



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

FINANCE AND PUBLIC ADMINISTRATION
LEGISLATION COMMITTEE

Consideration of Budget Estimates

TUESDAY, 1 JUNE 1999

CANBERRA

BY AUTHORITY OF THE SENATE

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SENATE

FINANCE AND PUBLIC ADMINISTRATION LEGISLATION COMMITTEE

Tuesday, 1 June 1999

Members: Senator Gibson (*Chair*), Senator Murray (*Deputy Chair*), Senators Brownhill, Conroy, Robert Ray and Watson

Senators in attendance: Senators Brownhill, Conroy, Faulkner, Gibson, Lundy, Murphy, Murray, Robert Ray, Schacht and Watson

Committee met at 9.04 a.m.

FINANCE AND ADMINISTRATION PORTFOLIO

Proposed expenditure, \$794,458,000 (Document A).

Proposed expenditure, \$114,039,000 (Document B).

In Attendance

Senator Ellison, Special Minister of State

Department of Finance and Administration

Dr Peter J. Boxall, Secretary

Mr David Martine, Internal Audit

Mr Phillip Davis, Office of the Secretary

General (Corporate Group and Financial Management Group)

Mr Daryl Wight, Acting General Manager, Corporate Group

Mr Roger Fisher, General Manager

Mr Malcolm Pye, Branch Manager, Corporate Strategies

Mr John Nicholson, Branch Manager, Corporate Relations

Mr Mike Loudon, Branch Manager, Corporate Contracts

Mr Jeremy Nott, Corporate Strategies

Ms Paula Boer, Corporate Contracts

Mr Alistair Cochrane, Chief Financial Officer, Financial Management Group

Mr Ian Briggs, Financial Management Group

Ms Justine Potter, Financial Management Group

Mr Karl Phillips, Financial Management Group

Outcome 1—Sustainable Government Finances (Budget Group)

Mr Stephen Bartos, General Manager, Budget Group
Mr Phillip Prior, First Assistant Secretary, Budget Group
Mr Jim Murphy, First Assistant Secretary, Budget Group
Ms Tracey Noble, Budget Group
Ms Irene Krauss, Budget Group

Outcome 2—Improved and more efficient government operations (Resource Management Framework Group and Property and Contract Management Group)

Dr Diana Wright, General Manager, Resource Management Framework Group
Ms Sandra Wilson, Branch Manager, Commonwealth Superannuation Group
Mr Graham Millar, Branch Manager, Financial Framework Branch
Ms Louise Saave-Fairley, Branch Manager, Competitive Tendering and Contracting Branch
Ms Sue Sadauskas, Secretary, Remuneration Tribunal Secretariat
Mr Roger Brown, Branch Manager, AusInfo
Mr Robert Irvin, Competitive Tendering and Contracting Branch
Ms Jenni McMullan, Competitive Tendering and Contracting Branch
Mr John Brain, Competitive Tendering and Contracting Branch
Ms Anne Collins, Competitive Tendering and Contracting Branch
Ms Elizabeth O'Donnell, Remuneration Tribunal Secretariat
Mr Kim Clarke, Commonwealth Superannuation Group
Mr John Henderson, Commonwealth Superannuation Group
Mr Phil Bowen, General Manager, Property and Contract Management Group
Mr Bill Peel, First Assistant Secretary, Property Group
Ms Kathryn Campbell, Assistant Secretary, Portfolio Management Branch
Mr Shane Carmody, First Assistant Secretary, Strategic Alliance Project
Ms Jan Mills, Assistant Secretary, Staff Redeployment Unit
Mr Wayne Harrison, Director, Comcover
Mr Ken Sweeney, National Manager, Removals Australia
Mr Ray Rudland, Asset Management B
Mr Paul Platt, Development Management Branch
Mr Steve Jones, Development Management Branch
Mr John Dowse, Asset Management A
Mr Mark Mannion, Divestment Unit

Outcome 3—Efficiently functioning parliament (Ministerial and Parliamentary Services Group)

Mr Oliver Winder, General Manager, Ministerial and Parliamentary Services Group
Mr John Gavin, Special Adviser, Ministerial and Parliamentary Services Group
Mr Sam Skrzypek, Branch Manager, Facilities Branch
Mr Phil Gouldson, Branch Manager, Travel and Transport Services

Mr Peter Hamburger, Branch Manager, Policy and Projects Branch

Mr Simon Ash, Branch Manager, Policy and Projects Branch

Mr Bob Dal Santo, Director, Parliamentary Superannuation

Australian Electoral Commission

Mr Andy Becker, Acting Electoral Commissioner

Mr Mark Cunliffe, Acting Deputy Electoral Commissioner

Mr Paul Dacey, Assistant Commissioner, Elections and Enrolment

Mr Tim Pickering, Assistant Commissioner, Information Technology

Ms Barbara Davis, Acting Assistant Commissioner, Corporate Services

Mr Brien Hallett, Director, Information

Mr Brad Edgman, Director, Funding and Disclosure

Mr Brendan Fahy, Director, Financial Management

Ms Fiona Codd, Assistant Director, Financial Management

Office of Asset Sales and Information Technology Outsourcing (OASITO)

Mr Mike Hutchinson, Chief Executive,

Mr Ross Smith, Executive Coordinator, IT Outsourcing

Mr Simon Lewis, Executive Director, Trade Sales

Ms Jan Mason, Senior Director, Telstra Team

Mr Greg Cunningham, Director, Telstra Team

Mr John Edge, Acting Senior Director, Telstra Team

Mr Mark Heazlett, Senior Director, Trade Sales

Mr Tony Eaton, Senior Director, Trade Sales

Mr Robin Renwick, Senior Director, Trade Sales

Mr Alan Galbraith, Executive Director, IT Outsourcing

Mr Arnold Ellem, Senior Director, IT Outsourcing

Mr Rod Whithear, Senior Director, IT Outsourcing

Mr David Yarra, Senior Director, IT Outsourcing

Mr John Bridge, Senior Director, IT Outsourcing

Mr Alan Francis, Senior Director, IT Outsourcing

Mr Matthew Kay, Business Manager, Corporate

Commonwealth Grants Commission

Mr Robert Searle, Secretary

Mr Malcolm Nicholas, Assistant Secretary

Commonwealth Superannuation Administration (ComSuper)

Mr John McCullagh, Executive Manager, Corporate Resources Group,

Estimates Contact Officer

Mr Lyalle Patterson

DOFA Agency Advice Unit Representatives

Chris Williams

Bernie Hackett

Jean-Bernard Carrasco

CHAIR—Today we commence our consideration of budget estimates 1999-2000 for the Finance and Administration portfolio. On 11 May 1999 the Senate referred to this committee the *Particulars of proposed expenditure for the service of the year ending on 30 June 2000*, Document A, and *Particulars of certain proposed expenditure in respect of the year ending 30 June 2000*, Document B, for the Finance and Administration portfolio. The Finance and Administration portfolio has a proposed expenditure of \$794,458,000 in Document A and \$114,039,000 in Document B.

As this is the first estimates round in the new accrual budgeting environment, I will briefly outline how the committee proposes to structure the hearing. We will follow the order of agencies as listed in the portfolio budget statements. I will call on general questions not pertaining to outcomes first, then outcomes and outputs in the order listed on the running sheet. However, please note that because of prior mid-afternoon commitments of officers of Ministerial and Parliamentary Services Group, output group 3.1, before the luncheon adjournment the committee will assess progress and will nominate a specific time to examine this group. I must warn everyone that yesterday we had a mobile phone going off in the committee room, so please turn all mobile phones off while the committee hearing is in progress.

[9.06 a.m.]

DEPARTMENT OF FINANCE AND ADMINISTRATION

CHAIR—I welcome Senator Ellison and officers from the Department of Finance and Administration. I thank the officers who gave us such a useful briefing on the format of the PBS last Tuesday. Senator Ellison, do you wish to make an opening statement?

Senator Ellison—I do wish to make an opening statement and I seek leave to have that incorporated in Hansard.

CHAIR—Thank you, Minister. Is it the wish of the committee that the document be incorporated in the transcript of evidence? There being no objection, it is so ordered.

The statement read as follows—

Thank you for this opportunity to give an introduction to this Hearing into the Finance and Administration Portfolio.

The 1999-2000 Commonwealth budget was the first accrual budget. It puts in place a modern management framework facilitating solid analysis and good decision making about resource usage and financial position, not just on the part of public servants but on the part of Government itself.

This implements the recommendations of the Joint Committee on Public Accounts and Audit (JCPAA) and the National Commission of Audit.

The new framework means that the Commonwealth now budgets and the Parliament appropriates on the basis of outcomes. In turn, Departments and agencies specify outputs and state how their outputs will contribute to planned outcomes. Furthermore, in line with best practice financial management and standard accounting practice, the Commonwealth now uses accrual, not cash accounting.

As a result, for the first time, agencies have budgeted for the *full* cost of producing outputs, including items such as employee superannuation, not just their cash costs. Agencies not only specify the goods

and services they plan to provide—but also the price, quantity and quality of those goods and services. As a result, there is a much clearer picture of what agencies plan to deliver.

In addition, there is a full picture of planned financial performance. All four standard financial statements are provided in this year's Budget documents, both at the General Government Sector—or consolidated—level and at the agency level. As a result, the Government's financial position and capital expenditures as well as the traditional cash flow projections are able to be examined.

Senators will be aware of the program of information sessions on the new framework, presented by the Department of Finance and Administration from late November right up to Budget day.

Initial information sessions provided an overview and introduced the key concepts of the framework. Further presentations on reading the new budget documentation were presented in April and May.

A separate briefing on the framework was also provided to the Senate Finance and Public Administration Legislation Committee.

The new framework for the Commonwealth Budget has meant a change in the budget documentation. In particular, the role of the Portfolio Budget Statements is enhanced and as such, was available with other Budget Papers on Budget night.

We note that the Senate Finance and Public Administration Legislation Committee is intending to conduct an inquiry of the Portfolio Budget Statements soon. We will pay close interest in the Committee's work in relation to the review of the Portfolio Budget Statements.

Portfolio Specific Matters

I also wish to very quickly outline the main Budget measures for the Portfolio that were announced by Minister Fahey on Budget night. They extend over the budget and forward estimates years, and will provide:

for DOFA

- . a better performing commercialised property portfolio (several measures, including returning net equity of \$629 million to the Budget). The next step is to market test options with a view to outsourcing the Property Management, Asset Management, Development Management and Portfolio Management of the Commonwealth's domestic and overseas property assets through a strategic alliance with one or more private sector providers;
- . Internet access for Members' and Senators' electorate offices by the end of September 1999, through a budget neutral measure. The move will improve communication between electorate offices and Parliament House, and will ultimately enable video and audio feeds of Parliamentary debates to be broadcast live to computers in electorate offices. Improved communication between electorate offices and government departments will also enable electronic processing of some transactions and reduce paperwork, red tape and duplication. This will assist Members and Senators in their interactions with the community;

for the Australian Electoral Commission

- . funding for the Referendum on the Republic to provide Australians with an opportunity to vote on the issue of Australia's Head of State at an estimated cost of \$63 million in 1999-2000 and \$257,000 in 2000-01;

for the Office of Asset Sales and IT Outsourcing

- . provision of an asset sales team to finalise the further sale objectives for Telstra, National Rail, Australian Defence Industries and Removals Australia with \$4 million being provided to reinstate funding for a notional asset sales team of about 30 staff for a full year;
- . increased costs of sale of \$7.5 million for the sale of up to a further 16.6 percent of the Commonwealth's equity in due to the increased share price of Telstra, offset by lower unit costs secured in contracts with suppliers;
- . strengthening OASITO's role in the Outsourcing and funding has been revised upwards by \$24 million from 1999-2000 to 2000-2001; and

for the Commonwealth Grants Commission

- . \$6 million has been provided from 1999-2000 to 2000-01 to enable the Commission to determine the relative needs of indigenous Australians across all government services and advise on the distribution of existing resources across program areas and jurisdictions.

As well as the above, other measures provide for:

- . funding for an evaluation of the current phase of the Government's drugs strategy; and
- . the sale of Removals Australia.

CHAIR—Are there any general questions?

Senator FAULKNER—I wish to ask about an extract I saw from DOFA's Intranet site about family responsibilities. The question and answer part of the Intranet page talked about how the certified agreement supports a balance between work and private life. Part of it says that the certified agreement provides 'flexible options to support a balance between work and private life'. I wondered what those flexible options were. Could someone outline that to the committee?

Mr Wight—The questions and answers relate to things in our certified agreement that provide for different types of arrangements for different people's circumstances. For argument's sake, there is the capacity to take eight weeks recreation leave on half pay rather than the traditional four weeks on full pay. It is the choice of the individual, which allows for someone to take account of school holidays and the like. There are several examples like that in the certified agreement.

Senator FAULKNER—Thanks for that. The same Intranet extract says that the certified agreement 'fosters a culture where people are valued for their performance rather than time spent in the office', and I wondered what sort of policies you pursued to support that philosophy.

Mr Wight—Our certified agreement is very much a performance based document. We have a number of principles that we talk about, where managers and staff agree on certain working conditions at the workplace level. It also calls up a number of performance related criteria in the certified agreement for people who perform—superior, competent and so on—and that is really what we are talking about when we say that it is performance related. People who perform their job very well, who show initiative, creativity and an ability to learn and share their learning, are able to get a performance bonus based on their performance.

Senator FAULKNER—Could you explain to the committee the sorts of hours that different DOFA groups would have been working in the production of the budget or at other times, so that we just get some sort of indication of the pressures?

Mr Bartos—During the three months leading up to the actual production of the budget, there were quite long hours worked by a number of areas of the Budget Group in producing budget numbers and documentation. That was largely confined to the Budget Group. There are a number of other groups within the Department, as you are aware, but the lengthy hours were largely confined to officers in the Budget Group.

Senator FAULKNER—Yes. This would be mainly at times of high pressure and high output, I assume: a three- or four-month period, would you say, or less? Let's talk about the budget first.

Mr Bartos—It would be roughly a three-month period, and there has been a great deal of effort put in. Obviously we are recognising that by offering those officers who have worked

quite long hours time off in lieu and by endeavouring to make it up to them in the period after the budget.

Senator FAULKNER—How would you describe the working conditions during, say, that three-month period of high output for the Budget Group?

Mr Bartos—It is variable, Senator. On some occasions, for meeting particular deadlines in the course of the budget the workload is quite intense. At other periods it eases off a bit. So it is variable during that roughly three-month period. It is a situation of several peaks leading up to the large peak of production of budget documents just before the budget.

Senator FAULKNER—Thanks for that. I understand that. I suppose I am just asking about the sorts of pressures that are placed on staff. Could you describe those for us?

Mr Bartos—The pressures placed on staff and the issues involved in putting together the budget are many. There is the production of estimates. There is the production of briefing for the Expenditure Review Committee. There is the production of the documentation itself. In the course of the budget those pressures hit different areas of the Budget Group that are responsible at different times. For example, towards the end of the budget process the peak pressure hit the area that was responsible for producing the actual documentation and probably eased off on the areas that would have been responsible for other parts of that whole process. So it is a flow of work that varies considerably.

Senator FAULKNER—But you have got people working very long hours late into the night and so forth. I think that is fair to say, isn't it, Mr Bartos? You have a lot of officers doing that?

Mr Bartos—Yes, we have had a lot of that for this budget. We are actually endeavouring to ensure that that does not happen in the same way in future.

Senator FAULKNER—But in relation to the preparation of this budget, could you let me know what sort of support the departments would give to their staff who would be working late in the production of the budget?

Mr Bartos—The major element of that is quite generous time off in lieu, where we are looking to ensure that those staff who did put in excess hours are given time off in lieu. There are in fact a number of officers of Budget Group currently away taking their time off in lieu. We are being flexible about that and allowing people to take that time at times which suit them. Different people are taking time off in lieu depending on their own family circumstances and what they are wishing to do, so there is that element of looking after the staff concerned. The other element is that there are some staff who have clearly contributed over and above their ordinary expected job. Staff who do contribute over and above what we expect are rewarded through the performance pay that is provided for either in our certified agreement or in their Australian workplace agreement. So there are a quite a number of staff in the Budget Group who will be receiving performance pay.

Senator FAULKNER—There is no meal allowance, is there?

Mr Bartos—There is no meal allowance.

Senator FAULKNER—There is no paid overtime?

Mr Bartos—There is no paid overtime.

Senator FAULKNER—So could you just let me know how much time off in lieu has been granted, please?

Mr Bartos—I do not know that exactly, Senator. I would have to inquire of all of our managers, take that on notice and get back to you.

Senator FAULKNER—I would appreciate that. If you could provide that information in a user friendly form so I could understand not just a single figure but what it might mean in terms of the number of staff involved and so forth, the amount that has been granted up to today's date, I would appreciate that.

Mr Bartos—We can do that, Senator.

Senator FAULKNER—Thanks very much, Mr Bartos. Do officers who are working late at night get support such as taxis being provided home and so forth? I assume there are some security issues involved in this.

Mr Bartos—Yes. We have had security guards on duty and, during some of the peak periods, we have employed additional security guards. One of their roles is to assist staff if they need an escort to their car, if they have come by car themselves. There have been instances where we have paid for taxi fares for people who have not had a car. So we have taken care of staff in that way as well.

Senator FAULKNER—I see. Are your managers basically encouraging officers to take time off in lieu in these sorts of exceptional circumstances? I think we all understand the sorts of pressures that are on your departmental officers and Budget Group during this time. I think it would be churlish not to accept it. I think it should not only be accepted but acknowledged, and I certainly do. I am just interested in understanding the philosophical underpinnings from the point of view of the departmental executive—whether you have a situation where managers are encouraging officers to take time off in lieu and that is an accepted part, if you like, of the DOFA culture.

Mr Bartos—The answer is a very clear yes. Managers are encouraging staff to take time off in lieu. Not only that, I have made a commitment to the whole of the Budget Group that if anyone feels that their individual manager is not being responsive to time off in lieu requests they are to come directly to me and I will ensure that they do get time off in lieu. So far no-one has come to me with that. Managers are strongly encouraging their staff to take appropriate time off in lieu.

Senator FAULKNER—Do you think it is well understood in the department that that is the philosophy of the senior executive?

Dr Boxall—Most definitely yes, Senator. This is an issue which is reinforced at staff forums which we hold every two months. I go along for an hour and answer questions—anybody from the department can come. It is an issue that is reinforced at SES forums, which are held every fortnight. It is part of the philosophy of the department. It is part of the deal of the certified agreement that there would be a pay increase, which was negotiated, that we would be doing away with various things such as meal allowance—in effect, cashing them out—and that additional work pressures would be dealt with by time off in lieu and by performance pay, as explained by Mr Bartos.

Senator FAULKNER—You would agree, Dr Boxall, wouldn't you, that if there is such a philosophy it is important that officers of the department understand that that is the case? So what you are talking about in terms of a tangible demonstration of it becomes important, I think. Would you agree with that?

Dr Boxall—It is a departmental philosophy. I agree it is important that everybody understands it, and every effort is made to make sure that everybody does understand it.

Senator FAULKNER—Thanks for that. I assume there are a number of reviews being undertaken, because one of the clauses of the certified agreement indicated that certain reviews would need to take place or be concluded—I am not sure—before June of this year in relation to a number of allowances. I think I am right in saying that, but could you advise the committee in that regard?

Mr Wight—There are about three or four areas of allowances that are being reviewed during the life of the agreement. We have been consulting with staff for some time on those. We are using our Intranet site, our newsletter and so on to air the issues.

Senator FAULKNER—Could you just let us know the clause of the agreement that is relevant here please, or the standard clause?

Mr Wight—Senator, I do not have the agreement with me.

Senator FAULKNER—Could you let me know by what time these reviews are supposed to occur, which is the thrust of what I am driving at? I understood it was 30 June of this year, but I just want to be clear on that.

Mr Wight—The nominal expiry date of our CA is 30 June, but the CA continues in force.

Senator FAULKNER—Sure, but if you have reviews of allowances being undertaken there would be an expectation that those reviews would be concluded by 30 June this year, wouldn't there?

Mr Wight—Senator, as I mentioned before, we have been consulting with staff for some time on these provisions. We are basically finetuning as we go. We have called for staff comment. We have had a series of comments from staff, but there was not much interest in those areas. We will continue to keep them in our sights.

Senator FAULKNER—Yes, but will these reviews be concluded by June? What I am trying to establish is whether the reviews of these allowances will be concluded on or before 30 June this year. That is what I am trying to hammer down.

Mr Wight—In terms of the existing certified agreement, yes, but the provisions themselves will continue until there is an agreed way forward.

Senator FAULKNER—What allowances are we talking about here? Can you help me with that?

Mr Wight—We are talking travelling allowance, review of overseas conditions, remote area allowance and removal allowances.

Senator FAULKNER—So that is three allowances in effect?

Mr Wight—Sets of allowances, yes.

Senator FAULKNER—Three sets of allowances?

Mr Wight—That is correct.

Senator FAULKNER—There was travel allowance and allowances associated with removals. What was the other one?

Mr Wight—Remote area allowance.

Senator FAULKNER—Remote area, thanks. What about temporary accommodation allowance?

Mr Wight—That comes under one of our removal allowances.

Senator FAULKNER—I see. So that is a removal allowance?

Mr Wight—Yes.

Senator FAULKNER—What about first aid allowance? What is that?

Mr Wight—I do not think first aid allowance was in that group of allowances to be reviewed.

Senator FAULKNER—So it is not to be reviewed?

Mr Wight—My understanding is that it is not in those allowances that were subject to review.

Senator FAULKNER—What about motor vehicle allowance?

Mr Wight—That would probably have been covered in travelling allowances.

Senator FAULKNER—So that is a type of travelling allowance?

Mr Wight—That is correct.

Senator FAULKNER—What about district allowance?

Mr Wight—That will be a remote area allowance.

Senator FAULKNER—Okay. What about disturbance allowance? Is it the same?

Mr Wight—That is a removal allowance.

Senator FAULKNER—That is helpful. Thanks for that. What has happened to meal allowance?

Mr Wight—Meal allowance was not one of these allowances to be reviewed, Senator.

Senator FAULKNER—No, but what is its status? Has it been abolished?

Mr Wight—It was cashed out when the certified agreement was agreed between staff back in December 1997/January 1998.

Senator FAULKNER—How do you at the departmental level, for example, deal with the issue of staff working very long hours into the night and so forth? How do you look to accommodate the needs of staff in relation to evening meals and so forth? Can you explain that to me so I understand it?

Mr Fisher—The situation that existed before the certified agreement was that if people worked beyond a certain time of the night they got something like \$11.75 for a meal and if they worked beyond 2 a.m. they got another \$11.75. That was not a very generous arrangement for good people who were working long hours away from their families. It was one of a number of conditions that we wrapped into some overall pay increases with office staff—that is, a three per cent immediate pay increase and a three per cent pay increase, from memory, from 1 July 1998. Most people thought that it was better to effectively get a six per cent pay increase plus a 1¼ per cent sign-on bonus in preference to hanging around at work until 2 a.m. to get another \$11.75. It was one of the conditions that we negotiated.

Senator FAULKNER—I suppose it depends how many times you work until 2 a.m., doesn't it, in that sense?

Mr Fisher—Senator Faulkner, from personal experience of 10 years in Budget Group, it really was not a good deal to stick around until 2 a.m. to get another \$11.

Senator FAULKNER—No, I am not suggesting that. I am just saying that if this is cashed out it depends on the amount of extra hours you are working and so forth.

Mr Fisher—Yes, Senator. In voting for the certified agreement, each of our staff would have made a judgment based on whether it was a good deal for them or not. I guess people made

a personal judgment about how many nights they would be working and how many meal allowances they would get as opposed to the cash in hand, and they overwhelmingly voted for the certified agreement.

Senator FAULKNER—I can confirm from my experience at Senate estimates committees and as a senator that working until 2 a.m. in the morning is—

CHAIR—A waste of time, Senator?

Senator FAULKNER—I do not know about a waste of time, but I would say that it is certainly not enjoyable, Mr Chairman.

CHAIR—Not past 11 while I'm chairman, Senator.

Senator FAULKNER—It depends what government legislation you are dealing with as to whether you define it as a waste of time or not. Could someone let me know how many staff in DOFA are working part time now?

Mr Wight—We will take that on notice, Senator.

Senator FAULKNER—Okay. You might then take on notice how many staff are working part time and how many permanent part-timers there are. For the purposes of comparison, if we had that information for now and, say, a year ago that would be helpful. These sorts of figures, as you know and as we have discussed before, are always better contextually so we understand what the trends might be. Is that okay?

Mr Fisher—We can provide that.

Senator FAULKNER—Thank you. We were just talking about 2 a.m. finishes and so forth. How late would some staff put the cue in the rack on those sorts of days? Are we talking about staff, say, in the recent experience of the period prior to the budget leaving after midnight? Has that occurred on occasions? Just give the committee an indication of what we are talking about here.

Mr Fisher—Yes, that has occurred on occasion. Staff have worked after midnight and, in some cases, well into the night. There has been a number of instances of that at particular peaks during the process.

Senator FAULKNER—You would probably point out to us, Mr Bartos, that this is perhaps simply unavoidable in the circumstances. I assume that that is the case, or staff would not be working those long hours. Would that be right?

Mr Bartos—I actually think it is avoidable for future budgets. One of our aims is to make it possible for staff to work reasonable hours on future budgets. This was an exceptional year because it was the transition year to accrual budgeting and therefore a completely different type of budget with completely different sets of estimates and different documentation all being prepared. This year was exceptional for that reason.

Senator FAULKNER—But was it unavoidable in the preparation of this budget?

Mr Bartos—It was unavoidable in the preparation of this budget, yes.

Senator FAULKNER—All I am driving at is how DOFA perceives its duty of care to its officers who are working these extremely long hours. I accept that that is unavoidable, but it puts particular stresses and strains on employees. I suspect there are also risks involved. There might be security risks or risks for anyone getting into a car after long hours at work and so forth. That is what I am trying to understand, because these are important issues, which I am sure you appreciate.

Dr Boxall—If I might say, this has been a matter of concern to DOFA for a long time. I recall that, when I first came back to Canberra in 1986, people worked through the night preparing a May statement or something like that. It is an issue which the DOFA management is determined to address in the lead-up to the next budget. We are happy to discuss it after the next budget and see how we have gone.

Senator FAULKNER—I hear what Mr Bartos says about these circumstances perhaps being quite unique in terms of this budget. We might address it at a later stage. As I say, I am interested in understanding the executive's philosophy in terms of its duty of care to officers in the department. I do not know whether you have anything to add in relation to that, but that is what I am seeking to understand.

Mr Bartos—It is important to look after our staff. Staff have worked very hard to produce the budget. There are a number of ways of ensuring that we look after our staff. One of them is to ensure that we recognise the effort that they have put in, and we have been determined to do that. We have acknowledged publicly and at every opportunity that we have had—and this is another good opportunity to do so—the dedication and professionalism of those staff and the huge amount of effort that those staff have put in. A number of our people have indicated that they see themselves as professionals and that the most important reward for them is the reward of that recognition. We have been very determined to ensure that proper recognition is given to those staff.

In addition to that, we have mentioned the time off in lieu and performance pay issues. As well as that, as I mentioned before, we have paid attention to a number of the factors that were important to staff—such as security late at night—and applied additional resources to that. We have tried to ensure as far as possible that some of the basics in terms of comfort factors in the workplace are dealt with, that there are adequate support services and that frustrations that might otherwise have been experienced—such as frustration with IT—are catered for by buying additional resources and having support available during the peak periods of the budget. So we have done what we can to ensure that those other elements of the work in terms of the support that people are provided to do their work have been provided.

CHAIR—I assume this important issue will be summarised in the annual report of the department.

Mr Fisher—Yes.

Senator FAULKNER—To find the department's policies which encourage and assist employees to balance work and family commitments, am I going to the right place in terms of the Intranet? Is that where I would find that well encapsulated, or is there something else that you can point me towards?

Mr Wight—The Intranet is one prime source of information for material on these sorts of issues but, as the secretary mentioned, we also use our SES forums once a fortnight to make sure that all of those issues are addressed at management level so that they can engage their staff on these issues. We also use the staff forums that occur regularly. We have departmental news letters.

Senator FAULKNER—I understand the mechanisms of getting the message across that you outlined before. I suppose I am going back to what the message is, the actual policies themselves. What are the policies of the department to support and encourage your officers to balance work and family commitments? Alternatively, where do I find them? I appreciate what was said earlier about how you are communicating with officers.

Mr Wight—Work/family responsibilities and our whole approach to workplace relations are articulated in our certified agreement, which is a principles based document and talks very much about staff and managers getting together to talk through the issues to work out what particularly suits them and the workplace. That is our prime document, and our Intranet site and those other mechanisms that I mentioned are where the policies are also stated.

Senator FAULKNER—If I use the CA as the basis for the policies—and I understand what you have said to me—what structures are in place to allow employees the capacity, the time and the energy to balance their other commitments? Look at it from the point of view not of policies but of structures, if you like.

Mr Wight—The flexibilities that are mentioned in our certified agreement are then implemented at the workplace. Managers and staff agree upon the best way to do business in their part of the organisation, and that could relate to hours at work, how they work, working from home, part-time work or time off.

Senator FAULKNER—But, Dr Boxall, are you confident that the supporting culture is there from the point of view of the DOFA executive for this?

Dr Boxall—The executive and managers have put in a tremendous effort to make sure the culture is there. We pursue this every chance we get. Staff managers are reminded of the importance of volunteering to give time off in lieu rather than waiting for staff to come and ask for it and things like that. Obviously, in assessing the performance of managers, we take into account the way they manage their staff and the way they deal with these situations. Moreover, staff have a chance to come to the staff forum, which used to be held every month but is now held every two months. They can ask questions on it. I have roundtables with staff below the SES roughly every two weeks. Staff can ask questions on it there. If ever we do get an inkling that there is a problem in a work unit where staff are not having time off in lieu facilitated for them, we intervene at the general manager level.

Senator FAULKNER—Chair, this is a question I wanted to ask about staff which cuts across a couple of the outcomes. Would it be best to deal with that now?

Senator Ellison—It is okay now. We can do that now.

CHAIR—Yes.

Senator FAULKNER—Are you happy for that to be dealt with now?

CHAIR—Yes.

Senator FAULKNER—There are a number of staff cuts that I read about in the PBS. In outcome 1, I think there were 239 staff cut to 182. That is 57 staff. There is a cut of 234 staff in outcome 2. There is a cut of 28 staff in outcome 3. If my maths is correct, that is a total of 319 staff across the three outcomes there. Have we got any indication of whether they are being redeployed elsewhere in the department or the Australian Public Service at this stage?

Dr Boxall—We can give full detail for each outcome, if you like, or I can give a general answer.

Senator FAULKNER—For purposes of accuracy and also because it might assist us to get through the hearing a little more quickly, if you think it would be useful to take that on notice, I am comfortable enough with that. That sounds fine to me. I would be interested in getting that detail.

Dr Boxall—Why don't we take it on notice and give you the detail? I would just say it is prospective and obviously it depends on certain policy decisions being implemented.

Senator FAULKNER—Yes, that is fine. I appreciate that. I would be interested in knowing how many actual redundancies you expect. You might just point out to me in the PBS where I might find the cost of any redundancies. Could you do that for me now? We are just working through.

Mr Cochrane—The information is not explicit in the PBS but, if required, we could go back, dig the information out and take the question on notice.

Senator FAULKNER—I just missed the commencement of what you said then. I am sorry.

Mr Cochrane—The information is not easily obtained in the PBS. We would have to go back to other documentation and get the information. We would have to take the question on notice.

Senator FAULKNER—Thank you for that. That would be helpful too. But when you say it is not easily extracted from the PBS, can you just give me a general run over the targets so I know where to look? I appreciate this might not be disaggregated in that way, but where do I start to find this in the PBS?

Mr Cochrane—The PBS contains just the total price of each outcome, so the information will not be obtained in the PBS as such.

Senator FAULKNER—That is a bit of a weakness really, isn't it? Dr Boxall, if you can take that detail on notice in relation to redundancies and provide that, that would be helpful.

Dr Boxall—Certainly.

Senator FAULKNER—Thank you. Can I also ask some general questions? I know Senator Conroy wants to ask general questions later about the accrual budgeting framework, hence I am not following that up at this stage, Mr Cochrane. My colleague who represents the shadow minister for finance will be able to do this far more effectively than I can and at a later stage. Perhaps you could give us a little bit of historical context here about the Department of Finance and Administration's legal advisers. Has the department previously had in-house legal advisers?

Mr Fisher—When the departments were merged, the former DAS had an in-house legal unit. Subsequent to the merger, we reviewed the continued need for an in-house legal unit and we came to the view that legal services could be more effectively purchased from AGS and the private sector. We made a decision to buy those services and we closed down the in-house legal unit. We have a legal panel, like most departments, and we use it extensively.

Senator FAULKNER—What about the former department of finance? I hear what you say about DAS.

Mr Fisher—I stand to be corrected by my colleagues but, to the best of my knowledge, in the former finance department we did not have in-house legal professionals.

Senator FAULKNER—I see. I suspect I am going to get the same answer from Mr Cochrane as I got a moment ago, but can you point me to somewhere in the PBS where I might find the cost of legal advice and advisers? Can someone assist me with that?

Mr Cochrane—It is the same answer as previously.

Senator FAULKNER—I feared that that would be the case. Can I ask that that be taken on notice so that could be provided to the committee?

Mr Fisher—We could certainly provide you with information on how much legal advice has been purchased by the department over the last 12 months and compared with the previous 12 months, if that is what you would like to have.

Senator FAULKNER—Do you have a particular legal firm on a retainer?

Mr Fisher—We have a legal panel and a number of legal firms, including the AGS, on that panel. Various units of the department would use different legal providers depending on their expertise and the nature of past involvement with those panel firms. I am not aware of any specific retainer.

Senator FAULKNER—So no element of the department has a particular legal firm on a retainer. I appreciate the department as a whole might not. I hear what you say about a panel. But does any element of the department have any legal advisers on a retainer?

Mr Fisher—To the best of my knowledge, no. If any of my colleagues know, I am sure they will correct me.

Senator FAULKNER—How do you determine which particular member of the panel you seek legal advice from? How is that determination made?

Mr Fisher—That would be a decision made by the line managers who are accessing the legal advice. It would be made against the known capabilities of the firms and the line managers' judgments about the level of service and price that they have had in the past. They would go to particular firms where there are particular sources of expertise. I would expect that managers would tend to go to a similar firm on the same issue over a period of time.

Senator FAULKNER—Who determines the panel?

Mr Fisher—The panel has been developed as the result of a public RFT. We had a process where RFT responses were assessed and a panel developed on that basis.

Senator FAULKNER—How many firms were on the panel?

Mr Fisher—From memory, four.

Senator FAULKNER—Is there any problem indicating to the committee who those four firms might be?

Mr Fisher—I will take that on notice, if I may, Senator.

Senator FAULKNER—Does that mean you do not know who the four firms are? I would have thought the four legal firms on your panel would be something you could easily inform us about.

Mr Fisher—I am not sure who the panel members are at the moment. The answer is also complicated by the fact that we have had a process to renew that panel. I am not sure of the exact status of that and whether all of the preferred and unsuccessful tenderers for the new panel have been advised.

Senator FAULKNER—With respect, I would have thought that was irrelevant. All I want to know is who the current panel is. I am not interested in interfering in the RFT process for the new panel. We might ask at a later stage whether there have been any changes. I would not have thought there would be any problem. Heavens above, if you are seeking advice from private legal firms, I would have thought the names of the four firms that you would go to for advice would be at the fingertips of departmental officers. I think the minister would agree with me that that seems like a perfectly reasonable question.

Mr Fisher—Senator, thank you for the clarification of your question. The existing panel members are Blakes, Deacons and AGS.

Senator FAULKNER—That is the panel?

Mr Fisher—That is the existing panel, the former panel.

Senator FAULKNER—I thought there were four plus AGS.

Mr Fisher—On the new panel that is being set up.

Senator FAULKNER—The panel is being extended. But currently it is two private legal service providers and the AGS.

Mr Fisher—That is right, Senator.

Senator FAULKNER—What you are saying is that after the current tender round is concluded, the plan of the department is to increase the number of private legal service providers and the AGS.

Mr Fisher—Our intention was to widen the range of expertise, and it looks like there will be a slightly bigger panel.

Senator FAULKNER—But those two private firms do not receive at this stage, in any sense, a retainer from DOFA. I think you made that clear. I just want to double-check.

Mr Fisher—To the best of my knowledge. But, if my colleagues are aware of retainer arrangements, I am sure they will correct me.

Senator FAULKNER—Where do you seek FOI advice from?

Mr Fisher—The Ministerial and Parliamentary Services Group within DOFA handles the majority of FOI requests and provides immediate in-house advice on processing FOIs.

Senator FAULKNER—Have you sought advice outside the department on FOI matters?

Mr Winder—We almost entirely get, to my knowledge, legal advice from AGS on FOI matters.

Senator FAULKNER—I think you have taken on notice the costs of legal work over the last 12 months.

Mr Fisher—Yes, Senator.

Senator FAULKNER—Again, Mr Bowen, to make this somewhat useful and accessible information, if it is not too much of a hassle, it would be helpful for us to understand what the trends are, so some historical comparative basis would be useful.

Mr Fisher—I am sure Mr Bowen would be delighted with my answer. I can assure you that we will provide the information that you are looking for.

Senator FAULKNER—The good thing, you will be pleased to know, is that at least DOFA can afford cardboard name tags, which is a real problem we had with certain officers of the Department of the Prime Minister and Cabinet. Cost cutting had really hit them very hard.

Mr Fisher—You would be pleased to hear that we maintain them hearing after hearing and are personally responsible for their good upkeep.

Senator FAULKNER—I know you are only doing it to confuse senators on this side of the table. Do the private legal service providers actually invoice DOFA for work? Is that how the system works?

Mr Wight—Yes, Senator.

Senator LUNDY—What scope exists for the department or sections of the department to engage legal advisers outside of the legal panel?

Mr Loudon—The arrangement with the legal panel is for a deed of standing offer. There are other panel arrangements available to our staff managers through the CTC panel

arrangements. If there is a specialist need, we can explore those options. But it is a deed of standing offer to enable easy access to good legal advice.

Senator LUNDY—Can you describe the circumstances under which another legal firm would be engaged that is not a member of the panel?

Mr Loudon—There are no instances that I am aware of, although where there may be conflicts of interest through other arrangements, we would see that we should be able to access other advice. In particular areas some groups have gone out and sought specialist advice in relation to particular items, such as an RFT for advice in relation to the certified agreement.

Senator LUNDY—What was the process for engaging that advice?

Mr Winder—We went to tender, received applications and assessed them in the usual way. My recollection of those circumstances for the first certified agreement offer, which was last year, is that we engaged another firm of solicitors as well as the panel member Blakes for a particular aspect of the work that we did.

Senator LUNDY—Who did you engage?

Mr Winder—Sparke Helmor. They were on the CTC panel, but not the two private sector firms that we mentioned before.

Senator LUNDY—Can you clarify that? There is a legal panel of which Blake Dawson Waldron and Deacons Graham & James are members as well as the Australian Government Solicitor. Does the CTC panel you just mentioned differ from the legal panel?

Dr Wright—The CTC panel has some 32 firms on it which cover a range of expertise to assist people with CTC activities. Included in that is access to legal advice. Equally there is access to project management and strategic advice and training and skills. So it covers quite a wide range.

Senator LUNDY—Can you explain what the process is for preselection or participation on that panel?

Dr Wright—The panel was established in a similar process to that mentioned previously. There was a formal RFT process. The panel will be in place for two years and we are about to review it. Agencies, including DOFA, can access that panel through a standing offer. So it is not DOFA specific; it is service wide.

Senator LUNDY—So when you say a standard offer, they have their set hourly rates or set conditions of engagement.

Dr Wright—There is a standard contract which they can access.

Senator LUNDY—Was the RFT for that particular contract a restricted RFT or was the RFT available to all members of that panel who have expertise relevant to that area?

Mr Winder—For that particular one we had a selected tender from that panel.

Senator LUNDY—So you did not go to a competitive tendering process?

Mr Winder—Yes, we did, but it was a selected group from the panel.

Senator LUNDY—So how many did you invite to tender?

Mr Winder—I will have to take that on notice. It was a while back.

Senator LUNDY—Are you aware of any circumstances where firms have been engaged to provide advice, be it legal or otherwise, without going through a competitive tendering process?

Mr Loudon—There are a number of arrangements open to the department to access advice, including the CTC panel arrangements that Dr Wright mentioned. We do access those panel arrangements where possible for most of our work that I am aware of. In relation to large contracts or significant areas, we have gone to some sort of request for proposal or request for tender.

Senator LUNDY—Thank you, but you did not answer my question.

Mr Loudon—Could you restate the question?

Senator LUNDY—Are you aware of any contracts being awarded that have not gone through a competitive tendering process?

Mr Loudon—No, I am not aware of any.

Senator LUNDY—Not through the CTC panel or through the legal panel?

Mr Loudon—Not that I know of.

Senator LUNDY—Should you be aware if there were any contracts let outside of that process that we have just heard described?

Mr Loudon—All of the arrangements for contracting are checked through our internal audit area and undertake probity checks.

Senator LUNDY—That does not answer my question either.

Mr Loudon—My area does not oversight all the contractual arrangements within the department. So I am not in a position—

Senator LUNDY—So you would not necessarily know.

Mr Loudon—No.

Senator LUNDY—Who would?

Mr Loudon—Internal audit has an oversight role and is able to look at the arrangements in relation to contracts let.

Senator LUNDY—Is there someone here from internal audit?

Dr Wright—Under the Commonwealth procurement guidelines and under the FMA Act, CEOs of agencies are required to make effective, efficient and ethical use of resources. In the case of engaging expertise, there are circumstances when an agency would not need to go out to a formal tender process; they can do a limited testing of the market. But there may be cases where for compatibility issues—for example, location or for access to particular technical or other expertise—knowledge of the players in the market means that there is no need to do a full test of the market. People basically self-exclude. Under the FMA Act and the CEO's instructions, an area can go direct to one firm, but they are required under the guidelines to document the reasons for that so that there is a record of that decision.

Senator LUNDY—That still does not answer my question of whether there are any contracts in place with DOFA at the moment that have not gone through the formal competitive tendering process. I appreciate that explanation; I was aware of that. Is it section 4(a) of the procurement guidelines that that clause exists under?

Dr Wright—I have the full guidelines with me and I can certainly get back to you on that.

Senator LUNDY—I am familiar with them and, certainly, this is not a revelation in any sense. What I am interested in is whether anyone is currently engaged by the department on those terms you described.

Dr Wright—I think we would have to take that on notice. We do not keep a central record.

Senator LUNDY—So there is no-one in this room who could tell me?

Dr Wright—No.

Dr Boxall—No.

Senator LUNDY—We will certainly revisit this under the detailed outcomes areas later on. With respect to the exemption for a competitive tendering process that has been articulated, can you describe how that process would be put in place? You mentioned the CEO; is that an agency CEO?

Dr Wright—The CEO, that is, the secretary, the chief executive of each agency, is responsible under the FMA Act for the efficient, effective and ethical use of resources. Basically there is a suite of legislation, guidelines and agency instructions which interact to provide the procurement environment. I could certainly table an overhead we presented to the JCPAA which shows how these interact. For example, regulation 6 of the Financial Management and Accountability Act requires that the CEO of each agency issue chief executive instructions about how resources will be managed within that department. Regulation 7 under the FMA Act provides for the minister for finance to issue procurement guidelines, and regulation 8 of the FMA Act says that departments will have regard to those guidelines and that in circumstances where they do not follow the guidelines they should be documented.

Senator LUNDY—Is it the general practice of the department of finance to follow those procurement guidelines?

Dr Wright—Certainly.

Senator LUNDY—What flexibility exists within the department not to procure legal services from the legal panel?

Mr Fisher—Senator Lundy, I think we answered that one earlier, but just to make sure that I understand the point of your question, the panel arrangements are not exclusive. They do not tie the department to the panel providers only. In the main, departmental officials would use providers from the panel, but sometimes they might be looking for some specialist advice in a particular area or they may feel that there is an issue around a conflict of interest or some other reason why they may feel they need to go outside the panel, in which case it would be open to the manager to undertake a process consistent with the chief executive's instructions to purchase legal services from another provider.

Senator LUNDY—So if it did occur, then it would come on the direction of the chief executive?

Mr Fisher—No. The managers would make a decision on its merits, but that judgment would need to be consistent with the chief executive instructions and would be subject to probity audits, of course.

Senator LUNDY—Let us refer to the specific example of Shaw, Pitman, Potts and Trowbridge, who are engaged, according to questions on notice, for the purposes of project management and advice on strategic issues. They were engaged without having proceeded through a competitive tendering process, according to evidence to date. The contract value according to the information provided by the department was over \$US5 million, and that contract is continuing.

Dr Boxall—Senator Lundy, this is for the Office of Asset Sales, isn't it?

Senator LUNDY—The general question is one of how the department of finance manages its competitive tendering and contracting out processes. I am particularly interested in aspects relating to the procurement of services from the legal panel and I think this is related. I do intend to revisit it in questions to the Office of Asset Sales.

Dr Boxall—Can I just clarify that; I did not quite hear what you said. Is this a question about Shaw, Pitman, who are based in Washington, DC?

Senator LUNDY—Shaw, Pitman, Potts and Trowbridge.

Dr Boxall—They are not hired by DOFA. As I understand it, they are hired by the OASITO; they are a separate agency.

CHAIR—Thank you, Dr Boxall. Are there any further general questions?

Senator LUNDY—Yes. Can I just clarify that the terms of engagement of Shaw, Pitman, Potts and Trowbridge are under question, and that is the line of questioning I am pursuing. I am exploring the process relating to the engagement of services under the legal panel. I am of the understanding that I will be able to pursue those broad questions under the Office of Asset Sales.

Senator Ellison—Yes. You will be able to pursue that at the proper time, and that will be when OASITO is giving evidence.

Senator LUNDY—I would like to ask one more question in relation to the minister's involvement. Can you provide to the committee a description of at what point and under what circumstances the minister would become directly involved in the engagement or procurement of services for the department or an agency thereof?

Mr Fisher—I am not aware of any cases where the department has sought to involve a minister in a decision about procurement or contracting. An issue around the purchase of services is a matter for the department and we would make the decision on that consistent with the overall whole of government policies and the internal requirements as set out in the chief executive instructions. It is a departmental call.

Senator LUNDY—Dr Boxall, are you aware of either the minister's or the minister's office's involvement in the procurement of any services relating to either the Office of Asset Sales and Information Technology Outsourcing or any other significant contract within the department of finance?

Dr Boxall—I am not aware of ministerial involvement in any significant contract in DOFA. I am not responsible for what went on in the office of asset sales. That is a separate agency, as is outlined in the portfolio budget statement.

Senator Ellison—It is best to ask them.

Senator LUNDY—Are you aware of the minister's office being involved in any such contract or in procurement processes?

Dr Boxall—I am not aware of the minister's office being involved in procurement processes in DOFA.

Senator LUNDY—What about in the Office of Asset Sales and IT Outsourcing?

CHAIR—Senator, that belongs to the particular output.

Senator LUNDY—It is a fair question.

CHAIR—No, it is not.

Senator Ellison—It is not because he cannot answer that question. It is not his responsibility.

Senator LUNDY—I am asking a specific question: if he is aware—

CHAIR—I rule that question out. We are wasting time on that.

Senator LUNDY—I will just come back to it later.

CHAIR—That is okay.

Senator Ellison—That is the correct time to come to it, when OASITO is here.

CHAIR—Senator Conroy, do you have any general questions?

Senator CONROY—Thanks. For each administered item listed in resource summaries contained in the portfolio budget statements, can you provide an estimate of expenses for the years 1999-2000, 2000-01, 2001-02 and 2002-03? Can estimates be provided for any administered items that are expected within the period of the forward estimates that do not take effect until after 1999-2000? I am happy for that to be taken on notice.

Mr Cochrane—Yes, we will take that on notice.

Senator CONROY—The first question is: can you provide that information? Are you committing to provide it?

Mr Cochrane—Yes, we can provide it and we will provide it.

Senator CONROY—That is for all agencies, not just the department?

Mr Cochrane—Yes, we will get the information from the other agencies.

Senator CONROY—For departmental output groups and sub-outputs listed in the resource summaries contained in the portfolio budget papers, can you provide an estimate of expenses for 1999-2000, 2000-01, 2001-02 and 2002-03; and can estimates be provided for any outputs that are expected within the period of the forward estimates that do not take effect until after that? It is pretty much the same information.

Mr Cochrane—Yes, we can.

Senator CONROY—Can you provide an estimate for the total cost of the move to accrual accounting?

Mr Bartos—We can provide an estimate of the costs of the former accrual budgeting project and we can provide an estimate of the costs of the new accrual information system. In terms of the costs of the transition to the accrual budget, the picture is complicated by the fact that we would have had to do a budget anyway. Therefore, doing it on an accruals basis or on a cash basis, it is very hard to separate out people's time. We can provide you with an estimate of the direct costs. We can take that on notice and prepare that estimate for you.

Senator CONROY—Can you also provide details of any consultancy contracts awarded in relation to accrual accounting?

Mr Bartos—Yes, we can do that.

Senator CONROY—Cost specification, recipient, whether a tender was held and that sort of thing?

Mr Bartos—Yes, we can do that.

Senator CONROY—Have any issues been raised by community and industry groups in relation to understanding the new budget reporting arrangements? If so, what are those issues?

Mr Bartos—We had extensive consultation with both community and industry groups before the budget and we have had some feedback afterwards. In terms of issues raised, by and large the response has been very positive. There has been some concern in some sections of the media, but not from community and industry groups which seem to have reacted positively to the information provided.

Senator CONROY—No-one has raised concerns with you?

Mr Bartos—We are aware of one issue in the health portfolio where a concern has been raised about estimates. That is being dealt with in consultation with the Health and Aged Care portfolio. That is the only specific instance of which I am aware.

Senator CONROY—Could you give an outline of the sorts of groups you have been talking to?

Mr Bartos—Prior to the budget there was consultation with a number of groups. You will be aware of the consultations with groups in the parliament. There were also seminars held for community groups. I do not have the exact list, but it included representatives from bodies like ACOSS. They were taken through what the move to accrual budgeting meant and what the implications were in terms of the information provided.

Presentations were also provided for people in the accounting and consulting industries who might be commenting on the budget. That consultation was done on the basis of contacting as many people as we could. The basis on which we determined who to consult with: we tried to work out who might have an interest in this by writing to all of those bodies that had made submissions to the government on the budget. We wrote to anyone who had expressed an interest in the budget, saying, 'Would you like to get some further information on the transition to accruals?'

Senator CONROY—Are you able to give us a list? I do not mean right now.

Mr Bartos—We can give you both the list of the people we invited and the list of those who actually attended.

Senator CONROY—When did you first start using accrual accounting?

Mr Bartos—Accrual accounting has been used for the past three years in the preparation of the whole of government financial statements. This is the first year on which budgeting has been done on a full accruals basis.

Senator CONROY—What historical information is available on programs on an accrual basis?

Mr Bartos—Information is available by portfolio on an accruals basis, and that historical information is derived from the whole of government statements. There is also information available at a broad government aggregate level, again derived from those whole of government financial statements on an accruals basis. Breakdown below that is not available on an accruals basis. It will be progressively from this year on.

Senator CONROY—Can that be provided along with the corresponding cash-based information?

Mr Bartos—We have provided both cash and accruals information in respect of 1998-99 in the budget papers. To try to construct equivalent figures going back would be a very complex technical accounting exercise that, to be honest, would be subject to making a very large number of assumptions. So it would be fairly unreliable numbers in any case.

Senator CONROY—Can you provide an itemised list of the liabilities that are recorded as accounts payable and a cash flow profile of those liabilities—for yourselves?

Mr Bartos—For DOFA?

Senator CONROY—Yes, for DOFA.

Mr Bartos—Sorry, I was thinking for the entire government.

Senator CONROY—I was not trying to make your hair go grey instantly.

Dr Boxall—We were getting a bit frightened there.

Senator CONROY—Sorry, just for yourselves. Is that able to be provided?

Mr Cochrane—Can you repeat the question please?

Senator CONROY—Can you provide an itemised list of the liabilities that are recorded as accounts payable and a cash flow profile of those liabilities?

Mr Cochrane—Most of the liabilities on the balance sheet are assessments of an 'as at' position at the end of the year. So it will be fairly difficult to give a detailed analysis of what is in there. There would be certain items, such as expenditures for suppliers, that we might be able to get some detailed information on but not a detailed list as such.

Senator CONROY—It is just that I am aware of some long-term contracts for services.

Mr Cochrane—Yes, long-term contracts is available. If you ask for specific information we could provide that—if it is available.

Senator CONROY—I am just interested in any that your department has entered into. The concern is that the total expenses for a long-term contract have been brought into one year and then there is ongoing liability. We are just interested to find out how many, if any, there are from your department. If you are able to gather it easily from other departments, that would be useful, but I accept that it may be the work of a year or two.

Mr Cochrane—We can only do it for our own department.

CHAIR—Does that finish general questions?

Senator CONROY—No, I think Senator Faulkner will probably want to continue with general questions.

CHAIR—Are there any further general questions before we get on to any outcomes and outputs, Senator Faulkner?

Senator FAULKNER—Yes. I want to ask a couple of questions about the outsourcing of the human resource function. Is it appropriate to ask those questions at this point?

CHAIR—That would belong to a particular outcome, would it not?

Dr Boxall—It would go across outcomes.

Senator FAULKNER—Given that it goes across outcomes, can someone very quickly outline the role of the human resource function, just as a starting point? What is the human resource function? I think I understand this, but—

Mr Fisher—Elements of the human resource function would include processing people's pays and leave forms and making sure that the details of their requests are entered into the pay system and that their leave entitlements are adjusted accordingly. It also includes undertaking recruitment activities.

Senator FAULKNER—I think I have a general understanding of what is involved. But it does include what you would have to describe, Mr Chairman—and I wonder whether the

officers would agree—as control and management of some quite sensitive staffing issues. I think that is fair to say, is it not? What I am driving at is how satisfied the department is with this outsourcing—that you have covered off the crucial issue of privacy. That is what I was keen to get a response on.

Mr Fisher—I think it is probably worth reflecting on this one a little bit because, for example, the *Canberra Times* article of last week had some misunderstandings about the nature of accountability. DOFA remains accountable for people management in the department. We market tested our activity, and we went through a very competitive process and found an organisation that was well placed to assist us in managing the HR services. DOFA managers are responsible for the quality of people management of their staff, and DOFA remains accountable for the delivery of services. There are very tight contractual arrangements around issues such as privacy to protect the interests of staff and the department.

Senator FAULKNER—As I understand it, this is a three-year contract with Price Waterhouse—sorry, I think it is called PwC nowadays.

Mr Fisher—That is correct.

Senator FAULKNER—I read in an article in a newspaper that the contract was actually called an ‘alliance’. I do not know whether that is right or not but I just wondered, first of all, whether it was correct—

Mr Fisher—I would not believe everything I read in the newspapers.

Senator FAULKNER—I do not either; that is why I am asking the question. If I did actually believe everything I read in the newspapers, I probably would not bowl the question up to you.

Mr Fisher—We have a contract with PricewaterhouseCoopers to provide services to the department. I think over time we will develop a relationship with the service provider where they understand our department and our needs and are well positioned to service those needs, and we will have a better understanding of their organisation and their capabilities. I am not aware that we have used the word ‘alliance’ anywhere in our communication around the outsourcing process.

Senator FAULKNER—So it is a new word as far as you are aware in relation to your contractual arrangements with PwC?

Mr Fisher—I think the first time I saw it was in the *Canberra Times*.

Senator FAULKNER—You mentioned accountability. What assurances can you give this committee about the adequacy of the accountability arrangements?

Mr Loudon—The contract covers privacy and confidentiality of information and has strenuous requirements to meet those by PricewaterhouseCoopers. The service level agreements that we have in the contract also cover the way information is handled. We will be monitoring the performance of the contract with regard to privacy, confidentiality and processing.

Senator FAULKNER—What sort of monitoring mechanisms do you have?

Mr Loudon—The monitoring mechanisms include regular meetings between the contract parties as well as higher level meetings. We also have in place arrangements whereby they can be audited at times if we wish. So we have a variety of mechanisms which we could look at. We can also have any issues drawn to our notice directly by the staff if there is a problem that arises.

Senator FAULKNER—How do you intend to draw the parliament's attention to the results of these monitoring exercises?

Mr Fisher—We would expect that the arrangements would operate in similar ways to the existing contracts we have with, for example, KFPW for our property and facilities management and Outsource Australia for our office services. We report to management every month on services provided, costs of the contract and customer satisfaction. In previous estimates hearings, we have often been asked for information on performance against contracts, and we would be ready to do that. We would also include information, as we did last year, on performance in that function. Our experience has been that we get a better handle on cost and service under the outsourced arrangements than we did before outsourcing.

Senator FAULKNER—I think there is a suggestion from PwC that they will not be put in any 'contentious situations'. Can someone explain to me what that means?

Mr Loudon—The contract is very clear that PricewaterhouseCoopers provide services to the managers of the department and that the managers retain decision making—not that there is an arbitrator or to make decisions on our behalf. Therefore, if any issues arise that are contentious in relation to human resource services, they would either come back to the line manager and the general manager or they would be dealt with by the contract management area, my own area.

Senator FAULKNER—How many job losses has this particular outsourcing led to? I think it is 21, but could someone please confirm that for me?

Mr Fisher—I am not sure where you got that number. People in scope on this exercise total 24, only nine of whom are public servants; 15 are people on short-term contracts. Whether there will be net job losses or not is an issue to be worked out in the market.

Senator FAULKNER—I thought you would have worked that out; I would have thought that would be part of your forward planning in terms of making an assessment about the appropriateness, good sense or otherwise of outsourcing this particular function.

Mr Fisher—We will follow conscientiously the clean break principle which applies to the public servants involved in this exercise. Our experience in the past has been that some of the staff will transfer to the private sector, some of the staff will transfer to the outsource provider, some of them might transfer to other employment. Some of them—I know this because I have tried very hard to persuade them to stay with DOFA—prefer to move on to the next thing in their life.

Senator FAULKNER—PwC, as I understand it, claims that there is far more probity in these functions than if DOFA were actually conducting the functions in-house. I read that claim in a newspaper, Mr Fisher, so you might take it with a grain of salt. But can anyone tell me why PwC might be suggesting such a thing?

Mr Fisher—I cannot really answer for PwC. I read that newspaper article as well. I do not know whether that is what PwC said or whether it is what the journalist heard. But I cannot really comment on quotes attributed to third parties.

Senator FAULKNER—But probity would have been an issue for you in terms of making an assessment about outsourcing, surely.

Mr Fisher—Accountability and probity around the delivery of services are very important to us, and we are satisfied that we have contractual arrangements in place that will protect those requirements. We also had our process checked off by business advisers, legal advisers and probity advisers to give us a level of satisfaction before we signed.

Senator FAULKNER—What are those particular contractual arrangements that lead you to have such confidence?

Mr Fisher—They go to expected service levels, they go to reporting, they go to management of risk and they go to where liabilities reside.

Senator FAULKNER—They might go to that, but I am just asking what they actually are.

Mr Fisher—I cannot go to details of the contractual arrangements because they are commercial-in-confidence. I can say that we had advice from external parties that gave us reassurance that the contract was value for money and satisfied stringent accountability and probity requirements.

Senator FAULKNER—That, as you would appreciate, Mr Fisher, is hardly satisfactory from the point of view of a parliamentary committee. But let us progress this a little. Who were these business advisers?

Mr Loudon—We had business advice from Ernst and Young.

Senator FAULKNER—Are they the only business advisers you had in relation to this?

Mr Loudon—In relation to this HR contract, yes.

Senator FAULKNER—How and why did you engage Ernst and Young?

Mr Fisher—Ernst and Young were engaged, from memory, as a result of a process in which a large number of potential providers were invited to submit bids to DOFA which were assessed.

Senator FAULKNER—What was the cost of this advice?

Mr Loudon—I do not have the figures for just the HR portion of our outsourcing process. We have had a process that commenced in early 1998 which started with the office services and property, and I do not have the figure just for the HR.

Senator FAULKNER—So what you have a figure for is the full complement of advice from Ernst and Young of which this particular human resource function is one element?

Mr Loudon—Yes. The figure to date over the extensive range of activity is about \$450,000.

Senator FAULKNER—Can you outline the elements on which they were asked to give business advice? Obviously outsourcing the human resource function is one, but what are the others?

Mr Loudon—Also outsourcing of our internal property management facilities, outsourcing of our office services. They provided some project management expertise within that process. They assisted with the formulation of the evaluation plans. They undertook some financial assessment work as part of the processes. They looked, with us, at the establishment of the baseline costs of the current activity. That is the range of activity that was included.

Senator FAULKNER—Was that advice provided to DOFA in report form?

Mr Fisher—Advice in a range of forms over all those areas was provided to DOFA over a period of about 14 or 15 months. Some of it was advice at the table, some of it was by letter, some of it was written advice to steering committees and so on. That advice would always go to commercial-in-confidence issues. For example, it would go to assessing relative merits of various organisations who have submitted bids. I do not think that we could make that information available.

Senator FAULKNER—Ernst and Young were engaged in giving advice through the tendering process for the outsourcing of the human resource function, were they?

Mr Fisher—Yes.

Senator FAULKNER—Who were the legal advisers?

Mr Fisher—Blake Dawson Waldron.

Senator FAULKNER—Were they the only ones?

Mr Fisher—From memory, yes.

Senator FAULKNER—Could you indicate to me what they charged for their advice on the outsource of the human resource function?

Mr Loudon—They were in the same position as our business advisers where we went out in early 1998 for people to assist us through the process of outsourcing our corporate support services; they have been providing advice over the length of that. I only have a figure in relation to the total cost of services, property and HR.

Senator FAULKNER—Could you tell us what the total figure was?

Mr Loudon—It is \$365,000.

Senator FAULKNER—Who were the probity advisers?

Mr Loudon—The probity advisers have been Acumen Alliance, through our internal audit area.

Senator FAULKNER—Were they also involved in advice on a range of issues, broader than the outsourcing of the human resource function?

Mr Loudon—They have also been used throughout the process to provide sign-off on the process from early 1998.

Senator FAULKNER—What did they cost you?

Mr Loudon—In audit terms, \$29,000.

Senator FAULKNER—In audit terms?

Mr Loudon—Probity audits.

Senator FAULKNER—These particular advisers were engaged and were involved in giving advice right through the tender processes?

Mr Loudon—For legal and business advice, that is correct. The audit advice, I believe, has always been Acumen, but they were through our internal audit, and I think it is consistent through the process as well.

Senator FAULKNER—There is a service level agreement. You are saying to me that this contract is commercial-in-confidence; that is not an argument to have here. But do I understand that there is a service level agreement that also applies to this outsourcing?

Mr Loudon—That is correct.

Senator FAULKNER—Can you give me a little more detail about that agreement, what it goes to, et cetera?

Mr Loudon—The nature of the agreement goes to the different services that we expect; levels of service which we expect from the provider; the provider's obligations; our obligations as to necessary materials, et cetera, that we need to provide for them to do their services; and the performance measures to be expected.

Senator FAULKNER—So that would not be commercial-in-confidence, would it?

Mr Loudon—It is commercial-in-confidence as a formal part of the contract.

Senator FAULKNER—What commercial-in-confidence material does it contain?

Mr Fisher—It includes information about how the business will undertake the activity, how it will organise itself, how it will provide services, its internal structures and the extent to which systems are used. That information is valuable in the market, and it is commercial-in-confidence.

Senator FAULKNER—It also contains the performance indicators, does it?

Mr Fisher—It includes some information on performance indicators, yes. We will, of course, report on performance every month inside the department and we will include that in our annual report. So the actual performance will be public, and we will be reporting on it regularly.

Senator FAULKNER—What are you going to measure that performance against? You will report on it. That is all well and good; it is appreciated. I am just interested in what indicators you are going to measure it against?

Mr Fisher—We will measure it against indicators that are set and agreed between DOFA and PwC in the same way that we report publicly on information standards that our other outsourced providers perform against. So there is no problem in making that information available.

Senator FAULKNER—There is no problem?

Mr Fisher—There is no problem in reporting against targets. We will have targets. There are expected standards that have to be met, and we will report on that.

Senator FAULKNER—I am trying to find out what the targets are, what the standards are?

Mr Loudon—Human resource services cover quite an array of services. There is an extensive SLA in place—which we are putting in place at the moment.

Senator FAULKNER—Sorry, I thought you said that it was part of the contract?

Mr Loudon—It is. But I am saying that we are actually implementing it and—

Senator FAULKNER—Yes, but the service level agreement is finalised and is part of the contract, is it not?

Mr Loudon—There is, during transition, finalisation of the service level agreement under the contract.

Senator FAULKNER—So it is not part of the contract?

Mr Loudon—It is part of the contract, but part of the contract arrangements is that we have the vast majority of service already agreed and that any others can be added during the implementation period. Services do not commence until early in August.

Senator FAULKNER—Yes. What I am interested in is these performance indicators. No-one would suggest that the performance indicators were commercial-in-confidence, would they?

Mr Fisher—What we do is extract key components from the service level agreement which are targets that are well known within DOFA, within PwC, and amongst office staff, and then we manage performance against that. As an example, there will be a target turnaround time, say, for responding to queries from staff about their current leave entitlements.

Senator FAULKNER—So what is that indicator? What is that target?

Mr Fisher—I will take that on notice.

Senator FAULKNER—You just told me that it was well known in DOFA. No-one knows it.

Mr Fisher—I said it would be.

Senator FAULKNER—It would be well known?

Mr Fisher—It would be, because we have not put the system in place; we are in transition. As Mr Loudon indicated, the arrangements do not start until 1 August.

Senator FAULKNER—No-one would suggest that these targets or performance indicators would be commercial-in-confidence, would they?

Mr Fisher—No, we will be making targets available within DOFA, in our annual report and at estimates committees, and we will be reporting on achievement against them, which I have to say is a level of scrutiny and accountability that surpasses what is currently available from incumbent in-house providers.

Senator FAULKNER—These will match the targets and performance indicators that are in the service level agreement? These will be identical, in fact?

Mr Fisher—Some of them may be identical; some of them may be abstractions in terms of much more operational details. Our experience with outsourcing in the past has been that sometimes the department might subsequently require a standard of service or an improvement in the standard of service that was not envisaged at the time that contracts were signed and ask for something a bit extra and, where that happens, we will be reporting against that.

Senator FAULKNER—You might be asking for something a bit extra, more than what is contained within the service level agreement?

Mr Loudon—There is flexibility within the contract for us to increase the level of service that we require, on negotiation with the company.

Senator FAULKNER—But is anyone suggesting that these performance indicators are commercial-in-confidence? I do not think anyone is, but I just wanted to get that clear.

Mr Loudon—The indicators themselves are not commercial-in-confidence.

Senator FAULKNER—So there would be no reason why we could not have those indicators extracted from the service level agreement—which one of the officers has suggested for some reason is commercial-in-confidence, but that is a debate for another day—and have that provided to the committee when it is finalised?

Mr Fisher—Senator, we have said a couple of times that we will do that. We would expect to be doing that, and we will be reporting against those targets in a public way on a regular basis. It does not present any problem for us to do that.

Senator FAULKNER—I appreciate that. Thanks, Mr Fisher. I am trying to get clear that they are the actual performance indicators that are contained within the service level agreement. I appreciate what you say about the department perhaps tweaking these up or changing them or whatever, but I am talking about the ones that are contained within the service level agreement itself.

Mr Fisher—The process between now and August will require us and PwC to put in place some arrangements to ensure that the contract does provide for performance against standards. Part of that work will be to operationalise some of the service level agreements in such a way that we get information that is meaningful for our managers, our staff and estimates committees. We will be working to put in place detailed indicators that can be measured and

reported on. Sometimes that will involve indicators that were not specified in detail in the SLA. But that work has to happen between now and 1 August.

Senator FAULKNER—Yes; but is there one SLA or more than one SLA?

Mr Loudon—Each service area—whether it be compensation, payroll processing, systems or reporting—has an SLA specifically aligned to the scope of that service. So there are a number of SLAs, by the type of service.

Senator FAULKNER—Can you tell me how many SLAs you think there will be?

CHAIR—Senator, we were going to break at 11 a.m. for morning tea.

Senator FAULKNER—I am sorry, Mr Chairman. This will be the last question. I apologise.

CHAIR—We will wait for this answer.

Mr Loudon—There are approximately 15 service lines.

Senator FAULKNER—So that means there are approximately 15 service level agreements. I wonder whether, over the break, you might give me an accurate number, and we can take it from there. Thanks very much.

CHAIR—The committee is suspended for approximately 15 minutes. Our intention is to break for lunch at 1 o'clock and resumed at 2 p.m.

Proceedings suspended from 11.02 a.m. to 11.20 a.m.

CHAIR—Are we still on general questions, Senator?

Senator FAULKNER—It will not be too long, I don't think. I wonder if the officials might be able to confirm that number of service level agreements for us.

Mr Loudon—There are 15 SLAs for the services as such. Then there are a number of one-off SLAs in relation to implementation transition costs and we have allocated specific staff for our voluntary redundancy program, the SRU.

Senator FAULKNER—So there are 15 SLAs—

Mr Loudon—Ongoing.

Senator FAULKNER—And there are a number of transitional SLAs?

Mr Loudon—There are 15, as you say, and there are a number of first year or transitional SLAs. That takes the number up to 18.

Senator FAULKNER—So there are three of them. When will the 15 SLAs be finalised?

Mr Loudon—At the commencement of the services, after the end of the transition period. At this stage, that is due in early August.

Senator FAULKNER—And then that will become part of the contractual arrangements with PwC?

Mr Loudon—Yes, Senator.

Senator FAULKNER—So at that point we might be able to extract from those 15 ongoing service level agreements the performance indicators?

Mr Loudon—Yes, Senator.

Senator FAULKNER—Could the department then take on notice to ask them at the appropriate time to extract those and provide them to the committee?

Mr Fisher—Yes, Senator. Maybe to simplify the process, instead of having a question on notice that is hanging around unanswered for a couple of months, which I guess none of us likes, we could simply undertake to provide that to you.

Senator FAULKNER—If you make a commitment to do that, that would be fine.

Mr Fisher—We will certainly provide it.

Senator FAULKNER—I am pleased that you would not want a question on notice hanging around for so long. I acknowledge the spirit with which you have said that and appreciate the fact that the department is keen to deal with outstanding questions on notice. That is helpful.

I come back to a point we touched on before we started dealing with the service level agreements, and that is the actual job losses with the outsourcing of human resource services. How many jobs will be lost at DOFA as a result of the outsourcing of the human resources function?

Mr Fisher—There are 24 people in scope—that means currently undertaking the activities. Of those 24, nine are APS employees and 15 people are working on contracts. So there are nine APS employees who will be eligible for clean break arrangements. Fifteen others who would never have had any anticipation of ongoing employment with DOFA would move on to their next employment.

Senator FAULKNER—Are they temporary or part-time employees?

Mr Loudon—They are temporary employees.

Senator FAULKNER—So 24 jobs will be lost at DOFA?

Mr Fisher—There will be 24 people who would be excess to DOFA's continuing need to do HR work.

Senator FAULKNER—When you say 'excess to DOFA's continuing needs', that means they have lost their jobs, doesn't it? It might be a nicer way of saying it, but it is just a different use of language, isn't it?

Mr Fisher—Some of them will transfer to other providers and some whom I have tried really hard to persuade to stay within DOFA to be redeployed to other work really do not want to stay in the Public Service and do not want to be redeployed. They want to move on to the next stage in their lives. I do not think that they would see it as jobs lost. They are not looking at this as being pushed out in any way.

Senator FAULKNER—No, but what I was saying is that their jobs would be lost at DOFA. In each and every case of the 24, the jobs are lost at DOFA. I think that is accurate from what you are saying, isn't it? Is that correct?

Mr Fisher—There will be some positions gone.

Senator FAULKNER—I know there will be some positions gone, but what I am trying to get clear is this: are there 24 jobs lost at DOFA?

Mr Fisher—I do not think there are, Senator. We are talking about 15 people in there at the moment on short-term contracts, and that number has gone up and down as we have been through this process and as there is a need for processing. The need for people on deck in areas like that changes over time. I think it is not accurate to say that there are 24 ongoing jobs lost.

Senator FAULKNER—Is it accurate to say there are nine permanent jobs lost at DOFA as a result of the outsourcing of the human resource function? Is that statement accurate?

Mr Fisher—I think it is accurate to say that there are nine jobs that will not be in DOFA, yes.

Senator FAULKNER—So that is nine permanent jobs lost and 15 other temporary jobs lost.

Mr Fisher—I am happy if you want to put it like that to say that those people will not be working in DOFA.

Senator FAULKNER—I am just trying to get it right, Mr Fisher, that is all.

Mr Fisher—That is good.

Senator FAULKNER—You question my suggestion that there were 24 jobs lost at DOFA. I am just redefining the 24 to make it nine plus 15.

Mr Fisher—Thanks, Senator. I think it is helpful to have the clarification. As you would recall, there were articles in the *Canberra Times* last week that talked about dozens of jobs lost at DOFA. I just do not think it is accurate to say that.

Senator FAULKNER—Far be it for me to defend the *Canberra Times* or any other newspaper, but I can quote from an article in the *Canberra Times* on 29 May which says that ‘24 jobs will be lost at DOFA, nine permanent and 15 temporary’. I must admit that it sounds to me like the journalist has got it absolutely spot on correct. But, like you, the reason I ask some of these questions is that I do want to check what I read in newspapers. All politicians—all of us on this side of the table—have had the most appalling things said about us at times in the newspaper that bear no relation to the facts at all. In this particular case, it appears that the journalist concerned has actually got it spot on.

CHAIR—Does that finish general questions?

Senator FAULKNER—Not that I am aware of, Mr Chairman.

CHAIR—Sorry, I thought you said before that you were finished.

Senator FAULKNER—No, I just said that we were moving on apace. I think that was what I said, Mr Chairman, not that we had concluded. In a more general sense, I am interested in performance indicators for outsourced services because this raises the issue of parliamentary accountability. Is the issue of parliamentary accountability and scrutiny one that the Department of Finance and Administration takes seriously with services that have been outsourced?

Mr Fisher—Yes, it is. I can assure you that there will be quality information in the annual report on actual performance, and it is quality information on actual performance that is better than the department had been able to report on in previous years.

Senator FAULKNER—Does the Department of Finance and Administration have a general policy position in relation to outsourced services that performance indicators and performance criteria should be in the public arena?

Mr Fisher—I cannot comment on a general policy position for other departments; I can comment only on the general policy position inside DOFA.

Senator FAULKNER—That is what I asked you about.

Mr Fisher—Thank you for the clarification. We are committed to providing information on performance, including the performance of outsource providers. We included some information in last year’s annual report, and we will be including more this year because more of the support services have been outsourced.

Senator FAULKNER—That seems to me to be a very qualified commitment. I do not want to be unfair—

Mr Fisher—I am sorry; I did not hear the qualification on that. We are committed and we will be reporting.

Senator FAULKNER—It is a question of whether there is a strong commitment on the part of the department to provide the performance indicators and criteria publicly, which is a much different emphasis. Dr Boxall or the minister might be able to give an agency-wide response to that in relation to outsourced functions. It is the publication and provision of the performance criteria and indicators that I am driving at and whether the department has a commitment to provide these and would encourage their provision so that parliamentary scrutiny can be assisted.

Dr Boxall—We are committed to that. Indeed, that is one of the rationales under the whole new budget system. We will be publishing and reporting on the performance indicators that Mr Fisher has been talking about. I might add that, as you would know, in the past when these things were provided in-house there were no performance indicators or reporting on them. This will be a quantum leap in the material available for parliamentary scrutiny, which will be in the annual report and which we are happy to answer questions on. So the answer is yes.

Senator FAULKNER—Time will tell on that. As you say, we will be able to judge future annual reports. This goes to the assessment of the performance of private sector agencies—that is the key point—as opposed to your own department, which is subject to the sort of scrutiny that is occurring as we speak. This is a very good example of the level of parliamentary scrutiny that is available. It is a very different thing when functions are outsourced. That is the key issue that is involved here. This is a capacity for the parliament to scrutinise the performance of private sector agencies who are undertaking work on behalf of the Commonwealth.

Dr Boxall—Unless I have missed the point here, the department will be publishing and reporting on the indicators for this particular contract, as Mr Fisher has indicated. It is not just to do with the private sector. In the event that we were to have a contract with another public sector agency, we would do that too. Where we outsource the provision of services, we will report on the performance of the outsourcer relative to the performance indicators, and we propose to do that in the annual report.

Senator FAULKNER—Yes. I understand what you are saying, but you would appreciate that a public sector agency might find themselves at the table somewhere during, for example, a Senate estimates committee process. That is different to an organisation like PwC, as you are aware. That is why these issues are of such concern not only to some of us in the parliament but more broadly to the public. There is a level of public concern about the transparency of arrangements that are come to between governments and the providers of outsourced services and functions and the capacity for parliamentary scrutiny of those functions that are conducted by private sector agencies on behalf of the Commonwealth. I think it is fair to say that—and I hope that you would agree—they are in a different category.

You have come to contractual arrangements with a private sector agency, a private company, and those arrangements that you have come to are denied scrutiny by the parliament. They are described fairly or unfairly as commercial-in-confidence and, because they are so described, they are not available for this committee or anyone else in the parliament—let alone in the public arena—to examine. That is a serious issue in accountability and public administration.

It is generally acknowledged by departments and agencies that that is a serious issue, and it is one for this committee as well.

Mr Fisher—In terms of performance, we are committed to providing information, making accountability work and ensuring that people in our department are informed consumers of services. For example, in our IT and office services arrangements, we have on our Intranet site examples of service levels that our people can expect and which the outsource provider is required to meet. We can make that available to you, if you wish. It is on our Intranet site; it is available to our staff. We could give you an example of what is currently on the Intranet site.

Senator FAULKNER—I can access your Intranet site. I am just talking about the general principles here, which are important ones in terms of accountability. In other words, this committee cannot really fulfil its role in relation to functions that have been outsourced. That is the truth of the matter. We cannot fulfil the same role we do in relation to those functions of government that are operated in-house. Everyone acknowledges that, and that is partly because the officers at the table say—and the minister at the table said nothing—that these contractual arrangements are commercial-in-confidence. If this information is not provided, the parliament and the public have no alternative but to take it at face value that the department has in good faith come to arrangements that are in the best interests of the Commonwealth.

It is very difficult for these judgments to be made. There is a lack of accountability. There is not the same scrutiny of these functions that would otherwise be the case. Frankly, I think that is self-evident to everyone involved. Perhaps this might evolve and change in the period ahead. I would hope the Department of Finance and Administration would understand that rather important and fundamental principle—I am not suggesting that you do not—and accept that these are fairly important issues in public administration in this country. Anyway, Senator Lundy wanted to follow this up. That is enough from me on this issue.

CHAIR—Do you have further general questions?

Senator LUNDY—Yes. What opportunities are there for us to be able to access information relating to non-achievement of service level agreements in relation to the contracts, be they corporate services, human resources or indeed the IT outsource contracts?

Mr Fisher—We will be reporting in the annual report against the expected standards. If the outsource providers do not perform, we will report on that.

Senator LUNDY—Contained within the contracts are there clauses that define sanctions for non-achievement of service level agreements?

Mr Fisher—It differs from contract to contract. There are sanctions, and there are a range of mechanisms with different providers in the case of non-performance and different degrees of non-performance.

Senator LUNDY—Perhaps you could, for the benefit of this committee, describe what constitutes non-performance for a service level agreement in a general sense, say, for the corporate services contract.

Mr Loudon—There are a number of mechanisms. One which would be in the IT area is service credits for non-performance. One of the large sanctions in one of our other contracts is that, at the annual review, if they do not deliver to the met standards, we can actually shorten the contract. You actually reduce the length of the contract for non-performance.

Senator LUNDY—Are those clauses available to this committee?

Mr Fisher—We cannot provide access to the contracts.

Senator LUNDY—Is it possible for you to report to this committee specifically on what sanctions apply to each of the contracts?

Mr Fisher—I think that would amount to the same thing. We cannot provide commercial-in-confidence material.

Senator LUNDY—I am not asking you to supply commercial-in-confidence material; I am asking you to provide a description of what sanctions are applied within the contracts. It is not a question relating to whether or not they have adhered to a particular service level of agreement, as you have just traversed with Senator Faulkner. It is rather what the specific sanctions are. I cannot see how you can claim commercial-in-confidence for that information.

Mr Fisher—Thank you for the clarification. We can certainly provide examples of sanctions that could apply in different contracts.

Senator LUNDY—I would like more than examples; I would like the specific sanctions that are applicable in each of the contracts that have been put in place in the Department of Finance and Administration.

Mr Fisher—That amounts to the same thing.

Senator LUNDY—I do not think so.

Mr Fisher—That amounts to the same thing as giving you the clauses from the contracts. It is commercial-in-confidence and I cannot do that.

Senator MURPHY—How is that commercial-in-confidence? The government set down a procedure for putting contracts in place. It is supposed to have contained within those contracts clauses that relate to the obligations of the contractor and the penalties that will apply. How is that commercial-in-confidence by saying, 'The penalties that will apply are these'? How are you disclosing commercial-in-confidence in respect of a contract between the government and a supplier of a service?

Senator Ellison—I think the answer to your question, Senator Murphy, is in the fact that the detail given might relate to specific instances, such as a contract with, for instance, company A. You say, 'This is the arrangement we have with company A.' You might have other companies—B, C and D—who are interested in the same area. If they are aware of the specific arrangements made with company A, that could perhaps give them an unfair advantage or prejudice company A itself.

Where I think we can be of assistance is that we can give you a description of the remedies available to the Commonwealth in relation to these agencies. A basic one is termination of contract for non-performance of duty. That is a classic remedy available to someone who is contracted with another. Another one might be specific performance—that is, you can demand that they deliver the service required or the goods in question. To that extent, I think that we can give you the sanctions that are available to the Commonwealth. Where the difference lies is when you get down to the specifics of a particular contract with a particular entity. That is when you cross this line of commercial-in-confidence. But there is no problem with giving to you the general remedies available to the Commonwealth. That is not a problem.

Senator LUNDY—With all due respect, that is not what we are asking for. I think people are generally aware of the range of remedies that are available. What is of interest to the committee are the specific remedies that have been inserted in these contracts to provide sanction against breach of service level agreements. It is about accountability and the public having a level of awareness about whether or not those service level agreements are reached

and how the public interest is in fact protected if they are not reached. I am not satisfied that that information is something that is protected by the shroud of commercial-in-confidence, given that we are asking not for any specific information relating to the contract but about the sanctions that have been applied in that specific contract.

Dr Wright—The level of information that can be made available to committees such as this is really covered by the FMA Act, which devolves responsibilities to the heads of each agency. It would need to be dealt with on a case by case basis.

Senator LUNDY—We have just heard of this department's commitment to accountability. Again, I do not see that any withholding of information, be it under the FMA Act or anything else, is justifiable. Minister, do you think it would be in the public interest for that information to be brought forward?

Senator Ellison—It would not be in the public interest to breach an act of parliament.

Senator LUNDY—That is not what I asked you. Do you think it would be useful for the public to have access to information about the sanctions applying if breach of contract occurs?

Senator Ellison—It is what you asked. I will tell you why it is what you asked. Your question raised the very question that was stated previously—that is, what we can and cannot do under the FMA Act. The question of whether that provision of the information would be in the public interest could well offend provisions of the FMA Act, and anything which would breach that would not be in the public interest. As for the general concept of commercial-in-confidence that has long been held, it is a convention, a principle, which applies to these committees.

Senator LUNDY—Perhaps you can cite the specific section of the FMA Act that you are calling into play.

Dr Wright—The FMA Act devolves responsibility to the CEOs of agencies for the effective, ethical and efficient use of resources. The purchasing guidelines provide for agencies to take into account security and privacy provisions in entering into a contract. So, in that combination, it really can only be handled on a case by case basis as to what information an agency can release that will not infringe on the company.

Senator LUNDY—So it is back to the chief executive?

Dr Wright—Clearly, all agencies are subject to audit. Specific performance audits are undertaken by ANAO, so there are various mechanisms for scrutiny and committee hearings such as this where particular questions can be asked. But it is very difficult and would be, in my view, impossible to make a global requirement which would not provide a real conflict between entering into a contract where certain aspects are commercial-in-confidence and the efficient operations of a contestable environment.

Senator LUNDY—So far we have established that, under the FMA Act, you are still calling up, as I understand it, the procurement guidelines. Minister, in terms of public interest with respect to the FMA Act, we are talking about the procurement guidelines which are introduced specifically at the discretion of the CEO, secretary or chief executive officer.

Dr Wright—Can I just clarify that, under the FMA Act, there is a requirement for CEOs to issue instructions on the management of resources. The FMA Act is linked to the guidelines by two provisions: one regulation which allows the Minister for Finance and Administration to issue guidelines, and another one which requires agencies to have regard to the guidelines, but it does not force compliance. It is not black letter law because there are circumstances

when the guidelines themselves may not be appropriate. So there is an interaction between those instruments.

Senator LUNDY—Let us go back to the original position. What under the FMA Act or subordinate regulations and guidelines specifically precludes the disclosure of the information I am asking for?

Dr Wright—As I thought I had explained, the information that can be disclosed depends on the circumstances. That is the decision of the agency, and it will be an assessment as to whether that information would be commercial-in-confidence and releasing it would impact on the supplier or the market. So for each contract it is a case by case decision, and the decision on what can be released rests with the head of the agency.

Senator LUNDY—Let us go back to the head of the agency. Have you made a specific decision that, in relation to all Department of Finance and Administration contracts, you will not release information about the provisions that relate specifically to sanctions?

Dr Boxall—We have made a decision that we do not release commercial-in-confidence material.

Senator MURPHY—Which is what?

Dr Boxall—We have taken legal advice on this matter. The advice is that we do not disclose financial undertakings, and this is a financial undertaking that we are being questioned on now.

Senator LUNDY—Why is it a financial undertaking when it just sets out the parameters by which sanctions would be applied if a breach of contract were to occur?

CHAIR—Senator, I think the minister and the secretary explained that earlier on. We have been over the same points.

Senator LUNDY—I still have not got the information that I am looking for as yet. I am allowed to have the opportunity—

CHAIR—You have had the opportunity. You have had ample opportunity. You have had an explanation from the minister, the secretary and his officers. The committee is wasting time if we are just going over the same ground again and again.

Senator MURPHY—Mr Chairman, with respect to you, the officers and the minister, how is it that part of a contract that relates to a possible penalty for not meeting the contract is commercially sensitive or of a commercial-in-confidence nature?

CHAIR—The minister explained that to you earlier on.

Senator MURPHY—No, he has not, I am sorry, with the greatest of respect to him and to you. How is it that is the case? He said termination is one aspect. How is termination of a contract of a commercial-in-confidence nature?

CHAIR—The minister did explain to you a general case for remedy for the Commonwealth. He explained the general case. He also explained that, in particular, it would be commercial-in-confidence letting out the details for a particular contract. Minister, do you want to add to that?

Senator Ellison—The question is that there may be some detail in the contract which is peculiar to the entity that you are dealing with and that may then give an advantage, if released, to other competitors of that company who deal with the Commonwealth, or it may be the reverse of that—it may disadvantage them.

Commercial-in-confidence is all about the fact that people can do business with government without being prejudiced by the exposition of the detail of that contract. To say that the Commonwealth has these remedies when it contracts with people and it ensures it has these

remedies—termination for non-performance and other sorts of remedies which normally attach to a contract—that is fine. Whereby giving some detail out would betray, if you like, for want of a better word, the weaknesses or strengths of a company or entity dealing with the Commonwealth, you would then find that no-one would do business with government. That is why you have commercial-in-confidence.

Senator LUNDY—On that point, was it true or not that in fact the sanctions were contained in the RFT?

CHAIR—Order!

Senator Ellison—That is the reason. It has been not only this government but also previous governments. I well remember being on the print media inquiry dealing with the Foreign Investment Review Board, and questions of commercial-in-confidence were raised there, and they always have for that very reason.

Senator MURPHY—With respect, Minister, there is a significant difference there. That related to the takeover or potential takeover of a particular newspaper company, the proposals being put forward to FIRB and whether or not they should be disclosed. It is a commonly known fact. Indeed, a committee of this Senate held an inquiry which, I have to say, provided some unanimous findings with regard to the issue of commercial-in-confidence and, based on the evidence that was given to that committee, the things that could be considered commercial-in-confidence.

None of the things that you or the officers are proposing were put up by either the private sector or the departments at those hearings. You have to ask yourself: why is it the case that, in some other countries, answers to many of the questions being asked here about information are readily available? It was a proposition put to the Senate Standing Committee on Finance and Public Administration that, once a contract is let, most of the detail is known between the potential private providers anyway. The only things that would be considered commercial-in-confidence would be those aspects of how the provider put the contract together in terms of costing the provision of their services. There is no argument that can be held to say that identifying the sanctions or the remedies that might apply within a contract for a provider not meeting the terms of the contract could be considered commercial-in-confidence.

Senator Ellison—Senator Murphy, I could cite you examples other than that print media inquiry. I would remind you that the Treasurer in that case took the view that the officers should not answer certain questions because of that principle. It was all based on the same issue: would an unfair advantage or disadvantage be visited upon the private entity concerned? That is the same principle that is exercising itself here. I remember vividly in the Attorney-General's section of the estimates committee being refused the hourly rate of lawyers being briefed. I was in opposition when I asked that question and it was said to be commercial-in-confidence and was disallowed.

Senator MURPHY—But was it prior to the completion of the contract being let or after the event?

Senator Ellison—This was after the event. It was over and done with. The work had been given. Those lawyers were quite free to tell other lawyers what the rate was, but it was not up to the government to do it. That was the decision of the previous government. Mr Chairman, I do not think we can take this much further.

CHAIR—I agree, Minister.

Senator LUNDY—Mr Chairman, I have a couple more questions to follow through. Are you going to deny me the ability to ask them?

CHAIR—Senator, we have been over the same ground and we are obviously not getting anywhere with it. The minister and the secretary have answered those groups of questions. If you have any other general questions that do not fit into output groups as set out in the program, you are free to ask them.

Senator LUNDY—Thank you. Can I ask whether or not the request for tender information that was circulated with respect to your contracts contained details of the sanctions that would apply within those contracts?

Mr Fisher—As part of the RFT documentation, we included a standard form contract template. It is public knowledge. It is in the public domain. After we announced the preferred tenderer, we then went into contract negotiation and due diligence. Judgments were made that went to financial undertakings and trade-offs between pricing, service quality and so on which resulted in a final contract which is not necessarily exactly the same as the standard template that was in the RFT documents.

Senator LUNDY—Can I assume from your response that the standard template may have been modified in some way, and it is on that basis that you are claiming some level of commercial-in-confidence?

Mr Fisher—I think it is fair to assume that, Senator.

Senator LUNDY—So the information in the public domain about sanctions is open to modification during the negotiation stage?

Mr Fisher—Yes, Senator.

Senator LUNDY—With respect to that, how is it supposed to be a fair application of the competitive process if other potential tenderers do not have the opportunity at least to scrutinise the depth to which sanctions will be put in place against the successful tenderer?

Mr Fisher—Senator, we went through an exhaustive process in evaluating expressions of interest, then in inviting responses to an RFT. At the conclusion of that process, with the same information and the same opportunities available to all the players in the market, we selected a preferred tenderer whom we then negotiated with. The preferred tenderer also had the opportunity to do a due diligence on the operation. Everybody has the same opportunity up to the point where a preferred tenderer is selected. We had sign-offs on that process from business, legal and probity advisers. There is no question and there have been no complaints put to us about any firms not having a fair opportunity.

Senator LUNDY—How is the public, the market or indeed this committee to know whether or not any sanctions are in fact in place?

Mr Fisher—We have given you an assurance that sanctions are in place. We have also offered to provide examples of the kinds of sanctions, which we are more than happy to do.

Senator LUNDY—Will you provide information either through the annual report or to this committee as to what sanctions have been applied, if any, during the contract to date?

Mr Fisher—We are looking forward to reporting on performance against the outcomes achieved and performance against the service standards. It would be difficult to report details of sanctions applied. In many cases, they will go to negotiations between DOFA and the outsource provider as to the exact value, the exact extent, and there will be a commercial

negotiation about what exactly the remedy might be. I think it would be inappropriate to reveal that.

Senator LUNDY—I am sorry, I do not know if I understood you correctly. Are you telling me that the sanctions are negotiable?

Mr Fisher—No, Senator, I am saying that the answer to the question you asked, which was whether we would report on the sanctions that are applied, is that the remedy to be applied is negotiable.

Senator LUNDY—Is negotiable? Isn't that interesting! The one test as to whether or not a service level agreement has been reached from a public scrutiny perspective is whether or not a sanction has been applied. Now you are telling us that in fact sanctions applied are negotiable. So, in the first instance, will we be advised—either via the annual report or you can respond to the question now—of whether or not a sanction is eligible to have been applied?

Mr Fisher—I am not sure whether I understand the question, Senator. The proposition you put was that the ultimate test for the public about performance is whether a sanction has been applied. I am not sure that I would accept that. The ultimate test for the public as to whether the service levels are effective or not is the performance. We are confident that the performance will exceed the service level expectations. The ultimate test of a contract in contract management is performance against the outcomes. I think it is a sign of failure in the contract for a sanction to be applied.

Senator LUNDY—Indeed. That is why I asked the question. So will you make public whether or not there has been a level of failure that would warrant a sanction being applied, regardless of whether or not you actually negotiated it to be applied?

Mr Fisher—The answer to that is yes.

Senator LUNDY—Will you list it against the specific service level agreements?

Mr Fisher—Senator, that is leading me back to the debate we had five minutes ago about the level of detail that might or might not be commercial-in-confidence. We are more than happy to report on performance and, in the unlikely event that a sanction has been applied, we are happy to note that a sanction has been applied. I do not think that we could go to the level of detail you are asking for.

Senator LUNDY—In terms of that level of detail, if the sanctions are not identified alongside the service level agreements, how is it that the public interest can be represented through the expenditure of taxpayers' money in achieving what are your stated outcomes of improved and more efficient government operations?

Mr Fisher—As we have said a couple of times, we report on performance against outsourced contracts in terms of cost, service quality and customer satisfaction, which is a pretty rigorous sweep of information available inside and outside of the department and far superior to the kind of information I suggest you will get from other departments that are still providing in-house services. We can provide a level of assurance for the public about performance in these areas because we have service level agreements—

Senator LUNDY—But we do not know what they are.

Mr Fisher—And we report against them in our annual report and because they are auditable. They are subject to both internal and external audits.

Senator LUNDY—You say you report to the public. Unless the public is aware of both the specificity of the service level agreement and whether or not that has been fulfilled—and if it has not, what sanctions have applied—how can those assessments, regardless of what you report, in fact be made by the public?

CHAIR—Senator, that question has already been answered by the minister and the secretary.

Senator LUNDY—I disagree.

CHAIR—That is okay, but we are not going over the same ground again.

Senator LUNDY—I want to go to a point that Mr Fisher just raised about auditing. It was an interesting point, given that the ANAO report into the outsourcing within the Department of Defence demonstrated that one of the weaknesses was in establishing benchmarks in the first instance so that you can calculate cost efficiencies arising out of it. Perhaps you would like to give the committee an overview about how you establish the cost savings with respect to outsourcing within the department.

Dr Boxall—We cannot comment on what the Department of Defence may or may not have done.

Senator LUNDY—No; I used that as an example.

Dr Boxall—We are confident that we will be reporting in our annual report in sufficient enough detail that will fulfil my requirements under the FMA Act to look after the three Es—the efficient, effective and ethical use of taxpayers' funds. We are more than happy to be queried on our reporting of the contract and, as the minister, I and other officials have made clear, we will not be reporting where we will breach commercial-in-confidence.

Senator LUNDY—Can you provide a description of how you establish your cost benchmarks for the purposes of IT outsourcing?

Dr Boxall—For the purposes of IT outsourcing, I recall that, when we did this, we had in a business adviser who established a benchmark. We have already reported, I think in last year's annual report and certainly to this committee, that we are well ahead of the projected savings that we thought we were going to get under that contract. The benchmarks have been worked out by the business adviser and, again, the whole process is subject to a probity audit.

Senator LUNDY—I have one more question and I will save the rest for the specific outcomes area. Have there been any sanctions applied with respect to any of your outsourcing contracts within the department to date?

Mr Fisher—Yes. In relation to IT contracts we have exercised some of the remedies available under the contract and have applied some sanctions.

Senator LUNDY—I look forward to revisiting that in the appropriate outcomes area.

CHAIR—That finishes general questions.

[12.17 p.m.]

Outcome 1—Sustainable government finances.

Output Group 1.1—Budget

Senator CONROY—I just want to go through a bit of history and get you to confirm the facts as I think I understand them. You were in negotiations with Lindsay Tanner's office for six months or so over budget documents that were being prepared; is that right?

Dr Boxall—The office of the minister for finance was in negotiations with Lindsay Tanner's office.

Senator CONROY—I understood that departmental officers were also involved in discussions.

Dr Boxall—We were present.

Mr Bartos—There were a number of discussions held with Mr Tanner's office, yes.

Senator CONROY—Thank you. That led to the opposition asking for a mock-up of budget papers to assist in its understanding of the new formats?

Mr Bartos—That is right.

Senator CONROY—And, in particular, Budget Paper No. 1.

Mr Bartos—It was in relation to all of the budget papers, including the appropriation bills and the budget measures and, in addition, Budget Paper No. 1. But the mock-up was provided in relation to all of the budget papers.

Senator CONROY—That was supplied to an adviser to Mr Tanner's office on, I believe, Friday, 23 April and arrived at his house on 24 April, which was a Saturday.

Mr Bartos—The arrangements for providing that information were done through the office of the Minister for Finance and Administration, but that date sounds about right.

Senator CONROY—Then, on Monday, 26 April, Mr Fahey's former chief of staff—star of the republican movement, from what I have been reading—Louise Kamp, you, Mr Bartos, and another DOFA officer, whose name I do not have, were in attendance at that briefing on 26 April?

Mr Bartos—That is correct.

Senator CONROY—And that was for Mr Tanner's office and his staff on the budget papers?

Mr Bartos—That is correct.

Senator CONROY—Did those mock-ups contain two tables on forward estimates by function and subfunction with classifications consistent with those provided in the 1998-99 budget?

Mr Bartos—They did.

Senator CONROY—And forward estimates were contained in those mock-ups through to 2002-03?

Mr Bartos—The tables contain no figures, just Xs.

Senator CONROY—The mock-ups look like that?

Mr Bartos—The mock-ups indicated that there would be forward estimates, yes.

Senator CONROY—At any stage in that meeting did you indicate that these tables were not going to be the tables that were supplied?

Mr Bartos—No.

Senator CONROY—Did you believe they were the tables that were going to be supplied?

Mr Bartos—Yes.

Senator CONROY—When and how did you become aware that these tables were not going to be included in the budget papers that were tabled?

Mr Bartos—Probably just a few days before the budget. Our intention was that these tables would be prepared, and officers within the Budget Group were working very hard to produce

these tables. In the event, data of sufficient quality for inclusion in the budget papers was not able to be done in time.

Senator CONROY—So you are saying you took a decision to not include the forward estimates?

Mr Bartos—Forward estimates are included in the budget papers in quite some depth. There is forward estimates in relation to all of the financial statements, forward estimates in relation to—

Senator CONROY—I will rephrase the question.

Mr Bartos—You mean these particular forward estimates?

Senator CONROY—In the particular format that I waved at you, you took the decision?

Mr Bartos—The situation was that we attempted to have these numbers prepared in time for inclusion in the budget papers. You will appreciate putting together a whole set of new budget estimates is all new. These are all on an accruals basis as opposed to the former cash basis. They are all having to be constructed in essence from scratch. At the end of the day, we were unable to produce them in time for publication in the budget. However, the functional tables were distributed at the budget lockup.

Senator CONROY—I was in one of the budget lockups, and we did not seem to get them in this form. I was in the ALP lockup, and there were no documents as you have described distributed in our lockup. And according to Mr Ken Davidson, who was inside the press lockup, no documents were supplied in this form in the press lockup either. Maybe we are talking about two different interpretations.

Mr Bartos—The documents were not published—and we acknowledged this—in Budget Paper No. 1.

Senator CONROY—You would have to acknowledge it because they are blank.

Mr Bartos—Those tables were not published in Budget Paper No. 1. Basically a loose-leaf summary of functional information was just put on a desk in the press lockup. I am not sure about how widely it was distributed, but it was available at that time.

Senator CONROY—Forward estimates and functional information are not necessarily the same thing.

Mr Bartos—Sorry, functional estimates including all of the forward estimates through to 2002-03, and I understand Ken Davidson did have a copy of that.

Senator CONROY—As I said, I was in our lockup and we certainly did not get any functional information or forward estimates. Ken Davidson has written about it—I am sure you have seen it.

Mr Bartos—I have seen his articles, yes.

Senator CONROY—I want to take you through what he actually said:

. . . I wanted information that would allow me to make a judgment about how much of the damage done to education, science and research and development, and labor-market programs in the 1996 Budget had been undone in the 1999 Budget. The information was nowhere to be found in the Budget papers. Had I overlooked something?

I went to seek the assistance of the Finance Department, which provides expert assistance to journalists in the lockup.

Mr Bartos, were you in the lockup?

Mr Bartos—I was.

Senator CONROY—Did Mr Davidson speak to you?

Mr Bartos—He did not speak with me. I am aware that he spoke with other officers of the Department of Finance and Administration.

Senator CONROY—He went on to say:

They produced three sheets of paper, of portfolio (departmental) estimates of expenses, which they claimed were proxies for outlays by functions. They weren't. I was then referred to the portfolio Budget statements prepared by each department. I picked up a full box of these papers at the Finance Department the next day. They weren't either.

Mr Davidson says despite information being supplied by your office they were not forward estimates—that is the factual information that you are describing, these sheets—

Mr Bartos—The three sheets of paper that he is referring to do include the forward estimates by function. So they include the budget year and each of the three forward years: 2000-01, 2001-02 and 2002-3.

Senator CONROY—Is that three sheets of paper for the whole of government or for your department?

Mr Bartos—This is for the whole of government.

Senator CONROY—Three sheets of paper. How many departments are there?

Mr Bartos—There are 18 portfolios, and the portfolio information is all included in Budget Paper No. 1. There are various different ways, as you know, of cutting up budget information: by portfolio, by function, by economic type and, with the accrual budget, by the different types of financial statements.

Senator CONROY—That is an additional way though, the way you mocked up, and that is the way they have been in all the previous budgets.

Mr Bartos—That mock-up—

Senator CONROY—It does say 'mock-up' on the top.

Mr Bartos—That is right.

Senator CONROY—But that is consistent with previous practice. And the three sheets you are talking about are not consistent with previous practice or that mock-up, are they?

Mr Bartos—No, the three sheets that we are talking about are exactly consistent with the previous practice in relation to functional—

Senator CONROY—These are broken down extensively.

Mr Bartos—I suspect you are referring there to—

Senator CONROY—I have mock-ups for two or three pages that cover just one department. I am trying to understand how—

Mr Bartos—Just one department? So if it is departmental, that was one section. The documentation provided to Mr Tanner's office was a very thick folder. There was a large amount of mocked-up documentation. The bits that you are referring to are the functional and subfunctional tables. From memory, I think that the functional bit was a page or less and the subfunctional bit would have been two or three pages.

Senator CONROY—So all government's functions and subfunctions were covered in three pages; is that what you are seriously telling me?

Mr Bartos—That is the way it has been in the past as well in terms of the tables provided.

Senator CONROY—I think we are probably talking about two different things.

Mr Bartos—We may well be.

Senator CONROY—I come back to who took the decision: did you, Mr Bartos, take the decision not to include these details in this form? I appreciate the point you are making that it is, in your view, similar information—you have not actually tried to say that it is the same information. You have described it in a different way. Who took the decision not to produce it in this particular form?

Mr Bartos—We were unable to produce it.

Senator CONROY—I accept that you are saying you were unable but I asked: who took the final decision not to produce it in that form?

Mr Bartos—We took the decision in consultation with ministers.

Senator CONROY—Who is we?

Mr Bartos—Sorry, the Department of Finance and Administration.

Senator CONROY—Dr Boxall?

Mr Bartos—I discussed with Dr Boxall and discussed it with our minister's office. But in essence it was a decision taken by the Budget Group of Finance and Administration.

Senator CONROY—In consultation with whom outside the department?

Mr Bartos—Our minister's office.

Senator CONROY—I think you indicated more than minister; I thought I heard you say 'ministers'.

Mr Bartos—I believe that our minister's office consulted with other ministers' offices but I do not have any detail of what consultation they did further.

Senator CONROY—Dr Boxall, did you have contact with any other department's officials on this issue?

Dr Boxall—No.

Senator CONROY—Are you aware of anybody else other than you, Mr Bartos, who had discussions with any other departmental official?

Mr Bartos—You mean an official of another department?

Senator CONROY—Treasury or anywhere else.

Mr Bartos—Yes, we had discussions with officials of the Treasury. The budget documentation, as you know, is produced by the two departments together.

Senator CONROY—Whom did you speak with in Treasury?

Mr Bartos—It would be a very long list. The preparation of budget documentation—

Senator CONROY—On this matter?

Mr Bartos—On this matter, I really would not know. Certainly some of the officers responsible for preparation of the budget documentation. Discussion on the functional tables would have happened, as I said, a few days before the actual budget, which was a time when there was almost constant communication at senior levels between ourselves and the Treasury involving a large number of people. All of the senior people involved in production of the budget documents from Department of Finance and Administration and from the Treasury were working together constantly and talking about all of the issues involved with the budget documentation constantly. I cannot remember any specific setting aside of a meeting or of a

time to deal with this, but almost certainly it was discussed in the course of that general interaction.

Senator CONROY—I want to go back to one of your earlier answers. You said that there were discussions taking place between your minister's office and the Treasurer's office, was it?

Mr Bartos—I am aware that there were discussions that took place between the office of the Minister for Finance and Administration and—I think it would be a reasonable assumption that they would have been included—the Treasurer's office. I am not aware of any other offices that were involved. So, yes.

Senator CONROY—Were you relayed the outcome of those discussions?

Mr Bartos—Not specifically that I can recall, no.

Senator CONROY—How do you know that they took place then?

Mr Bartos—We kept our office in the loop in terms of telling them what the situation was in relation to production of any of the budget documentation, and they undertook to consult with—

Senator CONROY—Well, I am asking you to put me into the loop with you. You are saying that you are aware of discussions that took place between Mr Fahey's and Mr Costello's offices—you think it is Mr Costello. You are not aware of what was discussed—obviously; you were not on the phone hook-up. Now you do not remember what it was that they communicated to you about those discussions. Do they often phone you up and say, 'We've had a chat with the Treasurer's office; we're just letting you know'?

Mr Bartos—Again, you are probably attributing too great a level of certainty to what I said. I am presuming that our minister's office had discussions, but we were not involved in relation to this issue and it is not really something that we are able to comment on.

Senator CONROY—I have not asked you to comment on their discussions; I have asked you to comment on what your minister's office relayed to you in terms of this issue in writing, verbally, by email or in any other form.

Mr Bartos—That is really an issue between the department and our minister, which we do not comment on in these hearings.

Senator CONROY—I have not asked you to comment on the information or the advice you have given them; I am asking about what they instructed you to do.

Mr Bartos—Advice that we give to our ministers and their response to it are covered by the same general—

CHAIR—That is correct, Senator.

Senator CONROY—So at this stage you can remember but you are not going to tell me, or you cannot remember what advice you have received from the minister's office?

Dr Boxall—Even if we could remember, we cannot tell you.

Senator CONROY—I am just asking whether you remember. I accept the ruling from the chair and I am simply asking: is your position that you do not remember, or that you do remember but cannot tell me?

Mr Bartos—Without commenting on the issue of whether or not I remember, the position is that we cannot comment.

CHAIR—Senator, I will just quote to you from the government guidelines for official witnesses before parliamentary committees. Under the heading ‘Matters of policy’, item (c) on page 6 says:

. . . should not identify considerations leading to government decisions or possible decisions, in areas of any sensitivity, unless those considerations have already been made public or the Minister authorises the department to identify them . . .

Senator CONROY—I think you were probably looking that up while I was asking my question, so you perhaps did not hear my question. I will repeat it for your benefit. Mr Bartos, do you have a recollection of that conversation that you are unable to tell me about, or do you not have a recollection of that conversation?

Senator Ellison—I think, Mr Chairman, that, if that is answered, the official could be entering into troubled waters, because if you recall a conversation which you are not allowed to divulge, you are then saying it took place. I think you should break down your questioning to—

Senator CONROY—I am not sure whether you were in the chair at the time, but Mr Bartos has acknowledged that he had a conversation or a report on this issue. I asked him earlier whether he could remember it, and he indicated initially that he could not remember what the conversation was. I am happy to have *Hansard* play the tape back.

Senator Ellison—The content of the—

Senator CONROY—I am not asking for the content; I am just asking whether or not the position is that he did receive advice from the minister’s office and—taking your advice and the chair’s advice—he is not able to divulge what the information was. Mr Bartos earlier indicated that he could not remember, and now—following other questions that have indicated to me that he would seem to have some memory of the discussion—I am asking whether or not he now has a greater recollection of the discussion and is unable to tell me because of the requirements of the committee.

Mr Bartos—Again, Senator, that question was really leading. You have assumed that there was a discussion.

Senator CONROY—No, you said that there was a discussion.

Mr Bartos—What I did indicate earlier was that we had kept the minister’s office informed of the situation in relation to this. Beyond that, it is not possible to comment.

Senator CONROY—You indicated that you believed that there was a discussion between your minister’s office and other ministers and you have also said that you assumed that that was the Treasurer’s office—probably a valid assumption. Now I think you are saying that you are unable to tell me whether or not they advised you of the outcome of the discussions between the two offices.

Dr Boxall—That is correct.

Senator CONROY—So they may or may not have told you about their discussions?

Mr Bartos—They may or may not have had such discussions. That was an assumption that I said it was reasonable for one to draw.

Senator CONROY—I did say ‘reasonable’. I quoted back the word ‘reasonable’. Coming back to the tables, the Budget Group took the decision. We do not know whether it was a decision that you took independently of the minister’s office—you are refusing to indicate whether you had any discussions. That seems to be your position now on this issue. So the

public is unaware whether the decision was based on any advice or suggestion from the minister's office or whether you took it yourself.

Mr Bartos—As I indicated before, we kept our minister's office informed of the situation—we advised them of it—and a decision was taken that this material would not be published in Budget Paper No. 1. That is about as far as we can go. Mr Prior has just reminded me that, as I mentioned earlier, estimates of expenses by function which go back to 1996-97 and project forward to 2002-03 were available on 11 May.

Senator CONROY—In a loose-leaf form on a table in the lockup if anyone noticed them. I think that was how you described them—they were three pages on a table.

Mr Bartos—Yes.

Senator CONROY—Were they handed around?

Mr Bartos—These were made available.

Senator CONROY—Were they handed around, or were they just sitting on the table?

Mr Bartos—They were available on a table.

Senator CONROY—As I said, I was in our lockup. I am not sure that they were available in our lockup. Is it possible to check and provide that information on notice. Maybe I did not notice them on the table.

Mr Bartos—I cannot comment on that. I do not know what the arrangements were for your lockup. I can check on that.

Senator CONROY—You have indicated that the tables were not included because—sorry, I am just trying to remember exactly what you did say—there was not enough time to prepare them or there was not sufficient information for them?

Mr Bartos—One is a function of the other. In essence, in terms of producing data of publishable quality being something that we could stand by and certify the accuracy of, we were unable to produce that in the time.

Senator CONROY—Are they now produced?

Mr Bartos—Yes. As I indicated, by function that information is available and was available on 11 May.

Senator CONROY—But not in this format.

Mr Bartos—Not in that format.

Senator CONROY—Do you envisage next year having the same sorts of timing problems in producing them in that format?

Mr Bartos—I sincerely doubt it. In fact, I can say that no, we will not have the same problems. As I mentioned before, this has been a transition year to accrual budgeting. It involved the conversion of all estimates that previously were in cash terms into accrual terms, which is an extraordinarily large effort. Now that conversion has been done, estimates are being produced in whatever format is going to be easier for future use.

Senator CONROY—Do you have handy the three pages you are talking about? I did not see them on budget night. If you do have them handy, would it be possible for you to supply a copy?

Mr Bartos—Yes, we can do that. We have a copy here which we can provide through the committee secretary.

Senator CONROY—Thank you. So you are indicating that a decision has already been made and that you are confident that they will be included in next year's papers?

Mr Bartos—We are indicating that this can be done for next year's budget papers.

Senator CONROY—Do you have a view about whether it should be done, whether it is good public policy to be done?

Mr Bartos—That is up to ministers to decide.

Senator CONROY—You are saying that, in your view, potentially the material would be available to be produced; that you would not have the same sorts of problems that you had this year.

Mr Bartos—That is correct.

Senator CONROY—When did you advise the minister that, in your view, 'We've reached the point of no return; we can't get this material prepared in this format'?

Mr Bartos—From memory, I can comment on when it became obvious to us. I probably cannot comment on the nature of advice given to ministers.

Senator CONROY—No, I have just asked when; what was the date?

Mr Bartos—In terms of when it became obvious to us, I think it would have been 7 May, the Friday before the budget.

Senator CONROY—On that date you advised—not what is in the advice—the minister's office?

Mr Bartos—I am relying on my memory here. It would have been on or around.

Senator CONROY—At any stage did you advise the shadow Treasurer's office or the shadow finance minister's office?

Mr Bartos—We deal through our minister's office.

Senator CONROY—What day was that?

Mr Bartos—No, I am just indicating that information we provide is provided to the Minister for Finance and Administration.

Senator CONROY—Are you aware of whether the office of the Minister for Finance and Administration advised the office of the shadow finance minister?

Mr Bartos—As we indicated before, we cannot really comment on communications between ministers' offices, though it is open to the committee to draw whatever presumptions it may.

Senator CONROY—I am speaking of a shadow minister's office.

Mr Bartos—Sorry, shadow ministers' offices, yes. I cannot comment on what advice may or may not have been provided from our minister's office.

Senator CONROY—I am sure that I could wander into that side room and phone the shadow minister's office and just ask, 'When did they let you know?' I am just hoping not to have to do that before proceeding with my questions; that is all.

Mr Bartos—That is not something I can comment on.

Senator CONROY—Did DOFA or, to its knowledge, anyone else instruct, suggest to or direct those agencies that had previously provided program based forward estimate information in their PBS not to do so in this budget? Are you saying that the entire government could not do it, or were some departments' agencies able to get their act together in time?

Mr Bartos—Agencies have provided forward estimates. As I indicated to you earlier, there is information by agency on all of the forward estimates in Budget Paper No. 1 for all of the forward years. The functional table is different; it is not an agency issue. The functional classification is derived from government statistical concepts that are not based on the agency division; they are a different set of classification standards.

Senator CONROY—I will rephrase the question. Are you aware of any departments at all who were able to compile these in this form, or are you saying that on 7 May you decided that every single area of government was unable to comply in this form in this time?

Mr Bartos—There was no decision to advise agencies not to provide forward estimates by function. But the point to be made is that the functional estimates are difficult for agencies to produce. There are very few functions that fall entirely within the responsibility of any one agency. Some are approximately close; but, even for ones that you would imagine would fall entirely within one agency, such as Defence, they cross boundaries at the margins. So the production of functional estimates has always been done centrally because the functional classification is not the same as the portfolio or agency classification.

Senator CONROY—Presumably, given that they are done centrally, the departments' agencies feed the information in to you.

Mr Bartos—They do.

Senator CONROY—So my question stands: had any of them been able to feed you sufficient information, or was it just like a total breakdown of all 18?

Mr Bartos—No, there was a vast amount of information to be processed in relation to function. The issue in terms of the functional numbers is to get them all right. Most of the functional information—and this was the case throughout the budget—was roughly right. But, in terms of the presentation of budget numbers, the point is to get them right, not roughly right. Some of these functions are as big as \$58 billion. So we could get them right plus or minus a couple of per cent and they would be out by \$1 billion. The point with the functional numbers is to weed out all of the possible misclassifications, things that have shifted boundaries and to get them correct.

Senator CONROY—I am aware that the following document was circulated to journalists in the budget lockup. I am happy to circulate the document so that you can have a look at it. Does that look familiar to you at all? Was that prepared by you?

Dr Boxall—This looks like a description of the forward estimates for outcome 8 from the Department of Family and Community Services.

Senator CONROY—Health and Aged Care, I think.

Dr Boxall—Health and Aged Care, okay.

Senator CONROY—And that seems to be in the format that is consistent with the mock-ups you provided, and it was circulated in the budget lockup on the day. I am just wondering where it came from. I understood that departmental officials circulated it. That is what I am told. I am just seeking to see whether it rings any bells with you.

Mr Bartos—It was not circulated by officials of this department.

Senator CONROY—Were there any other departmental officials in the lockup?

Mr Bartos—As is usual in the lockup, there were officials from a number of other departments there.

Senator CONROY—The Department of Health and Aged Care?

Mr Bartos—The Department of Health and Aged Care was represented.

Senator CONROY—They would not circulate a document without it having been cleared by your Budget Group, would they?

Mr Bartos—It looks like it might have come out of their portfolio budget statement. All of the portfolio budget statements were available in the lockup as well.

Senator CONROY—That would seem to be in the same style as your mock-up though; would you not agree?

Mr Bartos—I am not entirely sure of all the headings along the top.

Senator CONROY—My apologies; it is a poor quality fax.

Mr Bartos—It is a bit hard to tell, but it appears to include forward estimates—as does the other functional information which I have indicated to you was circulated.

CHAIR—Senator, this department cannot answer for information about another department.

Senator CONROY—No, these are prepared by this section. As you said, all of it is centralised. They all come in. About a week out, they decided that it was too difficult: there was too much complexity; they did not want to be worried about inaccuracies or being picked up or pinged, possibly in this process or other forums, on having provided incorrect information. I think that is a fair way to describe your concern.

Mr Bartos—Yes.

Senator CONROY—I am trying to ascertain whether this particular information that was supplied in the lockup had come from or had been approved by the Budget Group, given their central control of it. They seem to be unaware of it, which is a bit of a worry, because it could perhaps suffer from all of those problems that you were concerned about. I am just trying to get to the bottom of whether the Department of Health and Aged Care was circulating something that was not approved by you. You are saying that you had not seen it. Dr Boxall is looking through PBSs and different things. If it is just a photocopy perhaps—

Dr Boxall—Senator, I have not seen it before but, to be honest, it looks like a page from their portfolio budget statement. It may not be, but that is what it looks like.

Senator CONROY—If it is, then that clears it up; I am just trying to get to the bottom of it. It would be a serious problem if departments were circulating this sort of information without your approval, I would have thought.

Mr Bartos—Senator, the estimates for each agency are agreed between themselves and ourselves. What is not clear to me is whether the information that you have got in front of you is the agency's programs or whether it is functional information. It certainly is not functional information; I am not at all sure whether it is subfunctional information. I would not be able to tell you without—

Senator CONROY—It looks to me like it is subfunctional. Residential care does not get a listing in there, so it looks like it is a subfunctional. That is a fair statement?

Mr Bartos—Not necessarily. The subfunctional classification again is the international standard classification. What different departments call different activities may not be the same. So without doing a detailed comparison it is a bit hard to tell.

Senator CONROY—Mr Chair, I have got a string of other questions moving into other areas. I do intend to revisit this area, but rather than dealing with other issues now, it might be just as easy to break five minutes early.

CHAIR—Minister, are you happy if we break now?

Senator Ellison—Yes, that is convenient.

Proceedings suspended from 12.54 p.m. to 2.02 p.m.

Senator CONROY—Returning to the three-page document you circulated earlier, where was that taken from? The pages are just marked ‘1.1’, ‘1.2’ and ‘1.3’ at the bottom.

Mr Bartos—The document I gave you was produced by the Department of Finance and Administration.

Senator CONROY—The numbering is consistent with the numbering in the budget statements and so on. It is not from any budget statements?

Mr Bartos—No.

Senator CONROY—You mentioned that it was circulated on a table in the press lockup. I think I said that we did not see it in our lockup. Where else has it been circulated? Is it an addendum to any document that has been tabled in parliament at any stage?

Mr Bartos—No, Senator. It was circulated in that forum. It is available for anyone who might ask for it.

Senator CONROY—But how would people know to ask for it if they did not know it existed, given that it is not referred to in any documents that have been circulated or tabled publicly? How would anyone know it existed to ask for it?

Mr Bartos—Because it has been circulated very widely to the press.

Senator CONROY—Even though Ken Davidson, for example, did not manage to notice it sitting there comfortably on the table in the lockup.

Mr Bartos—Interestingly, Senator, I believe Ken Davidson did receive it.

Senator CONROY—He made the point that he was given it by your officials. The point I am making is that he did not even notice it was there at first. I am struggling with your definition of ‘circulated widely’. I suppose all of those documents are circulated widely, given that they are sitting on the table in this room. This is a public room and it is parliament, so I guess the documents are widely circulated. As far as you are aware, the document has been circulated in no other place than in the budget lockup. As far as you are aware, it has not been circulated by the minister’s office, it has not been included in any documents that have been tabled in parliament and it has not been supplied to Lindsay Tanner’s office or to any member of the shadow ministry before today.

Mr Bartos—I don’t know about to whom else it has been supplied. I do know about official releases of it, and I know that it has not been tabled in the parliament or released as an addendum to any official document. What circulation may have been made of it amongst parliamentarians I really don’t know.

Senator CONROY—It was not in our lockup. We had not seen it before. On the agreed definition of ‘circulated’, it was sitting on the table in the press lockup. I want to be absolutely clear that, as far as you are aware, that was the only place this document had been circulated, officially distributed.

Mr Bartos—Yes, Senator.

Senator CONROY—I return to the questions I asked earlier about the mock-ups. I was talking about slightly different documents. I think I have been able to get to the bottom of that.

In the mock-ups that you supplied, this would probably be categorised as table A5; is that right?

Mr Bartos—I do not have the mock-ups in front of me. From memory, it is probably headed up ‘Estimates of expenses by function’, or something along those lines.

Senator CONROY—‘General government sector underlying outlays and expenses by function and subfunction’.

Mr Bartos—As far as I can recall, there is a table in the mock-up which estimates by function, which is what this is, and then estimates by subfunction, which is a further break-up of these functional estimates.

Senator CONROY—I think that is right. Within the mock-ups that you supplied us—and I have them laid out in front of me: I apologise that you cannot see them—I have ticked the matching ones. I understand they are not exactly the same because some of the classifications were changed slightly. I accept that it is not an absolute copy. But that still leaves me with three pages worth of information that was included in the original mock-ups that has not been circulated at this stage to anybody other than, it seems, the Department of Health and Aged Care yesterday when, in the opening statement to the Senate estimates committee by the secretary, he tabled something that would be similar—not quite the same. That was the next level of breakdown that he circulated. Are you familiar with that? Has that been cleared by you?

Mr Bartos—Yes, Senator.

Senator CONROY—You do not have a similar document to table at this stage?

Mr Bartos—No.

Senator CONROY—Why is that?

Mr Bartos—As I understand it, the committee dealing with Health specifically requested that information.

Senator CONROY—Unfortunately, my faxed copy has come out very poorly, but I refer to what I believe is marked ‘table A5’ entitled ‘Outlays and expenses by function and subfunction’. There are some accompanying tables to the one that I have ticked as being the same as that one. Those accompanying ones are a further breakdown, a disaggregation, if you like, of this table.

Mr Bartos—The table you have before you is by function. Under many of the functions there is a further breakdown into subfunctions.

Senator CONROY—I am just looking at the numbers. You have some fairly exact numbers that you circulated in terms of the macro-figure—if I may use that term for simplicity.

Mr Bartos—The figure is by function.

Senator CONROY—I wonder how you can produce those figures so accurately but were unable to produce them in their disaggregated form. I am trying to understand how you get a headline figure without having all of the figures underneath it that you could add up to get your headline figure.

Mr Bartos—That goes to the way these are constructed. What you have in the functional classification is essentially, as I indicated before, a way of categorising expenses. So it is a question of assigning expenditures to different categories. That was able to be done at the functional level. In constructing these estimates, we start with the overall estimates that we have for each agency that go to each of their outcomes and outputs and then we classify them

against function. Classifying them down against subfunction gets more difficult because, as you go through, you are dealing with an ever greater level of having to be certain about where you are putting a particular part of expenditure and how you are assigning it.

Senator CONROY—Sure, that is actually your job every year, though, isn't it?

Mr Bartos—Yes, it has been our job every year.

Senator CONROY—So even though you have changed from cash to accrual you still had to go through that exercise last year and the year before and the year before. You had to be able to accurately put those numbers into the same boxes each year?

Mr Bartos—Yes.

Senator CONROY—And notwithstanding that you were changing from cash to accrual, why were you unable to complete the same tasks that you have to complete every year before the budget?

Mr Bartos—As I indicated before, Senator, this is something we attempted to do, but just the sheer enormous number of estimates that had to be converted to an accruals format meant that we were unable to complete this in the time frame.

Senator CONROY—Is this a performance target that you would have to meet in terms of assessment? This is probably more a question for Dr Boxall. Dr Boxall, how do you feel that your Budget Group was unable to meet something that it has met every other year pre-budget?

Dr Boxall—Senator, the move to an accrual budget was an enormous task and it was pulled off successfully. It so happened that in the lead-up to the budget we were unable to produce the expenses by function. That was delivered, as Mr Bartos explained, on 11 May but it was not in the documentation. We were unable to produce the expenses by subfunction in time. I honestly regard that as a fairly minor shortcoming, given the enormity of the task of moving from cash to accruals. So I think the production of the accrual budget was very successful. I think the people in the Budget Group did an excellent job, as did the relevant people in the agencies.

Senator CONROY—It is dismissed as a minor hiccup?

Dr Boxall—No, I would not say a minor hiccup; I said 'a minor shortcoming'. As Mr Bartos has indicated, we will be in a position to produce this data on time for the next budget. The production of the accrual budget was a huge exercise and was successfully completed.

Senator CONROY—Mr Bartos indicated earlier and you have just again indicated that the information will be able to be produced in the documents next year, but I think, Mr Bartos, that you indicated that it was a decision of the minister whether it would be. I think I asked you, 'Would it be?', and you said, 'No, it is a ministerial.' What has changed from this year to next year?

Mr Bartos—It is simply the case that in any year what goes in the budget papers is a decision for ministers. There is no legislative requirement as to what is published other than the actual appropriation bills. The remainder of the budget papers are information papers provided by ministers and, in any year under any government, it is up to ministers to determine what information they provide.

Senator CONROY—So the minister's office could have directed you to work harder, with seven days to go before the budget, to include these other tables? You say you now have them; it was just a question of timing. And the minister's office could have said, 'Look, you have

to have this completed for the budget. I have given a commitment to the opposition and through them to the broader community that they will be there. We want you to comply.'

Mr Bartos—That is really a hypothetical question, Senator.

Senator CONROY—Did the minister's office give you an instruction like that?

Mr Bartos—Again, as I said earlier, Senator, the issues to do with our dealings with our minister's office we do not want to comment on.

Senator CONROY—I return to the piece of paper I showed you earlier that was circulated to various groups from the media in the lockup—by Health and Aged Care, I think we said. Have you had a chance to see if that has been passed through your section at all?

Mr Bartos—Senator, I have consulted with colleagues in the Department of Health and Aged Care. As far as we can ascertain, that document was not circulated in the lockup. The department concerned does not actually know how the document might have been passed on to you. But it is not a document which has any official status.

Senator CONROY—I will probably have to come back to you on that. I did not actually think it was a leak or anything like that. My understanding was that it was handed out to various groups in the lockup—

Mr Bartos—Not as far as the Department of Health and Aged Care are concerned.

Senator CONROY—You are only passing on their information to me. That is a question for us to take up with the department if we get them back in the next few days. Dr Boxall, you thought perhaps it was a forward estimate out of the portfolio budget statements: you are now comfortable that it is not?

Dr Boxall—I have no further comment on it, Senator. I just indicated that that was what it looked like.

Senator CONROY—It could be. You have not had a chance to flick through their PBS looking for their forward estimates, have you?

Dr Boxall—No, as a matter of fact I have not. And Mr Bartos, on behalf of DOFA, has consulted with Health and Aged Care.

Senator CONROY—I was just wondering if you could flick through Health's PBS of outlays and expenditures by function and find any forward estimates. You can pick your own portfolio budget statement, if you like, and perhaps point me to a page where you have some—

Mr Bartos—There are forward estimates data in the portfolio budget statements against each of the measures—a measure representing any decision that has been taken by the government. So against each of the measures in the budget there are full details against each forward year—

Senator CONROY—Is there a table?

Mr Bartos—If you look, for example, at the DOFA PBS, you will see, starting on page 23 and then onwards broken down through to page 27, there are forward estimates in relation to each of the measures. It is also the case that in relation to each of the financial statements, which start on page 60 in our PBS and are common to all of the agency portfolio budget statements, there are full forward estimates in relation to the operating statement, the balance sheet, the statement of cash flows and the capital budget. So there is a great deal of forward estimates information provided in the portfolio budget statements against all of the financial statements, against all of the measures.

Senator CONROY—You would accept though that those tables, starting at whatever page you want to refer to, tell us how much something has been charged but they do not tell us

what it is being charged to—which is not actually the same as the forward estimates that were in the mock-ups or have been in previous PBSs?

Mr Bartos—To anticipate your question, if you are suggesting that the portfolio budget statements ought to provide forward estimates against outcomes and outputs, that is something that I think it is quite appropriate for this committee to consider. This committee is having a discussion of the format of portfolio budget statements, which we welcome.

Senator CONROY—I understand that—on the 17th.

CHAIR—On the 17th. I hope you will be there, Senator.

Senator CONROY—I think I am the quorum; I have no choice.

CHAIR—Good, I am pleased to hear it.

Mr Bartos—And if the suggestion is that you would like to see that—

Senator CONROY—Has it been the previous practice in the PBSs? I know we have different names for things—they used to be called programs and now they are called outputs and outcomes. With your much greater knowledge than mine, would you agree that—

Mr Bartos—We will have to check with someone who is familiar with previous years' PBSs. In past PBSs, as far as we can tell, there was similarly full forward estimates detail in relation to each measure and there was some summary of forward estimates information against what used to be the program structures for each department.

Senator CONROY—I understand that Transport, for instance, introduced one last year broken down in the way I am describing. Being the premier department in this area, I am just surprised to find Finance running behind some of your other departments in terms of providing that information.

Mr Bartos—I should say, Senator, that the proposed format for portfolio budget statements for this year was subject to consultation with this committee. This committee actually requested consultation with our department over the format of PBSs. What we have done is followed a format that was run past this committee twice—once in December of last year and again in February of this year—which was structured in the way that they are currently structured. It is quite conceivable that after the event when senators see the documents they decide that it is worth thinking about it again, but certainly it is worth noting that the format in which PBSs are currently done was the subject of consultation on two occasions with this committee.

Senator CONROY—You mentioned in last year's budget that there was a summary of program expenditures. Is that how you described it?

Mr Bartos—Yes. There was a summary of forward estimates at the program level.

Senator CONROY—Is there a similar thing in this year's?

Mr Bartos—No. I just indicated that there is not. What we have this year is a mapping of the old program structures to the new outcomes and output structure. As I indicated a moment ago in relation to the outcomes and output structures, the information provided in the PBS is of estimated actual cash for 1998-99, estimated expenses under accrual terms for 1998-99 and for the 1999-2000 budget. So, yes, there is a difference.

Senator CONROY—You have probably worked out by now that a range of senators are fairly unhappy about the shape, so I am sure you will be all ears on the 17th. Minister, I was talking earlier about whether or not the information will be provided in next year's budget as was indicated in the mock-ups that were provided to the opposition for this year's budget. The officials, Dr Boxall and Mr Bartos, both indicated that the information will be available

to be produced in this format. I was wondering if you could ask Minister Fahey if he will direct that that information be included in next year's budget.

Senator Ellison—I will take that up with the minister.

Senator CONROY—Thank you.

Senator Ellison—I might add that the government will be looking at the meeting on the 17th with interest. We are always on the lookout to improve ways of reporting and ways of setting things out to make them more user friendly. So any comments will be taken on board.

CHAIR—Thank you, Minister.

Senator CONROY—While you are inquiring that of him, I was wondering if you could ask if he gave the department a direction not to include it in this year's. I cannot ask him because he is not at the table, but I was wondering if you could take on notice whether or not he directed the department to not include any figures that were suggested in the mock-ups.

Senator Ellison—I will take that on notice.

Senator CONROY—Thank you. Further to that, I think Mr Bartos indicated that they advised the minister's office on about the 7th that they believed they may not be able to or would not be able to compile the information as per indicated in the documents that were supplied to Mr Tanner's office on about the 7th, I think it was.

Mr Bartos—Just to correct the record, I indicated earlier that the 7th was roughly the date on which we really came to a conclusion that we were not going to get reliable information. I then indicated that if there was any advice to the minister it would have been provided on or about that date.

Senator CONROY—Yes. I was wondering if you could ask Minister Fahey why this information was not passed on to Mr Tanner's office or why it was indicated that the mock-ups, as they had been supplied and as they had been briefed about—I think Mr Bartos was an attendee at the briefing on 26 May. Is that right, Mr Bartos?

Mr Bartos—It would have been April, Senator.

Senator CONROY—April, sorry. Yes, 26 April.

Mr Bartos—Yes, I remember it was a public holiday.

Senator CONROY—It was only about a week and a half before you came to the conclusion that you could not compile the correct figures.

Senator Ellison—Senator Conroy, one slight problem with your question is that you are assuming that the minister knew when you asked why he did not pass it on. His office was contacted, as I recall the evidence. It was not necessarily the minister. If you are to ask the question, you should firstly ask if he was aware and, if so, then the rest of your question should follow. But your question assumes that he knew. There has been no evidence, nor could there be evidence capable of being given, that he knew.

Senator CONROY—I know Greg Barnes has moved on to the Republican Movement, but I am presuming you are not going to stab him in the back that quickly.

Senator Ellison—It has nothing to do with that; it is a question of whether the minister had any knowledge of it. You asked why he did not pass it on. That is assuming he had knowledge of it.

Senator CONROY—You are now separating out the minister from his office?

Senator Ellison—Of course you always do.

Senator CONROY—He is not responsible for his office?

Senator Ellison—Knowledge and responsibility are two different things. If you are talking about knowledge, the office could well have knowledge of something that the minister does not. It is quite normal for the office to know a lot of things that the minister is not aware of. Responsibility is another matter.

Senator CONROY—You're that much of a monarchist?

Senator Ellison—That has nothing to do with it. Your question asked why the minister failed to pass it on. You are assuming that the minister knew in the first instance. I say to you, Senator Conroy—

Senator CONROY—Well, Mr Bartos is constrained from telling me whom he spoke to. I am not being in any way unkind to Mr Bartos, but I am presuming he did not phone up the minister. I would imagine there are some protocols involved. Perhaps Dr Boxall would have communicated something like that. I am not sure what the protocols are at those levels. But Mr Bartos is unable to tell us whom potential information was passed to in the minister's office. If you want to you can say to Mr Bartos that it is okay to answer the question, 'Mr Bartos, who did you speak to?'

Senator Ellison—It isn't, because that is a question for Minister Fahey. I do not presume to authorise people to divulge information about other ministers' offices, and you do mention Mr Barnes unfairly.

Senator CONROY—It is the Prime Minister who has been mentioning him unfairly, not me.

Senator Ellison—You raised it then and I do not think that is—

Senator CONROY—I didn't try to banish him from seeing the budget documents.

Senator Ellison—But your question is based on a premise which is not capable of being reached. Rephrase it and I am willing to help you.

CHAIR—Thank you, Minister.

Senator CONROY—Minister, will you take on notice to ask the minister whether he was aware that the information that was contained in the mock-ups would not be able to be passed on to the shadow minister or would not be included in the budget documents and, if he was aware, why he chose not to pass on that information to Mr Tanner?

Senator Ellison—I will take that on notice.

Senator CONROY—And if he was not aware, why he was not aware if his office was aware. I do not think there is any argument that his office did not know, at least. Without wanting to try in any way to catch out Mr Bartos, I would happily get the *Hansard* read back where I think Mr Bartos indicated that he spoke to the office.

Senator Ellison—You are asking: if he was not aware and his office was, why he was not aware?

Senator CONROY—Who is responsible for not telling him? Who, in the minister's office, is responsible for not passing that on direct to Mr Tanner—and I am sure that would be inappropriate—or why the individual in his office did not communicate this to Mr Fahey? If the minister is unaware that information as important as this was passed on to his office, it is surely possible to find out why it was not passed on to the minister. That is all that I am asking. Will the minister undertake to give us an explanation of what occurred in his office?

Senator Ellison—Whilst I have taken other questions on notice, that is a question which can go only to the internal workings of the office.

Senator CONROY—He does not have to answer. He can just say, ‘Get stuffed.’

CHAIR—Senator, please.

Senator CONROY—Sorry.

Senator Ellison—This is a Senate committee. I will take that on notice.

Senator CONROY—Thank you.

CHAIR—Are there any further questions on the Budget Group?

Senator CONROY—Yes, I am just going through another string of questions. Are we still in outcome 1, Sustainable government finances?

CHAIR—Yes.

Senator CONROY—Page 31 of the PBS shows annual savings for the price of outputs of around \$1.5 million per annum which are:

part of the offsetting savings being provided by the Department, together with Outcomes 2 and 3, for the increase in appropriation required under Outcome 3 for the measure *Internet access for Senators’ and Members’ of Parliament electorate offices*.

Why has the department decided that the funding of services to MPs should be done at the expense of the department’s budgetary and administrative role? Did the government say that MPs need Internet access in their offices and were therefore happy for you to reduce your effort in providing budgetary advice?

Mr Cochrane—It was decided for the Internet access measure to proceed, but the department would make savings in its other areas that pay for this, so it would in effect end up being budget neutral through the savings counteracting the injection of \$600,000 to help pay for the set-up costs. I think that is identified on page 27 of the PBS.

Senator CONROY—Was it a government decision that that was the way to do it, or was that a departmental decision?

Dr Boxall—That was a budget decision. The government made a decision which it announced in the budget, which is reflected in this PBS, that the setting up of the Internet access for senators’ and members of parliament’s electorate offices would be ‘absorbed’—that is the language—or funded from within the Department of Finance and Administration.

Senator CONROY—And how much did you say that was? Was it \$600,000?

Mr Cochrane—Yes, as per page 27.

Senator CONROY—Do I have the page wrong? I was quoting from page 31.

Dr Boxall—Do you have the description of the measure on page 27?

Senator CONROY—Yes, I just had a quick flick at page 27, thanks. Expenditure in outcome 1, which is essentially the budgeting and policy area, is falling by \$20 million with the loss of 57 staff. I understand you have already had some discussion on that probably with Senator Faulkner earlier. Clearly, the staff do not entirely account for the expenditure reduction. We need to ascertain the other sources of the savings, which are perhaps most likely to be consultancies resulting from the implementation of accrual budgeting?

Mr Bartos—No. Consultancies is a portion of it. It is actually predominantly expenditure on IT. For 1998-99, there is expenditure both on the previous FIRM system, which is the budget system that was being run for cash, and on the development of the new accrual

information management system. Together, both of those constitute a large IT expenditure. They account for about three-quarters of the reduction. The remainder is accounted for by a reduction in staffing, including overheads. In the estimate of the contribution of the reduction in IT, I am also counting the consultancy and other contractors that we employed to help us deliver the AIM system.

Senator CONROY—I suspect you will open up about two hours worth of questions from Senator Lundy there, if you are not careful.

Senator LUNDY—I am making notes.

Senator CONROY—That is why they should be afraid! We would like to find out which contracts have been let in relation to accrual accounting, who got them and for what, how much each cost, whether they went to tender—and if not, why not—and whether any were terminated by DOFA prior to completion. I am happy for you to take that on notice.

Mr Bartos—I will have to take that on notice. There has been a number of contracts let in relation to implementation of accrual budgeting. In particular, a lot of contracts have been let in relation to the development of the IT systems, principally to companies like QSP, which has been developing the AIM system. Other assistance has also been provided with accounting and estimates quality assurance. We will provide a full list to you. We have to take that on notice to give you complete information.

Senator CONROY—I am not sure whether it came out earlier, but did KPMG's role in the formulation of the budget get a guernsey earlier?

Mr Bartos—It was not discussed earlier.

Senator CONROY—What role did they have?

Mr Bartos—KPMG was one of the firms involved with assisting with the budget. KPMG's role related largely to assistance with estimates construction and with quality assurance of the construction of those accrual estimates. KPMG was selected a few years ago through a competitive tendering process to provide advice to the department on the construction of whole of government estimates and provided quite a high level of assistance as it turned out, because there was quite a high level of need, in the production of the statements for this budget.

Senator CONROY—I defer to Senator Lundy for a moment.

Senator LUNDY—With respect to the AIMS project and QSP's role in that, what stage are they at in the implementation following that transfer over?

Mr Prior—If I understand the question correctly, you are asking what stage the AIMS project is at. AIMS comprises a number of components. Is it worth me going through some of those components to give you a sense of where each of those are at? Would that help?

Senator LUNDY—That would be useful, thank you.

Mr Prior—The main component of AIMS has been what we would call the estimates module. That is what delivers the budget. That has clearly worked but, with all new developments, there is scope for improvement potentially. Therefore, we have an ongoing developmental notion attached to the estimates module. There is another module which I will call the end of year accounting module. That will be the process of constructing the whole of government financial statements. That module is near completion. It has not completed all its testing—there is still ongoing work with that. There is another module, the monthly financial statements module, which has been completed. It has been through its first round of testing and will be online for 1 July. Another module is called the cash appropriations

management module. I will turn to my colleague who has more knowledge of this particular module. He might be able to talk to that one.

Mr Murphy—It provides the system for devolved banking within the Commonwealth and provides for the payment of appropriations through to the official public account. It is paid from the official public account into agencies' bank accounts for their day-to-day business. It is just another module part of the accrual information management system.

Mr Prior—That pretty well in broad terms describes what we call AIMS.

Senator LUNDY—Thank you for that explanation. In your description, it is clear that every one of those modules is in the midst of further development. At what point within their contracts, or in your expectation, will it actually be completed?

Mr Prior—As you may be aware, with any modern IT system—and this is really drawing a fine point but it is an important one—completion is something that tends to elude us all. If you have ever used spreadsheets or word processing packages you will know what I mean. But in terms of the original specifications and so on, some of those modules, as we described, are very near completion of that original contract and delivery in terms of the original specifications. The ongoing development that may or may not occur—and there is a business case to be done to decide whether that is the case—will then be subject to further analysis and so on. I guess what we are saying, on the one hand, is yes, there is a completion of the original product but equally there is also consideration as to how to improve that if it is required.

Senator LUNDY—Are you actively considering variations to those contracts in what you have just described?

Mr Prior—That is certainly one option. Going forward, we have the option of considering other suppliers, if that were an appropriate course. We are not locked in, as I understand, to the original suppliers. Indeed, as I said to you, as we do a business case to assess what it is we would like to do for the future, in part of that business case we are to consider what the range of suppliers is that might be able to attend to our needs and so on.

Senator LUNDY—When you talk about suppliers, I suppose you mean that the accrual information management system is involving a series of applications. Is that software proprietary? Who actually owns the intellectual property contained within that system?

Mr Bartos—AIMS is a mix of off the shelf and specifically developed software. The intellectual property in relation to that which has been developed on contract to us remains with us.

Senator LUNDY—What about the off the shelf? Is that just purchased by the department? You do not have any ownership of any intellectual property there; is that the case?

Mr Bartos—In the same way as any off the shelf package is purchased, and as with other packages, every now and then the manufacturer comes up with an upgrade that it also seeks to sell and so on. It is exactly the same situation as would apply with other off the shelf packages that we use for other work such as word processing, spreadsheeting or whatever.

Senator LUNDY—In terms of the description of 'off the shelf', what degree of modification is occurring there to make it suitable for your own purposes? I ask the question in relation to how much flexibility the department has in changing the software that it uses.

Mr Prior—AIMS is made up of a number of components. There is a product called Espace, which is a seven dimensional database product. If you understand database products, it is like any one of the others that are around. It also has Oracle; we have written some things in Oracle. So when you say proprietary ownership and so on, there are some core elements, but

they are the base elements from which we then have had providers write applications to suit our needs. To that extent, we actually have quite a degree of flexibility in terms of responding to user needs if that is what is appropriate.

Senator LUNDY—Who has been responsible for coordinating the implementation of AIMS?

Mr Prior—Do you mean which department?

Senator LUNDY—Out of the department. Which part of the department?

Mr Bartos—The Budget Group.

Senator LUNDY—What relationship do they have with IBMGSA? Are they involved at all?

Mr Bartos—IBMGSA provides the platform. One of the components of AIMS is the fact that we have interactions with other agencies. It is a networked system. IBMGSA provides a departmental network, so to that extent they are involved. Again, we have also, on the basis of a competitive tender, selected an officer short term from IBMGSA to assist with project management.

Senator LUNDY—Can you repeat that?

Mr Bartos—An IBMGSA employee is assisting with the project management of AIMS.

Senator LUNDY—Who is that?

Mr Bartos—A gentleman called Terry Boyce.

Senator LUNDY—The IBMGSA, I also understand, were responsible for the exchange server roll-out. Is that getting into a different area, because I can come back to that under outputs?

Mr Prior—They are the Budget Group users of technology. Where the servers sit.

Senator LUNDY—I can ask more specific questions in relation to output 2, I think.

CHAIR—Are there any further questions on output group 1?

Senator CONROY—I can probably slip back in. Can we get an explanation of the \$360 million dollars in exchange transactions for 1998-99 that are not there in 1999-2000? I think that is on page 32 of PBS.

Mr Murphy—That is a consequence of the move to devolve banking within the Commonwealth public sector. Previously those funds would have come through DOFA or we would have responsibility through DOFA accounts; now they will be through individual agencies' accounts. In relation to exchange transactions, that is primarily dealt with by the Department of Foreign Affairs and Trade and the Department of Immigration and Multicultural Affairs with the Reserve Bank. It is a direct transaction dealt with through the Reserve Bank.

Mr Bartos—Can I correct the record on a question Senator Lundy asked in relation to the involvement of IBM-GSA in the AIM system? It may well be that IBM-GSA is only involved with the provision of the departmental network. I cannot quite recall where Terry Boyce comes from, but it has been pointed out to me that it is possible he is an employee of IBM rather than IBM-GSA. I know he is one or the other but it is quite conceivable that he is IBM, not IBM-GSA.

Senator LUNDY—Perhaps for the public record you would like to give a brief explanation as to the difference.

Mr Bartos—As I understand it, they are corporately separate, but linked.

Senator CONROY—I mentioned earlier the question to do with long-term contracts for services. An example is the Royal Flying Doctor Service, which I do not think is within your area. We are interested in what the conditions are for taking the contract up in year one as opposed to spreading the payments over the life of the contract. You undertook to go away and find out some information and come back to us about how many there were. Maybe we have not quite understood because of the new process. It seems to be all lumped into paying in year one rather than accruing over a number of years, which is what I would have expected.

Mr Bartos—Is that the question we took earlier this morning?

Senator CONROY—It is a follow-on from this morning. I am interested in the methodology behind it rather than a specific example this time.

Mr Bartos—We are not sure we entirely understand the question.

Senator CONROY—It seems from our reading—and if we are wrong, please just say—that the cost for a long-term contract is all lumped into one year. We are trying to understand what the methodology behind that is. It is entirely possible we have misunderstood, given the changes. It should be accounted for in ongoing years. We want to be able to pick the difference between which ones are which so we are not chasing you guys unnecessarily.

Mr Prior—As I understand the question—and this is not trying to be evasive—it does depend on the nature of the contract. There are specific accounting standards which require contracts, for instance, in some circumstances to be booked in the balance sheet as work in progress type arrangements and then amortised over the life of the contract and booked to the P&L that way. But equally it is often the case that contracts, by their nature, are booked in the year in which payments are made. Without a specific example—and again I am not trying to be evasive—

Senator CONROY—For the information of the committee, could you table those accounting standards or give us a copy so that we have something to compare contracts against from the perspective of the information?

Mr Prior—We will provide you with some background.

CHAIR—Is that something you could clarify for us on the 17th?

Mr Prior—Yes.

Senator CONROY—Other than Ken Davidson, has anybody else—community groups or whatever—raised with you their concerns about the perception, and you would probably disagree, that there is a lack of information in terms of forward estimates? Ken Davidson has done it publicly—I wonder whether anyone else has.

Mr Bartos—Senator, other than Ken Davidson, we mentioned earlier a request from an organisation in the health area. That is the only one we are aware of.

Senator CONROY—In the past, PBSs have compared final actual expenditures for the previous budget year with the figure estimated at the time of the budget. I could not seem to find that information this time. Is that no longer included?

Mr Bartos—Just to clarify what you are getting at, Senator, are you suggesting—say, for this PBS—a column indicating the 1997-98 actual outcome?

Senator CONROY—In terms of this one, yes.

Mr Bartos—It is not included. Again, if it is something that this committee feels is desirable, that is something worth discussing on the 17th.

Senator CONROY—You accept that it has been included previously?

Mr Bartos—Without having a past year's PBS in front of me, yes, if you say so, Senator. I am sure you have checked it.

Senator CONROY—So you would be happy to include it if it arises out of the discussions.

Senator SCHACHT—I have been to a number of estimate hearings today and yesterday and also some briefings by the departments on accrual accounting in preparation for these hearings. Can you tell me in total how much the capital usage charge is in total across all departments? Which document is it in? I have given up trying to find these things at times. I thought I may as well turn up here as you blokes are paid to do it. It would save me the time because I cannot find it. I may have missed it. It may have been staring me in the face. I have it for individual departments in the yellow PBSs.

Mr Prior—Because the primary documents talk about primary statements, they are consolidated. The capital use charge is a payment to the government from itself. So at a consolidated level it eliminates.

Senator SCHACHT—I know that over the year it is a flat in and out—there is no change.

Mr Prior—Right.

Senator SCHACHT—But initially across all the ministries you can add up a figure of what is the 'in' of the capital usage charge. It varies: for Customs it is \$5 million; for Defence in the preparation it is \$1,300 million, obviously because of their \$38 billion worth of assets. I just wondered whether you have a consolidated figure of what the 'in' is at the beginning of the financial year. I think it is paid quarterly or monthly, et cetera, to various departments.

Mr Prior—The reason you do not find it in those statements is that it is not in those statements as a figure.

Senator SCHACHT—Hurray! I am not a complete mug for not being able to find something. I thought you might say, 'Idiot, it is on page 7 or page 1.' What is it?

Mr Bartos—We can take that on notice and find the information for you.

Senator SCHACHT—Isn't it just a matter of going across the portfolios and pressing a button on the computer and telling me?

Mr Prior—Yes, it is.

Senator SCHACHT—Why isn't it in one of the white documents as an 'in' to start with? This is a significant development in the preparation of accrual accounting. I do not know whether this is worth having accrual accounting for, I have tell you, after two days of doing this. Who is the guilty person in Finance whom in another 12 months we will send out the death squad for, saying, 'Accrual accounting is their responsibility and we all agree that we will suspend human rights for half an hour to deal with them?'

CHAIR—No chance, Senator.

Senator SCHACHT—You can take it on notice.

Mr Prior—In terms of aggregating and giving you the number, yes, we can aggregate.

Senator SCHACHT—It is all in these yellow documents across all departments?

Mr Prior—Yes, and we have agreed we will do that for you.

Senator SCHACHT—What do you anticipate in the CUC at the end of the year where good managers and the various departments have rationalised the assets and do not have to pay it all back because they have made a rationalisation of improved efficiency? Have you made an estimate in the outlays—or whatever you want to call it—that, at the end of the financial year,

out of the hundreds of millions of dollars of CUCs, they are all going to be very good, efficient people, that there will be a loss, that you will not get the whole lot paid back to you? What is the estimation?

Mr Prior—Senator, in this first transitional year, one of the assumptions that underpins it is that CUC in and out will be roughly equal but, as we move through the year, we will be monitoring that to see how it develops.

Senator SCHACHT—Is there anything in these documents anywhere in your portfolio making an estimation or making that comment that there will be a total in and out, 100 per cent in and 100 per cent out, at the end of the year? Is there a note in the documents?

Mr Prior—No, there is not.

Senator SCHACHT—I think that would have been a reasonable note to put in. I am going to make a rough estimate here: the CUC across all departments is going to run into billions. Do you disagree with that figure?

Mr Prior—No.

Senator SCHACHT—So, if it is between \$1 billion and \$2 billion, and each department makes a 10 per cent efficiency gain on the rationalisation and they keep it, that is going to run into a couple of hundred million that they will keep. Is that not big enough to be a comment that that is going to affect your budget?

Mr Prior—It will not affect the budget outcome.

Senator SCHACHT—If they keep it and spend it on something else, do you then deduct it from them for the next year's allocation saying, 'Whacko! You've saved some dough, but we're going to cut your money in the outlays'? I want to get to the point of why we are doing this. If they do not keep the efficiency for the department to re-invest in something else—

Dr Boxall—In the event a department does rationalise its assets, which means that, say, it retains 10 per cent of the CUC as an example, that would show up as an improvement in its net operating surplus or its net operating balance for the year and it would go into the following year with a stronger balance sheet. No doubt, when planning its budget for next year, it would look at the strength of that balance sheet and it may well decide to use some of that money.

Senator SCHACHT—But then would you as Finance, as a central agency, penalise them saying, 'You've picked up \$5 million here. Therefore, we're going to reduce the bid you've made in the ERC by \$5 million because you've picked it up in an efficiency.' If you are going to do that, I am sure there will be a lot of heartburn in the department and they will say, 'What's the point?' You are punishing them for being good.

Dr Boxall—As I recall discussing at one of the briefing sessions that we had with your committee—

Senator SCHACHT—Was I at that one?

Dr Boxall—You were, Senator. It is not clear at all that ERC will adopt that position.

Senator SCHACHT—But they could.

Dr Boxall—In theory, they could, and also they could not. The idea is not to penalise departments who have rationalised their assets. The whole idea of having the capital use charge is to provide an incentive to departments to manage their assets better.

Senator SCHACHT—So you are going to be nice to them, which is unusual for Finance, I must say. The proof will be in the eating of the pudding when you people are let loose in

the ERC. I accept that you will be nice and you will let them, across all the departments, keep the efficiency gain on the rationalisation of assets. If it is an average of 10 per cent and it is several hundred million—it may be more—they will keep that money but, when they pay back, instead of paying back the full in, they pay back less. Does that not affect someone else's bottom line such as in the overall outcome? You have allocated the money as an 'in' in this transitional phase but it stays in the department as an efficiency. Does that mean the deficit or the surplus is reduced at the present stage?

Mr Prior—No, it does not. As Dr Boxall pointed out, these operating surpluses have been budgeted for, and those operating surpluses will translate into balance sheets for the future. The surplus goes to the balance sheet. It is not lost and, on consolidation, what is at the whole of government level, one department's gain is consolidated with all other departments. It is not as though it disappears somewhere.

Senator SCHACHT—I can see in the total budget you will still say it is in the budget. The next thing, though, is you are telling me that that will have control over how they spend that gain?

Dr Boxall—If you carry it into next year, so you start the year with, say, a balance sheet in better shape—

Senator SCHACHT—If they have \$5 million cash in their hand.

Dr Boxall—That is right. Next year when they put forward their proposals for approval by ERC and eventually cabinet and parliament, they will indicate their expenditure and they might find that they want to fund some additional expenditure from their balance sheet. They will have to put those proposals through ERC, which is the discussion we have just had, and the government will no doubt take this into account in framing next year's budget.

Senator SCHACHT—Can I suggest that, in the framing of next year's budget as part of the transitional process for accrual accounting, you make specific comment in a consolidated way of each department, seeing as though you are the keepers of the gate as Finance, of what all the capital usage charge was, how many departments, what the gain was, what the efficiencies were and whether they were able to keep it all. I think that is a useful report to have as a separate page or table rather than having to go and try to work your way across 30 ministries.

Dr Boxall—Certainly, Senator. We will take note of those suggestions. As you are aware, this is the first year so, in effect, we do not have anything to report on for last year. At the end of this year, when we do next year's document, we will take that on board.

Senator SCHACHT—The next thing I want to ask you is about so-called capital equity injections. I gave up asking Customs because I did not know whether I was standing upside down in quicksand, the right way up or just drowning. They said the cash flow carryover was turned into a capital injection.

Dr Boxall—This is a transitional issue. Under the old cash system, the running costs system, there was the issue of the amount that you were allowed to carry over from year to year. So, as we moved from a cash budget last year to an accrual budget this year, there were certain departments that had running cost carryover.

Senator SCHACHT—Running cost surpluses or running cost deficits?

Dr Boxall—Let us take last year for example. A department might have been appropriated a certain cash amount for running costs and they did not spend the whole lot. So, in order to

stop this end of year spend up, which nobody wants, it has been the practice in the past to allow them to carry over.

This year we did not want a situation where basically departments who had money to carry over were penalised and had it all taken away from them just because the government was switching from a cash to an accrual basis. So the solution was that the amount of the carryover would be converted into an equity so that it would in effect go in the balance sheet at the beginning of the year. That is better than losing it, obviously. The problem was that, if we did not convert it into an equity and we somehow said it was an expense, it would basically cloud the measure of the net operating surplus because it would have expenses greater than would otherwise be the case. So it was a considered transitional issue. It is a one-off. It has happened only because we are moving from cash to accrual. It was judged to be the neatest way to take the carryover and allow the department to keep it.

Senator SCHACHT—Using an example of a private company getting a capital injection from their shareholders—if that is analogous—if a private company had a cash surplus, they would be turning a cash surplus into more equity. Is that right?

Dr Boxall—Senator, I think this is a good point. In effect, it is an equity injection equal to the amount of cash they would have carried over. Of course, as you are aware, there are other equity injections that the government has made to fund certain activities.

Senator SCHACHT—Capital injections for equipment, yes.

Dr Boxall—Yes, that is right; so that is what it is.

Senator SCHACHT—I have to say that I find it a bit hard to come to terms with a cash surplus being turned into an equity which is able to be spent through the rest of the year.

Dr Boxall—Senator, it is not a cash surplus; it is in effect a cash underspend, and that is why it is a carryover.

Senator SCHACHT—At the end of the year, to my simple mind, they have a bag of cash of varying amounts. In the three or four departments I have been with—even in the internal briefings—this is what they were describing to me. I found this very hard to understand and I also have to say, with all due respect to those officers, that they found it difficult to explain. I am not in any way criticising them, because I think this is a very odd concept.

The next thing about the capital injection, or the CUC, is that I draw your attention to the briefing we had from the Department of Employment, Workplace Relations and Small Business, Mr Reith's department. In the document there is a capital usage charge of something like \$60 million, which was the unused leases of the old CES office, because that was the value at the starting date, as equity. Then they said, 'For most of the year we will owe debts to people. We will then use the money from this to pay off the debts.' Again, I found this an extremely convoluted and hard to understand arrangement. In their balance sheet they actually had a mixture of assets and debts all on one line. I asked them to go away and, when we have the estimates hearings next week with them, to come back and try to give the estimates committee a better understanding. They were saying that they had the asset of the leases of the old CES office as coming into the capital usage charge, that they were going to run out and use the money they had got from that to pay off other debts in the department, which I found very hard to understand. Is there anyone from the Finance who has been involved with that department who can give us any light on the issue?

Mr Bartos—We will have to check with the officer in Budget Group who deals with that portfolio, and they are not here at the moment.

Senator SCHACHT—They are forewarned that they will help DEWRSB explain this at a later stage, because it was a bizarre situation. I just could not understand the accounts; I could not understand how you could do this. The next question I want to ask is, again, on the capital usage charge. Has each department provided Finance with a list of all the assets in their registers of assets which make up the capital base?

Mr Prior—No, they have not.

Senator SCHACHT—I presume that, if you wanted to, you could check with each department and they would give you access to it?

Mr Prior—Indeed.

Senator SCHACHT—In a briefing I had with Defence, Veterans' Affairs and the War Memorial, I found that in the War Memorial accounts the capital usage charge was \$70 million, which raised my eyebrows a bit. I asked them how they got that. They said, 'It is 12 per cent of the capital asset of the department. We've valued the War Memorial and all its exhibits at about \$550 million or \$600 million.' I said, 'It's a meaningless figure, surely. Are you suggesting that Finance one day will tell you to sell half the exhibits of Victoria Crosses, the old tanks and *G for George*, or are you going to redevelop it as a housing development?' How do you get these figures on something that is basically priceless and a part of the national heritage and then apply a meaningless figure, a capital usage charge, of \$70 million? I do not think the veterans of Australia would be overly impressed with the fact that some idiot has put a value on the veterans' heritage of Australia on the basis that there is a value to it.

Mr Bartos—This actually gets to an interesting issue of departmental versus administered capital items. There are two categories of assets: those within the control of an agency and those not within their control.

Senator SCHACHT—Isn't the War Memorial in your control as far as overall budget objectives?

Mr Bartos—In terms of the classification of it, clearly the War Memorial has determined that its assets are within their control and therefore they are classified as—

Senator SCHACHT—Was that at your prompting?

Mr Bartos—This is in accordance with audit standards. The question of controlled or not controlled assets is actually something that departments have been considering for a number of years because they have been presenting their accounts and their annual reports on an accruals basis. In almost all cases there has been discussion with the Australian National Audit Office. So, for the asset in which we are currently sitting, Parliament House, the argument has been—just as you mentioned with the War Memorial—that no-one is going to sell it and therefore it is actually not a departmental asset; it is classified as an administered asset. That same discussion would have been held between the War Memorial and the Audit Office in relation to that classification of the War Memorial asset. It is something that is decided in each case against the relevant accounting standards and, in relation to each agency, it has been the subject of discussions with Audit. We cannot really talk for the War Memorial, but it would appear that in this case it has been decided that the assets of the War Memorial are within the control of the Australian War Memorial. This is something that can be tested; it can be argued through whether that really is the case and it is subject, as all of these sorts of issues are, to discussions with the Audit Office to determine what is the appropriate classification.

Senator SCHACHT—The \$70 million CUC is a substantial amount. Customs has a \$5 million CUC and the War Memorial gets \$70 million. So they have a big CUC. Under the

same rules, if they rationalise property and assets, they keep the profit, under what you have previously told me. Is this through encouragement from you people under the accrual accounting theory that you want them to start rationalising some of the assets or the exhibits in the War Memorial?

Mr Bartos—That is clearly a decision that is up to them. It is not something that we are trying to tell them to do.

Senator SCHACHT—How do we know that, in the next year or so in a tighter fiscal period or something, you are not going to say to the War Memorial, ‘We’re not going to give you the same amount of money. You can rationalise some of these things and take the amount of money—an improvement on the rationalisation of the property—keep the difference and therefore we will not have to fund you as much,’ which is the point I was getting back to earlier. You are opening up the pressure for this to occur.

Mr Prior—What is the question?

Senator SCHACHT—I thought the question was reasonable.

Mr Prior—It may be.

Senator SCHACHT—You are saying it is up to them to decide whether they rationalise any of the assets, namely the exhibits. They should go and sell a couple of Victoria Crosses or *G for George* or whatever. You say that is their decision—they do not have to do it—and it just becomes \$70 million in and \$70 million out at the end of the year. In the meantime, in a couple of years time, things might get tough and a bit short, it may be that your government or some other government start running the line through ERC and say, ‘By gee, we can actually save the grant money, the capital money to renovate an exhibit or a section of the War Memorial by saying we want you to rationalise part of those assets you have. You make a \$5 million saving, so you keep the \$5 million and we do not have to pay you the \$5 million. You can go and use the \$5 million to renovate or put a new exhibition on.’ That pressure will arise because they have now identified the asset of this national heritage arrangement. Politically it might be too difficult to do because Bruce Ruxton and the boys will be down at your office with firebombs and everything else under the sun. But one should never underestimate Finance’s ability to try some very extraordinary things on from time to time.

Dr Boxall—Those pressures are there now under a cash system. It is hypothetical but, if a government faces budgetary pressure, the pressure comes on and an agency can be asked to absorb things. So the pressures can be brought to bear now. There is no way that there would be an incentive for the War Memorial to sell off assets because it would not be able to do that and maintain the level of service and of exhibits it is doing now, which, as you have mentioned in your question, is a major political decision.

Senator SCHACHT—That is their major defence, I suspect. Nevertheless, it is an example that I suspect will occur elsewhere. One thing both in the capital usage charge and in the new system of depreciation is that, instead of it being a book entry, cash is paid throughout the year at the standard of depreciation on capital. I understand that in the departments that is all being handled by a central account and by an officer at a very senior level to make sure that the money is properly managed. What has Finance put in place to monitor on a monthly basis the expenditure of the depreciation money that is paid? Ultimately it is paid out through the year to buy new capital equipment as it depreciates to nothing and has to be replaced, as well as the CUC?

Dr Boxall—There are two issues here. We will be compiling accounts each month, so we will be able to keep track of expenditure and revenue each month. The other thing is that departments cannot run a net operating loss without the permission of the Minister for Finance and Administration. The only way that a department could expend depreciation on things that they were not meant to spend it on would be to run a loss.

Senator SCHACHT—We now have roughly four estimates hearings a year: this one, the annual report one, a supplementary and an additional—whatever type you want to call them. Would we then be able to ask at each of those estimates, either at the departmental level or through you, for a report on what is being expended out of the depreciation accounts of each department? Because when you total it up, it will be a sizeable expenditure.

Dr Boxall—I see no reason why you cannot ask that.

Senator SCHACHT—I can ask it, but am I going to get it? That is the more important question. Even though it is not going into deficit, there will be an enormous amount of expenditure left to the officers out of the depreciation account.

Dr Boxall—Departments should be able to give you an idea about whether they are going to run a net operating loss or not—

Senator SCHACHT—But you would not provide it to us as a central report from Finance's own monthly monitoring?

Dr Boxall—We will take that on notice.

Senator SCHACHT—I would appreciate you coming back to us on that by the annual report hearing or in the next month. I think that is all I have to do at the moment.

Senator LUNDY—If I can follow up a question I asked earlier with respect to QSP's implementation and Ernst and Young's involvement: were Ernst and Young contracted to implement that?

Mr Prior—I do not recall us talking about Ernst and Young and QSP—we may have done in a different context. Can you contextualise your question a bit more?

Senator LUNDY—Were Ernst and Young contracted to implement the QSP in the Department of Finance?

Mr Cochrane—Yes, they were contracted to implement the QSP installation for the DOFA agency, which was terminated before my arrival in November last year.

Senator LUNDY—Why was it terminated?

Mr Fisher—We are talking about work that was being done within the department for the department's internal accounts rather than the whole of government issue which has occupied the last hour or so. Ernst and Young was working with the department to develop an internal accounting system. From memory the contract with Ernst and Young was until the end of October to work up that system, and at the end of October that contract terminated. There was an option to extend, but we chose not to.

Senator LUNDY—Why did you choose not to?

Mr Fisher—Partly because we were going through some internal changes in the department. The new CFO was arriving shortly; work was still being done on the whole of government preparation for accrual budgeting, which we needed to interface with; and we thought that we had gone as far as we could at that point. We simply put the work on hold. Early in the new calendar year when directions were clearer, work was recommenced.

Senator LUNDY—Who recommenced the work?

Mr Fisher—The department engaged another firm to work with us.

Mr Cochrane—What we did was we project managed it internally, because that was the role that Ernst and Young had. So it was done by existing staff and QSP, the developers of the software, provided the technical solutions in association with our staff.

Senator LUNDY—Is it true that you did not exercise the continuation option with Ernst and Young because you were dissatisfied with their performance to date?

Mr Cochrane—No, I do not think that is true. I came in and I was new, and I believed we had the skills and resources to do it internally.

Senator LUNDY—Did the termination of Ernst and Young's contract put at risk your timetabling for the introduction of the new system?

Mr Fisher—I think it is important to be clear that we did not terminate the contract. The contract was expected to run until the end of October and did, and Ernst and Young worked with us right up to the end. From memory, some of the Ernst and Young people might have also worked a few days beyond the end of October to make sure that the system was appropriately plastic wrapped and put on ice, pending the arrival of the CFO. It was not terminated; it simply ran its course.

Senator LUNDY—In terms of all the work that is done by consultants in this area and other areas that we have discussed today, who actually owns the intellectual property derived from those consultancies? Is that something that is dealt with in the actual contracts when engaging these consultants, or does it remain the property of those consultants?

Dr Boxall—We think that we have answered this question already.

Senator LUNDY—The question I asked before related to more specific contracts. I am asking it as a general question now. Do you have, for example, a policy as a department which says, 'We will make sure we own all of the intellectual property derived from the consultants that we engage'?

Mr Bartos—As a general rule in terms of advice that we obtain, our expectation is that we will own the intellectual property. But there are consultancies for different things, and it is conceivable that what we are getting from a consultancy is an actual product—delivering a thing that we then own—as opposed to intellectual property. It will vary circumstance to circumstance, but where there is creation of intellectual property arising out of a contract where we have paid the contractor money, it would have to be specifically worked out—and I am not aware of any instances—if they were to depart from the principle that we would own the intellectual property. In terms of the consultancies we have had, we have retained the intellectual property.

Senator LUNDY—I have one final question with respect to that. How does the expertise that is built up by virtue of a consultancy impact upon the competitive tendering process subsequently? Obviously firms that are engaged that build up a level of expertise perpetuate the opportunity for them to play a role in securing contracts, and perhaps an advantage can be established. How do you deal with that in terms of managing your competitive tendering or CTC principles?

Mr Bartos—The basic principles that we apply are those that are set out in the procurement guidelines, the first of which is value for money, but there are other considerations included in those guidelines. You are right: if an organisation has built up a level of expertise and therefore does not have to invest in training up its people or acquiring new skills because they already have them, then they may well be able to provide a better quality service at a cheaper

rate. If they can demonstrate that they can do that, then they have an advantage in the tendering process. But they still have to demonstrate that they can do that. It is not as though it is given to them on a plate just because they are an incumbent.

Senator LUNDY—I suppose it highlights the role of the CTC process as being so critical in its diligent application. I might return to that in outcome 2.

CHAIR—As there no further questions on outcome 1, I suggest that the committee suspend for 15 minutes for afternoon tea before we go to outcome 2.

Proceedings suspended from 3.33 p.m. to 3.47 p.m.

Outcome 2—Improved and more efficient government operations

Output Group 2.1—Public sector financial management

Senator FAULKNER—Can the department give us a status report on the payments that were made to Victoria for problems arising from the interruption to its gas supply?

Mr Millar—The current status is that on 5 May the Victorian government repaid the Commonwealth \$41.9 million of the \$50 million it had advanced to them.

Senator FAULKNER—Would I expect to see that somewhere in the PBS?

Mr Millar—There is reference in the PBS to an expected amount for payment in respect of the Victorian gas crisis, yes.

Senator FAULKNER—Can you walk me through that, please?

Mr Millar—It is on page 42.

Senator FAULKNER—Yes, I have it in front of me.

Mr Millar—‘Payments to assist people in small business, interruption to Victorian gas supply’ shows \$7.5 million. That was an earlier figure that was put in prior to some further reconciliations that were done in May. The final outcome for payments by the Victorian government on our behalf was \$8.1 million.

Senator FAULKNER—So the current figure is \$8.1 million, even though I understand it is \$7.5 million in the PBS.

Mr Millar—That is right.

Senator FAULKNER—Just so I am absolutely clear on the arithmetic behind it, can you tell me how we have come to this final figure of \$8.1 million including payments and repayments? Whether you care to use it in terms of 7.5 or 8.1, that is fine.

Mr Millar—The final wrap-up of the program with the expenditure by Victoria on our behalf amounted to \$8.1 million. That is for the two components they were administering for us: the community assistance component, and the small business component. Over and above that, there was a small amount paid to the New South Wales government for benefits largely under the small business assistance component of the program for New South Wales residents, and there was another small component paid by Centrelink in respect of workers who were stood down throughout Australia directly as a result of the gas crisis. I do not have the precise figures for the total expenditure with me, but the total expenditure for the total program was around about \$8.5 million—probably a bit less than that.

Senator FAULKNER—That is helpful, but can you be a bit more precise about the components of the \$8.5 million?

Mr Millar—I do not have the precise breakdown of the amounts at the moment.

Senator FAULKNER—If you do not have them here, would you take that question on notice and provide them for us?

Mr Millar—Certainly.

Senator FAULKNER—I appreciate that you have indicated what they are. But it would be helpful perhaps if you could disaggregate the \$8.5 million.

Mr Millar—Yes.

Senator FAULKNER—Thank you for that. In Budget Paper No. 3, why don't we see any mention of the gas crisis in the repayments tables—table A2 or table A3? Table A2, 'Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances in Interest Payments 1998-99', shows that \$7.5 million was expended, but it is not mentioned in the repayments or advances section of the table. This might be an accounting issue, I am not sure; I would just like to understand it.

Mr Millar—Our Budget Group people are not with us at the moment; they put this figure together. My understanding is that only the net amount is shown because the transactions occurred within the financial year; a \$50 million advance was paid out; there was a repayment within the financial year; so only the net amount is shown in the budget papers. That is my understanding, but I would need to confirm that with our Budget Group before I could be sure about it.

Senator FAULKNER—I hear what you say about the Budget Group. I asked about this specifically in outcome 2 because of where it appears in this outcome 2 table on page 42 which, of course, you have directed us to. It might have been as appropriate to direct those questions to them; it is difficult to make that determination on the basis of the information I have got available, which is only the PBS. I would ask you to take that on notice. Would it be possible to try to ask the department here to provide these answers as quickly as possible? I would appreciate that if you could do it. I am interested particularly in Budget Paper No. 3, tables A1, A2 and A3. Table A1 shows that the \$7.5 million was expended. I hear now that that sum is closer to \$8.5 million, and you will disaggregate that for us, which is fine. Could you also take this on notice: in tables A2 and A3, 'Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments', why is it that table A3 has no mention at all of the gas crisis and why is it that table A2 has no mention of it in the repayments or the advances section of the table? Your explanation might be a useful dilution of it, but I would appreciate it if we could have perhaps a fuller explanation of that for the benefit of the committee.

Mr Millar—We will find out as quickly as we can.

Senator FAULKNER—There is no question that \$50 million was made and placed in a trust fund by the Victorian government, as I understand it. We have had that evidence before at this estimates committee hearing. I understand that that is correct?

Mr Millar—That is correct, yes.

Senator FAULKNER—That is why, given that those payments have been made, I am interested also in the accounting procedures, if you like, or reporting here. Will you be able to provide, for the benefit of the committee, information as to when that \$50 million was provided to Victoria? Would you be able to do that now?

Mr Millar—I think so. It was provided some time ago at the previous estimates committee hearings.

Senator FAULKNER—I think you told us it was paid around mid-October previously. Would you be able to provide, on notice, a specific date? That was the evidence you gave previously. I am not questioning that evidence, but I wonder whether we could get it a little tighter, if we could get a specific date.

Mr Millar—Certainly, that is no problem.

Senator FAULKNER—I would be interested in finding out how those moneys were transferred to the Victorian government and on what terms they were transferred to the Victorian government. You might take that on notice as well.

Mr Millar—Certainly.

Senator FAULKNER—I understand that Senator Conroy wanted to follow this up.

Senator CONROY—I had a couple of questions on a separate issue. On pages 42 and 43 of the PBS, there is a list of administered expenses for this outcome. There is a blank space for 1999-2000, there is no itemisation; I was wondering why that was.

Dr Boxall—This is again an issue about the design of the portfolio budget statements, and this is another point that we will be taking note of and seeing whether, next year, it would make more sense to itemise the administered items rather than give a total.

Senator CONROY—It is just that a number of other departments, like A-G's, have actually included numbers in that column.

Dr Boxall—Yes, ours actually sticks right to the guideline. That does not mean to say that the guideline should not be modified. That is a point that we will take on notice for design of the PBSs next year.

Senator CONROY—Will you provide us with that information—the itemised figures?

Mr Cochrane—Yes.

Senator CONROY—Are you able to provide us with the forward estimates for each sub-output?

Dr Boxall—We can do it. We can give some idea now and then we can give you a full thing on notice.

Senator CONROY—You can take it all on notice, if you like. I was not planning on asking any follow-up questions. I was just soliciting the information.

Dr Boxall—We will take the three outcomes on notice.

Senator CONROY—Pages 24 to 26 contain a discussion of capital injections and repayments in the property group. What is the nature of these payments and how do they relate to any planned new work? How is the repayment stream arrived at? I would just like a general explanation.

Mr Bowen—Very broadly, there is a large return of capital to the budget from the sale of property—sales of \$565 million over the four-year period and a return of cash of \$153 million. That is a total return of \$718 million of capital to the budget from property. There are some specific capital injections which net off that amount, totalling \$147.2 million over the period. The three major items are \$37.5 million for the refurbishment of the Treasury building; \$73.7 million for the building of new law courts in Adelaide; and remediation works across a range of properties in Australia to cope with things like OH&S issues, year 2K problems—or solutions, I guess—which are spread over quite a range of the portfolio.

You will note also notional tax and dividend streams totalling, I think, \$151.6 million over the period. That reflects the move to a fully commercial approach to managing property in that we have a capital base rate of return targets and hence notional tax to reflect the competitive neutrality issue and the payment of dividends back to the government as shareholder. That is broadly it.

Senator CONROY—I have some questions relating to the PSS. I understand that ComSuper is advertising on its web site the number of days before the PSS closes, when the legislation has not passed the Senate.

Dr Boxall—Senator, when you checked with me, I thought it was a more general question on the closure of the PSS which Sandra Wilson would be happy to—

Senator CONROY—That was more of a specific one.

Dr Boxall—If it is an explicit thing on ComSuper we might have to wait until the officers are here later.

Senator CONROY—If the legislation does not pass the Senate before 1 July 1999, will the PSS remain open to new employees?

Ms Wilson—Yes, it will.

Senator CONROY—For how long?

Ms Wilson—That is a matter for the government to decide, and the parliament.

Senator CONROY—This may be a bit too specific: has ComSuper received any advice concerning what will happen if the legislation does not pass the Senate?

Ms Wilson—I cannot comment on that.

Senator CONROY—I am happy to put that to ComSuper. Is DOFA advising other agencies about the choice of fund implementation?

Ms Wilson—DOFA has only advised agencies in a very general sense about choice of fund applying and agencies having specific responsibility themselves for choice of fund arrangements. Some time ago we organised a seminar for agencies where we invited along the tax office in particular to talk to them. We have encouraged agencies to make their own inquiries with the tax office about what the arrangements will be because the responsibility is to be devolved to individual agencies.

Senator CONROY—Is it possible to get a copy—if it is not confidential—of the information that you have been circulating to them?

Ms Wilson—Yes. It is all on the Intranet, so we could provide it for you.

Senator CONROY—Thank you. When the seminars are being put on by the tax office, are people being advised to adopt differing choice regimes? Are they being advised that there is the one model or that they should go out and find their own model?

Ms Wilson—I am not entirely certain. I have not attended too many of these conferences. I did go to one early last year where the tax office advised them that there were a range of options available to them and it was up to them to decide. Perhaps that question should go to the tax office.

Senator CONROY—I am happy to put it to the tax office as well. Will people be able to access a lump sum cash payment after 30 June this year if the legislation does not pass?

Ms Wilson—There will be no changes to the scheme if the legislation does not pass.

Senator CONROY—Do you know whether ComSuper are receiving inquiries from people concerned that they will not be able to access a lump sum payment?

Ms Wilson—Again, I think you would have to address that to ComSuper.

Senator CONROY—Is DOFA giving any advice to its members about lump sums in these circumstances, or is your advice that there is no change?

Ms Wilson—There is no change at the moment. I am not aware of any advice coming out of DOFA.

Senator LUNDY—Under the current procurement guidelines, efficiencies and cost savings feature prominently. For the benefit of the committee, can you identify what the priorities are for government in achieving outcomes?

Dr Wright—The government objectives are described on page 1 of the procurement guidelines. They go to value for money, open and effective competition, ethics and fair dealing, accountability in reporting, national competitiveness, industry development and support for other Commonwealth policies.

Senator LUNDY—With each of the agencies managing their own procurement, to what extent does Finance get involved in overseeing the decisions of agencies through their procurement processes?

Dr Wright—With the introduction of the FMA Act and the issuing of these guidelines, the guidelines are principle based and, under the FMA Act, the chief executive issues instructions, so the role of Finance is to facilitate and provide guidance. We do not have a direct oversight role. So, for example, we have case studies and other tool kits on the CTC web site. We run seminars where we have speakers who talk about best practice and there is a range of other fora. So it is a facilitation, guidance and advisory role rather than an oversight role.

Senator LUNDY—In that framework of advice to agencies that you provide, what sort of specific advice do you provide relating to industry development, particularly with respect to research and development capabilities conducted here in Australia?

Dr Wright—In relation to industry development, model industry development criteria were issued in February which are mandatory for contracts over \$10 million and discretionary underneath. We can provide you with a copy of those criteria if that would assist.

Senator LUNDY—Yes, it would. Can you explain just briefly what, if anything, applies within those guidelines relating to research and development capability to be conducted in Australia—whether that is mentioned with any degree of specificity?

Ms Saave-Fairley—In the model industry development criteria, criteria 4 and 5 are probably the relevant ones for you. Criterion No. 5 talks about innovation, research and development being key sources of economic growth, and innovation and product and process design or the delivery of services being essential to improving productivity and competitiveness. Criterion 4 says that ‘existing investment and new investment in improved industrial plant equipment has a positive influence on a nation’s capacity to improve its standard of living’. More particularly, with regard to research and development, it suggests that tenderers should indicate:

- . the extent to which they undertake R&D in Australia;
- . how the tender would support or add to the tenderer’s capabilities in research and technological development;
- . whether successful R&D outcomes from the tender will result in the commercialisation in Australia of any intellectual property;
- . ownership and exploitation rights . . .

. the extent to which the project will lead to the transfer of the new technology to Australian industry
. . .

Senator LUNDY—They are all very commendable points, I suspect. So to what degree are the agencies able to factor in those considerations against other principles you describe such as value for money, cost efficiencies, et cetera? How does that work?

Dr Wright—As I said, it is mandatory for projects over \$10 million and discretionary thereunder. The objectives in the Commonwealth Procurement Guidelines are to facilitate Australian industry through value for money. What that means in effect is that it depends on the case in each agency as to how they assess those criteria. There is no global rule, but it would depend on the circumstances of what was being procured. So it is really agency specific but it needs to refer back to the overall objectives of the Commonwealth procurement guidelines.

Senator LUNDY—So when you say ‘through value for money’, does that mean value for money or cost saving is an overriding factor, or can the R&D and industry development considerations actually override or offset cost efficiencies or cost savings in a given tender?

Dr Wright—As I indicated, Senator, the government objectives are to facilitate Australian industry development through value for money—not that they should actually override that. So it needs to be assessed on a case by case basis. This is one of the factors that are taken into account. For example, with the corporate support which was let in the department the industry development criteria were included as part of the assessment, although they were only in draft form at the time.

Senator LUNDY—Sorry, they were what?

Dr Wright—The industry development criteria were only in draft form at that time. They were up for public consultation but the department took the initiative and included those in a contract even though it was below the proposed \$10 million threshold.

Senator LUNDY—Which contract was this?

Dr Wright—The corporate support contract, which has been outsourced for the Department of Finance and Administration. It was covered earlier in the general questions.

Senator LUNDY—Who is that with?

Dr Wright—There are three components: corporate support, human resources, and facilities management.

Senator LUNDY—And who has that contract? Can you just run through that again?

Dr Wright—The contracts are with Outsource Australia for corporate support, KFPW for facilities management, and the final component is the Price Waterhouse human resources component which has just been finalised.

Senator LUNDY—So in each of those you have an industry development R&D component?

Dr Wright—That is correct.

Mr Fisher—Industry development was mandatory, or bids simply did not qualify.

Senator LUNDY—In your assessment of those contracts, using that model which, from your explanation, will now be expected to be applied by agencies more generally—

Dr Wright—Certainly. It was formally issued following a consultation in February this year.

Senator LUNDY—Can you describe the assessment process for consideration of industry development qualifications—or credentials is probably a better way of putting it—within those tenders and how that relates to a fiscal analysis of each bid?

Dr Wright—You are asking for a service-wide answer or for a DOFA specific answer?

Senator LUNDY—Are they different?

Dr Wright—They are criteria and they would be applied by each agency according to the circumstances.

Senator LUNDY—Perhaps you could describe it as to the contracts you just mentioned and then explain any differences as it would be applied on a broader basis.

Dr Wright—One of our other officers can talk to the contracts. We cannot give any information as to how individual agencies have applied the criteria. Those questions would need to be directed to those agencies themselves.

Mr Fisher—I think Dr Wright has answered the question. When we put the proposals to the market, we incorporated the provisions of the whole of government policy, which were then still in development. We thought it better to incorporate them and work on them, because they imposed a higher level requirement. The industry development requirement was included as a mandatory component of the assessment of bids as part of the evaluation process. If bids did not meet those requirements, they simply did not go into the next stage, which was the detailed financial and other evaluation.

Senator LUNDY—So the industry development considerations were canvassed in the first instance and if they made the grade they would go on to the next stage?

Mr Fisher—Yes.

Senator LUNDY—Who conducts that assessment with respect to industry development? I will ask the questions with respect to the contracts that Dr Wright described within DOFA for the purposes of focusing.

Mr Fisher—In that particular case that assessment was undertaken by an evaluation team guided by Ernst and Young, our business advisers. The evaluation team reported to a steering committee of departmental officials and our internal audit to ensure that we went through the proper process.

Senator LUNDY—So Ernst and Young provided advice on the relative merit of industry development aspects of different tenders?

Mr Fisher—Ernst and Young were at the table to provide us with business advice as we needed it, but the decisions were made by DOFA.

Senator LUNDY—Did they actually assess the aspects of each individual tender and then present you with a report or were they just there for you to ask questions to? I am not quite sure of Ernst and Young's role.

Mr Fisher—I think I have understood your question, but please tell me if I have not. The DOFA evaluation committee undertook the assessment of the bids. At that point in the evaluation we asked for Ernst and Young's advice on a whole range of issues. From memory they did not give us a separate report on industry development. They provided advice that helped us assess whether the tender proposals met the requirements.

Senator LUNDY—So it was not qualitative assessment of the industry development aspects; it was more whether or not they met the tender criteria?

Mr Fisher—The tender criteria had embodied the draft guidelines that at that point had been issued. So it was qualitative and quantitative.

Senator LUNDY—Did they actually assess the relative merits of the industry development R&D proposals—that is, go out to industry to make sure that what was claimed stacked up? Was it that type of assessment?

Mr Fisher—Yes. In our process the evaluation team assessed the claims that were being made and tested them against the guidelines that were then in draft. They did not from memory rank the proposals in order. They simply tested whether it met the whole of government guidelines or not.

Senator LUNDY—And they came up with a short-list through that first stage?

Mr Fisher—They came up with advices as to what met and what did not meet.

Senator LUNDY—Who did?

Mr Fisher—The department then had a list of bids that either met or did not meet the requirements.

Senator LUNDY—Who is on the DOFA evaluation committee?

Mr Fisher—I would have to take that on notice, Senator. There were a range of people that we put on to evaluate different parts of the process. You will recall that the whole process took some 15 or 16 months. We had different teams of people at different points in time. I would have to take on notice the names of the people who were involved at that point in the process.

Senator LUNDY—In relation to Ernst and Young's involvement in that process, how does that relate to what we were discussing earlier when they were contracted for implementation of QSP?

Mr Fisher—Not at all. It was a separate process, a separate contract and separate people. It does not relate to the QSP work at all.

Senator LUNDY—Did the timing overlap at all?

Mr Fisher—From memory, QSP was being developed while we were going through the RFT process, so it did overlap in time.

Senator LUNDY—Did you go through a process of ensuring that there was no conflict of interest with respect to the work you had asked Ernst and Young to do and who their other clients were at the time?

Mr Fisher—I am sure my people will correct me if I am wrong on this, but the Ernst and Young business advisers were also like us—that is, subject to probity checks and also provided conflict of interest undertakings.

Senator LUNDY—Who at the time was providing the service of internal probity auditor?

Mr Fisher—The probity audit was undertaken by Acumen Alliance on behalf of DOFA's internal audit unit.

Senator LUNDY—Have Ernst and Young ever done any auditing with respect to any of your outsourcing programs or contracting out?

Mr Fisher—I am not aware that they have, to be honest.

Dr Boxall—We have Acumen Alliance and Ernst and Young on contract to internal audit. Clearly, whenever Ernst and Young are involved we do not have them doing the internal audit work; we have Acumen Alliance. So Ernst and Young might well have provided advice to

our internal audit unit on outsourcing, but it would only be in cases where they are not involved at all.

Senator LUNDY—With respect to this case, Ernst and Young were providing advice on evaluations and Acumen would have been the ones providing advice on the internal audit?

Dr Boxall—That is correct.

Senator LUNDY—Would Ernst and Young have been providing internal probity audit services to other areas within your department that cross over the same sort of time frame?

Dr Boxall—I am sure they would have. As we mentioned earlier, all contracts are subject to probity audits. We get a number of probity reports. We are continually getting some by Ernst and Young through internal audit and some by Acumen Alliance through internal audit. I am certain that during the period that Ernst and Young were engaged as business advisers they would have also been advising us on probity issues but for unrelated matters.

Senator LUNDY—In terms of providing business advice, what is Ernst and Young's status? Does that operate like a panel as well in that they are continually commissioned by the department of finance?

Dr Wright—Ernst and Young are one of the CTC panel providers.

Senator LUNDY—And that is essentially how you procure their services through that process for each initiative?

Dr Wright—We do use the CTC panel for a number of our contracts and assessments but, like other agencies, we are certainly not confined to using the CTC panel. It is there to facilitate.

Senator LUNDY—You have already made that point. Thank you. Are Ernst and Young utilised by the department in any other way than the way you have just described, or is their procurement through the CTC panel and their use as an internal probity auditor the only capacity in which you utilise their services?

Mr Bowen—At least in one instance, Senator, yes. They are providing business advice to another part of the department. They were selected for that job via a separate select tender process.

Senator LUNDY—Which is that?

Mr Bowen—It is business advice in the property group.

Senator LUNDY—And how are they selected?

Mr Bowen—Through a tender process.

Senator LUNDY—A competitive one?

Mr Bowen—A competitive process, yes.

Senator LUNDY—How many other competitors were in that process, out of interest?

Mr Bowen—From memory, there were about five or six people in that field.

Senator LUNDY—I want to go back to the issue of the DOFA evaluation committee and their process in establishing a short list of tenders based on industry development and R&D components. I am trying to find out what weighting is placed within the department on Australian R&D—retention of intellectual property in Australia—when making those evaluations. I am looking for quite fine detail on the criteria on which the industry development R&D is assessed.

Dr Wright—As I mentioned earlier, the evaluation package for any tender process is developed on a case by case basis and the relativity of what is important to individual agencies can vary quite considerably, depending on the particular project. Also, it has not been practice to date to publicly release weighting criteria.

Senator LUNDY—Perhaps, Minister, you can shed some light on this. How important is it, in a policy sense, for you to place a perhaps greater weighting on these areas than you have in the past with respect to Commonwealth procurement? I can quote the minister's speeches relating to the importance of industry development if you like. I was hoping not to have to go there. Could you give some indication as to how serious the government is about these criteria, particularly with respect to offsetting the cost savings that would potentially arise?

Senator Ellison—As the minister has stated on previous occasions, it is an important aspect to take into consideration but, when looking at contracting in every case, there are variations which have to be taken into account. It may not be possible to address the issue with the priority that you would wish because the company that you are dealing with might not have the expertise, or a number of other reasons might make it different from the norm. You can have a general guideline, but there are always exceptions to the rule. We appreciate that.

Page 11 of the *Model industry development criteria for major projects*—that is, the guidance notes, and I can give you a copy of this if you would like—sets out the tender assessment performance measurement of evaluation compliance principles, and I think that gives you more detail in relation to that. But as a policy, it is an important one for the government and, as you have said, the minister has addressed this previously. But it is difficult to have a hard and fast rule. I think we are coming to a situation where you are going to be asking questions of OASITO about the engagement of an American law firm.

Senator LUNDY—You pre-empt me.

Senator Ellison—You gave me some good clues earlier. There are always exceptions. So it is regarded as very important, but it is hard to get an ironclad rule which is of universal application.

Senator LUNDY—Because it does not carry any teeth, as you say, because of that high level of discretion, is there anything at all—and I ask this in a whole of government sense—that either the minister for finance or the government has implemented to place any requirement on agencies to factor in or weight these considerations over and above or equal to cost savings when outsourcing?

Senator Ellison—Before I ask the department to answer that question, can I clarify one thing. The discretion that you are talking about is one in the department's exercise and not the minister's, because the minister does not have any role in this, appropriately.

Senator LUNDY—I am working on the basis of what Dr Wright said in that the agencies have discretion in applying these guidelines.

Dr Wright—The guidelines are mandatory over \$10 million and discretionary under \$10 million. We then get back to the application of the chief executives' instructions—

Senator LUNDY—That is the discretion that I am talking about.

Dr Wright—It is up to the CEOs of agencies to manage their affairs in an ethical, effective and efficient way. As we said earlier, agencies are subject to audit, performance reviews and scrutiny by Senate committees, when particular questions can be asked.

Senator LUNDY—In the issuing of those guidelines, what does DOFA do to check that they are being implemented?

Dr Wright—DOFA issues the principles based guidelines. It is under the FMA Act. It is a responsibility of CEOs. We do not have a formal role. We do, however, report under Transigo on SME and Australian suppliers. We have a target of 10 per cent, and the average for the last three years is that over 28 per cent of procurement went to Australian suppliers.

Senator LUNDY—Twenty-eight per cent?

Dr Wright—Yes.

Senator LUNDY—Can you expand upon that check mechanism through Transigo, because that is the only sort of check and balance that I can find so far. Can you extrapolate on that?

Dr Wright—It is a mandatory reporting requirement for all contracts over \$2,000 that they be recorded on Transigo.

Senator LUNDY—Is that formally connected to the procurement guidelines policy, or is that a separate reporting system?

Dr Wright—It is in the Commonwealth procurement guidelines, so it is a requirement.

Senator LUNDY—Minister, is it the government's intention to implement any further reporting requirements with respect to this particular guideline under the procurement arrangements?

Senator Ellison—Senator Lundy, understand that the government has nothing planned. However, I understand that at this stage the JCPA, if not actively considering this at the moment, is minded to give it some attention. Of course anything the JCPA comes up with the government will respond to.

Senator LUNDY—I refer to the example of the methodology of consideration of industry development guidelines with respect to IT outsourcing where a two-envelope process has been essentially put in place. What opportunities are there for that type of process to operate with consideration to industry development requirements across agencies or indeed within DOFA?

Dr Wright—The two-envelope tendering process was actually abolished by the 1997 review and has been replaced by the model industry development criteria.

Senator LUNDY—With respect to IT outsourcing, however, the involvement of the Department of Communications, Information Technology and the Arts in assessing the industry development components of those tenders is a significant feature that came to light in some detail at the last round of estimates. Are you considering a similar type of process for other major outsourcing contracts or does any similar process exist?

Dr Wright—Not at this stage.

Senator LUNDY—Have you considered utilising the expertise in relation to industry development either in the Department of Industry, Science and Resources or indeed as recently established in the Department of Communications, Information Technology and the Arts?

Dr Wright—The industry development criteria were jointly developed by three portfolios—Industry, Science and Resources, Communications, Information Technology and the Arts and the Minister for Finance and Administration. So we have already tapped into that expertise, and the criteria were jointly developed and involved considerable industry consultation, including specifically the IT industry. OASITO has been involved as well. If you have specific questions relating to IT matters, then they are best targeted at OASITO.

Senator LUNDY—I was raising that to use it as an example of a process that has now been established in consideration of industry development components of tenders. I note with interest that no such expertise has been engaged with respect to other major procurements over

\$10 million, despite theoretically the same industry development considerations being factored into those decisions. I have already had the answer that it is not your intention to go down that path.

I have one final question about the DOFA evaluation committee for your own contracting out. You mentioned that that evaluation committee can procure the services of advisers like Ernst and Young. At what point does that committee make a recommendation and to whom does it make a recommendation for the purposes of signing off on a contract or engaging a contractor?

Mr Fisher—A point of clarification: if I gave the impression we have a standing evaluation committee—

Senator LUNDY—No, you did not actually. I did get the impression that it was a moveable feast.

Mr Fisher—In the case of our corporate outsourcing, that committee made recommendation to a steering committee which included me, our internal audit people, some other senior managers representing other parts of the department and, from memory, somebody from the CTC group because they had a whole of government perspective. I then made a recommendation to the management board of the department, which consists of the secretary and the general managers heading each business group.

Senator LUNDY—Then they make the decision and make a final recommendation to the minister?

Mr Fisher—We do not make a recommendation to the minister on an issue affecting departmental operations. The minister is not asked to express a view on a process like that. It is internal to the department. Ultimately, it is the secretary and management board who make that decision.

Senator FAULKNER—I have questions on output group 2.2.

Senator Ellison—Does that finish output group 2.1 so that officers can go?

CHAIR—Yes.

Senator Ellison—When do you plan to have a dinner break?

CHAIR—Around 6.30 p.m. if that suits. When we finish with the department our expectation would be to then move to the Electoral Commission. Our understanding is that MAPS would be after dinner.

Senator Ellison—MAPS people can go then?

Senator FAULKNER—We understood that there were some constraints with MAPS because they were in court this afternoon.

Senator Ellison—The Industrial Relations Commission. That has been dealt with. Do you still want to call the AEC at the time that you mentioned? MAPS are flexible now.

CHAIR—If MAPS are available, we may as well go straight into it.

Senator LUNDY—Can I seek advice from the chair as to where the appropriate place would be to ask some general questions with respect to Y2K?

Senator Ellison—I think we were looking to fit that in in outcome 2 somewhere. These are questions about Y2K and how it relates to DOFA?

Senator LUNDY—Yes, internally and also some general questions about financing other agencies' capabilities to deal with the problem.

Senator Ellison—We will have a look at that.

Senator LUNDY—I flag that I will want to ask some questions about that area so that we do not lose the officers.

Mr Boxall—We could probably do that under output 2.3.

CHAIR—Let us do that then. Senator Faulkner will go on to 2.2 now. Then we will do 2.3 and then we will go on with MAPS.

[4.48 p.m.]

Output Group 2.2—Property and contract management

Senator FAULKNER—Could we get a brief overview as to where the property outsourcing proposals were up to? My understanding is that the likelihood is that a preferred tender will be selected by September. If someone could give us an overview of the process, that would be helpful.

Mr Bowen—Yes. We are currently at the stage of talking with prospective partners, strategic partners. That is a briefing and discussion process which is going on right now. We will be issuing a request for expressions of interest to people either who we have identified or who have self-identified, and there is quite a large number of people. Within the next couple of weeks, a formal request will go out. We are asking for responses by about the end of July, if I recall correctly. On the basis of those responses, we will be short-listing to a much smaller group of contenders who will then go through a formal tender process.

Senator FAULKNER—Thanks for that. What preliminary work had been done in terms of an overall assessment and review of Commonwealth property before the decision was made to commence this outsourcing process, not that outsourcing is the right terminology to use?

Mr Bowen—We are at the market testing stage. No decision has been taken at all at this point to outsource, but a decision has been taken to test the market. As part of that process, we have again hired business advisers. It just happens to be Ernst and Young, before you ask, but it was a totally separate competitive process that resulted in them coming on deck for this project. They, working with us, have been doing very extensive market research and also a scoping of the portfolio so that there is a very clear picture for people who may be interested in working with us in a partnership relationship to have access to the information about the property and for us to gain access to information about the capabilities of the market to deliver.

Senator FAULKNER—What is Ernst and Young on this particular occasion charging the Commonwealth for these services?

Mr Bowen—I cannot give you a figure at this point because the process has only just started. What I can tell you is that we will be keeping very good track of expenditure, and at a later stage I will certainly be able to give you that.

Senator FAULKNER—I read an article in the *Age* newspaper on Wednesday last week quoting Mr Fahey. The article was headlined ‘\$500 million in federal property to go’. I do not know whether you know of the article. Let me quote a sentence to you:

Mr Fahey said a review of Commonwealth property in Canberra alone identified seven hectares of vacant office space highlighting the need for a more efficient approach to property management.

What was that review? Can you assist me?

Mr Bowen—I think I may call for some assistance from Mr Peel. This was part of a review of Commonwealth property. I think it commenced about two years ago. It was a fairly extensive look at the commercial office space that the Commonwealth owns.

Senator FAULKNER—I think I know the review you are referring to. How would you identify that review?

Mr Bowen—I guess it was part of the Commonwealth property committee review.

Mr Peel—Yes.

Senator FAULKNER—I just wondered whether they were one and the same.

Mr Bowen—It is not a new review.

Senator FAULKNER—I was not sure. I just wanted to understand what we were talking about. I suppose one of the issues is how the department is satisfying itself that the contracting out of property services is going to deliver benefits to the Commonwealth. I would be interested in understanding how you are satisfying yourself of that.

Mr Bowen—I guess the first answer to that is that we are going through a very rigorous process with the assistance of the best advisers—commercial advisers, legal advisers probity advisers and financial advisers—that we can put together. The team that we have advising us on this has extensive international representation and expertise and can draw heavily on a very deep knowledge base and experience base throughout the world where others—not just governments but also private sector companies—have embarked on this course, and not just recently. We are not simply relying on our own knowledge, but we are relying on the knowledge of people who have actually done this sort of thing before.

We are also ensuring and will be ensuring that we retain the appropriate expertise within our department so that we can actually be an effective partner in this relationship that we hope to form. What I mean by that is a partner who has adequate strategic expertise, obviously policy expertise to advise government, a very strong contract performance monitoring capability and access to very good information on property and financial management indicators. So we are really looking to put all of that in place before we get into bed with a strategic partner.

Senator FAULKNER—You have told us about your business advisers being Ernst and Young. There are no other business advisers, I assume.

Mr Bowen—Not at this stage working on that project.

Senator FAULKNER—You mentioned commercial advisers. Who are they?

Mr Bowen—The advisers are Ernst and Young. Blake Dawson Waldron are our legal advisers. Our probity advisers are Clayton Utz.

Senator FAULKNER—In relation to the work on outsourcing the management of Commonwealth properties, is it possible for you to indicate to us the costs of those consultants?

Mr Bowen—In the future I will.

Senator FAULKNER—I heard what you said about Ernst and Young obviously.

Mr Bowen—The same applies.

Senator FAULKNER—The same applies to the legal and probity advisers?

Mr Bowen—Yes.

CHAIR—We were just trying to work out the programming for the rest of the day. We will continue with the department as we are now with 2.2, then 2.3 and then MAPS. It turns out there are a few questions for the Electoral Commission, but they look like they will be after dinner. There are a fair few questions on Asset Sales at this stage. It is unlikely there will be

questions for the Grants Commission, but we will check on that. Senators will advise me before we break for dinner whether they will be required or not. There are just a few questions on ComSuper.

Senator Ellison—Thank you for that.

Senator FAULKNER—Minister, I understand the officers to be saying that part of this assessment process that has taken place is to consider the options for reform of the current arrangements perhaps while keeping the activity within the public sector. I am just interested in knowing whether that is still on the table. I get the impression from what Mr Bowen has said to us that it is, but I would just like a bit of clarity on that.

Mr Bowen—If we cannot find anybody who can do it better, clearly we would retain it.

Senator FAULKNER—Can I ask you, Minister, a question in relation to one of Mr Fahey's comments about this. I have got some quite considerable feedback from some comments Mr Fahey, the responsible minister, made in a *BRW* article on 7 May when he said:

There are two big advantages in leaving property management to the private sector: it saves the Government money, and it improves the efficiency of the management process. Fahey says: "We can access some people who have some real skills in this area, when it has frequently been looked after by people who have little or no skills."

That quotation appears to have caused, not surprisingly, quite considerable concern amongst people in the department. First of all, has the department received any feedback like I have in relation to concerns that have been expressed about this statement of the minister about the little or no skills from those who are looking after these responsibilities?

Senator Ellison—I am not aware of any feedback the department has received in relation to this. I read the article some time ago, but I understand that the minister's comments were an extract from a wider discussion relating to the ability and capacity of the government to access from Canberra knowledge and skills for a diverse range of property markets around the world. I think that the discussion also canvassed the necessity for government to run what are essentially private sector functions.

The minister's comments were not intended in any way to reflect on the property skills of personnel within the Department of Finance and Administration property group. The minister is very well aware of the skills and dedication of the property group personnel. I think I can speak for him in that regard.

Senator FAULKNER—Why did he say it?

Senator Ellison—As I said, it was taken from a wider discussion with the journalist.

Senator FAULKNER—There is no suggestion that he did not say it. He actually said it. But you are saying that he said it but did not mean it?

Senator Ellison—We often can be taken out of context and what we say can look to mean something quite different from when it is seen to sit comfortably in the text of where it occurred. In no way was this intended to mean that we just cannot get any skills within the government sector, that we have to go outside for it. It was not that at all. Everyone would acknowledge that there are skills within the private and the public sector. There is no question of that. We have said previously that strategic partnerships can result in an excellent outcome, and this occurs across government.

As to any other feedback, I am not sure whether the department has had any feedback. You asked whether there had been any response to it, but I am not aware of any response as yet. Perhaps Mr Bowen could inform us as to whether the department has had any feedback.

Mr Bowen—Yes, there was feedback from people within the department, and the minister, through his office, responded to that.

Senator FAULKNER—In what way?

Mr Bowen—I think Senator Ellison has given you the gist of the minister's comment on that.

Senator FAULKNER—How did he respond to it? What mechanism did he use to respond?

Mr Bowen—His office emailed a response which we gave to all of our staff.

Senator FAULKNER—So, Senator Ellison, there is no suggestion that the minister did not say this. The minister did say it.

Senator Ellison—But it was taken out of context. He said it, but it was out of context.

Senator FAULKNER—That is what I was getting to. It is another issue whether it was taken out of context. The first thing I am trying to establish is whether he said it or not.

Senator Ellison—As I understand it, they are an edited extract from a wider discussion which took place. Presented as they were, they did not give an accurate account of what the minister had said in the discussion. That is my understanding of it.

Senator FAULKNER—But he said it.

Senator Ellison—I have nothing to tell me that he did not.

Senator FAULKNER—Either he did say it or he did not say it.

Senator Ellison—I have not spoken to the minister about this. I can only rely on my advice. If you want me to get more detail, I will take it on notice.

Senator FAULKNER—Obviously, if the minister's office is sending emails to the affected staff, it is an indication that there are some serious concerns about this. I think we would know if he said it or he did not say it.

Senator Ellison—As I have said before, this was an edited extract from a wider discussion. I am not saying he did not say it. In fact you have asked me that question before and I said he said. But it is a question of how it is taken out of context. I stress the minister is well aware of the skills of the personnel in the property group. He has acknowledged that. This was in no way a criticism of the skills of those people.

Senator FAULKNER—So it was a ministerial blunder?

Senator Ellison—No, it was not. You said earlier how much the press misquote us or say wrong things about us.

Senator FAULKNER—We know this was not a misquote. You have just said it.

Senator Ellison—No, there is also the other aspect of taking things out of context, which I am sure has happened to you, Senator Faulkner, where you have been quoted out of context, where there has been a wider discussion. I do not know what the wider text of that discussion was. You could easily put another sentence in front of your quote and it would render it with a totally different meaning.

Senator FAULKNER—Has he apologised for it?

Senator Ellison—I am not aware of the response that has been given by the minister to the department.

Senator FAULKNER—Could someone tell us what the email said?

Mr Peel—Essentially, Senator, the email said exactly what the minister has said.

Senator FAULKNER—Could you give me the precise wording of the email that the minister sent to the staff?

Mr Bowen—Senator, I think that would be a matter for you to take up with the minister's office.

Senator FAULKNER—I want Senator Ellison to do it.

Senator Ellison—I will do it. I will take it up with him.

Senator FAULKNER—I want you to provide it now, if you can.

Senator Ellison—I cannot. I do not have it with me.

Senator FAULKNER—Officers at the table have it. If they could give it to you, you could give it to me. It is just the chain of command—pass the parcel sort of stuff.

Senator Ellison—I think I had best take that on notice, Senator Faulkner.

Senator FAULKNER—It is quite serious, is it not, because at the end of the day you are looking to outsource these functions—and we all know what impact that has on staff in any department. If they get bucketed by the minister, that obviously does have an impact on their long-term prospects either in the public or in the private sector. That is why I asked the questions. If there is, as you say, a misunderstanding here, something has been taken out of context, this is a very good opportunity to set the record straight.

Senator Ellison—I can tell you, as I have said before, that the minister acknowledges the skills of the personnel in the property group. This was no attack on the skills of the personnel or the personnel in the property group, and the minister was taken out of context. That, I think, explains the situation. There was no bucketing as you say. The quote is out of context from a wider discussion. It is quite easy for quotes to be taken out of context and thereby give a different impression than they otherwise would have when taken as a whole in the discussion surrounding them. I really do not think I can take it much further than that. The officers have told you that the response from the minister has been along those lines. As to the matter, I do not think we can take it any further.

Senator FAULKNER—You probably do not want to take it any further. I would just like to know who the email came from. It did not come from the minister at all, did it?

Mr Bowen—The email came from the minister's office, Senator.

Senator FAULKNER—Was it from the minister or from a member of the minister's staff?

Senator Ellison—I am not aware of that as I have not seen the response, but I can make inquiries.

Senator FAULKNER—Surely someone knows whether it was from the minister or a member of his staff.

Senator Ellison—I will have to take that on notice, Senator Faulkner.

Senator FAULKNER—You may not know, Minister, but I am sure an officer at the table would know that.

Dr Boxall—Mr Bowen has just said that it came from the minister's office.

Senator FAULKNER—Yes. I heard that it came from the minister's office, but I am asking whether it came from the minister or a member of his staff. If you define the minister's office as being a member of his staff, that is fine. I was not clear about that definitional interpretation. I thought the minister's office could be either the minister or his staff. But if what you are saying to me, Dr Boxall, is that it is clearly from a member of his staff, I need

not ask the question again. If that is clear, I do not want to; I do not want to waste everyone's time.

Senator Ellison—I think the matter is clear, as you have put it.

Senator FAULKNER—It is clear? Just so you are clear, Minister, I am interpreting Dr Boxall's intervention as saying that when the words 'Minister's office' are used, that means a member of the minister's staff as opposed to the minister.

Senator Ellison—Senator Faulkner, this is a matter which is really touching on the substance of communication between a minister and the minister's department, which is not a subject for this committee.

Senator FAULKNER—Why not? We are now going to redefine the whole role and function of Senate estimates committees, are we, just because of some embarrassing email that has been sent between a minister's office and department? Come off it!

Senator Ellison—Advice between a department and its minister, according to the guidelines for parliamentary committees, is not the subject of disclosure.

CHAIR—That is right. We had an argument about this earlier in the day, Senator.

Senator FAULKNER—We did not have an argument about this earlier in the day, with respect, Mr Chairman. We had an argument about something else earlier in the day.

CHAIR—It is the same principle, though.

Senator FAULKNER—It is not the same principle; it is a very different principle. This is an email that has gone to a whole range of officers in the Department of Finance and Administration from the minister's office. This is a very different situation from advice going from the department to the minister. I am sorry, but the situations are not comparable and I think you would understand that, Mr Chairman. This is something that, ordinarily, would be a matter that, properly, should elicit a response from the minister at the table. This is not a question of advice going to ministers; this is a question of a communication coming from the minister's office to however many staff there are in the property group who received it. I do not know how many there are. Let me ask that: how many staff in the property group received this email?

Mr Bowen—Approximately 100 staff.

Senator FAULKNER—One hundred staff have received an email from the minister's office. Are you seriously suggesting, Mr Chairman, or Minister, that it is not a reasonable question to ask who sent this email to 100 members of staff in the Department of Finance and Administration?

Senator Ellison—For a start, Mr Chairman, we do not identify. If there is any question of who the staff member was, I think we had this back in February—

Senator FAULKNER—I did not ask for them to be identified. I just asked whether it was the minister or a member of his staff. Dr Boxall, I think trying to be helpful, said it was the minister's office. I think he is defining his office as a member of his staff. All I am asking is for some clarification about that. That is where we are up to at the moment, so we will await an answer to that question before we move on.

Senator Ellison—Mr Chairman, I do not think we can take it any further, other than to say that the communication came from the minister's office.

CHAIR—Thank you, Minister.

Senator FAULKNER—Let me ask another question: did the 100 emails come from Ms Anna Schulze, an adviser in the office of the Minister for Finance and Administration? If we are going to have a silly response like that from the minister, we may as well get down into the nitty-gritty of the issue. We might go through the email. We might go through it line by line if you are going to respond in such a churlish way to a sensible question.

Senator Ellison—I have already indicated that it has been the practice not to divulge the identity of people concerned, if they were, in any correspondence. The minister's staff and the identity of them is not a matter that we disclose. So that question is really transgressing that. Can I also say that, to my knowledge, I do not know who sent it.

Senator FAULKNER—You may not, Minister, but I am sure others at the table do. All I was trying to establish, as you know, is whether the minister sent it or a member of his staff sent it, which seems a perfectly reasonable question and it would have been a sensible one for you to answer.

CHAIR—The decision is up to the minister as to how he handles that question.

Senator Ellison—It is obvious that Senator Faulkner has a document which purports to be a copy of an email.

Senator FAULKNER—Why is it obvious?

Senator Ellison—You said you could go through it line by line, so I am assuming that you do have something there.

Senator FAULKNER—I thought that was a good way of trying to elicit a response from you. That is in the old 'Handbook of estimates tactics', paragraph 1, and, if you have fallen for it, that is terrific.

Senator Ellison—No, I am saying that any reference to a document which has been obtained in an unauthorised manner is one we cannot comment on.

CHAIR—Thank you, Minister.

Senator FAULKNER—Was the email that was sent to the 100 staff authorised?

Senator Ellison—It is the unauthorised obtaining of the document—

Senator FAULKNER—Yes, but I am asking whether the email was authorised and who authorised it. You are the one that is raising this issue of authorisation. It is interesting, and I want to progress it now.

Senator Ellison—No, it is the method of obtaining a document. Evidence can be authorised, but it can be obtained in an unauthorised manner. It has long been a practice and convention. For instance, cabinet documents are well authorised but if they are obtained in an unauthorised manner—

Senator FAULKNER—Do you think this email is a cabinet document going to 100 members of staff in DOFA?

Senator Ellison—No, I am giving an example where the obtaining of the document is the issue, not the question of the authorisation of the document.

Senator FAULKNER—We are not talking about the obtaining of the document; we are talking about who authorised the email. Did the Minister for Finance and Administration, Mr Fahey, authorise this communication to the department? That is my question. You raised the issue of authorisation. I agree it is an important one and I would like to know.

Senator Ellison—No, I raised the question of the method of obtaining the document.

Senator FAULKNER—What document?

Senator Ellison—The document that you purport to refer to, because you say—

Senator FAULKNER—Do you mean the email?

Senator Ellison—Senator Faulkner, you have mentioned going through it line by line; you have mentioned a purported author, an alleged author. On that basis, I assume that you are referring to some document.

Senator FAULKNER—You can make whatever assumption you like. But what I am asking you is: who authorised the sending of the email about the comments in the *BRW* article?

Senator Ellison—I think we can short cut this matter, Mr Chairman. I have advice from the minister. This may well satisfy your inquiry, Senator Faulkner.

Senator FAULKNER—I am glad he is listening in; I should send a cheerio.

Senator Ellison—I will pass that on.

Senator FAULKNER—There is no need, obviously. He can hear it first hand.

Senator Ellison—The situation, Mr Chairman, is that an email was sent. It was sent by the person named by Senator Faulkner and it was sent on the minister's behalf, which I understand to mean on his authority.

CHAIR—Thank you, Minister.

Senator FAULKNER—Thank you, Mr Chairman. It was not too hard at all, Minister.

CHAIR—Any further questions in 2.2?

Senator Ellison—We have a point of clarification, Mr Chairman.

Mr Millar—Senator Faulkner, I can go through the points that you raised in your questions about Victorian gas assistance: \$50 million was paid to Victoria as an advance payment on 15 October. In accordance with the agreement, Victoria repaid \$41.9 million on 5 May, as I mentioned earlier. That meant that Victoria paid out on our behalf \$8.1 million. Of that \$8.1 million, approximately \$4.7 million was for the community recovery component—that is, for the charities—about \$2.6 million was for the small business assistance component and about \$800,000 was for administration. That totals up to \$8.1 million.

Senator FAULKNER—Can I thank Mr Millar—

Mr Millar—I can go on to cover the other points, if you like.

Senator FAULKNER—I was going to say there were those issues about the tables in the budget papers.

Mr Millar—I can cover those too, if you like. Just by way of further clarification, about \$40,000 was paid to New South Wales, most of which was spent in relation to the small business assistance payments. In relation to the tables, on page 57 of Budget Paper No. 3 there is reference to the Victorian gas emergency assistance fund, which included the \$7.5 million estimate. That reflects the estimated net payments to Victoria. There is also in Appropriation Bill (No. 2) a total amount of about \$44.9 million, which represents specific payments to the states, and \$7.5 million of that is the Victorian gas fund estimated net payment.

Senator FAULKNER—Yes, but I was raising the issue about repayments as well as advances—I suppose I was asking whether that was an accounting technique. I was not sure, and that is why I asked the question.

Mr Millar—The arrangements that apply are where an advance payment is made within a financial year and a repayment is made within the financial year, then only the net amount is shown.

Senator FAULKNER—Thank you very much, Mr Millar, for that information.

[5.25 p.m.]

Output Group 2.3—Government information

Senator FAULKNER—How many staff are working in this particular output group? I imagine it is a comparatively small function of the portfolio, but I am interested to know how many staff there are in it.

Dr Wright—There are currently 58 including contractors.

Senator FAULKNER—I make this point to you for the purposes of a supplementary round or whatever: in relation to this particular output group—government information—the information that is provided in the PBS about what the group is doing consists of two very short paragraphs. It is not as helpful as it might be—I am not suggesting it is unhelpful. I am not asking for it now, but could the committee be provided with some more detail about the role and function of this particular output group beyond the two paragraphs we have in the PBS? Dr Boxall, I do not think that would put great stresses and strains on the department. It would be helpful for the committee to understand a little more what functions are being performed here.

Dr Wright—Certainly, Senator, we can do that. If you would like some information here, we can provide some more information now.

Senator FAULKNER—My view is that the information is less appropriate for the estimates and more appropriate for a briefing. We had a briefing provided by DOFA because of the change to accrual accounting. It might have been something that was better raised in that forum, but could you provide some preliminary information? If there are any issues of detail, we might be able to address those at another time. I think the information on this particular output group is a little less clear than for some of the others. As you would acknowledge, Dr Wright, there is a pretty good working knowledge around the table of what is happening.

Dr Wright—Certainly, Senator.

CHAIR—Let us move on to outcome 3, efficiently functioning parliament, and output group 3.1, MAPS.

Senator Ellison—Senator Lundy did raise questions on Y2K in DOFA.

CHAIR—She is not here. We will have to ask her to put them on notice.

Senator FAULKNER—We have now found Senator Lundy. Minister, are the Y2K people still here?

Senator Ellison—We will just recall them. We have the officials here who can answer the questions.

CHAIR—We will run through to 6 o'clock on output group 2.2 and then we will go to MAPS at 6 o'clock.

Senator LUNDY—My understanding is that we were going to deal with Y2K under output group 2.3 and I have questions for output group 2.2 as well.

CHAIR—You have half an hour.

Senator ROBERT RAY—We will try to get MAPS home by 6.30 p.m.

Senator LUNDY—What impact has Y2K expenditure had on overall IT expenditure across all agencies?

Dr Boxall—The Office of Government Online is now responsible for coordinating the government's response on Y2K matters and giving advice through Senator Alston. It used to be OGIT, which was in this portfolio.

CHAIR—So it is the wrong portfolio?

Senator LUNDY—Just let him finish.

Dr Boxall—That is right. We are not in a position to answer questions for whole of government, but with limited officials at the table we will have a go at answering questions on DOFA matters if you have them.

Senator LUNDY—How is DOFA's Y2K preparation proceeding?

Mr Nicholson—There is a Y2K steering committee which has been established for some time within the department, chaired by Dr Boxall and including senior managers from within the department. It meets on a regular basis to assess our department's progress against Y2K. In short, the answer is: we believe we are doing very well.

Senator LUNDY—The year 2000 agency based public exposure report issued by the government shows that contingency planning by February 1999 is only at 40 per cent. Can you perhaps give an update on contingency plans to date and some indication of the percentage of compliance of business critical systems that has occurred or has improved—if at all—since February 1999 when this report was issued?

Mr Nicholson—We will have to take that question on notice.

Senator LUNDY—Why will you have to take that on notice?

Mr Nicholson—We do not have the officials at the table who can provide you with a sensible answer.

Senator LUNDY—That was why I asked the question before as to where the appropriate place was to ask these questions. Is it possible to get the officers and we will come back to it?

Senator Ellison—We had not envisaged the detail that Senator Lundy wanted—not that that is a problem and we cannot accommodate that, but that is why we thought that we could assist Senator Lundy. Are there other questions that Senator Lundy could ask? We could take on notice the more detailed questions for now and try to get an answer this evening if it is possible. We could make a telephone inquiry and let Senator Lundy know. I realise that some questions need to be asked for others to follow, and I appreciate that that is a problem. Could we make some inquiries on this particular line and get some information back for you? Maybe Senator Lundy could ask questions on another aspect.

CHAIR—I think in the circumstances that is fair enough, Minister.

Senator LUNDY—I will just correct something that I said. I was looking at the portfolio report when I said 40 per cent of contingency plans. For the Department of Finance and Administration it is actually 21 per cent of contingency plans that have been completed.

In seeking to ask questions about Y2K at the previous additional supplementary estimates, I was advised by the Office of Government Online—which, as you point out Dr Boxall, has carriage of this—that in fact I should make specific inquiries with each agency as to the degree of specificity I was looking for. So I do find it quite unreasonable that now that I am attempting to do that—and you had notice that I was attempting to do that—I still cannot get

the degree of specificity. I would like to place on the record that part of our complaint with respect to the government's handling of it is the difficulty in obtaining information about the government's progress on Y2K remediation and contingency planning.

That said, I will try to ask some questions that you can at least answer at this point in time. One of the questions I asked the Office of Government Online—and they have as yet been unable to furnish me with the answer—goes to each agency; that is: what consultants have you engaged specifically for the purposes of Y2K remediation and contingency planning?

Dr Boxall—We hired Unisys to basically manage the Y2K project in DOFA. That consultancy has come to an end, but has been extended for a further month. I understand that there have been other consultants engaged along the way on specific projects.

In answer to your previous comment: we do not have a problem with answering the specific questions and getting the officers. To be honest, we expected this to come up in general questions because it is actually a part of corporate overheads which are distributed across the outcomes. When you raised it later in this session, we thought that we would try to stick it in with 2.3.

Senator LUNDY—I will make a note of that for next time.

Dr Boxall—We do not have a problem with giving you detailed answers to it.

Senator LUNDY—So you had officers here earlier?

Dr Boxall—At the general session we had everybody here to cover every possible aspect.

Senator Ellison—Mr Chairman, we could talk about this all night, but we have a situation so let us try to see whether we can solve it. We are anxious to answer your questions. Whatever we can do to answer them tonight, we will do. We can give you a briefing also, Senator Lundy, if that is attractive to you.

Senator LUNDY—As long as I am not asked to keep it in confidence, I would be more than happy to participate in a briefing.

Senator Ellison—That would be okay.

Senator LUNDY—Thank you. I will take you up on that offer. In the meantime perhaps I can just list a series of questions for you to take on notice, and then we can move on. I am interested in all consultancies that have been conducted, are in the process of being conducted or are being mooted within the department of finance relating to Y2K—be it contingency planning, rectification, remediation work—and their value.

Dr Boxall—We will take that question on notice.

Senator LUNDY—This is the information I am seeking: who are the consultants; what are the values of the contracts; what are the terms of reference or the purposes thereof? Also, is there any variation or modification to existing contracts that relate to the management or information technology within the department of finance; that is, with respect to the work of CSE, IBM-GSA or any other contractor engaged to do information technology service delivery, including the applications development side of it—I think you get the general thrust of the questions—and applying the same series of criteria: how much variation, for what purpose, outcomes, et cetera, in relation to that?

Also, could I have a progress report on contingency planning—the number of business critical systems that are compliant under assessment remaining, under repair or testing. That will enable me to do a comparative analysis with the table contained in the year 2000 agency based public disclosure report and progress to date. One question you may be able to answer

is: when will the Department of Finance and Administration be fully compliant, with contingency plans in place?

Mr Nicholson—We will take that on notice.

Senator LUNDY—Do you have any idea?

Mr Nicholson—We believe that it will be the end of August this year, but we do need to take it on notice.

Senator LUNDY—With respect to Y2K, has the department any cause for concern at the moment about progress to date, particularly with respect to the performance of contractors engaged in the remediation and contingency planning process?

Mr Nicholson—No, we do not believe that we have any concerns at this stage.

Senator LUNDY—So you are satisfied with the performance of contractors involved?

Mr Nicholson—We are satisfied with the progress, yes.

Senator LUNDY—No, that was not my question. I asked whether you were satisfied with the performance of those involved—not their progress.

Mr Nicholson—We have continual discussions with our service providers about the service they are providing, and Y2K is one of the issues that we are continually discussing with them.

Senator LUNDY—Have you had cause to raise issues of concern with those providing that service?

Mr Nicholson—We will take that on notice.

Senator LUNDY—Surely you are in a position to tell me whether it is going smoothly or not.

Mr Nicholson—I have advised you that I believe it is going smoothly, but I require taking it on notice to give you a fuller answer.

Senator LUNDY—Are you aware of any sanctions being applied under any contract as a result of non-performance of Y2K remediation work or related work?

Mr Nicholson—I am not aware of any.

Senator LUNDY—Is anyone at the table aware of any?

Mr Boxall—I am not aware of any either.

Senator Ellison—No.

Senator LUNDY—Perhaps you can take on notice whether there has been any complaint raised or action taken with respect to performance on Y2K remediation projects or related work. Did you have something to add to that, Mr Fisher?

Mr Fisher—No, I did not.

Senator LUNDY—I have finished with Y2K, but I have some specific questions in relation to the department of finance IT outsourcing contract with IBM-GSA. Why is it necessary to move your mainframe to Sydney?

Mr Fisher—I will give you the answer as I understand it; my colleagues will add detail if I do not get it exactly right. When we outsourced our IT services to GSA, that also included some services for the department that were run off a mainframe. The business decision on whether to run a mainframe from Sydney is one that the IT provider makes. DOFA's main concern at that point is to ensure that services continue to be provided and that there is no disruption to our business needs as a consequence of changes in hardware.

Senator LUNDY—Will there be a disruption to business?

Mr Fisher—From my understanding—again my colleagues will correct me—it happened several months ago and there was no disruption to business services; it was quite seamless.

Dr Wright—The mainframe was moved at Christmas and, apart from one printer not working, it was a very, very smooth operation.

Senator LUNDY—Are any other significant shifts in hardware to occur in the foreseeable future?

Mr Fisher—Not that I am aware of, no.

Senator LUNDY—Was GSA required to provide an explanation for the necessity of this? You mentioned that it was part of their business decision to do that. How does this impact on local employment levels, for example?

Mr Fisher—As I have said, our primary interest as purchaser of the services is to ensure that we continue to get services provided without disruption of business needs. We do not own those assets. Business decisions about hardware and scope for more efficient use of hardware is really a matter for the service provider.

Senator LUNDY—I recall Minister Fahey placing great emphasis on regional employment with respect to outsourcing contracts, particularly under the circumstances of the engagement of IMBGSA and DOFA's outsourcing originally. Regional employment and regional development featured very strongly in a lot of his rhetoric at the time. Does that not count anymore in terms of the way IBM-GSA manage this contract? The way I am interpreting this is that obviously there is a loss of local capability in the transfer of this hardware to Sydney—Baulkham Hills I think it is.

Mr Fisher—My understanding was that there was minimal impact on staffing. Running a system off a mainframe is not really a labour intensive activity; it just depends on which system the electricity runs through. The labour intensive and the value add is in the servicing of customer needs. As a department we are primarily based in Canberra, and I know that GSA have recruited heavily in the Canberra area to meet our needs. That is where the employment and the value add is.

Senator LUNDY—Is it IBM-GSA's intention to phase out the use of a mainframe within the Department of Finance?

Mr Fisher—In terms of DOFA's internal needs, increasingly our future IT needs revolve around applications at the desk top rather than large scale data processing. How GSA meet our needs is their decision, and they have got the expertise to make decisions about the infrastructure. Increasingly, DOFA is not a heavy user of mainframe services; it is a user of desktop, PC and mid-range services.

Senator LUNDY—Why is that? Why has there been that shift from mainframe based services to desktop, applications based services?

Mr Fisher—There are really two parts to that. One is that technology is changing. I am not a technical expert, but I understand that small IT boxes can now do what big IT boxes could do 10 years ago. The other part of the answer is that, increasingly, DOFA is a white-collar policy advising agency which does not itself process large numbers of data transactions on mainframes. For example, with outsourcing of some functions, service providers now have a need for large scale processing, but DOFA probably does not have a long-term need for that.

Senator LUNDY—In that shift, are you aware or are you kept apprised of the use of that mainframe that is currently attached to your contract with IBM-GSA with respect to other contracts that IBM-GSA may be pursuing or may indeed have in place, such as that relating to the Department of Veterans' Affairs?

Mr Cochrane—We have an arrangement with the Department of Veterans' Affairs and ComSuper where we meet regularly to discuss issues affecting each of the parties in a contract with IBM-GSA. There have been ongoing discussions about changes in levels of usage of the network and the mainframe and the effect that that may have on each party.

Senator LUNDY—Is that contained in the strategic information systems agreement?

Mr Cochrane—That agreement is the service levels we have with GSA. There is an agreement between the parties on how they will operate, I suppose, on the contract management side without GSA, so we discuss the issues that are affecting each of the agencies that may affect the contract as a whole.

Senator LUNDY—So that is the point where we can all talk collectively?

Mr Cochrane—We can actually talk without GSA at the table as well as with GSA where we require.

Senator LUNDY—If you are going through a transition phase where a mainframe is no longer required for DOFA, what impact does that have on the contract and the current methodologies, both for service level agreements and also for payment to IBM-GSA for service?

Mr Cochrane—It affects a number of the service level agreements that are in place under the information that you mentioned, and we will have to talk over with the Department of Veterans' Affairs and ComSuper what we would wish in the future to move to after consultation with GSA as to what the options are, and then we will agree on a process to implement changes to the contract, with DVA as the lead contractor.

Senator LUNDY—To what degree does the Department of Finance and Administration take on the responsibility of ensuring that, for example, services provided by GSA to DVA are not undermined through this process?

Mr Cochrane—The three parties will look at the needs of each, what effect it would have, what we can do to obviously facilitate the best outcomes for the individual organisations as well as the contract overall. There are, I believe early in the phases of coming into the contract, agreements that look at the fact that there would be a need to vary usage of machinery within the network. So while there is some flexibility built into that, it needs to be negotiated between the parties to the agreement.

Senator LUNDY—Dr Boxall, do you see it as part of the role of the Department of Finance and Administration, because of the component of the contract that is under your auspice, to protect the interests of those other agencies involved with that contract? I understand that what I am asking you is quite difficult. I am asking if you are prepared to leverage the department's negotiating clout within the auspices of the contract to look after the interests of the smaller agencies that come under the auspices of the same contract?

Mr Fisher—As a matter of clarification, DOFA is actually the minor partner in this arrangement. DVA and ComSuper, in terms of demands on mainframes and transactions through mainframes, are by far the dominant partners. DOFA is now a very, very small transaction processing agency. We are the small one.

Senator LUNDY—Thank you for pointing that out to me; I presumed otherwise. I suppose the same thing still applies, nonetheless, with DOFA obviously having a large proportion of the expertise when it comes to negotiating these contracts and variations—one would assume. What sanctions have been applied to GSA over the duration of their contract to date?

Mr Fisher—We went through a lot of discussion on that one this morning. We are more than happy to set out in our annual report any incidences where DOFA has had to have recourse to sanctions that might exist in the contracts when we review performance against the contract as a whole.

Senator LUNDY—Have any sanctions been applied?

Mr Fisher—I think my answer on that this morning was yes, we have.

Senator LUNDY—Perhaps I could ask it this way—

CHAIR—Senator, I think we have been through that earlier today, have we not?

Senator LUNDY—I am just trying to see how far I can go. At some point they are going to claim commercial-in- confidence.

CHAIR—The committee was told quite clearly by the minister and the secretary earlier today—

Senator LUNDY—I only asked generalities, now I am asking specifics. If they are going to claim commercial-in- confidence, by all means say the words. I think it is in the public interest to know what part of the contract was breached.

Senator Ellison—That takes us to the limit now. We have gone as far as we can go, I am afraid, on this. We are now sinking into the detail of the contract. I do not think, for reasons we have mentioned earlier today—commercial-in- confidence—that we can answer that question.

CHAIR—Thank you, Minister.

Senator LUNDY—Have any sanctions been applied to CSC?

Mr Fisher—My answer would be the same as that which I gave this morning: yes, we have invoked our remedies in relation to IT contracts operated in DOFA. I cannot go into any more detail than that.

Senator LUNDY—What additional expense to the taxpayer has resulted in those sanctions being taken? What has it cost the taxpayer?

Senator Ellison—You are driving at court action or something like that?

Senator LUNDY—I do not know. I do not know whether or not invoking these sanctions has invoked litigation, Minister; perhaps you could tell me. It is a good question: has it?

Mr Fisher—To the best of our knowledge, invoking the sanctions has not cost the taxpayer any money. Indeed, the point of invoking contractual remedies is to ensure that the taxpayer is protected in terms of service quality and to make sure that we protect the integrity of the arrangements and get the kind of service that people expect and pay for.

Senator LUNDY—Has any litigation arisen as a result?

Mr Fisher—Not that I am aware of.

Senator LUNDY—Where do you get your legal advice with respect to invoking sanctions?

Mr Fisher—That is a hypothetical. I am not sure that we have. But if I were seeking legal advice, I would go to one of our panel providers.

Senator LUNDY—Have there been any variations to the contracts that you have with your IT providers-vendors?

Mr Fisher—Let me talk about the arrangement with GSA because it is the one that DOFA manages in its own right. That contract has now been in place since late 1997. A lot of things have happened to the department since that time—the merger with DAS, for example. Of course we would have discussions with GSA as the department changes size, as needs change, as priorities change within the department. If it gets to a matter of some significance, like a machinery of government change, we would vary the contract.

Senator LUNDY—And you have done so in the course of that time?

Mr Fisher—Yes, indeed.

Senator LUNDY—Can you provide to the committee a time line of when the variations occurred and to what value?

Mr Fisher—I could certainly do that if I could take it on notice.

Senator LUNDY—Yes, and also a brief description about what the contracts were changed for—that is, an extension of service, an adjustment to service level agreements, et cetera.

Mr Fisher—We can provide an answer to your question on notice.

Senator LUNDY—I have one more question and it relates to the security of information technology infrastructure. What activity or actions is DOFA proceeding to ensure the security of your information technology infrastructure both internally and with respect to how you communicate with other agencies and departments?

Mr Fisher—There are arrangements in the contract that go to the security of information—

Senator LUNDY—Whose contract?

Mr Fisher—Our contract with IBM-GSA—which protect the Commonwealth's interests in relation to the use of the infrastructure. We also work with GSA regularly to ensure that the system is maintained to an appropriate level of security, and we involve our business units because from time to time—for example in the lead-up to the budget—security needs will change. We make sure that GSA is aware of that and working with us to make sure that the system is protected.

Senator LUNDY—Is it not a part of their service level agreement that the information security is protected?

Mr Fisher—It is.

Senator LUNDY—So why are you working with them?

CHAIR—Senator, we have run out of time.

Senator LUNDY—Let me finish my line of questioning, please, Chair.

CHAIR—We are intending to get through MAPS by 6.30 or so.

Senator LUNDY—It will not take long, if you let them answer.

Mr Fisher—Senator, the answer to your question is yes.

Senator LUNDY—Was it in relation to this that you have had cause to have some complaint with GSA?

Mr Fisher—Not that I am aware of. From our point of view, that has operated very well. GSA have been very responsive to our needs, and the needs do change through our business

cycle. GSA have been prepared to work with us to protect elements of the network, even if it is not specified in SLAs.

CHAIR—As there are no questions for the Commonwealth Grants Commission, the officers are excused.

[6.09 p.m.]

Outcome 3—Efficiently functioning parliament

Output Group 3.1—Ministerial and parliamentary services

Senator FAULKNER—Could I just kick this off with a simple question in relation to the six-monthly tabling of parliamentarians' travel costs. This is more of a suggestion to Mr Winder, Dr Boxall and others who have responsibility for developing the material. It arises really because of a press article that I thought meant that the material that is tabled is open to misinterpretation. That is the spirit in which I am suggesting this, Minister. It goes to the category of 'Other car costs' in the tabling statement. For a number of shadow ministers like me, that includes a private-plated shadow ministerial vehicle. In one newspaper, I was reported, for example, as having huge hire car costs. You would be aware, Minister, that in fact I do not have huge hire car costs. In fact, my use of entitlements is, I think, quite moderate. It is a matter of nomenclature.

I wondered if the department and you, Minister, could consider adding another column here actually bringing out, for those to whom it is relevant, a column in relation to the costs of a private-plated shadow ministerial vehicle and then other car costs. It does mean that shadow ministers have what appears by comparison to be an extraordinarily high amount for costs, which is quite understandable when one gets behind it—which you cannot do from a tabled document because of the column being titled 'Other car costs'. Minister, I think it is a sensible point that I am making. I ask you and the department to take that on board. It is misleading and has led to misrepresentation and even to possible suggestions of very high use of entitlements, which is not an appropriate spin. I think a cleaner, better and more accurate representation would be available if we just changed that column.

Senator Ellison—Senator Faulkner, I take your point. It is a good one. Perhaps the department could liaise with you direct on this to get some further input if necessary, if you would be willing to do that.

Senator FAULKNER—I am very happy with that. I think it is pretty clear, but if Mr Winder or others wish to contact me that would be useful.

Senator Ellison—Reporting has to be transparent but it does not have to be misleading or capable of that sort of distortion.

Senator FAULKNER—What I am suggesting here is that we take out the shadow ministerial private-plated vehicle component and make it absolutely clear that that is what it is.

Senator ROBERT RAY—It may also apply to ministerial private-plated cars—

Senator Ellison—It could have some other applications.

Senator ROBERT RAY—that you might drive up here rather than use Comcar, so it may be equally balanced to do that as well.

Mr Winder—We may discuss it with you another time, Senator.

Senator FAULKNER—I am very happy with that, Mr Winder. As Senator Ray says, if there are any other knock-on consequences, this would be a good opportunity to try to fix that

up. As you say, this does not impact on transparency; in fact, it is going to make it a lot clearer for those who are perusing the documents what these costs to the Commonwealth are all about.

Senator Ellison—In some respects, it goes against transparency in not making it as clear as it should. I also point out that with the tabling we are always looking for ways to make the documents as clear as possible. A suggestion of the sort you have made is helpful.

Senator ROBERT RAY—I move on to what you were doing this afternoon—the certified agreement. I think I read an AAP—

Senator Ellison—It has been certified.

Senator ROBERT RAY—It has been certified?

Mr Winder—Yes.

Senator ROBERT RAY—I have a couple of questions out of that. It is okay; I am not going to refight the battles that occurred. Did you have legal counsel there today?

Mr Hamburger—Yes, we did, Senator. Blake Dawson Waldron represented us.

Senator ROBERT RAY—Why was that? Why couldn't you do it?

Mr Hamburger—We do not get into the commission very often at all and we preferred to have a specialist advocate.

Senator ROBERT RAY—What was the cost of that?

Mr Hamburger—The costs specifically for today I do not know yet. Blakes have advised us throughout this process. I can take that on notice. We will receive a bill within weeks.

Senator ROBERT RAY—Could you take on notice what their total support costs have been through the process. They may not even break it down to what their cost was today to represent. If they do, I would like that figure too. I take it therefore that the agreement is in operation as of when it was certified?

Mr Hamburger—Yes, Senator.

Senator ROBERT RAY—Therefore, no ministerial or personal staff in the shadow ministry can claim overtime from this point on?

Mr Hamburger—That is correct, Senator. And from this point on, the people who previously had an entitlement to overtime are entitled to an allowance.

Senator ROBERT RAY—Other than in the first general sense, have you notified staff, subsequent to the certified agreement, that they are not to put any overtime claims in as of 3 o'clock or 4 o'clock today—relating to past that point of time?

Mr Hamburger—We are intending to send a notice around tomorrow, Senator. We thought it would be a bit presumptuous to do it in advance.

Senator ROBERT RAY—So that will be done tomorrow?

Mr Hamburger—Yes.

Senator ROBERT RAY—And those who do not take the allowance—that is, electorate staff who do not take the \$3,500 or the variation—just continue to put in their forms?

Mr Hamburger—That is correct. The default position for electorate staff is overtime, so it is unlikely that any electorate staff would opt for the allowance before probably about 1 July. But they will have to opt in any case.

Senator ROBERT RAY—That will be made fairly clear to both the employees and employers—or de facto employers, because members of parliament are not directly responsible, although they are indirectly. The processes for opting in and out will be made clear?

Mr Hamburger—We certainly aim to. For the electorate staff for whom there is an option we have a form designed. The intention is to have a form that forces the choice.

Senator ROBERT RAY—And you think that will operate from 1 July?

Mr Hamburger—Yes, Senator.

Senator ROBERT RAY—When will the adjustments to pay—back pay, sign-on bonus and pay rise—operate? From which pay?

Mr Hamburger—We are on track to have the back pay and the bonus paid in the last pay of this year, which is 24 June.

Senator ROBERT RAY—Have you looked at the tax consequences of that one way or the other?

Mr Hamburger—To the extent there are tax consequences, they will be beneficial to staff.

Senator ROBERT RAY—To have it done before 1 July?

Mr Hamburger—Yes, and that is one reason we are trying to do it. The increase in base pay will follow that. In fact, we may not be able to do it in pay 1 because we expect to be switching the whole of the MAPS IT systems over in early July, and we expect the HR system to go into UNIX. We may therefore have trouble—and I expect we will have trouble—paying the new rates of salary in the first pay in July. But we would be aiming for the second pay in July, with the possibility of slippage to the first pay in August.

Senator ROBERT RAY—Minister, you came into this process halfway through. I think it would be fair to say that it was not brilliantly handled, from everyone's point of view, in the early stages in terms of actually communicating what the offer was. For instance, at one stage it was proposed to delete all travel allowance for electorate staff coming to Canberra. Do you think some of the lessons of that first negotiation were picked up in the second one and will make your next negotiation a lot easier?

Senator Ellison—I think you always learn from experience. It is obvious. I was not a party to that first round process, so I cannot really comment. But you do pick up lessons from what has gone on before and hopefully continue them into the future.

Senator ROBERT RAY—Being members of parliament, we are always in the awkward position of having some sympathy with our staff but we are also keen not to get directly involved. But I must say that when I was first shown the first offer it was extremely hard to decipher the downsides. It was very easy to read the upsides of the offer, but it took a lot of reading and a lot of deciphering to look at the downsides. Next time—and you may wish to comment—you should put both up there in lights, and I think it will make the task a lot easier.

Senator Ellison—We have a review which is going to go on in the interim. That will no doubt flush out some issues which we will take notice of. I would anticipate the next round being one which is a lot smoother. I take on board your comments.

Senator FAULKNER—I did ask this question of the Department of the Prime Minister and Cabinet, so you may be aware of it. I think it is public knowledge. It has been reported quite widely that one former ministerial staffer, Mr Barnes, who worked for Mr Fahey, and one current ministerial staffer, Mr Wawn, who is on the staff of Senator Minchin, are both actively involved, in Mr Barnes's case, for the yes case for the referendum and in Mr Wawn's the no

case. I did want to be assured by DOFA that there are no extra resources at all being provided to ministerial staff in any sense for the conduct of either the yes or the no case for the referendum campaign. Can I receive that assurance from you?

Mr Winder—Senator, I am not aware of any. We will check on your question. If there is any, we will come back to you, but I am not aware of any.

Senator FAULKNER—Thanks for that, Mr Winder. I made it quite clear to officers previously that I am not suggesting there are any, but I think it is important that we have that advice definitively. I think Senator Ellison would be well aware of some of the public commentary about differences in the government in what has been described as a proxy war between Liberal monarchists and Liberal republicans.

Senator ROBERT RAY—Hardly the Roundheads and Cavaliers, though.

Senator FAULKNER—No, I think that is probably right. Has the issue of the use of Senator Minchin's email which was reported in the *Sydney Morning Herald* this weekend in relation to the publication of a picture of a topless Sophie Rhys-Jones been brought to the department's attention?

Mr Winder—Not to my attention, Senator, no.

Senator FAULKNER—I think Senator Ellison would be aware. Your office has certainly been emailed about this, Senator Ellison, hasn't it?

Senator Ellison—I am not aware of it.

Senator FAULKNER—I thought you would be.

Senator ROBERT RAY—You probably do not know how to open your email, do you?

Senator Ellison—I do not.

Senator FAULKNER—I thought you would be. I have a copy of the email here that makes it absolutely clear that a member of your staff has received this email from Mr Wawn in Senator Minchin's office. But you are not aware of this, Minister?

Senator Ellison—I am not aware of that. I do not use email.

Senator FAULKNER—You personally might not use email, but I would have thought at least that the reference in the *Sydney Morning Herald* on Saturday would have been drawn to your attention.

Senator Ellison—No, I was not aware of that. I normally look at the weekend clips.

Senator FAULKNER—There are a very significant number of email addresses to which this particular email from Mr David Wawn has been sent on Friday, 28 May 1999 at 10.25 a.m.—a very significant number of email addresses—with the message:

I thought some of you may want to see what all the fuss has been about. Open with care. Here is the picture that all the fuss is about.

I have to say, Minister, that I am surprised that this has not been drawn to your attention. Do you know what the cost would be to send this in the email system to so many different addresses, including your office, Minister, Mr Howard's office, a number of members of staff in Mr Howard's office, Mr Costello's office and Senator Alston's office?

Senator ROBERT RAY—No. I do not believe that. It did not go to Senator Alston's office.

Senator FAULKNER—It did go to Senator Alston's office. I know Senator Alston's role in this. This is a serious question.

Senator Ellison—I am not aware of the cost.

Senator FAULKNER—Can someone from the department tell me about this? It is more costly to send a photograph like this than just an ordinary email; isn't that right, Mr Winder?

Mr Winder—I understand so, yes, but I do not have access to the costs now. If you would like us to take it on notice, we will.

Senator FAULKNER—There have been so many of these email addresses. I actually have not added the number up.

Senator ROBERT RAY—Do you want me to do it for you?

Senator FAULKNER—There you are, Senator Ray. I have brought you your very own copy. Senator Ray will add the number of email addresses up. But, as I understand it, it is expensive to send such a photograph through the email system and there would be an expense borne by the Commonwealth for it, wouldn't there?

Mr Winder—An email would be an expense. A photograph, as I understand it, would be more expensive than words.

Senator ROBERT RAY—I am going to have to take my shoes off at this stage.

Senator FAULKNER—What? You are into double figures, are you? Minister, do you know whether Mr Wawn has been carpeted for this offence to the royal family?

Senator Ellison—I am not aware of this matter so I am obviously not aware if any action has been taken.

Senator FAULKNER—Could you confirm that then over the break? I do not particularly want to name publicly a member of your staff who has been sent the email. I am happy to show you a copy of the document privately. We are breaking in just a few minutes and you might be able to check that out for me.

Senator Ellison—I will take it on notice.

Senator FAULKNER—No. It is not a question to take on notice. I thought you might check it out during the break. You have an hour's break in the dinner adjournment. I thought you might be able to check that out for me.

Senator Ellison—I will make inquiries.

Senator FAULKNER—This is a pretty serious issue. You have the Prime Minister's staffers, Mr Costello's staffers, Mr Reith's staffers, other members of Senator Minchin's staff, your own staff and Senator Alston, who has responsibility for censorship of the Net, and so forth. Senator Ray is adding it up, but it would be over 50 email addresses.

Senator ROBERT RAY—Do you want to up your bid? It is 98.

Senator FAULKNER—All right, 98 email addresses. Doesn't that come under the legal definition of publishing something?

Senator Ellison—I would have to take that on notice. You ask me for a legal opinion. Sometimes the publishing can be just one document. It depends on the context within which you are raising that.

Senator FAULKNER—I am thinking in the context of Senator Harradine—sorry, Senator Alston and the online bill which has been passed by the parliament. You smile, Minister, but this is not to be laughed and scoffed at. This is a very serious issue.

Senator Ellison—I will correct the record, Senator Faulkner. I was not laughing or scoffing at the issue. Senator Ray knows what caused me to smile. It was the mention of another senator's name.

Senator ROBERT RAY—It was the irony of it, wasn't it?

Senator Ellison—It was whether it was a slip or intended, Senator Faulkner.

Senator FAULKNER—Has the department received complaints about this?

Mr Winder—I am not aware of any.

Senator FAULKNER—If the department had received complaints, Mr Winder, would you be aware of them?

Mr Winder—I think so, yes. I would very much hope so. I very much hope that if I had been aware of this I would have been providing advice to the minister, but I have not.

Senator FAULKNER—But hang on. If these had gone to the Prime Minister's office and other senior ministers' offices, would you expect to receive complaints about it, particularly after the mention of it in the *Sydney Morning Herald* on the weekend?

Mr Winder—Not necessarily, but if there are complaints and they are addressed to the department, I would have expected to hear of them.

Senator FAULKNER—Minister, do you know if Buckingham Palace is aware of this stunt?

Senator ROBERT RAY—By the campaign director against republicanism?

Senator Ellison—You'd best ask them. I could not possibly state the knowledge of Buckingham Palace or the ARM or the ACM or anybody else.

Senator FAULKNER—You would be aware that the *Sun*, which of course is a tabloid newspaper in the UK and which published this—

Senator Ellison—I am aware of the story. I do not follow these sorts of stories closely because I have nothing but contempt for them.

Senator FAULKNER—The *Sun* newspaper, which did publish this picture of Ms Rhys-Jones, decided to donate all profits from the syndication of the pictures to charity. I noticed also that the *Sun* has written a letter to Ms Rhys-Jones to apologise for the distress it has caused. I wonder if Mr Wawn has bothered to write a letter of apology to Ms Rhys-Jones and all those people he sent the email to. Can you confirm that for me?

Senator Ellison—I do not know that. As I say, this issue is new to me.

Senator FAULKNER—A Buckingham Palace spokesman said that this is premeditated cruelty, a gross invasion of privacy and not in the public interest. It strikes me that you have here someone working on a minister's staff and basically responsible for coordinating the pro-monarchist position of the government sending this sort of stuff around on emails, and you do not even know about it.

Senator Ellison—A lot of emails get sent which I am not aware of.

Senator FAULKNER—At cost to the taxpayer.

Senator Ellison—There is one point that you are making here. You are implying that I should know of every email that is sent around this building from electorate offices.

Senator FAULKNER—No, I am not implying that. But when they are sent to your office, I think you might know.

Senator Ellison—A lot of emails which I am not aware of get sent to my office. My staff communicate with the department and vice versa. I do not go through the email, nor should I.

Senator FAULKNER—That might be fair enough, but this is a particularly inappropriate and smutty one, and I thought you might know about it.

Senator Ellison—You have brought it to my attention. I will make those enquiries over the break.

Senator FAULKNER—We will progress it after dinner.

Senator ROBERT RAY—I have one last point before we break. Minister, do you personally remind your staff—as I have to—that emails are basically legal documents and that they are exactly the same as a fax, a phone call, et cetera? We have noticed a tendency in a couple of returns to order that the juiciest material was in emails. People do not seem to realise that they have a standing.

Senator Ellison—I agree with you, Senator Ray. I think they have, and it is something which I have discussed with my staff. I think it should be widely appreciated that emails are in this category. I have always preferred to communicate by the written word.

Senator ROBERT RAY—That is true.

Proceedings suspended from 6.32 p.m. to 7.34 p.m.

Senator Ellison—Touching on that matter we dealt with before dinner, I made some inquiries. The clips which my office gets from Media Monitors—I have a copy here—did not have that clip in it. My staff were not aware of the story in question. The email was sent to a member of my staff who is overseas. He has been away for two weeks and will be away for another two weeks. No-one accessed the person's computer and that is why my office was not aware of it—for quite valid reasons. We do rely on the clips. I am sure that, if the staff member in question had received that, it would have been drawn to my attention. Having said that, I contacted Senator Minchin who has already spoken to the staffer concerned and counselled him on this matter. If there is any cost involved in this, the member of staff will be meeting those costs.

I have been unable to ascertain what cost was involved. It could have been on the PISO system, which is an internal system, but that has to be ascertained. As I understand it, if it is on that basis then the cost would be minimal indeed but that is only preliminary advice and on the basis that it is PISO. I am taking that question of cost on notice. I think that is as far as I can take it, Mr Chairman.

CHAIR—Thank you, Minister.

Senator ROBERT RAY—There is one other aspect I noticed over the dinner break. The original message comes from Peter Katsambanis. Do you know him?

Senator Ellison—No.

Senator ROBERT RAY—He is an upper house member in Victoria. You might pass on to Senator Minchin that he might write to his colleagues there to say it is not necessarily the most appropriate message from a dignified member of the Victorian Legislative Council.

Senator Ellison—I will take that on board.

Senator FAULKNER—I thank Senator Ellison for the information he has provided to the committee. I am sure the committee appreciates that information. It is helpful and does certainly go to one or two of the issues raised prior to the dinner break. You indicated that Senator Minchin had counselled the member of staff. That is probably an appropriate course of action for Senator Minchin to take. Do you know if there are any plans to apologise to any of the parties involved?

Senator Ellison—No, I do not. That was not discussed. Time was not on my side. This matter was raised just before dinner. I am not aware of that. I just think the matter has been disposed of.

Senator FAULKNER—Given the circumstances, given that you have approached Senator Minchin—which I think is a sensible course of action from you as the minister at the table in these circumstances—you might raise that with him. Are you aware of any sanction in relation to this sort of activity in the bill that has recently passed the parliament, with I might say, some considerable publicity in relation to use of the Internet? Are you aware of any sanction in relation to the publication of these sorts of emails?

Senator Ellison—I cannot answer that question, Senator Faulkner. I am not aware of the detail of that bill with respect to emails. That is something you should take up with the minister concerned.

Senator FAULKNER—Obviously I can do that. We do have, as you would appreciate, Senator Ellison, a situation here where the staff member concerned does have some special responsibilities in terms of the referendum campaign—the no case, if you like, or the pro-monarchist case for want of a better description. Given your responsibilities, would you be able to provide the committee with some information about this staff member's particular responsibilities in regard to the referendum campaign? We do read about it. You would be aware of the articles that have been published in the press about Mr Wawn's role.

Senator Ellison—I am not aware of Mr Wawn having any official position or responsibility in relation to the referendum. I know the people on the yes case and the no case. I deal with the people from the ARM and the ACM because I have responsibility for the referendum along with the Attorney-General. I am not aware of any formal responsibility that Mr Wawn has.

Senator FAULKNER—You might care to take this issue up, Minister. I refer you to an article by Gervase Greene in the *Age* on 22 May this year headed 'The republic: a coalition proxy war'. I have referred previously to that briefly in these estimates hearings of this department. You would recall, Mr Chairman, that I raised this issue yesterday when we were dealing with the estimates for the Department of the Prime Minister and Cabinet. Let me quote directly from the article:

Meanwhile, several ministers have privately noted that Mr David Wawn, a ministerial adviser in the office of the Industry Minister, Senator Nick Minchin, also performs a link role between the Federal Government and Australians for a Constitutional Monarchy.

I further quote directly from the article:

A spokeswoman for Senator Minchin said that Mr Warne had been involved in "the tail end of Constitutional Convention stuff" but had responsibilities across the portfolio. She said that as a political adviser, Mr Wawn "does all our parliamentary and political stuff". Asked if he remained involved in republic issues, she said "he has a role".

I asked those questions earlier on because of serious issues about resources and so forth. I appreciate that Mr Winder has taken those on notice, but I thought you might be able to provide the committee with some information. It is because of this role that the issue that we have been canvassing at this estimates committee is so extraordinary.

Senator Ellison—What that article is saying is that he is a political adviser and he has some role in the minister's office, for the minister, in dealing with the question of the republic or otherwise. We have looked at the question of the referendum and considered it to be an appropriate action for members and senators to be involved in. I defend vigorously members and senators being entitled to support either side of the referendum. It is within their

entitlements, too, because you could not get a more parliamentary or political question than whether this country should be a republic. You will find that many members and ministers and shadow ministers have people in their office who are assisting them in this regard.

Senator FAULKNER—That might be so, but do they perform a link role as described in this article? I am assuming the article is accurate. Do they perform what is described as a link role between the federal government and Australians for a Constitutional Monarchy?

Senator Ellison—The journalist there is perhaps employing some artistic licence. There is no formal position the government has in relation to either the ARM or ACM. Various members and senators might have staff who might have links with them on both sides, and that is entirely appropriate. I am not aware of any official position that the government has designated for any member of staff to be a link with either the ARM or ACM. I think that is just the journalist employing a bit of licence. It is within entitlement for members and senators to become involved in this issue and to adopt a stance.

Senator FAULKNER—Minister, are you aware of the amendment to, I think, clause 56 of schedule 5 of the Broadcasting Services Amendment (Online Services) Bill? It was dealt with very recently, as you know, in the Senate. Let me quote it:

Schedule 1, item 10, page 39 (after line 18), after paragraph (h) insert:

this is a government amendment inserting these words—

(ha) procedures to be followed in order to deal with complaints about unsolicited electronic mail that promotes or advertises one or more:

(i) Internet sites; or

(ii) distinct parts of Internet sites;

that enable, or purport to enable, end-users to access information that is likely to cause offence to a reasonable adult;

Does that have application in this regard? Of course, that amendment was passed.

Senator ROBERT RAY—It has not had royal assent yet though.

Senator FAULKNER—That is quite right, Senator. Senator Ray makes the good point that it has not had royal assent.

Senator Ellison—I have not seen the photo in question, nor do I intend to. I do not pass comment on it, not having seen it.

Senator FAULKNER—No, I am not talking about the photo in question, I am talking about whether this has application in this instance.

Senator Ellison—For me to answer that question you are inviting me to pass an opinion on the subject of the email, whether it could cause offence to a reasonable person. Having not seen that email, I could not possibly answer.

Senator FAULKNER—So you agree that it was pretty dopey but not necessarily offensive. Is that what you are saying?

Senator Ellison—Mr Chairman, I cannot comment on something I have not seen with respect to a piece of legislation which is being put to me. I think we have taken this as far as we can and it really is stretching the limits of the portfolio of the estimates we are dealing with.

CHAIR—I agree, Minister. Any further questions, Senator?

Senator FAULKNER—Yes, Mr Chairman, I have some further questions. I do not want to canvass that tawdry issue any more tonight. Perhaps we can get some further explanation

from Senator Ellison at a later stage. I did want to ask a question in relation to the recent circular, MAPS 1999/11 Remuneration Tribunal Determination No. 26 of 1998—Travel entitlements, administrative aspects. I am sure Mr Winder is well aware of this because it went to members and senators under his signature.

Minister, I ask specifically about an issue that I wanted to clarify on page 4 of Mr Winder's circular, which is under the subhead 'Travel for official business'. Mr Chairman, it is the first sentence there:

As well as travelling for parliamentary or electorate business, senators and members from time to time may be invited to travel on behalf of a minister or presiding officer or in connection with the membership of a government committee.

I am not certain—and that is why I am asking the question—but I think 'in connection with the membership of a government committee' are new words. I just wanted to be clear on that, please.

Mr Gavin—Yes, they are new.

Senator FAULKNER—So that is effectively broadening the definition of official business, if you like.

Mr Gavin—It is inserting official business for the first time, in fact. Yes, I guess in another sense it is broadening it. Basically, before a senator or member could represent a minister or presiding officer. They have now introduced the term 'official' to pick up travel in connection with the membership of a government appointed body.

Senator FAULKNER—The words were 'in connection with the membership of a government committee'. I just wondered what the background to that particular change was.

Mr Gavin—There have been about three or four government appointed bodies, of which one was the aircraft noise advisory committee in Sydney, that in fact had Mr Albanese as well as Mr Hockey.

Senator FAULKNER—I am not sure but I think he might have been the deputy chairman. I might be wrong about that. Mr Hockey chaired it anyway.

Mr Gavin—Yes, that is right. If the member travelled, it was arguable that it was neither parliamentary nor electorate but was, if you like, executive or official business. To put the matter beyond doubt, it was seen as desirable to give a head of power for the travel and indeed the travelling allowance.

Senator FAULKNER—Thanks for that. That is helpful. Are there any other examples you might draw to the committee's attention, Mr Gavin?

Mr Gavin—As I recall there was a government appointed body to do with the sugar industry, and there was another one which I think has been raised by you in this committee to do with the tax reform committee.

Senator FAULKNER—Would that be Senator Gibson's backbench committee?

Mr Gavin—Yes.

Senator FAULKNER—Did the government make a submission to the Remuneration Tribunal on this particular issue?

Mr Gavin—Yes.

Senator FAULKNER—Do you know if other submissions were invited on this issue?

Mr Gavin—No.

Senator FAULKNER—This means really that if they include Senator Gibson's backbench GST committee, for example—and that is a good example because Senator Gibson is in the chair here at this estimates committee tonight—could this apply to any ad hoc committee established by the government?

Mr Gavin—That included a senator and member, you mean, of course?

Senator FAULKNER—Yes. I am sorry, I did not quite hear you.

Mr Gavin—The point is that, if there is a requirement on the senator or member to incur expenditure in the way of travel and travelling allowance, I think the view is it is reasonable that they have a head of power to cover that.

Senator FAULKNER—I understand that point and that is why I think Senator Gibson's committee is an excellent example. You are saying to us that any ad hoc committee established by the government might fall into this particular category. I think that is what you said to us, isn't it, Mr Gavin?

Mr Gavin—Yes, indeed.

Senator FAULKNER—Do you see any problem with an ad hoc committee established by the Australian Democrats not having the same entitlement? I am just using them as an example because I am assuming they will soon be swallowed up under Senator Gibson's own committee. It is a good example. We can use the opposition, if you like.

Mr Gavin—I am not sure to what extent I should offer an opinion.

Senator FAULKNER—I am worried about the issue of double standards here and I want to be absolutely clear about it. That is why I am asking the question. I do not want to pretend or duckshove this in any way. I want to be clear that we have the same sort of guidance for the same sort of committees. That is the issue.

Mr Gavin—I do not know that it is proper for me to offer an opinion but certainly under the existing rules, meetings of parliamentary party committees do attract the entitlement for travelling allowance. Since they are so clearly parliamentary, there is no question that the senators and members concerned can travel at government expense.

Senator ROBERT RAY—It is certainly a capped entitlement.

Mr Gavin—In respect of travelling allowance, with respect, it is not entirely; it is partly. Some aspects are, but not all.

Senator ROBERT RAY—I am sorry. Travelling interstate as a party committee is a capped entitlement to so many nights per year, isn't it?

Mr Gavin—Yes. At the moment six.

Senator ROBERT RAY—That is right. Is this capped?

Mr Gavin—No.

Senator FAULKNER—This is not a criticism directed at Senator Gibson's committee. We have dealt with that issue in other committees. This was an excellent example of where—

CHAIR—We did not claim travel allowance.

Senator FAULKNER—I am aware of that, Senator Gibson.

Senator ROBERT RAY—We are going to pay \$30 billion a year for your efforts.

Senator FAULKNER—But we will be thinking of you when we legislate for the recipe for bread being included in legislation. You will be the first person we go to, Senator Gibson, I promise you.

CHAIR—Thank you, Senator, that is good.

Senator FAULKNER—We will be running all our recipes past you.

CHAIR—Good.

Senator FAULKNER—Minister, I am not suggesting that this is badly motivated or the motivation is in any sense partisan. I am not suggesting that for one minute because I do not believe it is. There is, I think, a possibility that this could be misused or exploited. I am not suggesting anyone is going to do this but it does seem to me that there is an opening left here that is a structural weakness in the document Mr Winder has sent out.

Senator Ellison—I am pausing to think how many government committees of this sort have been appointed in three and a bit years. There was the tax committee which we have mentioned, one on sugar, the airport one—

Senator ROBERT RAY—I just do not understand why they do not take the burn like everyone else, though. You get your travel covered but not your travel allowance, and off you go.

Senator Ellison—With backbench committees there is a six-day limit for the TA but the travel is not capped.

Senator ROBERT RAY—That is right.

Senator Ellison—The difference between a backbench committee and one of these is that the travel allowance in the backbench committee is capped to six nights and this one is not. I suppose the rationale there was that if you are on an inquiry you would be travelling around the countryside more than perhaps six nights. But I take your point, Senator Faulkner.

Senator FAULKNER—There is a real weakness in this, isn't there, Senator Ellison? It is pretty obvious what it is.

Senator Ellison—Having regard to the small numbers of the committees concerned—sugar, airport and Senator Gibson's committee—this has not been a problem. Nonetheless, I take on board your comments and will look at them.

Senator FAULKNER—What motivated this, Senator Ellison? The government put a submission in to the Remuneration Tribunal—

Senator Ellison—I was not part of that submission. I would say that the thinking was that the government does have committees such as I have mentioned from time to time—and governments do have committees of that sort—which do not fall under a head of entitlement, and we would have to have a head of entitlement in order for those people to travel.

Senator FAULKNER—Were you lobbied by members and senators or others?

Senator Ellison—I was not a party to it. I was in another job then. I was minister for stores.

Senator FAULKNER—Can someone help us?

Senator Ellison—You have asked me the question and the rationale would be that there was no head of entitlement for any member of senator to travel on such a committee, nor to receive any travel allowance.

Senator ROBERT RAY—Minister, you say it does not cover a very big area therefore it is not a big issue. But it seems there is a case for this. Will you pass on to the committee the

government's submission to the Remuneration Tribunal? It obviously cannot be confidential because it is such a straightforward issue.

Senator Ellison—I can give you a recent example. There were the yes and no committees for the referendum. This was a matter which was raised by someone from your side, I might add, about the question of entitlements. It was a justifiable point, I might say, because the government had invited these people to go onto a yes committee or a no committee and there had to be a question of entitlement—could the members of parliament on those committees travel around the countryside? Could they receive any travelling allowance? That was an anomalous situation because the government was asking members of parliament or senators to do something and there was no entitlement to follow it.

Senator FAULKNER—People do raise these issues, Senator Ellison. As you know, members and senators have become more and more concerned about proper use of their entitlements.

Senator Ellison—Of course.

Senator FAULKNER—There is a developing culture, which is a good thing, among senators and members wanting to ensure they do the right thing. I know my own office and the department is probably driven mad all the time by members and senators trying to ensure they do not, in any way, do the wrong thing in terms of the use of their entitlements. That is from both sides of the parliament and it is to be applauded.

Senator Ellison—This is where an instance of the sort you have described, of people wanting to make sure that everything is above board, has been accommodated.

Senator FAULKNER—Yes, someone wanting to check it out. Are you counting the yes and the no committees, for example? Are they government committees?

Mr Gavin—Senator, I think the minister was using that as a closely related example. In fact, the legal advice we received was that this amendment we are talking about tonight did not cover it. In fact, the Remuneration Tribunal within the last few days has made a determination specifically for the constitutional referendum. It was a precisely parallel situation where you had senators and members acting in good faith who were likely to incur expenditure for which they were not adequately covered, either by the travel or the travelling allowance provisions as they stand, and the government considered there was a strong case for their costs being met at official expense.

Senator ROBERT RAY—That I just do not understand. I cannot see how you could possibly rule that a government member, being an activist on sugar issues, could not be regarded as travelling on parliamentary business. Of course they are. I cannot imagine any parliamentarian on that airport business not being ruled on parliamentary business. I do not know whether you meant to say it, Mr Gavin, but it is not true that their travel is in any way curtailed. We are only now talking about travel allowance, surely.

Mr Gavin—It is your view.

Senator ROBERT RAY—No, come on. You cannot set a benchmark here that an MP travelling—on sugar or airport issues or these other matters—is not on parliamentary business—official business is even better. Of course they are.

Mr Gavin—Sorry, that is the point. They are on official business.

Senator ROBERT RAY—But even if they were not on official business, they would be on parliamentary business and they could travel. You cannot reinterpret these things that far. This is just going too far.

Mr Winder—Senator, the situation in one of the cases is that we obtained legal advice to the effect that we are unable to pay claims in relation to that particular committee. I do not have it in front of me but my recollection is that it was not parliamentary business. We certainly explored it in quite considerable depth with our legal advisers.

Senator ROBERT RAY—Mr Winder, there are two issues here: travelling on what you regard as parliamentary business, which has always broadly been interpreted in the past—not party business but parliamentary business to do with your parliamentary duties, part of which is to be informed. I am not likely to, but if I fly up to Rockhampton and other areas next month and do a thorough search of all the sugar issues, are you going to tell me it is not parliamentary business? I know I cannot claim travel allowance because it does not come under any of the Remuneration Tribunal headings and I accept that. But it is surely parliamentary business.

Mr Winder—Senator, we did explore this. As I say, we received legal advice to the effect that we could not make a payment to a particular member of that committee.

Senator ROBERT RAY—For their travel?

Mr Winder—For their expenses.

Senator ROBERT RAY—No, I am talking about travel.

Senator FAULKNER—There are two issues: travel and travel allowance.

Mr Winder—Air fares versus travel allowance.

Senator ROBERT RAY—Yes. I think we understand the travel allowance regulations as well as you. We have no jurisdictional dispute with you on it. But what Mr Gavin said was ‘travel’, which we take to be air fares. That simply has never been the case in the past—where that sort of definition applies—otherwise you have not just one or two recidivists around the building but you have 224.

Senator Ellison—Senator Ray, some of the things we think are plainly common sense—and they are—are sometimes not looked upon that way at law. It is something which I am doing in relation to the entitlements. I have to say to you that things which may have been thought of as being obvious, when you engage legal advice sometimes are not.

Senator ROBERT RAY—Minister, you have an obligation—if this is the case—to immediately draw this to the attention of members of parliament. It is not just a question of commonsense. It is a past practice which has never been challenged in front of the Remuneration Tribunal, in the parliament, at the estimates committee or at any other time. Implicitly, by the definition of what is party business, you have defined parliamentary business—and it has been okay to travel on parliamentary business in the past. That has happened because of trying to make the difference between partisan political activity on one hand and your parliamentary duties on the other. I do not know where you have received your legal advice from but it sounds like Bozo and Bozo & Co.

Senator Ellison—What you say is an abundance of commonsense. It is an effort to make sure that the t’s are crossed and the i’s are dotted, and that is what we are doing.

Senator ROBERT RAY—The Remuneration Tribunal lays down broad guidelines and it has ever been thus. You, with the assistance of your department, then issue procedural rules and everything else.

Senator Ellison—Can you show me where the Remuneration Tribunal defines parliamentary business?

Senator ROBERT RAY—I cannot.

Senator Ellison—Exactly.

Senator ROBERT RAY—That is the reason why it rests with you.

Senator Ellison—Can you see where it defines electorate business? That is another one which it does not define, nor does it define party business. If you have a look at the latest draft ruling the tax office makes a very good fist at describing all three.

Senator ROBERT RAY—We are in screaming agreement here.

Senator Ellison—I can tell you that it is frustrating when an independent body you rely on does not give you these definitions.

Senator ROBERT RAY—We are in screaming agreement on that as well. Life ain't easy for you. The Remuneration Tribunal has not laid down definitions for your guidance, or for the guidance of your officials in sufficient detail. That is why you can issue procedural rules and guidance. But if basically what you are saying is that you have had legal advice as to what parliamentary business is, I would suggest that you throw it in the rubbish bin because you know and I know what parliamentary business is. It is just inconceivable that after all these years we can suddenly start ruling.

That is why I drew the distinction between what Mr Gavin said before about travelling and travel allowance. We have all understood that. We have all taken the burn. We have gone off on parliamentary business and paid for the accommodation out of our own pockets—so what? That is the burn you take, even though in many other countries and many other places you would be eligible for travel allowance. But you have always been eligible for the travel.

Senator Ellison—Mr Chairman, we take the point that has been made in relation to government committees and we will take it on board. We will look at the point you make and I understand it.

Senator FAULKNER—The key issue here in this section of Mr Winder's circular headed 'Travel for official business', is the last sentence which says that 'a parallel provision relating to travelling allowance has also been determined'. That is the interface between the two. Hence the comments I was making earlier, Minister. There is a major problem here.

Senator Ellison—I do not see it as a major problem, but it is something we will look at.

Senator FAULKNER—I do.

Senator Ellison—There has been no abuse of this.

Senator FAULKNER—Do you see it as a minor problem?

Senator Ellison—I see it as a point you have raised which we will look at. I cannot see any problem you have demonstrated as existing to date. You indicated a potential for a problem. We will look at that.

Senator FAULKNER—I appreciate that. Were you planning to come back to the committee on this? You will look at it but what will you do then, having looked at it?

Senator Ellison—We will get back to you, Senator Faulkner.

Senator FAULKNER—All right. I appreciate that.

Senator ROBERT RAY—Are you aware, Minister, that one of your Senate colleagues—in the broader sense—was refused travel allowance coming down to address a seminar on the Senate and its legislative process?

Senator Ellison—No, I was not aware of that.

Senator ROBERT RAY—That is not travel, but travel allowance.

Senator Ellison—Perhaps you might like to raise that with me privately so I can look into it.

Senator ROBERT RAY—I am more interested in the travel rather than the travel allowance issues. What you have said tonight I have never heard before.

Senator Ellison—Senator Ray, you know my door is open. You have raised a problem and I will—

Senator ROBERT RAY—I did not know a problem existed with travelling on parliamentary business until tonight.

Senator Ellison—It is not as simple as that. You have raised a question of a particular senator. If you want to take that further, take it up with me and we will look into it.

Senator FAULKNER—Senator, I am more than willing to raise issues with you privately and when appropriate, as you know I have. But I would make this point about this circular: this is public; this is in the hands of all senators and members; hence it is a public issue. We can certainly canvass it further. I am happy to do that privately or publicly, formally or informally, but it is a circular that has gone to all members and senators. I accept it has gone out in good faith. I am not even questioning that, but I think there are some issues that are now in the public domain that will need to be addressed in the public domain after you have given them some consideration.

Senator ROBERT RAY—One other thing to add, Minister, is the urgency of at least resolving the travel on parliamentary business. It is urgent now that it has been raised here; now it has been argued here that for official purposes it had to be validated. The alternative is too horrible to contemplate. It is not that we will all be called rorters or pulled up, but before every trip your department is going to be rung and people are going to insist on a response as to whether this falls within the definition of parliamentary business. If you want a definition of living hell, it is precisely that.

CHAIR—Further questions, Senator?

Senator ROBERT RAY—I did ask a question on notice, and received a fairly prompt answer and raised it briefly last time. It is on the cost of advertising staff vacancies for members of parliament. The answer came in at about 100 gorillas, I think, but then you have lifted it by another 20,000. That is right, isn't it? Didn't we get a correction through?

Senator Ellison—Yes, that is right.

Senator ROBERT RAY—This is not a partisan point to make but I was quite surprised at that as an expenditure. I thought \$120,000 was a lot in a year until I picked up some newspapers a while ago. I think it was on 22 May. I found advertisements in three separate newspapers for one member of parliament. It was for one full-time position and two part-time positions. One was in the *Financial Review*, taking up about that much of the paper. The second one was in the *Adelaide Advertiser*, taking up that much. It was advertising exactly the same positions. Then in the *Australian* there was an advertisement taking up that much space. Do you have any idea of the cost of the three advertisements for the same senator for one position and two part-time positions?

Mr Gavin—Yes, it was \$11,977.

Senator ROBERT RAY—That is \$11,977 more than I have ever cost you in 18 years. I do not suppose one could argue, Minister, that members should not advertise. I am not picking

on this particular senator but \$11,000 is a lot of public money to be putting out there just to advertise some staff positions in your office, isn't it?

Senator Ellison—Senator Ray, perhaps I can put it this way: the advertisement was within the framework of advertisements being placed in three papers. The total cost of \$124,000, which I think covered the total number of senators and members for the year, averages out at \$2,000-odd a member and senator per year for advertising. Sorry, it is a lot less. It is about \$500 per year, so on average the amount is not significant. I take it that in some cases you will get a higher cost than others. Some will advertise, some will not, but on an average, as an overall figure, \$500 per member and senator is not unreasonable.

Senator ROBERT RAY—This is the ABC 8c a day argument essentially. It does not sound so much until you are libelled by them.

Senator Ellison—The situation here is that you have individual advertisements which will vary in cost, and the advertisements which you have raised are within the framework of advertising.

Senator ROBERT RAY—I understand that. I am wondering whether you should change the framework. I am sure members and senators would not insist on \$11,000 worth of advertising if it was coming out of their own hides.

Senator Ellison—It is something we are looking at.

Senator ROBERT RAY—Is it?

Senator Ellison—Yes.

Senator ROBERT RAY—Then I do not need to pursue it if you are going to have a look at it. Could I ask a question about Mr Wooldridge's ministerial office. Is that still in Oakleigh?

Mr Skrzypek—I do not have that detail here. I could check that for you.

Senator ROBERT RAY—I might be able to assist you a bit. Dr Wooldridge had an electorate office at the extreme northern end of his electorate and a ministerial office put in the southern end of the electorate. To phrase this politely, the margin got a bit too short so he jumped a couple of seats across; the Labor member has inherited the Pentridge look-alike electorate office. I am wondering whether the ministerial office is still down at the southern end of Chisholm or whether it has been moved back into the city or up to Casey.

Mr Skrzypek—I would have to take that on notice, Senator. I do not have that detail.

Senator ROBERT RAY—Have we had any more information on the famous break-in at the Box Hill office?

Mr Skrzypek—Senator, I believe we provided all the information we had in response to a question on notice from you.

Senator ROBERT RAY—Right, that was it; that it was never referred to the police.

Mr Skrzypek—There was no police report on that.

Senator ROBERT RAY—It was referred to journalists at the time, with some implication that it may have political consequences. Was there no further information that it was Dr Wooldridge himself who set all the alarms off and brought the police?

Mr Skrzypek—No, Senator, I have no further information.

Senator ROBERT RAY—I just want to say for the record, Mr Chairman, that it was not the Labor Party that broke into his offices, as a couple of people were implying at the time.

That is Dr Wooldridge. You might just find out whether the office has been moved. I could find out too by driving by but I just wondered if the office had been moved.

Mr Skrzypek—I will obtain that information for you.

Senator ROBERT RAY—Just one other thing on the electorate of Chisholm: the Victorian designated senator has asked for an office in Chisholm, hasn't he?

Mr Skrzypek—Again I do not have that detail here, Senator.

Senator ROBERT RAY—That would mean he joined with Senator Patterson with an electorate in Chisholm, Ms Anna Burke in Chisholm and possibly Dr Wooldridge in Chisholm. It is a very popular electorate, Minister.

Senator Ellison—I do not know of any request by the senator-elect that I can recall in that regard.

Senator ROBERT RAY—Mr Winder, has your attention been drawn to the Senate survey of all senators in the satisfaction of services?

Mr Winder—Yes, it has, Senator. An officer of the Senate wrote to me on Friday. That was the day it was tabled. It was not drawn to my attention, nor to that of any of my staff, before that time. I have written asking for details from the officer of the Senate.

Senator ROBERT RAY—What they do is survey everyone every couple of years, but no-one told the survey company that travel allowance had been moved. I did, but it was a bit late. They have surveyed senators' satisfaction only, not members. There has been some highlighting in that report that satisfaction in the treatment of travel allowance has dropped from 83 per cent to 66 per cent. A bit of 'I told you so' to DOFA and me and everyone else, I guess. I have two questions coming out of that. Are you receiving increased complaints or a number of complaints about the way you are processing travel allowance in terms of timeliness and accuracy?

Mr Winder—No, we are not, Senator.

Senator ROBERT RAY—You have not, for instance, put a couple of hundred forms in your bottom drawer just because they are too hard.

Mr Winder—No, Senator.

Senator ROBERT RAY—That puts you one up, doesn't it! Nevertheless, could you have a look at the survey overall—and perhaps at some stage, Minister, you may consider your own department doing a similar survey. It is a rather tough benchmarking of you, because all the senators and members respond to say how well you are providing client services. But I think it could be useful.

Senator Ellison—We propose to. In fact the PBS indicate we will be obtaining satisfaction measures from the survey.

Senator ROBERT RAY—The one point I want to make to you is that usually they bring in a polling company. I am just warning you in advance that the biggest weakness is that some of those polling people have no background knowledge, entry level, et cetera. So in some way that gets the responses out of senators who are impatient or otherwise. That is the one problem, but it is a good way of measuring client services.

Senator Ellison—As I say, Senator, we intend to.

Senator ROBERT RAY—Minister, I do not think I have had a problem with the general processing of travel allowance. I do not know about Senator Faulkner. It is no quicker and no slower than the Senate. There is obviously a much higher checking capacity now, because

it is in the right department. I know they have to be checked, given the recent unpleasantness a couple of years ago, and that is happening. I think that will be good.

At the last estimates committee I asked a few questions on flags and got some responses. I read a press article—if you like, a knock-on press article. Whether it was true or not is what I am asking. There was some sort of departmental review of this entitlement and the way it is administered. Is that right?

Mr Winder—Senator, we are going to be looking at this issue of flags. We will be providing advice to the minister about it but we have not got to that yet

Senator ROBERT RAY—Someone did indicate to the journalist you were going to look at it.

Mr Winder—I am not sure what was indicated to the journalist. Certainly I do not think it was from my group. It is something we are looking at, and we will be providing advice to the minister on it.

Senator ROBERT RAY—We can perhaps check back in November or February to see how it is going.

Mr Winder—Yes, certainly.

Senator ROBERT RAY—My next question is to you, Minister. I just want to go back to Mr Fahey's statement of, I think, February this year. I know it is one you would have read because it mentions your name a couple of times. I do not want to personalise this to you, Minister; it is a general question. It goes to this question of members and senators using their charter allowance popping on the odd passenger outside entitlement—you understand the issue, I know. At the last meeting, and correct me if I am wrong, you said you had some legal advice that—I do not want to put words in your mouth—whilst that was outside entitlement, it was not a repayable matter.

Mr Winder—The legal advice, Senator, was that it was not a debt.

Senator ROBERT RAY—It was not a debt.

Mr Winder—Yes, it was not a debt to the Commonwealth.

Senator ROBERT RAY—Did it have a proviso on that or is the proviso there? Yes: 'does not give rise to a legal debt provided that the purpose of the charter was within entitlement and no additional cost to the Commonwealth'.

Mr Winder—That is right, yes. The purpose is within entitlement—and no additional cost to the Commonwealth arising out of the carriage of those passengers presumably.

Senator ROBERT RAY—Would it be regarded as an additional cost if a plane was diverted specifically to pick up passengers, to go up and down more than once?

Mr Winder—Hypothetically I do not know. It would depend on circumstances, I expect.

Senator ROBERT RAY—That is fair enough. The reference to 'within entitlement' means that the member or senator concerned is within parliamentary entitlement.

Mr Winder—Or electorate entitlement.

Senator ROBERT RAY—Or electorate entitlement, yes, but not for regional party conferences.

Mr Winder—Or ministerial entitlement.

Senator ROBERT RAY—I accept that is a different charter.

Mr Winder—It is a different charter, yes.

Senator ROBERT RAY—What if you are going to regional political conferences of your party?

Mr Winder—I do not know whether that would fall in or out, Senator, because of the issue you raised earlier as to whether or not the purpose for that was, in effect, to talk to people at that place where you were going about parliamentary or electorate business.

Senator ROBERT RAY—It would be possible to go to your party conference, then put a press release out on electorate business, and that would cover you, would it?

Mr Winder—It is a matter for the senator or member when they are making their claim to determine whether or not it was within their parliamentary or electorate business.

Senator ROBERT RAY—I understand that but I have a problem with the definition in Mr Fahey's statement that, so long as there is no increased cost to the Commonwealth, that is quite feasible—it is within parliamentary entitlement, I think he said. No, it just says 'within entitlement' but then you say the self-definition is on the senator or member.

Mr Winder—Yes, the senator or member makes a claim and makes an attestation to that effect.

Senator ROBERT RAY—That is interesting. So a senator and member can make a self-determination and definition in this regard on a charter. If they take a plane to Rockhampton on sugar business, Chairman, their judgment may not necessarily be trusted. Do we have someone who can deal with what we call the provision of electorate cars?

Mr Winder—Sorry?

Senator ROBERT RAY—The provision of what we call electorate cars. I do not know what your terminology is, I am sorry.

Mr Winder—Mr Gouldson will answer that.

Senator ROBERT RAY—This is a car that is provided to members and senators.

Mr Winder—Privately plated car.

Senator ROBERT RAY—Privately plated car and we pay a certain fee. They are all provided on a lease basis from DASFLEET.

Mr Gouldson—That is correct, Senator.

Senator ROBERT RAY—Is there any penalty if a member and senator uses it less than the 40,000 kilometres in terms of the lease arrangement?

Mr Gouldson—If he uses less than the kilometres, there may be, depending how much under the initial lease it is.

Senator ROBERT RAY—What I have been told is that if you come in well under the kilometres used there is a penalty and if you go over there is a penalty. I know there might be a good explanation for that but I would not mind hearing it because I do not understand it.

Mr Gouldson—That is correct, Senator, there are penalties either way. There is also the penalty in terms of time as well—whether it is returned within the lease time frame, and whether it is 18 or 24 months as well.

Senator ROBERT RAY—I think I am a relatively frugal user; I never get near the 40,000 kilometres in two years. Do I have to pay a penalty for my frugality?

Mr Gouldson—That is correct.

Senator ROBERT RAY—Why?

Mr Gouldson—I must point out that the higher penalty is really in terms of the time framework. If you have an 18-month lease and you return it much earlier, say 12 months, the penalty is quite high. The penalties for mileage under and over is not excessive; it is not as high as the other one. The basic principle from DASFLEET is that they enter into a lease agreement where they expect that certain kilometres will be used for a certain duration, and they base the lease costs, the lease rates, on that. Any variation to that means they need to adjust their estimated lease costs.

Senator ROBERT RAY—I am looking at the chairman, who knows a lot more about business than I do. Can he explain it?

CHAIR—It seems crazy to me, Mr Gouldson. If you ran the car at less mileage within the time frame, therefore costing less money for the Commonwealth and the car is in better condition with better resale value, why should the lease be greater?

Mr Gouldson—I do not recall what the penalties are for being under kilometres. Off the top of my head I cannot remember, but they are nowhere near the volume or the value in terms of excess kilometres, as they call it, or before the duration.

CHAIR—I think Senator Ray has raised a valid point. I understand going out the other way, beyond 40,000 kilometres, but someone like me would not get near 40,000. I thought I was saving money for the Commonwealth.

Mr Gouldson—I cannot recall the exact penalties. I would have to come back to you in terms of under kilometres.

CHAIR—And a reason, please.

Mr Gouldson—Yes.

Senator ROBERT RAY—To save you money in a year's time, I really need to put the car up on a jack and just run it for 24 hours. I would be saving you money. This is big business. It is beyond me, Minister, I will let that one go. But we would not mind some explanation in writing.

Senator Ellison—It is a matter which has been brought to my attention, Senator, and it is something which I have already put steps in train to have a look at.

Senator ROBERT RAY—Good.

Senator FAULKNER—Could I ask, Mr Chairman, about the \$26,660 in the advance to the minister for finance, which I read about. I think they were legal costs. This is compensation and legal expenses, and the description is 'Ministerial and parliamentary services—other services, compensation and legal expenses, \$26,660'. I am sure you know what this is about. I just wondered what it was about.

Mr Winder—Could you just help us out?

Senator FAULKNER—This is the advance to the minister for finance and administration—the AMFA—March 1999—moneys made available in supplementation of existing appropriations for specified purposes. 'Department of Finance and Administration; appropriation item 284-02-01 MAPS, other services, compensation and legal expenses, \$26,660.'

Mr Winder—I have some idea but I prefer, if I may, to take it on notice for you, Senator, to give you an exact answer for it.

Senator FAULKNER—I am a bit surprised about it, Mr Winder. It is not often you would dip into the advance to the minister for finance, is it?

Mr Winder—It is, as I understand it, to do with the passage of additional estimates. I do not know the exact answer and I prefer, if I may, to give you the exact answer.

Senator FAULKNER—It says ‘compensation and legal expenses’ here.

Mr Winder—Yes, I meant in terms of timing and the advance.

Senator FAULKNER—If no-one can assist me you will have to take it on notice. I am a bit disappointed by that one.

Mr Winder—I am sorry, I do not have the exact answer and I would like to give you the exact answer.

Senator FAULKNER—In the circumstances could you take it on notice. Could you detail for the committee what this sum of money is for and why MAPS dipped into the AMFA for it? What was the urgency? What were the unforeseen and urgent circumstances? The committee is entitled to an explanation of that. It does appear to be quite unusual and, as I say, a little surprising that we do not have much more detail. Could you provide that detail, and, if you think there is anything else that might be relevant to a senator like myself who might be interested, you might provide that also.

Mr Winder—Thank you, Senator, we will.

Senator FAULKNER—I have just one other question; then I think that is all I have in the MAPS area. This is not directly a matter that would be of concern; it really goes to the furnishing of electorate offices. I just wondered if members and senators have been raising with you the issue of shelving the copious numbers of bound *Hansard* that are provided to us. Is this an issue that has been of sufficient concern to members and senators that MAPS has had to deal with in terms of the provision of particular furniture to members’ and senators’ electorate offices and the like?

Mr Winder—I will ask Mr Skrzypek to answer that.

CHAIR—I only like mine in electronic form.

Senator FAULKNER—I might say, before Mr Skrzypek answers, that that is a reasonable point to make, Senator Gibson. I am sure nearly every senator and member would access *Hansard* in electronic form. But for some they might be good wallpaper, for all I know. It is a real storage problem. Given that you have made that intervention, Mr Chairman, I am appealing for any country library, particularly in the state of New South Wales, that would like a set of bound *Hansard*. The only drawback is it has got my name on them, but apart from that if anyone would like them, I would like to actually dispose of these in a way that is useful in terms of the community. That is my advertisement for the evening. Mr Skrzypek, has that been raised with you at all?

Mr Skrzypek—Senator, I have to say no-one has raised it with me.

Senator LUNDY—I would like to ask some specific questions about the provision of information technology services in electorate offices. It is an issue that is now handled by the vendor CSC. The first question I have relates to the roll out of Internet and access to the exchange server in the parliamentary network. Can someone provide an explanation as to what is happening with that?

Mr Skrzypek—I am sorry, Senator, I did not quite hear the question.

Senator LUNDY—My understanding is that up until the budget the proposed roll out of Internet services and access to the parliamentary network via the exchange server had stopped. Has this changed as a result of the budget? If so, what is the plan now to extend that roll out to all electorate offices?

Mr Skrzypek—Senator, if you mean, by ‘access being stopped’, that access has been withdrawn, I am not aware of that happening. The situation with Internet browsing access is that Senator Minchin, when he was Special Minister of State, approved a trial in 50 electorate offices of Internet, in part to assess the potential cost of Internet usage and in part to assess the security issues associated with rolling out Internet to all electorate offices. That trial was concluded and a measure was announced in the budget that Internet would be rolled out to all electorate offices in the near future.

Senator LUNDY—Yes, that is precisely the initiative I am talking about. Perhaps you could provide some detail as to the timing of the remaining roll out.

Mr Skrzypek—Yes, Senator. The indicative timetable is that Internet will be rolled out progressively over the next three to four months across the country. Different states will be targeted in different months.

Senator LUNDY—Can you tell me which states will be first, second, third?

Mr Skrzypek—Yes, Senator. This is on an indicative timetable. The ACT will, on my current advice, be done in August; New South Wales and Victoria in September; South Australia, Western Australia and Northern Territory in October; and Queensland and Tasmania in November. As I say, Senator, that is an indicative timetable at this stage. We are just finalising the details with CSC now.

Senator LUNDY—Just to backtrack a little, you mentioned a pilot program. My understanding was that the initial program was less of a pilot and more part of an initial roll out and that it actually ceased when CSC’s contract came into play. Can you just provide some explanation as to that perception?

Mr Skrzypek—That is not correct, Senator. The pilot ran for some months after CSC took over responsibility for the provision of IT services on 1 July last year.

Senator LUNDY—So CSC actually installed the network and the technology and hardware necessary to connect some electorate offices to the parliamentary network last year?

Mr Skrzypek—I would have to consult records, Senator, to just confirm whether the pilot began before 1 July or after 1 July.

Senator LUNDY—I think it began before. In fact I can speak from experience that it began before 1 July. What I am asking is whether or not there was any work done or any new offices connected post-July once CSC took over the contract.

Mr Skrzypek—I do not believe so, Senator.

Senator LUNDY—Isn’t that the point?

Mr Skrzypek—There were 50 offices selected for the pilot. They were selected in consultation with party whips, and representation within that group of 50 was in accordance with the state of the parties in the parliament at that time.

Senator LUNDY—Just on that selection process, was there an opportunity for elected members and senators to express interest to be part of that pilot?

Mr Skrzypek—Senator, the process that was followed was that the then minister wrote to party whips and asked party whips to elicit interest and nominate representatives on the pilot from their respective parties.

Senator LUNDY—What other criteria were applied to the selection of candidates for the pilot?

Mr Skrzypek—No particular criteria, Senator, other than possibly some members who had a particular interest in IT may have discussed their interest with the party whip but there were no formal criteria placed on selection. It was a matter left to the party whips.

Senator LUNDY—So the people who participated in that project arose specifically from being nominated by their party whip?

Mr Skrzypek—That is correct.

Senator LUNDY—And no other criteria was applied?

Mr Skrzypek—No, Senator.

Senator LUNDY—Now that the roll out is actually going to proceed and we have an indicative timetable, one of the issues of late is the quality of service of access both to the parliamentary network and the Internet. Because Internet access occurs through the parliamentary network there are various levels of efficiency in gaining that access. With respect to the contract with CSC, I suppose they are service level agreements, but what I am looking for is what guarantees of the quality of service have been included in that with respect to access to the parliamentary network from electorate offices?

Mr Skrzypek—Senator, I am not a technical person so you will forgive me if I do not go into too many technical specifics.

Senator LUNDY—I am happy for you to take these on notice.

Mr Skrzypek—I can say, though, that we have negotiated the particular technical infrastructure which will be the basis of the roll out to electorate offices very carefully with CSC, and we have taken very close account of the issue of capacity and the need to minimise any danger of traffic clogging the system and minimising access. But if you would like some more information I could take that on notice.

Senator LUNDY—Yes, that would be useful. Perhaps a briefing would be a practical way to deal with that but also if you could take that question on notice. Was a variation of CSC's contract required to continue with this roll out?

Mr Skrzypek—Not a variation to the contract, Senator, but this is a project in its own right, so we have spent some time going over the details of the roll out with CSC under the general umbrella of the contract.

Senator LUNDY—Perhaps you could just take that on notice, too, and double-check that. I am very interested if anything has been renegotiated. What opportunities exist for that contract to be flexible in the provision, for example, of additional software within electorate offices?

Mr Skrzypek—There is every opportunity for flexibility, Senator. We seek to identify continuously what might be emerging requirements in electorate offices for equipment and functionality and discuss with CSC options for delivering those. CSC exists to provide services to customers and electorate offices.

Senator LUNDY—Just to give an example of what I think is emerging as an issue, my understanding is that if additional software that sits outside the current service level agreements

or current contractual arrangements is requested, but it is not able to be provided, it is not able to be supported by CSC unless there is a variation of the contract, and obviously appropriate expenditure expended to provide that service—are you aware of that?

Mr Skrzypek—Senator, it is not so much an issue of contract variation as, I suppose, an issue of managing the general provision of services to electorate offices. One issue that we are very conscious of is the cost of provision of certain pieces of equipment to electorate offices. It does happen sometimes that individual senators and members express a wish or a desire or some interest in some new piece of equipment, and we need to look at that against the overall context of what it would cost to provide equipment of that kind to all electorate offices and how providing this or that piece of equipment or functionality would fit in with our overall network and capacity to support.

Senator LUNDY—Certainly.

Mr Skrzypek—So it is not so much a matter of contract variation, as I say, but a matter of managing the provision of these services.

Senator LUNDY—The particular example I am referring to is the provision of a piece of software that fits within the Microsoft suite of software that is used for both the parliamentary and electorate office networks. It is called Front Page and it relates to the publishing of web sites. I know that there have been several indications of interest in having this software and the support services supplied. It causes a problem if I seek to install it on my hardware in my electorate office because of the way that that is managed and serviced by the vendor. They would not be able to provide support in the way that support would normally be provided for software. That is the dilemma. Can you provide some explanation as to what the process would be for members and senators to deal with this issue? How should they request it and have that particular piece of software available as part of the suite of applications available to them on their electorate office local area network?

Mr Skrzypek—The process initially, Senator, is to let our office know that you have a requirement for that. We would then undertake to look at the broader issue of the implications of providing that piece of software or hardware. I am not familiar with Front Page, so I cannot comment on that.

Senator LUNDY—It is software.

Mr Skrzypek—We would look at the implications of providing that from a cost point of view and from the point of view of security of the network and that sort of thing.

Senator LUNDY—It would not require an unsecured connection to the Internet. It still operates via the parliamentary network in the firewall that is established up here. We will pursue that. It is reflective of the rapid changes that occur in any workplace with respect to information technology. The issue is really one of adaptability and flexibility of these contracts and the services that are provided within them. There are similar issues in relation to the provision of information technology services within Parliament House in the parliamentary network. They all relate.

There is just one other issue on that. In terms of the ongoing provision of service by CSC, I am concerned about the broader implications of their contract and how that relates to the provision of members' and senators' services under it. Is there any way we can get a clearer picture of just what the IT entitlement is with respect to that contract?

Mr Skrzypek—Senator, the issue of the entitlement needs to be separated from the issue of the contract. What CSC undertakes to do under the contract is to provide services in

accordance with the current entitlements of senators and members as basically outlined in the handbook: so many PCs and printers and so on.

Senator LUNDY—Wouldn't that be defined by the contract, though, or does the contract actually cite a link to entitlements?

Mr Skrzypek—The contract, Senator, does not define the entitlements.

Senator LUNDY—That is what I thought.

Mr Skrzypek—The issue of the entitlements is a separate issue.

Senator LUNDY—As entitlements may vary over time through a distinct process, you need to manage the contract accordingly?

Mr Skrzypek—That is correct.

Senator LUNDY—I presume that is something that you keep on your books and keep a watchful eye on all of the time.

Mr Skrzypek—Yes.

Senator LUNDY—On the issue of Internet access and network access, because information technology and communications, be it via email or the use of the Internet, are so critical to the operation of every business and government department—and, indeed, electorate office—what remedies or what sanctions are available when that system goes down? It actually has happened recently. It happened in the budget week. All the electorate offices are on that network as well. It shut my office down, for example, for a period of four days. What remedies are available to me as an elected politician to, in the first instance, avoid it? What comeback do I have if that occurs at a time that impacts in a severe way with respect to policy development or to a particular community initiative which the community was relying on me for, or something like that?

Mr Skrzypek—Senator, first of all I need to say that I think I know the incident you are referring to and it was not in fact to do with CSC directly.

Senator LUNDY—I appreciate that, but they do provide the services. Whilst they could not perhaps be held responsible at that point in time, it is still about the service to us.

Mr Skrzypek—Senator, there are two aspects to the answer. One is that the contract does very clearly deal with what needs to be done in the event of a failure of the kind that you are describing. There are very clear processes in place. For example, failures are categorised according to their severity and according to the impact on business. There are very clear service levels in place and obligations on CSC to fix things within a certain time and to provide detailed reports on what went wrong, why it went wrong and why it will not happen again or what measures they are taking to prevent it from happening again. Secondly, the resources of CSC are available to assist in retrieving any data, or anything of that nature that you need their assistance with, following such a failure.

Senator LUNDY—I have one other question relating to speed of access. The different technology deployed to create that connection with the parliamentary network can impact on speed, on reliability, and on quality of service, depending on the current loads and how the network is configured. Do you have a set of service standards that apply, for example, to speed for Internet access or, indeed, speed through the smart router system to the parliamentary network.

Mr Skrzypek—Senator, as I said, I am not technical so I cannot go into the details here. But as I did also say earlier, we have worked through the technical infrastructure needed for

Internet very carefully, with a particular focus on ensuring that congestion is minimised, that speed of access is at an acceptable level and so on. All that has been worked through very thoroughly over a period of months.

Senator LUNDY—As the clients in this case, what opportunity do we have to express a view about the quality of service, the speed and accuracy, dial-up speeds, et cetera, from that service? Should we express those views to you?

Mr Skrzypek—There are at least two ways, Senator. Certainly, one is to call me or any of my colleagues and we will take it up with CSC direct. A second way is to contact the CSC help desk, which is there to deal with that sort of issue.

Senator LUNDY—Sure, yes.

Mr Skrzypek—More generally, if you have particular issues that are concerning you, we do conduct surveys of electorate offices from time to time to assess user satisfaction with the service being provided. In our experience, senators and members have used all three of those avenues.

Senator LUNDY—That is good, although I just note that, whilst the help desk provides support and service, I do not see it providing the sorts of answers that I am talking about that we are looking for. What about the future? What about opportunities to upgrade that network? My understanding of the network is that it is currently configured to allow for upgrading as technology progresses, as higher bandwidth becomes more the norm with respect to internets such as this. What opportunities exist within the contract to upgrade that network, and within what time frames?

Mr Skrzypek—Senator, the contract is customer driven in a sense, and so we can, at any stage, have the flexibility to talk to CSC about provision of upgrades or different kinds of services and so on. The issue of how we plan for that is something we are looking at, at the moment. There is not a lot I can say about it, but I can assure you there is every flexibility within the contract for us to provide that sort of upgrade or additional functionality.

Senator LUNDY—I am sure my colleagues will be very pleased to hear that everyone will have Internet and parliamentary network access by November. Thank you.

ACTING CHAIR (Senator Brownhill)—No questions?

Senator ROBERT RAY—I have one. I am not sure that it comes under this item because it goes to Senator Ellison's role in the republic matter. You might as well answer it now if you can, or ignore me if you like. Is it proposed to deal with that constitutional change legislation in the winter session or in the spring session?

Senator Ellison—In August when we come back.

Senator ROBERT RAY—Do I read correctly that it has to be passed by 20 August?

Senator Ellison—That is the current deadline.

Senator ROBERT RAY—That leaves one Senate sitting week to deal with it.

Senator Ellison—That is right.

Senator ROBERT RAY—Is it going to go through the House of Reps prior to then?

Senator Ellison—The legislation will be introduced next week, I understand, in the Reps. The joint committee will be looking at the legislation and will report, hopefully, in early August. The Senate will be sitting the week beginning the 8th or 9th, and that is one Senate sitting week and then there is one up week.

Senator ROBERT RAY—It has to be done in that first sitting week though, does it?

Senator Ellison—Yes, with the current sittings the way they are.

Senator ROBERT RAY—Depending on whether we sit in July, which is still a probability I suspect, but, if not, one of those days will be a ceremonial day.

Senator Ellison—Yes.

Senator ROBERT RAY—Are you telling us to keep the Friday clear?

Senator Ellison—I think it is a pretty good bet, Senator Ray, with the legislative requirements we have, that most Fridays after a sitting week have to be treated with caution.

Senator ROBERT RAY—This will require a call of the Senate, won't it?

Senator Ellison—A call of the Senate?

Senator ROBERT RAY—Yes, bringing a constitutional bill.

Senator Ellison—Yes, that is right.

Senator ROBERT RAY—Are you going to give notice of that prior to parliament getting up this time?

Senator Ellison—We would have to.

Senator ROBERT RAY—You will?

Senator Ellison—Yes.

Senator ROBERT RAY—Was that news to you?

Senator Ellison—No, there was some mention of that, but I am not sure when that will be given.

Senator ROBERT RAY—I think only notice has to be given. I think it is seven sitting days of notice, I think.

Senator Ellison—I am not sure of the form of the notice—

Senator ROBERT RAY—Neither am I any more.

Senator Ellison—and what is required, but there was mention of it in various considerations we had in relation to the timetable and the bill. That deadline is required for a referendum, of course, on 6 November.

Senator ROBERT RAY—What I am concerned about is that it will not actually be put to the House of Representatives until August, because the committee is going to be looking at it. I am wondering how we can get it through the House of Reps and the Senate in one sitting week, through both houses.

Senator Ellison—I cannot speak for the Reps, but I understood there would be debate in the absence of a committee report while the committee was still considering it.

Senator ROBERT RAY—In the Reps?

Senator Ellison—Yes, but not in the Senate.

Senator ROBERT RAY—No. I am a bit concerned with the logistics rather than trying to run interference on this.

Senator Ellison—The logistics are a problem here which will have to be met. As you would appreciate, the time line from 20 August to 6 November is one which deals with statutory requirements, printing the yes and no case, all manner of things. The AEC is giving evidence tonight, so you can ask them the reason for that time.

Senator ROBERT RAY—I accept that. I think we could be in a lot of strife, not through anything other than inadvertence, because it is going to be very hard to do it in that time.

ACTING CHAIR—I suggest you ask those questions again in the next part with the AEC.

Senator ROBERT RAY—No, this is more parliamentary programming rather than the Electoral Commission's requirements, which then dictate back onto parliamentary programming. Anyway, good luck with that, Minister.

ACTING CHAIR—There being no more questions for the minister on parliamentary services, I thank the departmental officers. I now call on the AEC.

[9.08 p.m.]

AUSTRALIAN ELECTORAL COMMISSION

ACTING CHAIR—I welcome the Australian Electoral Commission.

Senator Ellison—Mr Gray is currently in South Africa. You will no doubt be aware that the elections are on over there, so we have Mr Becker here tonight. Mr Gray sends his apologies.

ACTING CHAIR—Thank you. Are there any general questions?

Senator ROBERT RAY—Mr Gray is in South Africa, so who else from the Electoral Commission is there? Do we have more than one?

Mr Becker—Sorry. Assistant Commission of IT, Tim Pickering; Acting Deputy and First Assistant Commissioner for Finance and Resources, Mark Cunliffe; Paul Dacey, Assistant Commissioner, Elections and Enrolment; and Barbara Davis, Acting Assistant Commissioner, Corporate Services.

Senator ROBERT RAY—Apart from Mr Gray, do we have anyone else in South Africa observing?

Mr Becker—We have four others there at the present time.

Mr Dacey—That is correct, Senator. We have four plus Bill Gray, but the four others are on longer-term technical assistance rather than observing. They are on a bilateral mission supported by AusAID.

Senator ROBERT RAY—Do you have a team in Indonesia?

Mr Dacey—Yes, we do.

Mr Becker—Yes, we have.

Senator ROBERT RAY—How many?

Mr Dacey—Currently six.

Senator ROBERT RAY—Are we observing any other elections anywhere else?

Mr Dacey—Not at this stage, no.

Mr Becker—Mr Gray is the only one on an observer mission at this present time. Whilst we have an observer mission going to Indonesia at the moment—going up today, I think—they are mostly parliamentarians and AusAID and DFAT staff.

Senator ROBERT RAY—But you have some Electoral Commission people.

Mr Becker—Not in that observer group, no. We only have people on the ground.

Senator ROBERT RAY—I was interested in that. You are doing a redistribution or redivision of seats in three states at the moment: South Australia, Tasmania and New South Wales.

Mr Becker—Tasmania and New South Wales.

Senator ROBERT RAY—I must say you ambushed me on South Australia. I only read that you had actually put out a proposed set of boundaries. You do not normally ambush me on those things. Have you got an approximate date as to when the first proposals will come out for Tasmania and New South Wales?

Mr Becker—The first proposals for New South Wales are in the pipeline at the moment. I think they are due out next week. I think it is next week.

Senator ROBERT RAY—You should know the iron law is that you never release them when the House of Representatives is sitting. It is very distracting.

Mr Becker—Tasmania is, I think, a few weeks after that. So that is the last cab off the rank.

Senator ROBERT RAY—It is last cab just because of the seven-year rule.

Mr Becker—Because of the seven-year rule.

Senator ROBERT RAY—The actual dates of it.

Mr Becker—Yes.

Senator ROBERT RAY—Because it is usually the easiest one to do, isn't it?

Mr Becker—I suppose it is, yes.

Senator ROBERT RAY—In a worst-case scenario of not only an appeal period but a second appeal period, which I think there is provision for in the act, if there is dramatic change after the first set of appeals, what is the end date of the three states?

Mr Becker—I would have to take it on notice, Senator.

Senator ROBERT RAY—That is fine, take it on notice. That is all I have, Mr Chairman.

Senator FAULKNER—I just want to ask a couple of questions about the Greenfields Foundation, which we have canvassed, of course, at a previous estimates committee. Can I thank Mr Gray, in his absence, for providing the letter to Senator Gibson, as chairman of the committee, which went to a number of questions I had asked at a previous estimates committee round which he took on notice. He indicated he had sought advice from the AGS and outlined the reasons why he felt some information requested by me ought not be answered at this stage. I appreciate Mr Gray writing to the chairman and passing that on, and you might indicate that to him when he returns from his sojourn in South Africa.

In relation to the Greenfields Foundation, what AEC resources are being used to investigate the matter, please?

Mr Cunliffe—Senator, if you are seeking a total costing of the resource usage, that is something I will have to take on notice.

Senator FAULKNER—You can take that on notice, Mr Cunliffe; I appreciate that. I was really talking about staff resources, to be honest.

Mr Cunliffe—Broadly speaking within the AEC, Senator, the process is not a full-time activity for any particular staff member. It engages the time of the director of funding and disclosure, one other officer within the area and on occasion one or two others at various points during the past months. It also engages my time and, of course, the commissioner's time, from time to time. In no cases are they full-time.

Senator FAULKNER—No, but it is a reasonable drain on resources though, isn't it? Would it be the equivalent effectively of one or two officers working full-time on this, or half an officer?

Mr Cunliffe—No, Senator. At certain points obviously activity is more dramatic, but over that period I do not think I would analyse it and put a full-time equivalent person on over 12 months, say.

Senator FAULKNER—Fair enough; thanks for that. Instead of me asking a range of questions that might cause some sensitivity to the AEC, I thought it might be useful, Minister, if I asked the officers at the table for a status report as to where we are with this issue. If issues arise out of that, we could take it from there. If you and the officers are comfortable with that, I think that would be quite a sensible way of us dealing with it.

Senator Ellison—I agree with that.

Mr Cunliffe—Senator, senior counsel has been briefed in relation to issues arising from this series of discussions and the matters we have to hand. We are awaiting the outcome of that process.

Senator FAULKNER—When you say 'senior counsel has been briefed,' can you tell us for what purpose?

Mr Cunliffe—To provide us with advice, Senator, in relation to a range of issues which we have distilled from the information we have available to us.

Senator FAULKNER—Thank you. Can you tell me about your time frames in relation to this?

Mr Cunliffe—If you are seeking an indication of when we will have advice back from counsel, no, I cannot. Counsel is aware of the significance of the matter.

Senator FAULKNER—Who briefed counsel? Let us go back a step.

Mr Cunliffe—Formally, the Australian Government Solicitor's Office, because we act in conjunction with them. As we have explored previously in these sessions we do not have an internal legal adviser.

Senator FAULKNER—No, I appreciate that.

Mr Cunliffe—So formally we acted through the Australian Government Solicitor's Office.

Senator FAULKNER—On occasions you have sought legal advice from private legal firms, haven't you?

Mr Cunliffe—In relation to this matter?

Senator FAULKNER—No, in relation to other matters or more generally. I think at times you have, from recollection.

Mr Cunliffe—I will have to seek guidance from others on that, including the acting commissioner. I am not aware of that. It may be true but I am not aware of it.

Senator FAULKNER—That is fine. I thought you had. On this occasion anyway, you have used the AGS.

Mr Cunliffe—Correct, Senator.

Senator FAULKNER—That is helpful. Do you know when the AGS briefed senior counsel?

Mr Cunliffe—I cannot give you the date immediately, Senator, but I can certainly advise you of it. It was within the last month. We have also met with counsel to explore the issues in that same period.

Senator FAULKNER—Can you let me know, apart from the AGS, whether you have ever involved any other government agencies at all in your activities here?

Mr Cunliffe—Yes, Senator, at certain points we have spoken to the office of the Director of Public Prosecutions in relation to matters on which we were seeking guidance.

Senator FAULKNER—Any others?

Mr Cunliffe—I should check with Mr Edgman, Senator.

Mr Edgman—No, Senator.

Senator FAULKNER—So the Director of Public Prosecutions.

Mr Cunliffe—The office of the Director of Public Prosecutions.

Senator FAULKNER—I am sorry, the office of the DPP—yes.

Mr Cunliffe—It is important with these offices which bear the name of the head of the agency to be cautious.

Senator FAULKNER—I appreciate that important nuance, Mr Cunliffe.

Mr Cunliffe—Similarly with the Australian Government Solicitor's office.

Senator FAULKNER—Yes, indeed, I appreciate that. The office of the DPP. Would you be able to indicate to me when that occurred?

Mr Cunliffe—On a number of occasions, Senator, going back to the last calendar year.

Senator FAULKNER—Was that done on advice?

Mr Cunliffe—Yes, Senator, it was done on advice. The circumstances broadly were that we raised some issues with the Australian Government Solicitor's office. As a result of a discussion we had with them, we then sought the assistance of the Director of Public Prosecutions' office at that point in relation to some particular legal issues.

Senator FAULKNER—Yes, thanks for that. Are you in a position now to respond in any detail to the issues that Mr Gray wrote about on 13 May 1999 to the chairman of the committee—on those issues effectively that I had raised seeking certain information? I think we need to tie down that loose end. Are you now in a position to respond to any of those issues?

Mr Cunliffe—No, Senator, I am not. Indeed, some of those issues, of course, are the subject of what we have raised with counsel now.

Senator FAULKNER—Yes. Could you indicate to me whether any consideration has been given to serving a notice on Mr Lynton Crosby, the federal director of the Liberal Party?

Mr Cunliffe—Senator, I do not believe any of our discussions could be characterised to that effect, but it is fair to say we have had broad-ranging discussions from time to time about a range of approaches to the matter. Rather than us seeking to explore them one at a time and rule them in or out one at a time, I think we are back in the difficulties we adverted to in the commissioner's letter to the chairman. The difficulty of that course is that there are a range of issues which were adverted to in that letter. On the one hand, if we were thinking of doing those things in relation to particular players, there might be disadvantages rehearsing that fact in this arena. Similarly, there is no benefit to be served in this matter, or others of this sort,

in potentially besmirching the reputations or involvement of people who may or may not have any possible direct involvement.

Senator FAULKNER—You would appreciate I have not asked that question before.

Mr Cunliffe—I do appreciate that.

Senator FAULKNER—I do hear what you say, so I will only ask one more in a similar vein, and that is whether any consideration has been given to serving a notice on Mr Ron Walker.

Mr Cunliffe—Again, Senator, I retrace my steps: we had a series of discussions in relation to a wide range of players and I prefer to leave it at that.

Senator FAULKNER—Thank you. Will the AEC be reporting separately under section 17(2)(b) of the act, given the nature of this investigation?

Mr Cunliffe—Senator, at this stage the next steps really need to wait for the advice we have sought. As we have indicated, over time there are a number of possible steps. One possible step potentially would be a report to the parliament, but there may be other steps. The timing of any of them is clearly dependent upon what we are told by the senior counsel from whom we have sought the advice.

Senator FAULKNER—But can I be assured by you, Mr Cunliffe, or by Mr Becker who is acting in Mr Gray's absence, that the AEC is treating this matter seriously? Is full regard being given to proper process and no delays in terms of the internal processes of the AEC? It is a matter we have canvassed at a number of estimates committees. You would appreciate, for a senator sitting on this side of the table, some of this is starting to get a little frustrating now. I have also mentioned to you, and I think you know my own approach—and I am sure other members of the committee would be aware—that this matter ought to be progressed absolutely properly—I am not suggesting it is not being—by the AEC. Can you give that assurance to the committee tonight?

Mr Becker—Yes, certainly, Senator. It is certainly not on the backburner. It is just a matter of going through the processes, I am afraid.

Senator FAULKNER—Are you able to give any indication at all as to when you think this matter is likely to be concluded from the point of view of the AEC?

Mr Cunliffe—I cannot, Senator. In terms of a conclusion, it partly depends on the advice of counsel. Counsel's advice might be that all the issues are clear, in which case we may be in a position to report relatively soon. Counsel's advice might be to some other effect. Clearly if we knew what counsel's advice was going to be, we would not need to seek it, but that is why we are seeking it. We do have issues we need such senior advice on.

Senator FAULKNER—Yes. I notice on page 89 of the PBS that in output 2.1.3 there is a target of 100 per cent compliance of returns with legislative requirements. I would have thought that particular performance indicator for the department was quite relevant to this issue of Greenfields we have been discussing at a number of estimates committees. I wondered whether I am correct in jumping to that conclusion.

Mr Cunliffe—Senator, pedantically, of course, it is important to point to the fact that we are talking about the next year in terms of that particular outcome or quality measure.

Senator FAULKNER—Yes.

Mr Cunliffe—Broadly, of course, it would be our ambition to ensure it on a continuing basis, past and future, in terms of total compliance with the legislative regime.

Senator FAULKNER—Yes. Do you have performance indicators for that, compliance indicators? How do you measure compliance, in other words, in this sense?

Mr Cunliffe—I will ask Mr Edgman to elaborate, Senator. In minimalist terms, the process we go through—of compliance audits, which again we touched on in these sessions previously—is one of the measures we adopt in order to convince ourselves whether we are reaching that level or not. That very often leads to amendments being made to returns which have previously been lodged. Therefore we attempt to ensure that the public record reflects 100 per cent compliance, at least over time, through those measures. Mr Edgman may wish to add a more scientific analysis to that.

Mr Edgman—Senator, there is not much I can add to that. Obviously we can tell whether we have received all the returns and whether we received them on time from political parties and so forth, because they are all registered. Certainly the compliance audits are the critical issue as far as we are concerned in being able to confirm that the returns are actually complete and accurate.

Mr Cunliffe—I would like to add, Senator, for the record, that those who work in Mr Edgman's area—which I have inherited because I have only been with the commission a bit over a year—are not just very dedicated public servants but dedicated to the job they are charged with. They see it as having the high importance which I think this quality measure indicates we see it as having to.

Senator FAULKNER—I do not think that is under question from me.

Mr Cunliffe—I was not suggesting it was. I merely wanted to reiterate that it was not just words on a paper. It is lived by them in the way they do their work.

Senator FAULKNER—In fact I think I have demonstrated far more patience on the Greenfields Foundation than I am known for in a whole range of areas, Mr Cunliffe, to be honest with you. I do appreciate the point you make and thank you for it. On that happy note I will leave the Greenfields Foundation until the next estimates round.

I will ask a question in relation to page 101 of the PBS. I just wanted to know in relation to disposals there of land and buildings if you could just give me a little bit more detail about those figures—\$163,000 in land and \$235,000 in buildings. You may not be able to provide that tonight. If you cannot, I am more than happy for that to be taken on notice.

Mr Becker—I think that might be the proper thing, actually, Senator, but it was my understanding it was to do with housing for some of our staff. We had better take it on notice.

Senator FAULKNER—Mr Becker, could you give the committee some advice on the policy or the philosophy behind the disposals, also some details in relation to the land and buildings concerned, and we can deal with it in that way? I would appreciate you taking that on notice. I would also like to ask whether any consideration has been given to language training requirements for presiding officers in the light of the legislation that is currently before the parliament in terms of assisted voting provisions? I do not know if the minister has given some consideration to this or not, but it is something which has crossed my mind of late.

This is rather hypothetical but I still think a fair enough question as to whether the commission has given some thought to it. If, say, you have assisted voters who will not be able to have the hands-on assistance of voters' friends, as we have under the proposed legislation—you have a voter who does not speak English—has this level of communication between the voter and the presiding officer been something that the commission has given some thought to?

Mr Dacey—Senator, whilst it has not brought it to a head in particular, we have had a longstanding policy of aiming to employ multilingual staff in areas where we determine there is a need. It is not always the case that you can do it. In more remote areas, particularly in relation to Aboriginal communities and remote mobile polling, whilst often the presiding officer may not speak that language, it is usually more often than not the case that one of the other polling staff will be able to speak and understand the local language. Of course the presiding officer, under the legislation, can delegate his or her powers to another polling official so in fact that polling official who had those language skills could assist.

Senator FAULKNER—Yes. This is obviously relevant in Aboriginal communities but I was not thinking so much about that as thinking about the case of—

Mr Dacey—In areas, for instance, like Cabramatta we make every effort to employ multilingual staff.

Senator FAULKNER—I understand that. I am aware of that and I think the committee would understand significant efforts are made. This might be a problem much more broad than where there is a high concentration of non-English speakers speaking a particular language. It is something I must admit I have not given a huge amount of consideration to until recently, because some of the consequences of this have been raised with me by constituents who are concerned. I just wondered if, in the light of the prospective legislation or the legislation that is before the parliament at the moment, the AEC was giving some thought to this. This may well become a real issue, and not just limited to areas where there is a high concentration of particular non-English speakers or in Aboriginal communities and the like. This could be something which has an impact far more broadly.

Mr Becker—I think you are probably right, Senator. We should perhaps look at it in the light of the change to the legislation. Our programs do not just run to what is happening on the day. We do have multilanguage leaflets, we do have the Victorian Interpreting and Translating Services, and ideally we would like to think we get to the elector before that becomes a critical issue, and not outside the booth.

Senator FAULKNER—They do, but of course in practice it is a different issue.

Mr Becker—But it is certainly something we should look at.

Senator FAULKNER—The last area I want to touch on tonight is the outsourcing of the AEC's IT services to Computer Sciences Corporation. I think there is some mention of this on page 76 of the PBS. What services are CSC providing?

Mr Pickering—CSC is providing all our IT&T infrastructure. That includes, on the IT side, mainframe, mid-range, desktop and land services, together with our telecommunications side.

Senator FAULKNER—What data is being kept at CSC's Bondi site?

Mr Pickering—Our mainframe data. That includes our roll management system.

Senator FAULKNER—What are the security arrangements there with CSC?

Mr Pickering—The security arrangements were critically analysed during the evaluation process to ensure that we had levels that met not only our confidential material but also that of our other cluster partners, including DIMA, who have an even higher security requirement than the AEC. We have been working with DIMA's clearance procedures, which more than adequately cover the AEC's requirements. During the process of migration of our contract from pre-contract negotiations through to finalisation of the contract, CSC went through rigorous clearance of staff, which was undertaken via the DIMA process of clearance of staff and all

the sites were cleared by DSD during the evaluation process as well. We are quite satisfied that the security arrangements are to a very high standard.

Senator FAULKNER—Can the performance indicators for this outsourced activity be made public or made available to the committee?

Mr Pickering—In relation to what, Senator?

Senator FAULKNER—These outsourced activities, the full range of the IT services that are being provided by CSC.

Mr Pickering—We have a large range of service levels that apply to each of those categories I described earlier.

Senator FAULKNER—But are they commercial-in-confidence?

Mr Pickering—They are not commercial-in-confidence as far as the requirements we have put in place are concerned—and the percentage of up time and the like which we require under the contract.

Senator FAULKNER—Yes, but what I am interested in is that there is an issue of parliamentary accountability in relation to this. How would you suggest the committee might grapple with that, given that these services have been outsourced?

Mr Pickering—The issue of CSC's performance under each of those categories I described earlier can be determined by the percentage by which they are meeting those particular service levels.

Senator FAULKNER—But I want to know what those performance criteria are.

Mr Pickering—As I said, the areas of those performance criteria can be provided.

Senator FAULKNER—That would be useful, Mr Chairman, and I might have a look at those. I do not want to get the committee bogged down. There is a range of other elements to this that I might canvass at a later stage. Then, I suppose, there are some other fora in which we might be able to do that. I would like, as a first step, to have that information available and apprise myself of it and perhaps take the issue from there. Are the contracts with CSC commercial-in-confidence or would you argue they are commercial-in-confidence?

Mr Pickering—Yes, Senator.

Senator FAULKNER—How long is the contracted period here?

Mr Pickering—For the IT services it is five years. The AEC is part of cluster 3.

Senator FAULKNER—When is that five years up?

Mr Pickering—We began on 1 July 1998, so it finishes in 2003.

Senator FAULKNER—If that material is going to be provided to the committee, Mr Chairman, it seems sensible that I might peruse it in a more leisurely way than continuing to canvass the issues tonight. We might engage on that at a later stage. Any other information you think might be useful, Mr Pickering, in relation to the IT roll out program that could be made available to the committee I am sure would be of interest to us. I must say it is slim pickings, really, in the PBS in relation to some of these issues. I am not particularly critical of the AEC in this regard, but estimates committees tend to be one of the very few opportunities one has to delve into some of this. There are some very important parliamentary scrutiny and accountability issues involved, so I will look with interest at any material you are able to provide. That is all I have for the AEC, Mr Chairman, at this stage.

CHAIR—Thank you. Any further questions of the AEC? If not, I thank the officers attending tonight.

Senator FAULKNER—I should just mention before the AEC goes that I think there were three questions taken on notice at the supplementary additional estimates—only one was mine, and there were two from Senator Murray—which, as I understand it, have not yet been provided. Minister, are you aware of where they are up to?

Senator Ellison—I thought they were done.

Mr Cunliffe—As I understand it, Senator, they have left the commission. I will have to check on that.

Senator FAULKNER—Are you able to state clearly where we are on this? Minister, the secretariat now has them. Thank you for that. We will have a look at them, too, at a later stage.

CHAIR—I thank the AEC for those replies, and thank you again for attending.

[9.44 p.m.]

OFFICE OF ASSET SALES AND INFORMATION TECHNOLOGY OUTSOURCING

Senator ROBERT RAY—I wanted to raise some questions in regard to the DASFLEET sale and the knock-on consequences of that. I need to go back into a bit of history before I develop into the current circumstances. There were in the end—through you, Minister—really a field of two chosen—or two remaining competitors—wasn't there? There was Macquarie Bank, and I am not sure what the other one was. Can you tell me the name of the other one, the runner-up?

Mr Hutchinson—Leaseplan.

Senator ROBERT RAY—Yes, thank you for that. Am I right in saying the Macquarie Bank offer of \$407.9 million was \$6 million more than Leaseplan's?

Mr Hutchinson—Senator, I do not have the detailed numbers at my fingertips. The sale was concluded some time ago. The relativities sound about correct.

Senator ROBERT RAY—What I am interested in is the way the two bids were structured in terms of risk. I hope I do not have to stretch your memory too much, but my understanding is that Leaseplan entailed very little risk, but Macquarie Bank was involved with a greater level of risk. Is that right?

Mr Hutchinson—From my recollection of the sale process, the relativity is right, but I think that would be an oversimplification of the situation. I think the relativity was that the Leaseplan bid under some circumstances would be less risky than the Macquarie bid, but not a zero versus a lot outcome.

Senator ROBERT RAY—Do we know why the decision was made to negotiate with Macquarie as a sole negotiation, rather than as in some of the other sell-offs where you get the two leading tenderers and have a bit of a Dutch auction with them?

Mr Hutchinson—The analysis available to us indicated that the Macquarie bid held out every prospect of being the best. We did not negotiate with them on a sole basis in the sense that we did not discontinue dealing with Leaseplan until we had actually concluded dealing with Macquarie.

Senator ROBERT RAY—I understand keeping the other runner in as a fallback and to put pressure on the one you are negotiating with. I am wondering why you did not negotiate with both simultaneously.

Mr Hutchinson—The advice that we had from our business adviser on the sale and all the analysis they had done indicated that the Macquarie Bank bid was, under almost all likely outcomes, the preferred bid. We negotiated that bid to a satisfactory outcome which reflected that expectation.

Senator ROBERT RAY—At the time, did you understand that the Macquarie bid was for an operating lease which would require RBA approval for the way it was treated on the basis of risk?

Mr Hutchinson—That was fully understood, and the basis on which they bid turned out to be the basis on which the RBA risk weighting was given.

Senator ROBERT RAY—Was that risk waiver determined immediately on the basis of the sale?

Mr Hutchinson—It was determined by the Reserve Bank on application from Macquarie in the normal course of events following the sale.

Senator ROBERT RAY—What, eight months later?

Mr Hutchinson—I do not have a precise recollection of the time period in my mind.

Senator ROBERT RAY—Wasn't it February 1998?

Mr Hutchinson—I do not have the time period in my mind.

Senator ROBERT RAY—Wasn't the initial ruling that in fact they were going on the basis of an operating lease which entailed a 100 per cent risk factor?

Mr Hutchinson—There were initial indications, before the RBA fully understood the transaction, that the RBA was inclined to view it in a different light, but once the transaction was fully explained to the RBA the outcome was that the risk weighting aligned with Macquarie's bid and our advisers' assessment of how the risk weighting would have turned out. There was no ruling or changed ruling. There were indications that the final ruling, as I understand it—because it is a matter between the RBA and Macquarie—turned out in line with the bid expectation, and therefore the pricing to the Commonwealth was aligned in the same way.

Senator ROBERT RAY—But in the end they did not rule it all operating. It was substantially a financial lease but some small elements remained an operating lease, did they not, depending on the expiry date for the vehicles?

Mr Hutchinson—I do not have that detail.

Senator ROBERT RAY—Any vehicle going beyond I think the year 2002 is deemed as an operating lease.

Mr Hutchinson—Given the way the contract for the leased vehicles operates, the Commonwealth and Macquarie between them effectively underwrite the residual risk on the leases until the end of the five-year contract. Vehicles that are leased beyond the end of the five-year contract fall outside that arrangement and therefore perhaps the Reserve Bank will treat Macquarie's capital adequacy ratios differently at that time. That, again, essentially falls outside the tied contract period the Commonwealth has.

Senator ROBERT RAY—Isn't there a different treatment for operating leases as compared with financial leases in the budget papers?

Mr Hutchinson—Senator, if you wish to inquire into the accounting treatment in the budget, you would have to direct those questions to my colleagues in the Department of Finance and Administration.

Senator ROBERT RAY—I am reluctant to recall them at this stage because we have to put our questions to you first.

Mr Hutchinson—Senator, I am more than happy to take the question on notice and refer to my colleagues. We do not have in the office the expertise in the accounting treatment in the budget to give you an answer that we can rely on.

Senator ROBERT RAY—That was not taken into account at the time of sale?

Mr Hutchinson—Sorry, Senator?

Senator ROBERT RAY—What you have told us is how the Reserve Bank quantified the risk factor. Was it your view at the time that this is the way it should be—that is, a financial lease, not an operating lease?

Mr Hutchinson—The point at issue was not the question of a financial lease versus an operating lease but essentially the financing cost that Macquarie would factor into the lease payments. That would depend upon the risk weighting the Reserve Bank accorded to the capital they had invested in the business. The risk weighting the Reserve Bank accorded to Macquarie's capital was exactly the way Macquarie expected it to be in the bid they made to us and exactly the way our financial advisers advised us it would turn out to be.

Senator ROBERT RAY—Yes, so we get back to the point that you believed at the time that the risk factor would be weighted for a financial lease rather than an operating lease. At that stage it raises the question of how it is presented in the budget statements. It should have been raised at that stage. It should have been anticipated at that stage. It has to be shown in the budget papers surely.

Mr Hutchinson—Senator, I am absolutely sure it was shown in the budget papers in the accounts of the various agencies in accordance with the relevant standards. All I am saying is that we do not have the expertise to deal with those matters.

Senator ROBERT RAY—If you go to budget paper No. 1, 4-8, it shows the value of all leases at \$216 million in 1998-99, \$191 million in 1999-2000 and \$236 million. That is nowhere near what you would assume is the value of a liability on the vehicles, which would have been reflected in the sale price. I do not think it has been included. Minister, where is the secretary now? It was not required for outside agencies. This is part of the department.

Mr Hutchinson—No, Senator, we are a separate agency of the portfolio.

Senator ROBERT RAY—I am sorry. It would have been helpful. Is there anyone from Finance still here?

Mr Williams—Yes, Senator,

Senator ROBERT RAY—Are you aware of how these matters are included in budget papers?

Mr Williams—As far as I am aware, there is a distinct difference between an operating lease and a finance lease. One goes to the profit and loss statement and one must be accounted for as a liability in the balance sheet.

Senator ROBERT RAY—Am I right in saying the financial lease has to be accounted for in the balance sheet.

Mr Williams—That is correct.

Senator ROBERT RAY—Has it been so included in the current budget papers such as in paper No. 1, page 4-8.

Mr Williams—I will take that one on notice, Senator, and get an answer to you.

Senator ROBERT RAY—I have a problem, Mr Chairman, in that many these questions are interactive, as to how the department has treated this, and as a knock-on consequence of the sale of this organisation by this particular agency, it is going to make it somewhat difficult.

CHAIR—You may get the answer to your question in a moment, Senator Ray.

Mr Williams—Sorry, Senator, I was distracted.

Senator ROBERT RAY—Just to put the basic building blocks in, you make a sale to Macquarie, which has a different risk rating from the underbidder. After eight months the RBA brings down a determination as to what the risk factor is, which is 10 per cent on, I think, 90 per cent of the vehicles. We can forget the other 10 per cent as pretty irrelevant. If it was in your knowledge at the time that this is in line with the correct thinking that it was going to be a financial lease, I am trying to elucidate whether that has been put as a liability into the budget papers. I am finding it hard to locate in the budget papers, because I think it would be certainly worth more than the \$216 million listed here for 1998-99, which I understand includes other leases, not just this particular one.

Mr Hutchinson—Senator, I am not sure we are going to be able to help you at this hearing, for two reasons: the first is that OASITO's responsibility was to sell the business called DASFLEET, and we sold it to Macquarie Bank. In conjunction with the sale, the then Department of Admin Services, now the Department of Finance and Administration, entered into a five-year contract with Macquarie Bank to lease the vehicles. The sale of the business was recorded by OASITO in our accounts. The consequences of the lease are recorded by the Department of Finance and Administration in their accounts.

Senator ROBERT RAY—Yes, but what I am getting back to is whether the original decision to sell in this manner was wise. The knock-on consequences of what has happened since, as reflected in budget papers or other outcomes, go back to that decision. That is why I have to explore them. We might have to find some way of taking that particular issue back up with the department. It was a very good decision by the finance officer to leave the table! You have learnt early. What were the provisions made for disposal of the rental component?

Mr Hutchinson—The agreement reached with Macquarie Bank was that in the event the rental business was disposed of within a fixed period of time, the proceeds from that on-sale by Macquarie would be rebated to the Commonwealth.

Senator ROBERT RAY—Did they give you assurances that they had no intention of on-selling it?

Mr Hutchinson—There was a series of events. They initially indicated they were examining the on-sale. They then indicated the on-sale examination had fallen through.

Senator ROBERT RAY—When in this process of bidding did they indicate this?

Mr Hutchinson—In their offer they indicated that they were discussing the on-sale of the rentals business, and in their offer they offered to rebate the proceeds to the Commonwealth if the sale took place, and took place within a specific time window.

Senator ROBERT RAY—I come back to my question then. At any stage in the finalisation of the decision to give it to Macquarie, did they give an assurance that it was not their intention to on-sell?

Mr Hutchinson—At all stages during the finalisation it was our understanding they were exploring but were not committed to on-sale. My recollection is that it was not until after the sale was concluded that the proposal to on-sell then fell through.

Senator ROBERT RAY—What were the conditions for the Commonwealth to get a chop out on the on-sale?

Mr Hutchinson—The on-sale had to take place within a specific period of time, which from my recollection was six months.

Senator ROBERT RAY—How many days after the six months did they actually on-sell?

Mr Hutchinson—Between four and six weeks is my recollection.

Senator ROBERT RAY—They did not have to cough up the \$4 million.

Mr Hutchinson—That is correct.

Senator ROBERT RAY—Top deal. Correct me if I am wrong but I think there was some reference in the Auditor-General's report, which no doubt you would have examined, to a review of exposures. Does that come within your area or are you saying that is the department of finance generally?

Mr Hutchinson—Senator, we dealt with the Auditor-General's report some time ago. Can you refresh my memory as to what the review of exposures dealt with?

Senator ROBERT RAY—I think it was recommended that there be a review of exposures in this area and that it be completed by December. I am wondering if that has occurred.

Mr Hutchinson—My general recollection is that particular review is one that fell to the administrators of the tied contract in the Department of Finance and Administration.

Senator ROBERT RAY—At the time of the sale was your agency aware that a very similar transaction had been completed by the ACT government?

Mr Hutchinson—We were aware that a related transaction had been completed by the ACT government. Senator, one of the significant differences between the transaction conducted by the Commonwealth and the transaction conducted by state and territory governments is that the Commonwealth transaction could not be arbitrated on taxation arrangements, whereas the state governments were able to arbitrage on taxation arrangements. There were significant differences in the structure of the transaction.

Senator ROBERT RAY—Are you satisfied that your business advisers gave you a full picture of the potential risk involved with the Macquarie bid?

Mr Hutchinson—Yes, Senator. We examined that in some detail after the event and we are satisfied that was done.

Senator ROBERT RAY—At the time of Macquarie's bid did they give you any indication that they were going to hand over the management of the fleet to Leaseplan?

Mr Hutchinson—At the time the bid was put in place the management of the fleet was with a company called Serco. It was only some substantial time after Serco and Macquarie had worked together that Leaseplan was brought in to replace Serco. There was never any contemplation at the time of the bid that Leaseplan would work with Macquarie. That was a subsequent development.

Senator ROBERT RAY—Leaseplan was the runner-up in the bid.

Mr Hutchinson—Yes.

Senator ROBERT RAY—There was one other area that I assume you negotiated at the time but I had a bit of trouble understanding. Is it called the reserve fund?

Mr Hutchinson—There is a residual reserve fund.

Senator ROBERT RAY—Could you tell me what that is about?

Mr Hutchinson—It is an element of the tied contract. It is an element of the arrangement under which DASFLEET leases vehicles to Commonwealth agencies. The lease rates for the vehicles are struck based on the cost of funds and the expected depreciation resale price of the vehicle over the life of the lease. The tied contract provides that, to the extent that the vehicle is disposed of for an amount above the residual, the proceeds are deposited into the residual reserve fund. To the extent that the vehicle is sold for less than the foreshadowed residual, the shortfall is debited to the residual reserve fund. The forecast balance in the residual reserve fund is used to assess an element of the leasing costs called a residual risk fee. The purpose of this residual risk fee is to progressively manage the residual reserve account so that it achieves a zero balance at the end of the five-year tied contract.

To the extent that there are profits made on the sale of vehicles over and above those allowed for in the lease arrangements, those profits essentially accrue to the Commonwealth. To the effect that there are losses, those losses effectively accrue to the Commonwealth through the operation of this residual reserve account.

Senator ROBERT RAY—I see. All the modelling suggests a 10 per cent GST is going to depress the price of second-hand cars. If that was to occur it will be the Macquarie Bank that draws on the reserve fund, rather than the Commonwealth reaping a dividend out of it. Isn't that right?

Mr Hutchinson—Senator, the adjustment, if any, in the operation of the tied contract to account for the GST is a matter for the Department of Finance and Administration. I am aware that there have been discussions between that department and Macquarie Bank about that matter but I am not familiar with the substance of those discussions or the status they have reached.

Senator ROBERT RAY—I was going more to the conditions of sale in setting this up that would have allowed this potential result. That is the point I am going to, not to ask you to bear responsibility for current negotiations.

Mr Hutchinson—Senator, to the extent that used car prices drop, the residual reserve account will be in debit. To the extent that new car prices drop, lease rates will also drop. If the residual account is in debit, the risk fees will rise. That rise will offset the drop in lease costs that are attracted to new cars because of the drop in price of new cars. I do not have a model in my mind that tells me what the balance will be.

Senator ROBERT RAY—Given the timing of the sale, there is no way I expect you could have anticipated GST. We were still operating under the 'never ever' regime at that stage.

Mr Hutchinson—Senator, to my recollection GST is not mentioned in any of the sale documents.

Senator ROBERT RAY—No, it would not have been. Minister, there is a remaining matter which we cannot clear up tonight so I will put it on notice for response. Given the Reserve Bank's assessment of risk and moving from the probability of operating leases to financial leases, under the accounting norms that follow, those liabilities should appear in the budget papers. If they do appear in the budget papers, where do they appear? And if not, why not?

Senator Ellison—I will take that on notice.

Senator ROBERT RAY—There is also mention in the budget papers of arbitration but that again does not come within your area. It comes within the department's, I take it.

Mr Hutchinson—Senator, there are two issues of dispute with Macquarie Bank, one of which falls within my office's area and one of which falls within DOFA. We have negotiated with Macquarie Bank to merge those into a single arbitration process with a view to a single resolution.

Senator FAULKNER—Are they the two issues mentioned on page 4-38 of Budget Paper No. 1, Mr Hutchinson?

Mr Hutchinson—Yes.

Senator FAULKNER—Can you tell me which one currently is DOFA's responsibility and which one is yours?

Mr Hutchinson—The first one is ours and the second one is DOFA's.

Senator FAULKNER—Can you give us a little more detail of exactly what is occurring and the time lines for it? You indicated that you are trying to merge these. Is that the correct terminology?

Mr Hutchinson—The dispute we have with DASFLEET concerning the completion accounts arises as follows. We offered the business DASFLEET for sale on the basis of a set of accounts as at a date prior to the sale and, as is common with such sales, we then have an adjustment to the purchase price based on the statement of accounts of the business as at the moment of handover of the business, for which purpose completion accounts are prepared. Broadly, the change in working capital in the business between the two sets of accounts is either an addition to or a subtraction from the sale cost, depending on whether the working capital has risen or fallen.

In essence, we had the completion accounts prepared, signed off by the Audit Office, and Macquarie Bank have declined to accept them as being an appropriate set of completion accounts and has lodged an appeal against those completion accounts. We have been unable, to date, to reach a satisfactory resolution with them by negotiation and they have invoked the arbitration clause of the sale contract.

Senator FAULKNER—Hence the final sentence there that, 'This matter'—in relation to the first matter—'is subject to arbitration.' How is the process working to merge these two disputes?

Mr Hutchinson—Subsequently the Department of Finance and Administration gave notice of a dispute to Macquarie Bank concerning the administration of the tied contract. In the last two months we have met with Macquarie Bank on a number of occasions and they have, I think—sometimes it is unclear—agreed in principle to have the two matters proceed in a single arbitration process under a single arbitrator. The first issue, the completion accounts, is largely an accounting issue, but it also has legal overtones. The second issue, the operation of the tied contract, is as I understand it largely a matter of legal interpretation of the tied contract. We have agreed with Macquarie Bank that, if we can find an appropriate single arbitrator to manage that process, that process will proceed.

The process is scheduled to reach agreement on an arbitration process within a matter of weeks, following an audit of information that the Department of Finance and Administration has recently commissioned, and we are hopeful that the matter will be resolved within the coming three to six months.

Senator FAULKNER—As there is a merging of the two matters in dispute, who will inherit the merged dispute—you or the department of finance?

Mr Hutchinson—It will be managed jointly between us and the department of finance. We have no divergence of view between us on how it should be handled, and it is being managed cooperatively between my people and the relevant people in the department of finance.

Senator FAULKNER—You described the DOFA dispute with Macquarie Fleet Leasing on matters associated with the tied contract as basically legal matters, and OASITO's as accounting and legal issues. Does that mean there is no likely impact on the budget in relation to these two disputes? You may not be able to answer directly for the second one. I assume you can answer fully in the first.

Mr Hutchinson—I do not immediately have in mind how the sums of money would flow to the various elements of the budget. Yes, there are budgetary implications of the dispute. In the event that the Commonwealth's interpretation of the completion accounts holds, then we maintain that Macquarie Bank owe us some \$6 million. Macquarie Bank's view of the completion accounts would have us owe them a significantly larger sum. In the event that the DOFA dispute is held to come out in Macquarie's direction, that will mean a significant increase in the residual risk fees for the vehicles leased by the Commonwealth.

Senator ROBERT RAY—Why have you chosen to go the arbitration route rather than the courts?

Mr Hutchinson—The sale agreement provides for arbitration as the first recourse and we are required to proceed by way of arbitration until and unless that process fails. It has not been a speedy process, but then neither is litigation in the court, and there is no reason between us and Macquarie to believe that arbitration with an appropriate arbitrator cannot solve the matter.

Senator FAULKNER—The arbitration clause in the contract applies to the second dispute as well, does it—the DOFA dispute? I appreciate it does for the first dispute, the one that you have—

Mr Hutchinson—My understanding is that the arbitration clause that calls up the second dispute in fact is in the second contract, the tied contract, rather than the sale contract, but it has, I understand, the same effect which invokes arbitration rather than litigation.

Senator ROBERT RAY—Are you dealing with the ADI disposal?

Mr Hutchinson—Yes.

Senator ROBERT RAY—Could you give us a summary of where that is at the moment?

Mr Hutchinson—In a nutshell, we are in the process of asking the bidders, who have been undertaking due diligence for some months, to complete their due diligence and submit bids by 30 June.

Senator ROBERT RAY—How will you be approaching this sale? What are the criteria you have in mind—bottom line dollar, assurances as to non-asset stripping and a continued viable Australian defence industry? What are your directions in this regard?

Mr Lewis—Simon Lewis, Executive Director, Office of Asset Sales. We have a range of sale criteria which we will be using to evaluate bids for ADI. Naturally we have an objective link to optimising the sale price for ADI. We have an objective link to minimising our post-sale risk. We have an objective link to ensuring fair and equitable treatment of staff. We have an objective link to facilitating an efficient and effective defence industry in Australia. I am

calling on my memory a bit here, Senator. If we have some information available, I might expand on that. We have an objective link to regional industry—

Senator ROBERT RAY—That's code for protecting the marginal seat of Bendigo.

Mr Lewis—also, importantly, a capacity to meet ongoing defence requirements, so we are looking at obviously a substantial and credible entity with a lot of expertise and experience in relation to the defence industry in order to maintain Defence's requirements over the short, medium and long term. So there is a range of objectives and we have stated an aim to optimise our risk-weighted price while maintaining optimal outcomes in relation to the other objectives that we have set.

Senator ROBERT RAY—Are you saying the other objectives are subsidiary to price?

Mr Lewis—No, Senator.

Senator ROBERT RAY—That price is most important, but then you take the others into account?

Mr Lewis—It is not possible for us to work out which objective may end up proving to be the most important objective in relation to the sale. It may be that price is not the distinguishing characteristic at all. It may be that there are differences in relation to certain qualitative aspects of the bid, which ultimately predominate. Our job is to put material in front of ministers to allow them to take the decision in relation to the bids that are on the table, in the light of the evaluation criteria that have been set for the sale, which in turn link back to the sale objectives that have been set.

Senator ROBERT RAY—So in the case of this sale, more than most others—and I am interpreting what you are saying; by all means correct me—your job is to pull all the strands together. Who makes the decision then?

Mr Hutchinson—Senator, the decision will be made by ministers, by the Minister for Finance and Administration, in consultation with the Minister for Defence and if necessary in consultation with the Minister for Industry, Science and Resources.

Senator ROBERT RAY—So the Minister for Finance takes it in consultation with the Minister for Defence. It is the wrong order, but in this case—

Mr Hutchinson—The consultation that the Minister for Finance and Administration has in mind is very much a two-way consultation.

Senator ROBERT RAY—We are dealing with an industry that is different from any other. In some ways it is more efficient than others but it requires a potential for excess capacity as part of the national objective. I do not want to characterise you as people that always chase the top dollar and do not care about the rest of the consequences, but in this case the consequences are a lot more complex than most of the other things you are dealing in.

Mr Lewis—Senator, we would maintain the case very strongly that we are not price focused alone. We have a multiplicity of objectives that we are pushing very hard to achieve for the government. In relation to ADI we are working very closely with our defence colleagues; they are essentially integral members of our team. Tony, at my side, is from the Department of Defence, and he is working with OASITO in the role of project manager for that particular sale. They will be part of the evaluation team that evaluates the bids. The defence objectives that are part of the tender process will be very closely evaluated by those defence members of the team. They will be with us when we are briefing the ministers jointly. It is an open book.

Senator ROBERT RAY—That last piece of evidence you have given is very reassuring. Have you had an eye to the Trade Practices Act, though? I understand one of the bidders has pulled out, leaving essentially two. I stand to be corrected on that; I am only going by newspaper reports.

Mr Hutchinson—Senator, on the second point, we have a firm policy in OASITO of never in public confirming or denying what the media or other bidders have indicated might be the range of interest. Therefore, we prefer not to comment on bidders who may or not be in the field.

Senator ROBERT RAY—I did not ask for the names of bidders. I did not even ask for the numbers, but by implication I do require my question to be answered as to whether there are Trade Practices implications—which in turn will probably tell me how many bidders are in but—

Mr Hutchinson—As to the first part of the question, it is a matter of public record that the ACCC is examining the structure of a bidding consortium. It is a condition of our bids that the ACCC does not object to a bid under section 50 of the Trade Practices Act, and therefore it is a matter for bidders to have their bids cleared by that regulator, just as they have to have their bids cleared, if necessary, by the Foreign Investment Review Board.

Senator ROBERT RAY—They probably have to wait in line while they deal with poor little bookshops. You are saying that 30 June is when you are collating final bids. How long do you think the process would take thereafter, just in ballpark figures?

Mr Lewis—Senator, we are targeting sale announcements in September if all goes well.

Senator ROBERT RAY—That is all on ADI.

Senator LUNDY—I would just like to get clarification in terms of timing and ask what opportunities exist for this committee to reconvene at a later date?

CHAIR—It is a slim possibility but I have a reluctance to do so tomorrow afternoon.

Senator Ellison—Mr Chairman, I was advised that Thursday was a spillover day. I am unable to make it tomorrow afternoon, I have a meeting I have to chair. I was advised Thursday was spillover.

CHAIR—That is true.

Senator ROBERT RAY—I think what we are suggesting, rather than drag everyone back, is that we put an 11.30 deadline, and also, Minister, put your witnesses on notice to keep their answers concise. We do not want the shine taken off the new ball this time. We will see if we can get through.

Senator Ellison—As long as the questions are to the point as well, that might help. It is give and take on both sides.

Senator LUNDY—First of all, I would like to follow up an issue raised earlier with respect to the contract that has engaged Shaw Pittman Potts and Trowbridge. When this was first raised back in 1998, the issue of just what Shaw Pittman Potts Trowbridge were engaged to do was the subject of some questioning. The committee was advised that in fact they offered strategic advice, although it was acknowledged that they were a New York legal firm at the time. Can you provide an explanation as to precisely what services Shaw Pittman Potts Trowbridge is providing to the Office of Asset Sales and IT Outsourcing?

Mr Hutchinson—Senator, the position has not changed. They continue to provide strategic advice on the management and implementation of the government's Information Technology

Infrastructure Outsourcing Program, and that is a comprehensive range of services covering the whole substance of the program.

Senator LUNDY—As part of that strategic advice, does it involve negotiations with potential vendors?

Mr Hutchinson—It involves participation in negotiations with potential vendors. It involves advising on negotiating positions with potential vendors, and on occasion it involves conducting such negotiations on our behalf with potential vendors.

Senator LUNDY—In the conduct of those negotiations, are the legal advisers you have engaged participants in that process as well?

Mr Hutchinson—Yes.

Senator LUNDY—To what extent do you define the role of Shaw Pittman Potts Trowbridge when they are negotiating with potential vendors? What are they doing? How do you describe what they do?

Mr Hutchinson—We describe it as negotiating. We describe it as seeking to advance the Commonwealth's interest, seeking to resolve points that require clarification in contracts and bids. We describe it as essentially advancing the bid from draft documentation through the final documentation and final agreement in an outcome that is satisfactory to the Commonwealth and based on the bid. So it is negotiation.

Senator LUNDY—We are just clarifying the officers from ComSuper. We do have some questions but, in the interests of saving time, I am happy to place these on notice provided I can get some undertaking from the minister with respect to a prompt reply on those questions, not the standard 30 days.

Senator Ellison—I will give you an undertaking that they will be answered as early as we can give them.

Senator LUNDY—I am genuinely asking that, otherwise I will ask for a suspension and I will go down to my office and get the questions and serve them up this evening.

Senator Ellison—I can give you that undertaking. This department has a pretty good record of getting answers back. At our last round of estimates we did it in time. Senator Ray even complimented DOFA on it. Our track record is not a bad one. I undertake to get them to you as soon as we can. I cannot give you a time at this stage. I can only say that we will endeavour to do it as quickly as we can. Will we be able to get these questions on notice tomorrow?

Senator LUNDY—I will have to go and get the questions this evening.

CHAIR—After we have finished.

Senator LUNDY—So can the officers can stay.

Senator Ellison—The officers can stay.

CHAIR—Stay or go?

Senator LUNDY—Stay. I was not given an undertaking as to when the questions would be provided.

CHAIR—I am sorry, but you either fit them in before 11.30 or the officers can go. It is either one or the other.

Senator LUNDY—Yes, that is fine.

CHAIR—Which?

Senator LUNDY—They can stay.

CHAIR—All right.

Senator LUNDY—Isn't the role of negotiating with commercial vendors traditionally performed by legal advisers engaged for the purpose?

Mr Hutchinson—Senator, the concept of 'traditional' does not really come into it. We use as a negotiator the person or the skill best able to advance the negotiations. Negotiation is a strategic device and Shaw Pittman is our strategic adviser. When there are negotiations to be had on detailed legal drafting as opposed to commercial principles, then we use our legal adviser to negotiate those points, but when the issues are strategic or commercial we use our strategic and commercial adviser.

Senator LUNDY—So I noticed. It has been noted in the press and certainly at many preceding hearings that the remuneration to Shaw Pittman Potts and Trowbridge far exceeds that of the next most expensive service procured by the Office of Asset Sales and IT Outsourcing. Why is that? Why are Shaw Pittman so expensive compared to other services procured by you or, indeed, any other Commonwealth agency?

Mr Hutchinson—I am not sure it is the case that Shaw Pittman are the most expensive service providers. We also engage investment banks which are not notorious for being cheap. Shaw Pittman were selected for their current engagement in a competitive selection exercise, assessed on value for money. The prices they are charging us for their services are their standard prices in a global practice for a global business. The fact of the matter is that these are the fee rates these people can command elsewhere in the world and, indeed, elsewhere in Australia for assignments of this nature.

Senator LUNDY—On the global practice for global business issues and your reference to competitive tendering, my understanding is that Shaw Pittman have had an extension of contract twice since they were engaged under the competitive tendering process. Is that right?

Mr Hutchinson—Shaw Pittman were engaged in a competitive tendering process that—

Senator LUNDY—Sorry, I will just clarify. They were not originally.

Mr Hutchinson—No.

Senator LUNDY—You took it to competitive tender in May, according to your response.

Mr Hutchinson—In May last year Shaw Pittman were re-engaged through that competitive tender process. The competitive tender process foreshadowed a lengthy engagement. Because of some uncertainty in funding and other matters at that time, we assigned an initial period of engagement for them which was subsequently renewed and has been extended.

Senator LUNDY—How many times?

Mr Hutchinson—It has been done once and it will be done again.

Senator LUNDY—When will it be done again?

Mr Hutchinson—It will be done again in the next few weeks because the extension we previously gave them extended up until 30 June this year because that was linked to the funding certainty of the office at the time.

Senator LUNDY—In response to a question on notice it says they received an extension on 23 September and then another one on 28 February. Is that correct?

Mr Hutchinson—Senator, we draw the distinction here between extensions in time and expansions in work. There was one expansion in work when we brought in additional resources

because of the bunching of work. We brought in an additional person. That was discussed at a hearing earlier this year.

Senator LUNDY—Was that in February or in December?

Mr Yarra—I do not think February rings a bell. January 11 rings a bell, which was the day that we brought out an extra resource with Shaw Pittman.

Senator LUNDY—I will just read out the paragraph of the answer provided to us in response to a question on notice:

On 23 December 1998 OASITO entered into a two-month extension of the new contract with Shaw Pittman Potts and Trowbridge for the provision of strategic and technical advisory services to a revised completion date of February. The contract is currently in the course of further extension to 30 June.

It goes on to say:

The initial contract period for the new contract with Shaw Pittman Potts and Trowbridge was from 1 July 1998 to 31 December 1998.

Mr Hutchinson—Senator, I think there is a divergence between the management view of what we had done and the technical procedure we went through. The management intention was to take the contract which had been written to 31 December and extend it to 30 June. It appears this was done in two parts. I can only speculate that the two stages had to do with funding certainty in the office and our unwillingness to enter into a contract for a period beyond our funding certainty.

Senator LUNDY—Can you take this on notice and provide me with an accurate response as to what occurred and why.

Mr Hutchinson—Certainly.

Senator LUNDY—To date expenditure against this contract with Shaw Pittman from 1 July 1997 through to 31 December totals \$7,651,131.60. Can you provide what additional expenditure has been incurred or payments to Shaw Pittman since then?

Mr Hutchinson—We do not have that at present. We will provide that on notice, if we may. It would be broadly pro rata.

Senator LUNDY—So another \$1.8 million or thereabouts?

Mr Smith—Essentially it would be. We have the same number of people on board, the same rates, so it would be essentially pro rata. But we can get you the precise figures.

Senator LUNDY—\$1.8 million for six months' work is not bad. Is there any reason—and I will go back to the question I asked earlier—why these types of services are so expensive? What is so unique about it that you could not source it from Australia? I think we have traversed that previously, so do not go there, but provide an explanation as to what is so special about what Shaw Pittman do to cause them to cost Australian taxpayers \$1.8 million per six months of service.

Mr Hutchinson—They are providing us with strategic and commercial advice on the government's Information Technology Infrastructure Outsourcing Program.

Senator LUNDY—Let us just step through what they do on a day-to-day basis. Are the three consultants still working for you?

Mr Hutchinson—There are currently four.

Senator LUNDY—Are they there every day?

Mr Hutchinson—Yes.

Senator LUNDY—Can you just step us through what they do each day?

Mr Smith—We could identify them individually. There is a specialist who works on costing and financial modelling and savings modelling for us. His job is to run across all the transactions and, as you are probably aware, we are in the process of handling about four or five transactions in parallel, so he is working across the board on those four or five transactions.

Senator LUNDY—Sorry, what do you mean by ‘transactions’?

Mr Smith—Health group, Centrelink and group 8. We have finished tax and group 5.

Senator LUNDY—Sorry, let us just pretend I do not know anything about this at all.

Mr Smith—The clusterings or groupings of departments we call a transaction or a group.

Senator LUNDY—So a cluster is a transaction.

Mr Smith—That is what I refer to it as.

Senator LUNDY—That is fine, I will just get the terminology right. Let us use cluster 5 as an example.

Mr Smith—He would be responsible for establishing the costing and savings models that we would examine the bids against and to set our cost baselines. He would also assist in the evaluation of tenders and provide guidance for the evaluation.

Senator LUNDY—In establishing those cost baselines he is involved in benchmarking the cost for these contracts?

Mr Smith—He certainly works with agencies to establish their cost baselines, yes.

Senator LUNDY—So you have records of what the benchmark is for costings for each cluster.

Mr Smith—Indeed we do.

Senator LUNDY—Good. Can you provide them to the committee?

Mr Smith—Senator, that is very sensitive commercial information for us. To make those public would in fact jeopardise our competitive position into the future. We use that for our internal analysis to assess the bids versus the cost decisions. It is a business case.

Senator LUNDY—Yes. But now the contract has been let is there any harm in releasing those benchmarks?

Mr Hutchinson—Yes.

Mr Smith—I would suggest that we would not release those benchmarks.

Mr Hutchinson—Senator, the benchmarks flow and adapt from contract to contract, and for us to disclose the cost structures and the analysis we have done would be exceptionally valuable information to firms bidding on new contracts and, I believe, would put at risk the Commonwealth’s interests in future tenders. It would be very unusual for that sort of information to be disclosed on the public record.

Senator LUNDY—In that it establishes, I suppose, what the benchmark is in terms of costs and therefore what is the expected expense going back to the taxpayer I do not think it is too unreasonable. Anyway, let us go back to ‘a day in the life of’. We know that they establish benchmarks.

Mr Smith—He also works with agencies with those costing models to populate those models, both costings and savings models, when bids come in on the other side of the

equation. He provides general advice to us on benchmarks in the industry, so he is in constant contact with Gartner and the like to test service levels and cost baselines, et cetera. That is basically his job. If you multiply that by three or four transactions, that is a full-time job.

Michael Murphy, who we have talked about in the past, is the key strategic adviser who works across all the transactions. He is the key adviser to me on the transactions and is responsible for implementing the program. On occasions he is a lead negotiator, depending on the complexity of the transaction. He also assists in strategy, as the chief executive has already pointed out to you. His job is mainly to go across and to help us set the negotiation strategies, the IT initiatives, when we would put groups to the market, how we would form groups. He has been assisting in those sorts of decisions.

The other two are essentially attached to specific projects. Molly Doland is attached currently to the Centrelink project. Having just been full-time on the group 5 projects, he rolled straight on to the Centrelink project. Norm Fry, who did the Australian Taxation Office project, has now moved across to the health project on a full-time basis. That is currently under evaluation. They will be essentially the lead negotiators on those two transactions.

Senator LUNDY—So they spend their time negotiating with all the different vendors or just the successful one?

Mr Smith—It is not just negotiation, Senator; they are deeply involved in the evaluation processes. They are providing guidance to the evaluation teams which are mainly agency staff. They are also involved in strategy discussions with it as well. We try to take advantage of the very broad experience that these individuals bring to us. Their jobs are much more than just negotiating.

Senator LUNDY—It sounds very complex indeed. I still cannot quite figure out how it is worth so much.

Mr Smith—Senator, could I make an observation about that point because I do not think it has been raised previously?

Senator LUNDY—By all means.

Mr Smith—Our contractual arrangement with Shaw Pittman is on a monthly basis. So we can ask them to work any amount of hours we like within that month. Most of the other advisers you typically get charge out at a daily rate, which is a limited hourly rate, so it might be a specified 10 hours a day or whatever. Shaw Pittman have an unlimited hourly commitment to our project. I suspect that if one did the numerics on the amount of hours that these people put in, which is phenomenal, versus the end monthly rate, you would find that it actually represents extremely good value for money in my view.

Senator LUNDY—So if they were on an hourly rate it would cost even more.

Mr Smith—No, that is not the point I am making.

Mr Hutchinson—No, Senator, for an hourly rate the cost would be less. These are people who are almost invariably in the office at work when I arrive in the morning, which is generally before 8 o'clock.

Senator LUNDY—For \$1.8 million I would expect so.

Mr Hutchinson—They are always there after I leave, which is usually after 7.00 in the evening, and they are customarily there for at least half of the weekend. These people are working to what I would call US New York work ethics. We believe that they are expensive—there is no doubt about that. They are expensive compared to Australian professional fee rates

in broadly comparable areas, but this is the firm and these are the people who have been assessed objectively as the best in the world and these are the fee rates that people pay for the best in the world. The fact of the matter is that, in professional fee rate structures—whether it be legal, accounting or strategic IT advice—Australia domestically is a low fee environment, and when we go across international borders we find ourselves faced with high fee environments. If we have to buy in an international market, we have to face that difference.

Senator LUNDY—So is your decision to engage Shaw Pittman premised on the basis that you are dealing with the international market or, in the case of this program, multinational enterprises?

Mr Hutchinson—The decision to engage Shaw Pittman is based on the fact that this IT infrastructure outsourcing program is the largest program of its type in the world in aggregate. It is exceptionally complex. The government has some very ambitious aspirations for it, both in terms of industry development and savings. The cost of world's best practice consultants is a necessary input to pursuing success in a project of that scale and that complexity. Yes, this program does deal with some of the largest and biggest businesses in the world, as well as dealing with some of the smallest and newly established businesses in Australia. We deal across the full range, but we need to equip ourselves to deal with the big end of town, and we have done so.

Senator LUNDY—Given the IT outsourcing program to date has what could best be described as a potted history, both with respect to savings outcomes and the timetable of the outsourcing program, would you describe the service you have been provided by Shaw Pittman as a good service? Are you happy with the quality of strategic advice you have been provided?

Mr Hutchinson—If we were not happy we would not continue the relationship.

Senator LUNDY—So you think you are getting good advice.

Mr Hutchinson—Yes.

Senator LUNDY—What is your understanding in terms of both the individuals and the company's experience in the Australian market?

Mr Hutchinson—Senator, we examined that in detail when we appointed them. The company is at the leading edge of IT outsourcing globally.

Senator LUNDY—Says who? I have not seen any evidence to that effect. You have to provide evidence.

Mr Hutchinson—Senator, we can go back into the records of that selection exercise and provide you with the firm's credentials if that would deal with your question. We were satisfied with their credentials and remain satisfied with their credentials. We are happy to provide them.

Senator LUNDY—Their client list would be useful.

Mr Smith—Senator, I think we previously advised this committee of their broad background in major transactions throughout the world but we could certainly provide that again.

Senator LUNDY—Also their client list and who else they perform services for.

Mr Hutchinson—We will give you their client list to the extent that they are prepared to allow us to release it.

Senator LUNDY—I think you will find they are not prepared to release it. I will pre-empt you there, Mr Hutchinson.

Mr Hutchinson—Some of their engagements will be themselves commercially confidential.

Senator LUNDY—If you could undertake to provide us with a client list of Shaw Pittman and Potts Trowbridge that would be most useful. I will await it with interest. What was the extent of Shaw Pittman's experience in Australia prior to them being engaged by OASITO, then OGIT? You can refer me to previous *Hansard* if you wish, Mr Hutchinson.

Mr Hutchinson—I do not have encyclopedic recall of *Hansard*. They have a number of significant transactions that I am familiar with. The problem I have here is that I am not completely familiar with which of those are confidential. I prefer to take that on the record so I do not inadvertently breach confidentiality undertakings we have given to Shaw Pittman.

Senator LUNDY—What confidentiality undertakings do you have with them?

Mr Hutchinson—Some of their clients will be confidential.

Senator LUNDY—Why would that be?

Mr Hutchinson—There is one transaction that they are advising on—not the people we are working with, but the firm—that we know they are advising on, and we know it is confidential. It has been disclosed to us on the basis that it is confidential.

Senator LUNDY—Why is it confidential?

Mr Hutchinson—It is confidential because the major corporate firms involved do not want it known that they are examining a transaction in this field.

Senator LUNDY—Is there a conflict of interest with the work they are doing with you?

Mr Hutchinson—No. If there was, they would not have been allowed to take up the other engagement.

Senator LUNDY—How are we to know, as a committee? Public accountability?

Mr Hutchinson—Senator, in terms of conflicts of interest, we receive notifications from our advisers on a daily basis of engagements they have been approached to undertake and which they would like us to know about in the interests of some transparency. This is so we can satisfy ourselves on behalf of the Commonwealth that there are no conflicts. It is absolutely unthinkable that the information would be disclosed on the public record, because it discloses transactions that are in contemplation and takeover bids that are in contemplation. It often discloses information that would be share price sensitive for the purpose of insider trading laws. Were it not the parliament, it would be actually unlawful to put it on the public record. Obviously it is not unlawful to do so in the parliament but it would be singularly inappropriate for the committee to pursue that sort of disclosure, with respect.

Senator LUNDY—I have no doubt that what you say is absolutely true. My point lies within the ability of such conflicts of interest to be determined, and on the reliance on your undertakings, and nothing else, that no conflict of interest exists.

Senator Ellison—Senator Lundy, that happened with any consultant the previous government used. When you engage a lawyer you rely on that lawyer to advise you of any conflict of interest because you are not in a position to know; only they are. This is the same as any other consultant the government uses. Of course once the government realises, or is informed that there is a conflict of interest, it does not divulge that to the world at large because that is commercial-in-confidence. You would then be telling the world at large who that consultant or that lawyer is dealing with.

Senator LUNDY—In estimates dated 3 March 1998, which I am sure you are familiar with, Mr Hutchinson, you made the statement that Shaw Pittman was engaged by the former Chief

Government Information Officer. Was the minister's office or the minister involved in either the negotiations or the decision to secure the services of Shaw Pittman in the first instance?

Mr Hutchinson—My recollection of the evidence we gave at that time is that the minister's office was advised of the engagement. I do not recall that they were involved in the sense that they were a decision making party. My recollection is that they were advised of the engagement but not of the process by which it was followed. You will recall that there was some discussion about the sole source process. My investigations at the time indicated that there had been a bona fide sole source process and that judgments were exercised properly, but the minister's office was not involved in the decision of the sole source process. They were just aware of the appointment.

Senator LUNDY—Do you stand by that evidence?

Mr Hutchinson—That is my recollection of the evidence. I have not revisited the facts since that time.

Senator LUNDY—I refer back to Mr Moyle's transfer from Freehill Hollingdale and Page to Shaw Pittman. One of the issues that was not traversed back then was with respect to the work Freehills was doing. My recollection is that I asked a question which was taken on notice as to whether or not Freehills was providing any services to the Office of Asset Sales, or OGIT as it was then. Were they providing any services to the department of finance at the time?

Mr Hutchinson—I am completely unaware of who provided legal services to the department of finance then or now. I may have had some knowledge at that time but I do not have recollection of it. Freehill Hollingdale and Page are legal advisers to the Office of Asset Sales in another capacity and have been for some time. There is no relationship between Freehill Hollingdale and Page's engagement and that of Shaw Pittman. There was no question of anyone transferring from one firm to the other. The named individual, as I understand it, resigned from one firm and procured an appointment with another in a normal career transition. I do not believe there was any relationship between the two firms.

Senator LUNDY—I note also, again with respect to answers provided on notice, that Ms Marks has left your services and is now working for Freehill Hollingdale and Page. Is that correct?

Mr Hutchinson—Ms Marks was on secondment to us from the South Australian government and she resigned from that position to take up a position with Freehill Hollingdale and Page.

Senator LUNDY—As part of Freehill Hollingdale and Page's contract with the Office of Asset Sales is she still involved in providing services and advice?

Mr Hutchinson—No. She has no involvement in any work that Freehill Hollingdale and Page are undertaking for OASITO in any capacity.

Senator LUNDY—What about with respect to the department of finance?

Mr Hutchinson—I do not know because I have no accountability to the department of finance but from my general awareness of Ms Marks' career, she is not working in a field where the department of finance would be using her services.

Senator LUNDY—What field is she working in?

Mr Hutchinson—She is working in the field of information technology, to the best of my knowledge.

Senator LUNDY—In terms of the industry development clause that has been developed as a part of the RFT, but more specifically as part of the transactions—as Mr Smith calls

them—we heard earlier today about some of the challenges in trying to get access to information about whether or not industry development commitments are adhered to and whether sanctions are applied within the contracts. Can you provide for the committee an explanation of what opportunities there are for public scrutiny of the meeting of the industry development undertakings by vendors.

Mr Hutchinson—Senator, the monitoring of the industry development obligations of IT outsourcing contractors is the responsibility of the Department of Communications, Information Technology and the Arts. My understanding is that their framework involves them carrying out an audit and providing some coverage of that audit in their annual reporting to their minister and through their ministers in parliament.

Senator LUNDY—What does that have to do with you?

Mr Hutchinson—Essentially, we set up the contract. After the contract is in place, the ongoing management of the contract passes to the cluster agencies for operational or financial matters and to DOCITA for industry development matters. We are merely the midwife; we do not bring up the child.

Senator LUNDY—That is one way of putting it. In relation to the negotiations around the industry development clauses, I note that you have several industry development consultants on your books. Do they have an ongoing role in scrutinising the effectiveness of these industry development provisions for the purposes of negotiating the next lot, for example?

Mr Hutchinson—To the extent that there are lessons learned by DOCITA that might affect how we negotiate the next lot, as you put it, then DOCITA's involvement in our process would help our consultants and our staff to be aware of those lessons and they would be fed back into the processes. But to my knowledge our consultants do not have a direct role in DOCITA's monitoring. They would rely on DOCITA's feedback of that monitoring.

Mr Smith—I would like to make one small point of clarification on that. If there were any issues that DOCITA would like to have clarified with us in relation to the agreements back at the contract negotiation stage, our consultants would be available to share their understanding of what was contracted at the time. So they could call back on the consultants.

Senator LUNDY—Like a second reading analysis. So they are available for discussions. The savings that were originally spoken of by the minister when this program was first initiated back in 1997 were \$1 billion over seven years, and yet I note with interest that the minister is citing \$170 million savings in five years. Can you provide the committee with accurate figures for the savings to date and the projections in the foreseeable future—that is five-year, seven-year projections?

Mr Hutchinson—Senator, we will take that question on notice, if we may. We would need to re-examine the history and the state of the present projects, but we will provide you with what information we properly can.

Senator LUNDY—In terms of the process you described, Mr Smith, about benchmarking costs and the role that Shaw Pittman has, do you generally expect that tender prices would come in below that benchmark cost?

Mr Smith—Senator, it is true that some of the assumptions that Gartner and those industry observers would make indicate that the future costs are on a downward trend, so that the future cost of infrastructure is on a downward trend. In terms of the contract, we would expect the contract to come in at either the contract rate or below that rate for the existing contracted services. Naturally, agencies can choose to vary those services as they move through the

contract, depending on their operation or business needs, and there may be some movement in the price of the contract because of those reasons. We would expect that they would come in on contract price or below.

Senator LUNDY—Does the whole notion of cost savings have a contingency factor on what the agencies determine for their service level outcomes or service level requirements?

Mr Smith—I am not sure I understand your question. If your question is, do we expect the savings to occur that they expect from the outset, the answer is we would expect that to be true, yes.

Senator LUNDY—I presume you are the body that gets to calculate the potential savings on behalf of the minister. Is that right? That is your job?

Mr Hutchinson—Yes, that is correct.

Senator LUNDY—How does that fit in with the fact that you do not control the ongoing requirements of the agencies post signing of the contract?

Mr Hutchinson—Senator, the process we adopt is to produce, with the agencies, a model of how their costs in-house would pan out in the future, given their present prognosis for the services they would require. We then model the costs that are put into the tenders for the same range and array of services over the same period of time. The difference between those two sets of costs are the prima facie savings. To the extent that the actual outturn expenditure is different from the cost models because agencies have changed what they buy, then that is not a change in savings. Agencies may reinvest their savings in higher service levels and a number have chosen to do that; increased disaster recovery availability, improved service to customers, or indeed expanded workloads. They are not part of the savings. We do a like with like comparison.

Senator LUNDY—When you extrapolate out those savings and provide estimates to the minister, who makes big public statements about anticipated savings, that is because you have taken essentially an extrapolated bottle of benchmark savings that are in existence at the signing of the contract.

Mr Hutchinson—That is correct. It is an estimate of how much the agency—

Senator LUNDY—Yes, I understand what you say.

Mr Hutchinson—would save if they carried on business as usual.

Senator LUNDY—Yes. I think it is very important that it is clear to everyone who has an interest in this project, that the savings estimates put forward by the minister have little bearing on any potential negotiation or discussion or change of service, as you described, or the variations that could occur at a later date. I am having great difficulty in understanding how the minister can espouse claims of great savings, given what you have just described.

Mr Hutchinson—The minister will announce the savings, and implicit in that announcement, because of government policy, is that those savings remain available to the agency to reinvest in its business. If they choose to reinvest it in additional IT to support the business, then that is additional expenditure. It does not change the savings. To the extent that they choose to buy additional desktops, they will buy those additional desktops, or acquire desktop services, at the saved rate, the lower rate that is in the contract. Therefore the savings will continue to accrue.

Senator LUNDY—That is if the terms of the contract provide for such a measure, as some do.

Mr Hutchinson—They do.

Senator LUNDY—Do they all provide for that measure?

Mr Hutchinson—The basic structure is a rate card. The infrastructure services that an agency requires are essentially bought within certain parameters from the rate card. They can take matters in and out of scope, they can increase the amount of coverage in scope. An agency that was growing could easily acquire additional desktops; an agency that was shrinking might take less.

Senator LUNDY—That will all affect the savings ratio with respect to that contract?

Mr Hutchinson—No. All of those variations will take place at the reduced price. That is indicated in the savings. Therefore, if they buy an extra thousand desktops, they will get a thousand cheaper desktops than they would have done had they not outsourced. So the savings will continue to grow.

Senator LUNDY—I am not questioning that, but the net savings to the agency will vary, regardless of whether or not they buy cheap desktops or expensive desktops. The net savings will still be varied.

Mr Hutchinson—The savings that they actually accrue will vary, depending on how much work they do.

Senator LUNDY—Yes.

Mr Hutchinson—What we are putting forward is the aggregate savings that would depend upon the amount of work the agency itself forecasts it will require of its IT infrastructure over the period of the contract.

Senator LUNDY—I look forward to the upgraded estimate of the savings for the overall program. Could you also identify the point in time at which those assessments were made so that we know if any anticipated changes to those agencies or their operations are contained within or sit outside those estimates.

The priority that the government places on industry development and regional employment is highlighted in the portfolio budget statement as part of the outcome or the output. How do your strategic negotiating advisers assess ongoing commitments to that kind of outcome, particularly given that once the contract is signed, industry development is handed over to a different department to manage and oversee? How do you, as an agency, manage that particular output? Is that the way to describe it? Is it an output? I will just have a look at the PBS. Do you know what I mean? I am looking at page 119. Outcome 2 says:

Cost effective and operationally satisfactory outsourcing arrangements for Commonwealth budget-sector IT infrastructure that enhances industry development and employment opportunities particularly in Regional Australia.

From what you have described, the only opportunity for you to do that is in the initial contractual negotiation when setting up the contract.

Mr Hutchinson—We will report as our outcome the number and distribution of jobs in regional Australia to which contractors have committed during the reporting year. That will be our contribution to that outcome. Maintaining that outcome past that point will be DOCITA's responsibility.

Senator LUNDY—Do they have a similar outcome listed in their PBS?

Mr Hutchinson—I must confess to not having read their PBS.

Senator LUNDY—It is just that I am surprised. You are usually far more diligent. Could you take that on notice for me. I can certainly research it myself, but it is an interesting point, in that the output or outcome is defined there but in fact you have no carriage of it post event. Again I go back to my point about the ongoing scrutiny and maintenance of those commitments and the opportunity to persist with them.

Mr Hutchinson—Senator, our outcome, to use my own analogy, is to give birth to jobs in regional Australia. It is DCITA's responsibility to then maintain those jobs. To the extent that there is any difference between our two sets of PBSs in this area, we will have a dialogue with them about ensuring none of these jobs fall through the cracks.

Senator LUNDY—Indeed. Finally, can you provide for the committee an explanation of your current timetabling with respect to IT outsourcing programs.

Mr Lewis—Senator, is your question that you would like some details of what our timetable is henceforth?

Senator LUNDY—Yes. It changes so regularly.

Mr Smith—Senator, as you would be aware, we have three contracts placed to date. That is group 3, ATO, and group 5. The ones in current process are the health group; Centrelink; Health and Family and Community Services, or Health and Aged Care—one of those—and group 8, which is a group of about seven agencies, which we have talked about in the past. That is a total of six transactions. We expect around about 10 or 11. We are in the process of forming or are in discussions with other agencies to form other possible groups, the timing of which is yet to be determined. What I can say is that we expect to have the Centrelink project completed in the first quarter of the year 2000, the group 8 project to be completed in the last quarter of calendar year 1999, and the health group to be completed in the first quarter of the financial year 1999-2000. There are four, possibly five, other groups, where we are in very early dialogue with agencies. It is yet to be determined, but we expect those to be completed by the now general end date of end of calendar year 2000.

Senator LUNDY—Thank you. Is it your intention to make available any of those contracts to Australian small to medium enterprises for their primary contract?

Mr Smith—Senator, it would not be appropriate for me to speculate on that, other than to say that we have designed this process in a way which provides opportunities for small and medium enterprises to participate in our program both as prime contractors or subcontractors. There are some transactions we have targeted that are in the category which small and medium enterprises could potentially bid and prime successfully. As you know, we have talked in the past of the small agency program, which is the 300 desktop and below, where we believe there are very real opportunities for small and medium enterprises. There are approximately 20 to 30 agencies in that group.

Senator LUNDY—Does Shaw Pittman Potts and Trowbridge have any experience in dealing with small to medium enterprises in the IT sector, negotiating on their behalf, experience in that part of the industry, and that kind of thing?

Mr Smith—I could not specifically answer the question, except to say that Shaw Pittman's commercial understanding across the whole of the sector is pretty strong and they have been integrally involved in the development of the industry development policy. They have certainly been able to contribute quite significantly to the final formulation of that policy, which was designed in very many significant ways to the development of small and medium enterprises.

Senator LUNDY—It is interesting that the US industry development policy is very much focused around the engagement of US multinational enterprises in the first instance. Obviously the lack of multinational enterprises that are Australian in our particular market presents a challenge. What specific direction or guidance, if any, have you given your strategic advisers or negotiators to take into account the particular Australian conditions? That is, we do not have the presence of a number of Australian multinational enterprises. Certainly we do have some large players but not enough of them to form a competitive field.

Mr Smith—Are you asking do I direct them in any particular way towards SMEs?

Senator LUNDY—Yes.

Mr Smith—The whole of the policy is designed around fostering the development of small to medium enterprises in the industry.

Senator LUNDY—That is exactly my point. I continually hear the words of the minister and read outcomes talking about industry development but, underpinning that, there seems to me to be a complete bias towards the engagement of multinational enterprises as the primaries in these particular contracts. I am wondering to what degree Shaw Pittman's advice plays a part in that particular strategic direction.

Mr Smith—Senator, I can only go back to the basic point, which is that the development of small to medium enterprises is an integral part of the industry development policy which was developed between OASITO and the industry department at the time. If you are suggesting there are ways in which we would direct work to Australian industry in a very targeted sense, certainly, that is our goal.

Senator LUNDY—That is what the US government does. I am wondering why you have not chosen to employ the same strategy here.

Mr Smith—You will have seen some of the newspaper reports recently by some of the small and medium enterprises who suggest—and I think quite rightly—that whilst they are very pleased to have the opportunity, they cannot just be given the work if they have not got the capability, price, and so on to win bids on their own merits. They do not want that.

Senator LUNDY—Has that caused you, Mr Smith, to reconsider the structure of the contracts—that is, clustering them in the way that you have—given the magnitude of the contracts predetermines who is capable of tendering for them?

Mr Smith—Senator, as I said to you, there are a number of transactions which are pitched at a level which small and medium enterprises could potentially bid for. There is the other level, which is the desktop 300 and below. We should have regard to the fact that in the major transactions the key role that these small and medium enterprise players are undertaking right now is that they are learning project management skills. I speak to these people regularly. They are through my door every day. Almost across the board they say to me that the learning experience of being a major subcontractor to a prime should never be underestimated.

Senator LUNDY—I can imagine they are being put to the test.

Mr Smith—To take the point further, a lot of them say to me, 'We are now confident that we have the ability to step up and take the next step to prime.' That is a part of the three- or four-pronged attack that this policy is designed to achieve.

Senator LUNDY—Was that a strategy put in place at the start?

Mr Smith—Yes, indeed it was.

Senator LUNDY—So it was part of the strategy to focus on utilising multinational enterprises for the primaries?

Mr Smith—I did not say that.

Mr Hutchinson—Senator, some of the Commonwealth IT installations at the outset were themselves already of such a scale that there was no Australian IT company which could reasonably have taken them over. They just would not have had the capacity. To have broken them up to yield units of scale that the Australian IT industry could take on would have destroyed economies of scale and led to dissavings rather than savings.

Senator LUNDY—What you say would be correct, Mr Hutchinson, if you factored in the capability for an in-house bid to be prepared, but this program specifically excluded them so it provided for a foregone conclusion that in those cases where—you are quite right—a lot of MIPS are required, and the capability perhaps was not there in the Australian market, so the outcome is predetermined. Is it surprising you do not get competitive bids on projects or on tenders like DEETYA in that environment? Doesn't this point to some flaw in the strategy employed by this program in the first instance?

Mr Hutchinson—I think, Senator, you are inviting me to debate government policy here.

Senator LUNDY—Yes. The minister is obviously not prepared to engage. I know we are running out of time.

CHAIR—We are not here to debate government policy.

Senator LUNDY—No. I am going to have to go and get my questions for ComSuper so I can scrape them in before the committee is due to close. I would like to flag that I will place some questions on notice to the Office of Asset Sales and Information Technology Outsourcing in relation to the IT outsourcing program. Would you suspend the committee for a few minutes while I go and find my question?

CHAIR—Yes.

Proceedings suspended from 11.22 p.m. to 11.32 p.m.

Senator Ellison—I will take Senator Lundy's questions on notice. I will undertake to give a speedy reply to them. I have a reasonable record in that regard.

CHAIR—Yes, you do. Thank you, Minister. We will resume tomorrow morning at 9 o'clock.

Committee adjourned at 11.33 p.m.