hundreds, say, after three years. This is based on a very small sample, too, so I am being cautious about it. We do not have enough experience to give you a firm figure.

Senator CHRIS EVANS—You are saying you will only get hundreds going through the disability assessment per annum?

Mr Herscovitch—We have had 93 applications in nine months.

Senator CHRIS EVANS—You are just talking about the cystic fibrosis?

Mr Herscovitch—We would expect about 120 new applicants a year. But those who are already on are not affected by the change.

Senator CHRIS EVANS—That is only the cystic fibrosis sufferers?

Mr Herscovitch—That is right.

Senator CHRIS EVANS—But in more general terms, you have had about 19,000. Is there some sort of sense of backlog in that, in the changeover from one system to another, or is that pretty much what you would expect?

Mr Herscovitch—That is pretty much what we would expect. The number of people on child disability allowance has increased from about 100,000 to about 106,000 since the introduction of the tool. I have precise figures here.

Senator CHRIS EVANS—You have had almost 20,000 applications in nine months so you would expect 27,000 or 28,000 in a full year?

Mr Herscovitch—Yes, and because of the size of that population I would expect those figures to hold up a lot better than the figures for individual conditions, which are quite small. The samples are too small to draw any further conclusions.

Senator CHRIS EVANS—So would you expect to get 27,000 to 28,000 per annum after that, or is there a changeover factor in all of this?

Mr Herscovitch—I expect the numbers to remain much the same but, of course, you can never guarantee that.

Senator CHRIS EVANS—At what age do we stop classifying them as children?

Mr Herscovitch—Sixteen.

Senator CHRIS EVANS—So if you have got 28,000 applications a year, would you not end up with a total population of much more than 106,000?

Mr Herscovitch—That depends on the grant rate. The grant rate is running about 69 per cent, around two-thirds. It is possible, yes.

Senator CHRIS EVANS—Intuitively, I thought that that was a small number to have on the program, given that you are getting—

Mr Herscovitch—But people do leave the program for other reasons as well. You cannot just look at the grant rate and the number of applications and infer from that that when you have a complete population it is going to be 16 times whatever it is, because people do fall off the program over time.

Senator CHRIS EVANS—For what sorts of reasons?

Mr Herscovitch—Their condition changes. As an example of that, last year between February and June 1998 we did a complete review of the child disability allowance population prior to the introduction of the tool, and something like 20 per cent of the population was cancelled because the child no longer met the qualifying criteria.

Senator DENMAN—If their allowance is rejected the first time they come up for review, can they be re-reviewed?

Mr Herscovitch—They can reapply, yes. And, of course, when the decision has been made, they can go through the normal review processes, which involves going initially to an authorised review officer within Centrelink, followed by the Social Security Appeals Tribunal if they are still dissatisfied. And, if they still dissatisfied, they can take it to that Administrative Appeals Tribunal as well. Then they can go to the courts, of course, but very, very few cases get to that point.

Senator CHRIS EVANS—How many of the 24 you have rejected in the cystic fibrosis group are pursuing those sorts of appeals options?

Mr Herscovitch—I do not know. I do not think any are, but I could check that for you. I will have to take that on notice.

Senator CHRIS EVANS—Why do you think that is? Is it because the prospects of successful appeal are not good?

Mr Herscovitch—That is probably a fair assessment, because of the way in which the assessments are made. It is based on a questionnaire, and points are assigned to the answers which people give to that questionnaire. The questionnaire is both for the treating health professional and for the parents. It is pretty hard to change that score. Basically, the child's condition would have to change. But there may be some appeals; I am not suggesting that there are not any. I think we should check that for you.

Senator CHRIS EVANS—I would appreciate that.

Senator DENMAN—Why did those 24 families miss out?

Mr Herscovitch—I can give you a broad answer, which is: they do not meet the qualifying score under the child disability assessment tool. Their level of disability is not sufficient, as measured by that tool, to qualify the child.

Senator CHRIS EVANS—Why do you think there is so much more reaction about the cystic fibrosis sufferers than, say, some of the other classifications?

Mr Herscovitch—This is speculation, and other people's guesses are as good as mine, but I think the fact that it was on the manifest list before the tool was introduced would probably account for it.

Senator CHRIS EVANS—The numbers of rejections are very small and, as you say, the financial cost to the Commonwealth on that particular group is very small. It hardly seems to be worth the candle, in a sense.

Mr Herscovitch—The number of rejections in absolute terms is small, but the percentage is relatively high compared with what you would expect if it had been on the manifest list. If it had been on the manifest list the implication is that, almost invariably, they would qualify under the tool. So the rate of rejection tends to suggest that a significant number of children suffering from cystic fibrosis do not qualify under the normal rules, and that really is what the manifest list was designed to identify.

Senator CHRIS EVANS—I am not arguing the case, but I think you can draw two conclusions: firstly, the one you draw; and, secondly, that the questions and the assessment are inappropriate, which is the conclusion that others draw.

Mr Herscovitch—That is what we were hearing, and that is precisely why we—

Senator Newman—That is what the review, of course, is for—the new tool. It is not related only to one condition; it is to see how appropriate the new tool is. It is the same sort of thing that was done a few years ago when Veterans' Affairs had a new tool for objective measurement.

Senator CHRIS EVANS—I was going to come back to when we were going to get that evaluation.

Mr Herscovitch—We expect to be reporting to the minister early in the second half of this calendar year.

Senator DENMAN—So you have no preliminary findings that are available to us yet?

Mr Herscovitch—That is right, other than some basic figures which I have given you.

Senator CHRIS EVANS—What about the rejection rates on the other conditions? You gave us some figures quickly on those, but my maths was not good enough to work out the percentages as you went.

Mr Herscovitch—That is okay. The other two conditions I mentioned were epilepsy and diabetes. With epilepsy the rejection rate is about 33 per cent, and in the case of diabetes it is 36 per cent.

Senator CHRIS EVANS—Were there any other conditions that were automatically qualified but that now have to go through the child disability tool, apart from cystic fibrosis?

Mr Herscovitch—I am not aware of any others but, again, I will check that for you.

Senator CHRIS EVANS—I am interested to see what their experience has been under the tool. I take it from what you have said that the cystic fibrosis approval rate is one of the higher ones.

Mr Herscovitch—Yes, it is higher than the average. The average is about 69 per cent, and with cystic fibrosis it is about 74 per cent. It is not a big difference, though, and on such small numbers I would not like to make a statement as categorical as that.

Senator CHRIS EVANS—So your argument is that the figures for cystic fibrosis are not that different from the average return from the child assessment tool?

Mr Herscovitch—That is right. I am saying that the experience with cystic fibrosis under the tool is broadly the same as for all conditions combined. But, as I say, the number of applications is quite small, and as they grow we may see a different picture emerging. I am sorry if I seem to be very cautious about it, but I really think it is better to be when you have got such small numbers.

Senator CHRIS EVANS—Has there been any consideration given to reviewing the cystic fibrosis assessment procedures prior to this full evaluation?

Mr Herscovitch—It is part of the evaluation. We are not doing anything separately from the evaluation, no.

Senator CHRIS EVANS—You say we will get that evaluation in the second half of this year?

Mr Herscovitch—That is right.

[3.52 p.m.]

Subprogram 2.13—Youth allowance

Senator CHRIS EVANS—I would like to briefly catch up on the discussion we had last time, and ask whether you had any better or more recent statistics or information on what was happening with that group affected by the youth allowance in terms of those returning to school, et cetera. I am going to ask a general questions first. If the answer is, 'No, what we told you last time is the best we have,' then tell me that.

Ms Bourne—We do have a breakdown of information for the under-18s by state. But you need to keep in mind in relation to the data that I give you that it relates only to young people who were in receipt of youth allowance at the end of last year and who were not students and who became students later on. This data does not give us any indication of the total number of young people who either stayed in school because they decided that that was the best thing to do or stayed in school through another avenue who were not on youth allowance at all.

Senator CHRIS EVANS—I accept that.

Ms Bourne—Do you want it by state?

Senator CHRIS EVANS—If you have it in a table form, it is probably easier to table it, I suspect.

Ms Bourne—I have a table, yes.

Senator CHRIS EVANS—Unless there is anything you particularly want to draw to my attention coming out of it.

Ms Bourne—No, nothing in particular. It is, as we would expect, spread across the states. A total of 6,357 young people returned to school.

Senator CHRIS EVANS—Thank you for that. What about this estimate of people who would lose entitlement because of the new parental means testing for 18- to 20-year-olds? I think the original estimate was that 12,800 would lose entitlement. I think last time you told me 2,200 were cancelled and a further 6,500 did not return their forms. Do you have any further information on that issue?

Ms Bourne—No, that data is the same; that has not changed.

Senator CHRIS EVANS—The other thing that I got totally confused about was that we were told the number of students and job seekers in receipt of youth allowance compared to the original estimates, and they were well down. I think your explanation of that included the difference between the accounting methods of DETYA and social security and a decrease in the relevant unemployment rate. I was not convinced that that was the full answer then. Are you able to shed any light on that issue?

Ms Bourne—Nothing new has come to light in relation to that, although it is very pleasing to see that our customers and the data relating to them is trending as we would expect. We would expect an 'opera house' type effect where the number grows over the calendar year as more young people turn 16 and become eligible for youth allowance. It goes up towards the end of the year at a peak, it drops down when people are reviewed and a whole lot of young people leave their study, and then it rises again. The figures are currently running at about 30,000 a month, which is what we would expect. So it looks like the figures that I gave you last time, disregarding the estimates, were right and we are now travelling as we would expect to.

Senator CHRIS EVANS—Let me be clear: are you saying that you think the figures will now take us much closer to the original budget estimates?

Ms Bourne—No, I am saying that the figures that we have are behaving as if they are right, so the estimates were incorrect.

Senator CHRIS EVANS—So you think the original estimates were overstated and you think you have enough data now to draw that conclusion, basically?

Ms Bourne—Yes.

Senator CHRIS EVANS—I want to ask some questions about the net financial impact of the replacement of the earlier forms of assistance with the youth allowance and new Austudy payments. Are you able to provide figures on that in terms of the overall net financial impact of the two, replacing the one with the other?

Ms Bourne—I am not quite sure what you are looking for.

Senator CHRIS EVANS—It is the savings that have been produced by the introduction of the youth allowance and replacement of other measures, basically.

Senator Newman—It was not a savings measure; it was a substantial spend.

Senator CHRIS EVANS—No, between the various categories. I will put it on notice.

Senator Newman—The totality of the package to introduce the youth allowance was a big spend.

Senator CHRIS EVANS—It was a cost measure. I was wanting a breakdown of the subcategories within that—the rent assistance, Austudy payments, et cetera.

Senator Newman—Yes, but that would all have been included in the costing, wouldn't it?

Ms Bourne—Yes.

Senator CHRIS EVANS—No, I am after the actual impact now that we have had some experience.

Ms Bourne—I have not done any calculations in relation to the actual outlays, but I could do that for you.

Senator CHRIS EVANS—I will put them on notice anyway. I was just interested in the projections.

Senator Newman—Rather than putting them on notice, can we just simply know that you want to know about that? Rather than having the department go to the expense of rushing to get that for you now when you have estimates coming again shortly, could we revisit it then?

Senator CHRIS EVANS—I will give you a note of the sort of issues I am interested in—

Senator Newman—Rather than doing a formal question on notice that takes some time.

Senator CHRIS EVANS—Again, I am interested in how the estimates fit with the actual reality of the experience. I just thought that to make it easier I would list the sorts of issues I was interested in rather than—

Senator Newman—It is a bit more complicated than you make it sound.

Senator CHRIS EVANS—I know it is complicated. That is why I thought I would help by listing them.

Senator Newman—It is time consuming and complicated, so it would be good if we could handle it at the next estimates.

Senator CHRIS EVANS—I think we will leave it at that. Thanks for that table.

CHAIR—There being no further questions on program 2, I thank the officers.

[4.00 p.m.]

Program 3—Support for the retired community

Subprogram 3.1—Age pension

Senator GIBBS—I have a quick question on the publication *Home and residence choices for older people*. I had a question in February about when it was going to be published, and the answer came back that it will be issued in April or May 1999. I was wondering if it is available yet.

Mr Mann—Our current expectation is that *Home and residence choices for older people* will be published in June.

Senator GIBBS—So it is June, now.

Mr Mann—This is a bit later than we expected, and there are roughly two reasons for that. My branch publishes a number of these publications. We recently issued one called *Investing money—your choices* and we actually made a decision to try to get that out as soon as we

could. The other reason is that we went to market testing with the new version of *Home and residence choices for older people*. We found a bit of a problem with the people who were reading it being able to understand some of the changes, so we had to go back to the drawing board. It is very important that we get changes right, particularly in the aged care area, so we have gone to the trouble of going out to the market and getting it tested to make sure it is right. We have that information now. We are talking with the Department of Health and Aged Care and we hope to get the publication out in June.

Senator GIBBS—The last copy was October 1997. Surely there have not been so many changes in policy that this has been held up for so long, have there? I do not understand when you say that there were changes and you had to go to the market. If there were policy changes, wouldn't that simply come from the minister, the department or the government? Could you elaborate on that please?

Mr Mann—The last edition was in 1997, and we did update it. We have an updated version on the Internet. But in terms of a new edition, we have not produced a new one since 1997 when we had to withdraw the old version. As I said, this is a very complex area. The most recent policy change is from late 1997. But it has been a question of having a number of publications to produce and being almost ready to go with this one but then finding that the way we had written it, it was not getting through to the audience. It is absolutely critical that we get these details right. So we decided to make sure that we get it right and we have gone back to the drawing board. But, as I said, I hope we can get this out by June.

Senator GIBBS—Are you saying that you actually printed a version?

Mr Mann—No, we just had a draft. We then went out to test that draft with people to see if it was readily understood, and we had some problems. So to make sure that we get this right, we have gone back and rewritten parts of it. We have also gone to discuss this with the Department of Health and Aged Care to see that they are happy with it. We are pretty well ready to go now.

Senator GIBBS—So the draft would not have cost a significant amount of money?

Mr Mann—No, nothing.

Senator GIBBS—You say it will be June this year?

Mr Mann—That is what we are aiming at, yes.

Senator GIBBS—Thanks very much.

Senator CHRIS EVANS—Mr Mann, I asked you last time about the pension bonus scheme. I noticed in the last edition of one of your publications that you were out there advertising it again. I raised with you some concerns that had been raised with me about people who receive social security payments losing their entitlement to the bonus. You did not have very precise information then. I wonder whether you have been able to find out any more about people becoming eligible for sickness benefits or things and then losing their entitlement.

Mr Mann—You will recall that we took at least one part of that question on notice. It is true that a requirement of registering and continuing to participate in the scheme is that people have not—at least since their age pension age—taken some form of income support, with the exception of the carer payment. I think the question was about a person who was sick. It is not as if the scheme has been designed to ignore sickness. In fact, the scheme is quite flexible, in that if a person who is on the scheme is sick for a period—say between four and 26 weeks—they can be on what is called non-accruing membership. I guess the issue, though, is that if a person were accruing benefits on the bonus and then they became sick, if they were

without sick leave from their employer and they had no resources, then in those circumstances if they apply for an age pension they must discontinue their membership of the scheme when they get the age pension. That is what I explained to you in the briefing provided after the last episode.

There is a bit of an issue that we are currently looking at. On the face of it, I guess there is an equity issue about whether a person who is without resources is denied access to income support if they want to continue with the scheme. This was a design issue that was considered when we were drawing up the program. It still is an issue that we are looking at now. There is an equity issue in terms of whether that person should be able to access that benefit. On the other hand, a person who is, let us say, without sick leave, who becomes ill and who has no reserves, will in many cases be better off if they just take the age pension. Under the current quite generous income tests, if they get the age pension as well as working a few hours a week, they probably will be better off in many cases than if they decide to stay on the pension bonus. Other issues that we thought about in the design of this program at the time were the problems of having people moving on and off the scheme, which would be confusing for them as well as difficult administratively. You can see there are a variety of issues that we are weighing up. We acknowledge there is an issue here and we are currently looking at it. But there is still a little way to go in thinking that through.

Senator CHRIS EVANS—If I can turn to the Retirement Assistance for Farmers Scheme, I would like to know the figures of how many have applied for assistance under that scheme.

Mr Mann—I would have to defer to others.

Senator CHRIS EVANS—I was after the numbers of how many have applied, how many have been rejected and what the reasons for rejections are. I want to get a feel for how the scheme is going, essentially.

Ms Paul—As at 31 March we had 497 people on the scheme being paid, and Centrelink had 135 more applications pending. That represents the first seven months of the scheme. In terms of numbers of rejections, there have been 458 to the same date and 25 were seeking pre-assessments at that point in time.

Senator CHRIS EVANS—So of the 497, 458 were successful; is that right?

Ms Paul—No, the 497 were all successful and there have been 458 rejections. So you have to add those figures together.

Senator CHRIS EVANS—I see. So we have 955, by my maths.

Ms Paul—It is not added up on the page. If I added together the 497 successfuls with the 458 unsuccessfuls and the 135 pendings—I think my colleague Mr Leeper can come to it more quickly—it is about 1,090.

Senator CHRIS EVANS—Putting the pending to one side, I have 955 applications that you have either approved or rejected. So on those figures you have a 45 per cent rejection rate. What are the reasons for that high rejection rate?

Ms Paul—On the whole it is because it is a very complex scheme. The farmer has to go through a series of tests, including an actual valuation of the farm itself. In terms of the breakdown, Ms Rushton will give you the exact numbers by reasons for rejection.

Ms Rushton—Fourteen per cent of those rejected had a value of a farm exceeding \$500,000 and nine per cent of those rejected had eligible descendant issues. That is, they did not have somebody to pass the farm to, gift it to—

Senator CHRIS EVANS—Sorry, what was that?

Ms Rushton—Eligible descendant issues—you had to be able to have somebody to pass the farm on to. You had to gift the farm, and there were issues about who to gift to. I cannot unpack those issues.

Senator CHRIS EVANS—I was trying to understand what that might mean.

Senator Newman—Farms had to be able to be gifted to families. That was the purpose of it. It was not viable when there were two families having to be fed off the farm. That is therefore a threshold question.

Ms Paul—The purpose of the scheme was, as the minister says, to allow for intergenerational transfer of the farm and to give the older generation special benefits not available to other people seeking to go onto the age pension which would allow them to gift the farm to the younger generation.

Senator CHRIS EVANS—I understand that; I was trying to understand what the problem with having a descendant was.

Senator Newman—You cannot gift it if you do not have one.

Ms Rushton—I will have to get further information for you.

Ms Paul—I imagine what that is about is that, in the nine per cent of cases, the older generation said, 'I would like to gift my farm to so-and-so,' but that person was not within the guidelines by way of being an immediate family member, and so on. They might have said, 'I want to gift my farm to a friend,' but that is not the policy concept of the scheme.

Senator CHRIS EVANS—So there is a clearly defined list of who can have it bequeathed to them, as it were, and potentially this nine per cent of rejections represent people not nominating an eligible—

Ms Paul—That is correct.

Ms Rushton—Forty-three per cent of the rejections had an income that was too high, and 34 per cent were wanting to keep some of the farm assets. The idea of the scheme was that the older person relinquish their control of the farm. This scheme had a lot of aims, and that was one of them. It allows the younger person to bring in new practices and get some control.

Senator CHRIS EVANS—So they wanted to relinquish some of it but not all of it?

Ms Rushton—Yes, they wanted to keep the prize bull.

Senator CHRIS EVANS—What conclusions can we draw from those figures? It seems to be a fairly high rejection rate. Does this reflect a position where people do not properly understand the eligibility?

Ms Paul—It is, of course, hard to tell whether it is a lack of understanding or what the reason is. My best guess would be that it is probably not so much a misunderstanding—because the publicity has been very extensive, very successful and quite well targeted—but more that the scheme is of its nature very complex. There are all these hurdles to get over. Not only do you have to give it all away but also it can only be of a certain value, you have to give it away to certain people and you have to have been a farmer for a certain amount of time. It was a measure targeted at those families who were having to support two families on one relatively unviable farm. It is perhaps an indication that the publicity was quite successful in that it drew a lot of interest and therefore a lot of applications.

Senator CHRIS EVANS—What were your estimates for the participation rate in the scheme?

Ms Paul—We estimated a take-up of about 1,800, so 500 is well on the way.

Senator CHRIS EVANS—Do you mean 1,800 in a year?

Ms Paul—Over the life, and it is a three-year window which grants the older generation this exemption from being able to gift the farm.

Senator CHRIS EVANS—Thank you.

CHAIR—If there are no further questions, we will move on to subprogram 4.2.4—Customer concessions. I thank the officers involved in the previous program.

[4.15 p.m.]

Program 4—Housing and other support

Subprogram 4.2.4—Customer concessions

Senator CHRIS EVANS—I want to ask about the take-up rate of the Commonwealth seniors health card. My main complaint so far has been from my father wanting me to help him fill in the forms.

Senator Newman—Has he got it yet?

Senator CHRIS EVANS—I do not know.

Senator Newman—I should not invade his privacy.

Senator CHRIS EVANS—The form was too complicated for me. I gave up. It wanted his brother-in-law's mother's maiden name and everything.

Senator Newman—It is less complicated than it was by a long shot.

Senator CHRIS EVANS—I told him that was what you said. He didn't believe me.

Senator Newman—Tell him to come in and I will give him some personal service.

Ms Paul—Did you want to know the take-up figures, Senator?

Senator CHRIS EVANS—I wanted to start with what the experience of the take-up has been.

Ms Paul—By 23 April, 132,631 Commonwealth seniors health cards had been granted. That represents a 60 per cent take-up of the estimated target overall, which has met and possibly exceeded all of our expectations. It has been a very fast take-up.

Senator Newman—The elderly are pretty good at networking, I think.

Senator CHRIS EVANS—Of that 60 per cent of your figures for the total eligible population, what is your estimate of the total eligible population?

Ms Paul—We estimated that 220,000 was the figure of people who would come onto the scheme after 1 January as a result of the changes which, as you know, were to move to taxable income and to extend the income limits significantly, almost doubling them. There were prior to 1 January about 55,000 already on the scheme, and part of the issue was the relatively low take-up. Of that expectation of 220,000 that we thought would come on after 1 January, we already have 60 per cent.

Senator CHRIS EVANS—Is the figure of 132,000 the new take-ups?

Ms Paul—Yes.

Senator CHRIS EVANS—Are those new take-ups purely in the new category or are they total take-ups?

Ms Paul—It is people coming onto Commonwealth seniors health card since 1 January.

Senator CHRIS EVANS—So it would include some whose birthdays had just clicked over and who would have been eligible otherwise but a small proportion of that?

Ms Paul—Yes, indeed. There might have been some people whose birthdays clicked over and who would have been eligible prior to 1 January too.

Senator Newman—It is surprising the numbers of people who were not aware of their eligibility for it before. It was a question of the income limit for people, but a lot of people did not apply who would have been eligible. I was constantly signing mail suggesting to people that they should test their eligibility prior to this new minute coming into place. At that stage it did not seem to have wide currency, but I think the publicity about the new entitlements has probably brought in people. I have not got the figures, but I imagine it would have brought in people who had not tried before.

Senator CHRIS EVANS—What was the take-up under the old scheme in terms of participation versus—

Ms Paul—It was running at about 20 per cent of the potential target group.

Senator CHRIS EVANS—That low?

Ms Paul—Yes.

Senator Newman—It was quite desperately low. It has been a good thing to winkle out those people who always should have had access to it.

Senator CHRIS EVANS—I guess that is a separate set of figures, to know whether they have applied or whether—

Senator Newman—I do not know whether we would be able to tell you that.

Ms Paul—It would be impossible to tell, I think, because we do not know, for example, how many were put off by the longer form and the complex way of assessing income prior—

Senator Newman—There you are, there is confirmation.

Ms Paul—Prior to moving to taxable income who have been attracted to the scheme. I guess what you would be asking would be how many have come into the scheme who were of the correct age prior versus how many have come on because it is simpler and because the income limits have been extended. We have not been able to break that down.

Senator CHRIS EVANS—You obviously had a large advertising campaign for that. Has that finished or is it ongoing?

Ms Paul—It has been in two parts. There was an intensive round at the time of the implementation of the initiative. We have just launched the second round, which is the last stage, this weekend in print media to try to achieve the extra 40 per cent.

Senator CHRIS EVANS—How long does the second stage have to run? And what is the cost of that stage?

Ms Paul—The cost is \$120,000. As to how long it will run—

Ms Rushton—The May campaign, as I understand it, appeared in the press and in the rural press.

Senator Newman—In May.

Senator CHRIS EVANS—In May or until May?

Ms Paul—Just during May, Senator.

Senator CHRIS EVANS—And that is a \$120,000 campaign?

Ms Rushton—In metropolitan newspapers on 1 May and 8 May, in rural newspapers the week commencing 3 May and in state and suburban publications on the week commencing 1 May.

Senator CHRIS EVANS—Have you now done a revised estimate of your targets for the year for the take-up rate?

Ms Paul—The 220,000 estimate appears to be a good estimate, and I would hope that we would achieve it.

Senator CHRIS EVANS—I thought the 220,000 was the total population you thought were eligible?

Ms Paul—No, that is the estimated group that we think will take it up. It is a 70 per cent assumption of the entire population. So there may be some people who choose not to take it up or who have such high incomes that they would never be interested.

Senator CHRIS EVANS—I want to be clear on this. You are saying that 132,000 have taken it up since 1 January?

Ms Paul—Correct.

Senator CHRIS EVANS—Was your estimate of 220,000 for a full year?

Ms Paul—What would the technical answer be? I guess all up we expected the 220,000. That is achieving the baseline and then people come on as their birthdays roll round. We thought that achieving the 220,000 would probably take place this financial year. So far we appear to be on track for that.

Senator CHRIS EVANS—When was that 132,000 figure drawn from?

Ms Paul—From when?

Senator CHRIS EVANS—Well, what is the cut-off date?

Ms Paul—It was 23 April.

Senator CHRIS EVANS—So you are still hopeful of getting the 220,000 this financial year?

Ms Paul—It could well happen. It might spill into next year a bit, but that is only a bit over four months. We are not doing too badly. Pro rata it is pretty well on track, but it may spill over into the new financial year.

Senator CHRIS EVANS—What was your estimate of the total population who would be eligible?

Ms Paul—The figure of 220,000 was seen to be about 70 per cent of the whole population of people in that age range who might be interested or eligible.

Senator CHRIS EVANS—If I were to multiply 100 over 70 by 220,000, I would get your estimate. Is that what you are telling me?

Ms Paul—That is it.

Senator CHRIS EVANS—But you are also telling me that I can do it on my own time.

Senator Newman—With a calculator.

Ms Paul—Three hundred thousand.

Senator CHRIS EVANS—This 70 per cent figure is not a figure based purely on whether you can get to them, but you think some of them will not want to take it up?

Ms Paul—This covers people who have relatively high income. You might expect that some of those people would also have substantial assets and may simply not want to participate.

Senator CHRIS EVANS—I am told that is how you get to have substantial assets, though, isn't it?

Senator Newman—Are you practising?

Senator CHRIS EVANS—Very poorly, Minister. What is the impact on the Commonwealth budget of the take-up rates?

Ms Paul—Over the four years from the budget it was estimated at \$24 million for this financial year, \$50 million for the next year, then \$52 million and then \$53 million, I think. I will just confirm that. Sorry, let me correct that. It was \$24 million in 1998-99—and I am rounding—\$50 million for the next year, \$53 million for the year after, \$53 million for the year after that and \$55 million the year after that. Basically the \$24 million represents a half year because it started on 1 January.

Senator CHRIS EVANS—And that is revenue forgone from pharmaceutical payments?

Ms Paul—That is correct. So it affects the appropriation of the Health and Aged Care portfolio under the Pharmaceutical Benefits Scheme.

Senator CHRIS EVANS—Thanks for that.

CHAIR—If there are no further questions on Customer concessions, I thank Minister Newman, Dr Rosalky and the officers in attendance.

Committee adjourned at 4.25 p.m.